

Registered number: 00376920

Avery's of Bristol Limited
Annual report and financial statements
For the year ended 3 July 2020

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Averys of Bristol Limited

Annual report and financial statements for the year ended 3 July 2020

	Pages
Company information	1
Strategic report	2 - 4
Directors' report	5 - 6
Income statement and statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 27

Averys of Bristol Limited

1

Company information

Directors

J W H Weir
D A Thatcher
D B Gates

Registered office

9A Culver Street
Bristol
BS1 5LD

Bankers

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

HSBC plc
Level 7
Thames Tower
Station Road
Reading
Berkshire
RG1 1LX

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place,
78 Cannon Street
London
EC4N 6AF
United Kingdom

Strategic report for the year ended 3 July 2020

The directors present their strategic report of the Company for the year ended 3 July 2020.

Business review and principal activities

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

On 27th February 2020 the Company entered into an Asset Purchase and Outsourcing Agreement with Direct Wines Limited to provide the Company with services including the acquisition and maintenance of stock, marketing, services relating to the sale of goods and certain other services in return for the payment of an Operating Fee.

The income statement for the year is set out on page 7.

Sales were up 2.7% on the prior year mainly due to increased demand in the final quarter of the financial year as the impact of Covid-19 lockdown measures were implemented.

The profit before income tax for the year was £229,799 (2019: profit £113,965). The increase in profitability is driven predominantly by the increase in sales and operational efficiencies arising from the new outsourcing arrangement.

In addition to the customer base, the business monitors other key performance indicators which include measures on productivity, costs, sales and margin. In a challenging economic climate the directors are pleased to report that the gross margin strengthened to 35.6% (2019: 32.1%).

Risk management

The directors recognise the following as the principal risks of the business and meet regularly to update and review the risk register:

Technology risk/IT Security

- Any significant failure of IT systems would affect our ability to trade. The Company ensures that the organisation appropriately manages the IT risk across security, availability, performance and compliance. These risks are monitored through dedicated governance reviews, regular tests and annual audits from a number of independent organisations, all of which is reported to the Audit Committee. The Company continues to invest significantly in IT development and deployed a new system at the end of the previous financial year which is proving to be a firm foundation for future growth and enhanced controls and security.

People risk

- The success of our business is based on employing the best people with the right capabilities. The Company recognises that the loss of staff with specific knowledge or skills can be disruptive to the business. The Board, through the People Committee, continues to maintain focus on retaining staff and reviews pay and benefits policies annually as well as succession planning for key staff.

Operational risk

- In the event of an emergency incident, business continuity plans are key to ensure the business is appropriately protected against risk. These plans are in place and are regularly tested.

Regulatory risk/Compliance

- We need to ensure compliance with all legal and regulatory requirements in the markets in which we operate and to monitor any legal or regulatory changes. The Company employs a UK legal and compliance team to ensure that we are aware of and comply with all requirements and this is reported into the Audit Committee. Areas covered include governance and policies, security of personal data and marketing communications (including GDPR).

Performance risk

- Performance against budget is tracked as any negative variance could lead to a failure to deliver the long-term goals. The Board is informed about the Company's progress on a monthly basis and any deviations from the budget are discussed at Board meetings.

Strategic report for the year ended 3 July 2020 (continued)

Risk management (continued)

Economic risk

- The Board reviews a broad range of economic, regulatory and political risks as part of the Strategic Planning process.

Financial risk

- Foreign exchange, interest rate, credit and liquidity risks are managed with appropriate financial instruments and the directors approve the Treasury policy annually. Further information is provided in the Directors' Report.

Brexit

- The Company recognise the ongoing risks of the Brexit process, principally in the areas of people, logistics on wine imported from and exported to the EU and additional legislation. A Brexit Readiness Group exists to monitor the issues raised by Brexit and review options to mitigate these risks using internal and industry resources.

Covid-19

- The Company has managed the initial stages of the pandemic well, activating elements of its business continuity plans to enable large scale home working for the majority of employees and adapting warehouse procedures to ensure safe working conditions for staff. These actions played a key part in allowing the business to meet increased demand with the smallest possible impact on service levels. A Covid-19 Management Group meets regularly to ensure we remain informed as government advice changes and that we continue to consider all options to optimise the business as the pandemic develops.

