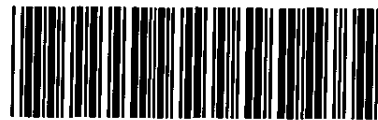


Registered number: 06574767

Direct Wines Holdings Limited  
Annual report and financial statements  
For the period ended 1 July 2022

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# **Direct Wines Holdings Limited**

## **Annual report and financial statements for the period ended 1 July 2022**

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# Direct Wines Holdings Limited

## Company information

### Directors

A H G Laithwaite CBE	Founder
B A Laithwaite	President
T A E Laithwaite	Co-Chairman
A J Porter	Co-Chairman
H J H Laithwaite	Non-executive
W W Laithwaite	Non-executive
A J Clifford-King	Non-executive
D B Gates	CEO
J W H Wei	CFO

### Registered office

One Waterside Drive  
Arlington Business Park  
Theale  
Berkshire  
RG7 4SW

### Bankers

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

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

### Independent auditors

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

### Solicitors

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

**Strategic report for the period ended 1 July 2022**

The directors present their strategic report on Direct Wines Holdings Limited Group ("the Group") for the period ended 1 July 2022.

**Business review and principal activities**

The principal activity of the Group is the importing, production and distribution of wines.

The Consolidated Income Statement for the period is set out on page 19.

Despite renewed lockdown in several markets, the beneficial impact of Covid-19 on sales and profits was less significant than last year, and consequently the business saw declines in all markets. Recruitment of new customers remains challenging, but we are determined to continue to increase the quality of our recruits, if necessary, at the expense of volume. Overall customers declined by 8.5% on last year as the exceptional nature of the pandemic last year eased and some customers returned to physical retailers and to the on-trade. This fall in customers (and therefore sales) led to a decrease in operating profit to £3.9m (2021: £14.9m) despite good margin control, reduced recruitment investment and good operating cost mitigation. Cash and cash equivalents decreased by £4.7m to £45.8m (2021: £50.5m), primarily due to higher stock purchases to cope with increased shipping disruption and shortage of dry goods.

However, with overall customer numbers significantly higher than pre-pandemic the focus remains on deepening our relationships with our customers, particularly those in our highest yielding segment. There are a number of exciting investments in new customer propositions, building on our existing subscription offerings, to further engage our customers in all of our markets.

In addition to the customer base the business monitors several key performance indicators which include important metrics on customer profile, customer activity, productivity, costs, sales and margins.

Our gross product margin remained stable at 41.0% (2021: 41.0%) despite the increased inflationary pressures. The Consolidated Balance Sheet remains strong with net assets of £84.6m (2021: £80.3m). Included in the net assets are derivative financial instruments which are measured at fair value, with net liabilities of £0.8m (2021: liabilities of £1.3m).

**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 Group 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 Group continues to invest significantly in IT development and completed the deployment of a new system in APAC which now means that the entire Group is on the same technology platform. This creates the opportunity for increased efficiency as well as enhanced controls and security. Key to IT security and the growing threat of cybercrime is education of staff and regular exercises are held to assess the effectiveness of this training.

**People risk**

- The success of our business is based on employing the best people with the right capabilities. The Group 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 and developing staff and reviews pay and benefits policies annually as well as succession planning for key staff.

## **Strategic report for the period ended 1 July 2022 (continued)**

### **Risk management (continued)**

#### **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. The performance of the Group throughout the Covid-19 pandemic has shown the ability of the business to react rapidly and appropriately to unexpected and disruptive events.

#### **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 Group employs a UK legal and compliance team to ensure that we are aware of, and comply with, all requirements and this is reported to the Audit Committee. Areas covered include governance and policies, security of personal data and marketing communications (including GDPR). The US and Australian businesses have similar governance procedures and structures.

#### **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 Group's progress on a monthly basis and any deviations from the budget are discussed at Board meetings.

#### **Economic risk**

- The diversified nature of the Group is such that the economic risk is also diversified. The Board reviews a broad range of economic, regulatory and political risks as part of the annual 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.

#### **Climate risk**

- The global impact of climate change has significant implications for our business in the short and the long term as our sales are largely based on an agricultural product which is susceptible to fluctuations in weather patterns. Our global buying team is responsible for managing the composition of our range, and advises the Board on material risks such as harvest failure in key growing regions, and actions to mitigate the effects of these.

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

The main objectives of the Group 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 operations.

## **Strategic report for the period ended 1 July 2022 (continued)**

### **Considering the interests of stakeholders**

The Group 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 Group's success and the Board (through the work of the 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 UK 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 our fiftieth anniversary celebrations, the directors awarded all employees an additional day's annual leave (to be taken on or around each employee's birthday) as an ongoing benefit.
- Introduction of wellness sessions with a particular emphasis on the challenges posed by the ongoing pandemic and implications on the working environment.
- Increased learning and development opportunities across a wide range of topics.
- A benefit of a gift of a case of champagne given to any employee for their wedding.

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 and social media. In order to ensure these relationships remain strong, and to demonstrate their importance to the Group, we have a policy that every Board member should aim to accompany a buying trip at least once a year although this has not been possible this year due to Covid-19 related travel restrictions.

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.

### **Section 172(1) statement**

Under the Companies (Miscellaneous Reporting) Regulations 2018, we are required to publish a statement which sets out how the Board of Directors fulfils its duties under s.172 of the Companies Act 2006 to have regard for the long-term success of the company (Direct Wines Holdings Limited) and the interests of its stakeholders. The Board's approach to fulfilling these duties is set out below.