The directors meet regularly to evaluate business risks, monitor the economic climate and take appropriate action where necessary.

The main objectives of the Company continue to be the maintenance of a positive long-term trajectory on revenue, profit and customer numbers; to build long-term customer relationships and to work with our partners to source outstanding and great value wine for our customers with a growing digital dimension to our operation.

Considering the interests of stakeholders

The Company is committed to developing its relationships with key stakeholders, including our employees and our suppliers of wine and other goods and services.

Employee loyalty has been a key driver of the Company's success and the Board (through the work of the Group's People Committee) has put in place a number of initiatives to support employees' interests, including:

- Introduction of enhanced parental leave entitlements beyond statutory requirements
- A charity partnership scheme in which employees have nominated a local charity with whom each local office carries out fundraising activities.
- Offering all employees the opportunity to take advantage of a flexible, tax efficient Payroll Giving scheme, through which individuals may opt to make regular donations to a charity or good cause of their choice.
- Ongoing commitment to Gender Pay equality.
- All employees (with the exception of some Board members) are members of the annual company profit share scheme, which is paid based on business performance.
- As part of Group's fiftieth anniversary celebrations, the directors have awarded all employees an additional day's annual leave (to be taken on or around each employee's birthday) as an ongoing benefit.

Strategic report for the year ended 3 July 2020 (continued)

Considering the interests of stakeholders (continued)

We consider our long-term relationships with wine suppliers to be a strategic point of difference from our competitors, and we aim to connect our suppliers directly with our customers through events such as our annual Summer of Wine Festival. In order to ensure these relationships remain strong, and to demonstrate their importance to the Company, we have a policy that every Board member should aim to accompany a buying trip at least once a year.

Across our supplier base, we want to be known as a reliable customer. Our Payment Practice Reports demonstrate that we pay invoices much faster than the national average, and we continue to review our published results together with those of our competitors to ensure that our payment policies are industry-leading. We engage suppliers based on trust, openness and shared values, and our formal Supplier Take On process includes consideration of compliance with relevant policies on matters such as Modern Slavery, Anti-Bribery and Corruption and business ethics.

On behalf of the Board



D A Thatcher

Director

22 September 2020

Directors' report for the year ended 3 July 2020

The directors present their annual report and the financial statements of the Company for the year ended 3 July 2020.

Results and dividends

The financial result for the year amounted to a profit of £175,575 (2019: profit £78,456). The directors have not recommended the payment of a dividend (2019: £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 year and up to the date of signing the financial statements, except as stated otherwise were:

D A Thatcher

J W H Weir

D B Gates Appointed 1st September 2020

Directors' and Officers' liability insurance

The Company maintains liability insurance for its directors and officers.

Financial risk management

The Company's operations expose it to a variety of financial risks that include 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 manages this risk by forward purchasing foreign currency in accordance with its treasury policy.

Political and charitable contributions

The Company made no charitable donations (2019: £Nil). No political donations were made during the year (2019: £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 encouraged.

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 year ended 3 July 2020 (continued)

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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.



D A Thatcher
Director
22 September 2020

Income Statement for the year ended 3 July 2020

	Note	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Revenue	4	13,265,654	12,911,313
Cost of sales		(8,543,567)	(8,767,487)
Gross profit		4,722,087	4,143,826
Administrative expenses		(2,751,422)	(4,029,861)
Operating Income		(1,740,866)	-
Operating profit	5	229,799	113,965
Profit before income tax		229,799	113,965
Income tax expense	8	(54,224)	(35,509)
Profit for the financial year		175,575	78,456

Statement of comprehensive income for the year ended 3 July 2020

	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Profit for the financial year	175,575	78,456
Other comprehensive income/(expense)		
- Changes in fair value of cash flow hedges	(49,814)	58,449
- Deferred taxation	8,468	(10,023)
Other comprehensive income/(expense) for the year, net of tax	(41,346)	48,426
Total comprehensive income for the year	134,229	126,882

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

Averys of Bristol Limited

8

Balance sheet as at 3 July 2020

	Note	3 July 2020 £	28 June 2019 £
Fixed assets			
Property, plant and equipment	9	170,791	267,316
Total fixed assets		170,791	267,316
Current assets			
Inventories	10	-	4,245,424
Trade and other receivables	11	4,362,932	650,467
Cash at bank and in hand		1,031,297	2,028,966
Total current assets		5,394,229	6,924,857
Trade and other payables due within one year	12	(3,640,179)	(5,407,452)
Net current assets		1,754,050	1,517,405
Total assets less current liabilities		1,924,841	1,784,721
Trade and other payables due after more than one year	13	(5,582,122)	(5,582,122)
Provision for liabilities	14	(50,421)	(44,530)
Net liabilities		(3,707,702)	(3,841,931)
Capital and reserves			
Called up share capital	18	1,500,000	1,500,000
Hedging reserve		9,193	50,539
Accumulated deficit		(5,216,895)	(5,392,470)
Total Shareholders deficit		(3,707,702)	(3,841,931)

For the year ending 3 July 2020 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 10 to 27 are an integral part of these financial statements.

The financial statements on pages 7 to 27 were authorised for issue by the Board of directors on 22nd September 2020 and were signed on its behalf by:



D A Thatcher
Director
Averys of Bristol Limited
Registered number: 00376920

Statement of changes in equity for the year ended 3 July 2020

	Called up share capital	Accumulated deficit	Hedging reserve	Total Shareholders deficit
	£	£	£	£
Balance as at 29 June 2018	1,500,000	(5,470,926)	2,113	(3,968,813)
Profit for the year	-	78,456	-	78,456
Other comprehensive income for the year:				
- Changes in fair value of cash flow hedges	-	-	48,426	48,426
Total comprehensive income for the year	-	78,456	48,426	126,882
Balance as at 28 June 2019	1,500,000	(5,392,470)	50,539	(3,841,931)
Profit for the year	-	175,575	-	175,575
Other comprehensive expense for the year:				
- Changes in fair value of cash flow hedges	-	-	(41,346)	(41,346)
Total comprehensive income for the year	-	175,575	(41,346)	134,229
Balance as at 3 July 2020	1,500,000	(5,216,895)	9,193	(3,707,702)

Notes to the financial statements for the year ended 3 July 2020

1 General information

Averys of Bristol Limited is a private company limited by shares and is incorporated in England. 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.

(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.

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 53 week period ended 3 July 2020. The previous accounting period was for the 52 weeks ended 28 June 2019.

(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 year ended
3 July 2020 (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, exemption from an audit of the financial statements for the financial year ending 3 July 2020 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 year ended 3 July 2020 (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 a 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 year ended
3 July 2020 (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 first-in first-out method for under bond stock and weighted average method for stock duty paid. 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 year ended
3 July 2020 (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.

(ii) Contingencies

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

Notes to the financial statements for the year ended 3 July 2020 (continued)

3 Summary of significant accounting policies (continued)

(n) Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other receivables, 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 payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

(iii) Offsetting

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

(iv) Derivative financial instruments

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

and liabilities when their fair value is negative after taking account of any master netting agreements in place.

Notes to the financial statements for the year ended 3 July 2020 (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 the other comprehensive income. 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. It does not disclose transactions with members of the same group that are wholly owned.

(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 independent third party pricing services.

(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.

**Notes to the financial statements for the year ended
3 July 2020 (continued)****3 Summary of significant accounting policies (continued)****(q) Critical accounting judgements and estimation uncertainty (continued)***(ii) Key accounting estimates and assumptions (continued)**(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.

(b) 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.

(c) 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.

(a) 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.

Notes to the financial statements for the year ended 3 July 2020 (continued)

4 Revenue

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

5 Operating profit/(loss)

	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Operating profit/(loss) is stated after charging:		
Staff costs (Note 6)	1,043,534	1,546,820
Depreciation charge for the period:		
Owned assets	7,433	10,964
Leased assets	96,070	99,630
Inventory recognised as an expense	5,391,384	5,669,419
Operating lease charges	39,758	42,785

6 Employee information

The average monthly number of persons employed by the Company during the period was:

By activity	53 week period ended 3 July 2020	52 week period ended 28 June 2019
Office and management	3	4
Selling and distribution	22	36
	25	40

Staff costs for the above persons comprised:

	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Wages and salaries	911,572	1,364,128
Social security costs	83,137	118,761
Other pension costs (Note 20)	48,825	63,931
	1,043,534	1,546,820

On 27th February 2020 the Company entered into an Asset Purchase and Outsourcing Agreement with Direct Wines Ltd to provide the Company with certain services. Accordingly, on 1st March 2020, all the Company's employees were transferred to Direct Wines Limited.

Notes to the financial statements for the year ended 3 July 2020 (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 3 July 2020 £	52 week period ended 28 June 2019 £
Current tax:		
United Kingdom corporation tax on profits for the year	60,689	41,594
Other current tax		
Adjustment in respect of prior periods	(54)	-
Total current tax	60,637	41,594
Deferred tax:		
Origination and reversal of timing differences	(5,350)	(6,846)
Adjustments in respect of prior periods	(234)	-
Impact of change in tax rate	(829)	761
Total deferred tax (Note 15)	(6,413)	(6,085)
Income tax expense	54,224	35,509

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

	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Deferred tax		
- Cash flow hedge fair value	9,464	(10,023)
- Impact of change in tax rate	(996)	-
Total tax income/(expense) included in other comprehensive income	8,468	(10,023)

Notes to the financial statements for the year ended 3 July 2020 (continued)

(c) Reconciliation of tax charge

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

	53 week period ended 3 July 2020 £	52 week period ended 28 June 2019 £
Profit/(Loss) before income tax	229,799	113,965
Profit/(Loss) before income tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	43,662	21,653
Effects of:		
Fixed assets ineligible for capital allowances	11,643	12,994
Expenditure not allowable for tax purposes	35	101
Adjustment to in respect of prior periods	(287)	-
Adjustment to closing deferred tax rate	(829)	761
Tax charge for the year	54,224	35,509

(d) Tax rate changes

The standard rate of corporation tax in the UK for this accounting period is 19%

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

Deferred taxes have been measured using the tax rates at which they are expected to be recovered based on the substantively enacted tax rates in the UK or other local jurisdictions at the balance sheet date and reflected in these financial statements.

Notes to the financial statements for the year ended 3 July 2020 (continued)

9 Property, plant and equipment

	Computer hardware and furniture and fittings £	Motor vehicles and bicycles £	Leased assets £	Total £
Cost				
At 28 June 2019	74,499	7,580	709,881	791,960
Additions	6,100	878	-	6,978
Disposals	-	-	-	-
At 3 July 2020	80,599	8,458	709,881	798,938
Accumulated depreciation				
At 28 June 2019	64,149	7,580	452,915	524,644
Charge for the year	6,959	474	96,070	103,503
Disposals	-	-	-	-
At 3 July 2020	71,108	8,054	548,985	628,147
Net book value				
At 3 July 2020	9,491	404	160,896	170,791
At 28 June 2019	10,350	-	256,966	267,316

Included within the net book value is £709,881 (2019: £709,881) relating to assets held under operating lease agreements. The depreciation charged during the year in respect of such assets amounted to £96,070 (2019: £99,629).

10 Inventories

	3 July 2020 £	28 June 2019 £
Goods for resale	-	4,245,424

The amount of inventories recognised as an expense during the year was £5,391,384 (2019: £5,669,419).

Inventories are stated after provisions for impairment of £Nil (2019: £165,563)

There is no difference between the carrying amount of inventory and the replacement cost (2019: Not material).

On 27th February 2020 the Company entered into an Asset Purchase and Outsourcing Agreement with Direct Wines Ltd to provide the Company with certain services, further to which the Company sold all of its inventories to Direct Wines Ltd on 1st March 2020.

Notes to the financial statements for the year ended 3 July 2020 (continued)

11 Trade and other receivables

	3 July 2020 £	28 June 2019 £
Amounts falling due within one year		
Trade receivables	117,343	505,665
Deferred tax asset	13,221	-
Prepayments and accrued income	4,466	44,956
Derivative financial instruments (Note 16)	-	62,756
Amounts owed by group undertakings	4,227,902	37,090
	4,362,932	650,467

Trade receivables are stated after provision for impairment of £22,442 (2019: £19,323) and include deferred tax asset of £13,221 (2019: £Nil).

12 Trade and other payables due within one year

	3 July 2020 £	28 June 2019 £
Bank Overdraft	-	34,086
Trade payables	284,127	587,519
Amount owed to group undertakings	2,936	30,201
Other taxation and social security costs	-	434,130
Derivative financial instruments (Note 16)	-	12,942
Corporation tax	102,229	41,594
Accruals and deferred income	3,250,887	4,266,980
	3,640,179	5,407,452

The Company's bank borrowings are secured by a cross guarantee with the Direct Wines Holdings Limited group. At 3 July 2020 the potential liability of the Company was £5,069,089 (2019: £3,559,746).

13 Trade and other payables due after more than one year

	3 July 2020 £	28 June 2019 £
Amounts owed to group undertakings	5,582,122	5,582,122

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 year ended 3 July 2020 (continued)

14 Provisions for liabilities

	Dilapidations Provision	Receivables Provision	Deferred tax provision	Total
	£	£	£	£
At 28 June 2019	36,000	6,871	1,659	44,530
Charged/(Credited) to the income statement	6,000	-	(6,412)	(412)
Charged/(Credited) to the other comprehensive income	-	-	(8,468)	(8,468)
Reallocated from trade & other receivables	-	1,550	13,111	14,661
At 3 July 2020	42,000	8,421	-	50,421

The dilapidations provision relates to the Bristol shop.

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:

	3 July 2020	28 June 2019
	£	£
Tax effect of timing differences because of:		
Accelerated capital allowances	(623)	(5,036)
Other timing difference	13,844	11,845
Cash flow hedge fair value	-	(8,468)
Deferred tax asset/(provision)	13,221	(1,659)

The net deferred tax liability expected to reverse in 2020 is £6,175.

Notes to the financial statements for the year ended 3 July 2020 (continued)

16 Financial instruments

The Company has the following financial instruments:

	Note	3 July 2020 £	28 June 2019 £
Financial assets measured at fair value through other comprehensive income:			
Derivative financial instruments	11	-	62,756
		-	62,756
Financial assets that are debt instruments measured at amortised cost:			
Trade receivables	11	117,343	505,665
Amount owed by group undertaking	11	4,227,902	37,090
		4,345,245	542,755
Financial liabilities measured at fair value through other comprehensive income:			
Derivative financial instruments	12	-	12,942
		-	12,942
Financial liabilities measured at amortised cost			
Trade payable	12	284,127	587,519
Amount owed by group undertaking due within one year	12	2,936	30,201
Amount owed by group undertaking due after more than one year	13	5,582,122	5,582,122
		5,869,185	6,199,482

On 27th February 2020 the Company entered into an Asset Purchase and Outsourcing Agreement with Direct Wines Ltd to provide the Company with certain services. Accordingly, all the Company's derivative financial instruments were novated to Direct Wines Ltd on 2nd and 6th March 2020.

**Notes to the financial statements for the year ended
3 July 2020 (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 3 July 2020, the company had no outstanding contracts (2019: all mature within 24 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 £0 (2019: asset £49,814). During the year, a net hedging loss of £49,814 (2019: profit of £58,449) 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 3 July 2020 were £Nil (2019: £3,532,472).

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 Euro. 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 year ended 3 July 2020 (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

	3 July 2020 £	28 June 2019 £
Authorised		
1,500,000 (2019: 1,500,000) ordinary shares of £1 each	1,500,000	1,500,000
Allotted, called up and fully paid		
1,500,000 (2019: 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 3 July 2020 the Company had future lease payments under non-cancellable operating leases for each of the following periods:

	3 July 2020 £	28 June 2019 £
Not later than one year	42,785	42,785
Later than one year but not later than five years	25,671	69,159
Later than five years	-	-
	68,456	111,944

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 £48,825 (2019: £63,931). There were unpaid contributions at the period end of £Nil (2019: £8,336).

**Notes to the financial statements for the year ended
3 July 2020 (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 3 July 2020 and is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 3 July 2020. 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 Laithwaite family as the ultimate controlling party by virtue of their interest in the share capital of Direct Wines Holdings Limited.