### **The role of the Board**

The Board's primary responsibility is to promote the long-term success of the Direct Wines group of companies by creating and delivering sustainable value to shareholders. The delivery of the business's long-term plan relies on building and maintaining positive relationships with a wide range of stakeholders (examples of relevant activities are set out below). The Board seeks to achieve this plan by formally setting out its strategy during the annual budget and long-term planning process, monitoring performance against those targets and reviewing the implementation of the strategy by the executive management team.

**Strategic report for the period ended 1 July 2022 (continued)****Section 172(1) statement (continued)****Board Governance**

We aim to establish and maintain Board structures which conform with corporate governance best practice while remaining appropriate to the size and structure of our Group.

The Board of Directors includes all of our shareholders (the founders and their three sons), two Independent Non-Executive Directors and two Executive Directors. Our Non-Executive Directors are independent at the time of their appointment and their independence is also monitored throughout their tenure – selection is carried out through an open search conducted by reputable firms against a full brief. The size and composition of the Board is appropriate to our business, reflecting the family heritage and ownership as well as benefiting from wider experience in large and small business, including publicly-owned and family-owned companies.

The Board has two Co-Chairs, one of whom is a family member and one of whom is an Independent Non-Executive. The role of the Co-Chairs is separate from that of the Chief Executive, in order to ensure that there is an effective balance of responsibilities, decision-making and accountability.

Directors undergo appropriate training to ensure they are aware of and equipped to meet their statutory duties as well as possessing an appropriate level of knowledge of new and emerging legislation to be able to lead the business effectively and in a compliant way. In recent years, the Board has completed a number of targeted training sessions in response to new legislative requirements and developments in the wider trading environment. These include matters which are specific to their role as company directors and their s.172 duty, legislation which presents specific risk to a direct-to-consumer wine merchant, such as the Modern Slavery Act and the General Data Protection Regulation, and matters of specific concern to our business such as cyber-security.

While many key decisions which affect the day-to-day management of the business are appropriately delegated to executive management, Board oversight is always maintained, with each Board member having a clear understanding of their individual accountability and responsibility for decisions which are taken.

Some of the duties of the Board are also executed via subcommittees chaired by Board members. These include the Audit Committee and the People Committee, which covers the functions of a remuneration committee and a nominations committee, as well as considering succession planning both within the shareholders' family and in the key executive management roles in the wider business. We believe that these subcommittees allow the Board to challenge and directly influence a broad range of areas across the business.

We have an Internal Governance Policy which sets out items which are reserved for Board-level decision-making, items which may be delegated and the level of delegation. This ensures that the key areas for decision-making and compliance are considered in a structured and timely way. The policy is reviewed at every Board meeting to ensure it remains appropriate. A major review of the Internal Governance Policy has been undertaken and will be presented to the Board for approval early next financial period. Significant amendments to the policy include a new clause to emphasise directors' overriding statutory duties under the Companies Act (and other legislation), clarifying approval thresholds for certain categories of decision, and additional guidance on matters requiring Board approval which may occur outside our normal timetable of Board meetings.

## Strategic report for the period ended 1 July 2022 (continued)

### Section 172(1) statement (continued)

All Board meetings are scheduled at least a year in advance. Formal Board meetings are held at least every two months, but Board documentation is prepared and circulated monthly, irrespective of whether there is a meeting. This documentation seeks to provide information on all key aspects of business performance, and includes standard elements such as financial results, non-financial KPIs, relevant industry/market news, updates on opportunities, risks and strategic initiatives (which are agreed by the Board as part of the annual Budget and Three-Year Planning process) and some regular compliance matters (for example a health and safety report and a whistleblowing report). Board documentation may also include one-off papers to cover specific agenda items as required, for example our bi-annual payment practices reporting, gender pay statistics and other compliance matters. The schedule also includes a "deep dive" session on each of our businesses, in which the executive management teams present an overview of the business and its operations directly to the Board. This provides a regular opportunity for the Board to ensure they are fully aware of significant developments and ask questions directly. The Co-Chairs and the Executives meet regularly to ensure that the Board agenda is complete and that all appropriate topics are covered.

The Board has engaged a third-party governance specialist to carry out a review of all aspects of our board composition, diversity and structures. This board effectiveness review is intended to challenge our long-standing governance arrangements, highlight options to strengthen these and improve board effectiveness where possible. Ultimately this review will provide an independent assessment of how our board governance arrangements match up against the high standards to which we aspire.

### Activities of the Board during the financial period

All board decisions consider their potential impact on different stakeholders; board papers include stakeholder views that have been gathered to allow informed decision-making. We recognise that different groups of stakeholders are impacted by, or may benefit from, decisions made by the board in different ways. The Board recognises that directors must act both collectively and individually in a way that they consider, in good faith, to be most likely to promote the success of the business for the benefit of its members as a whole, with regard to all its stakeholders and to the matters set out in paragraphs (a) to (f) of Section 172 of the Companies Act 2006. Examples of these duties are set out below:

A director of a company must...have regard (amongst other matters) to -	Evidence
(a) The likely consequence of any decision in the long-term	<p>The Board conducted a strategy review as part of our annual budgeting process, to ensure our long-term approach remains appropriate as the business landscape changes and new challenges emerge (for example high worldwide inflation, lower consumer confidence and spending power, and tax/regulatory changes in our core markets). Although we believe that the core of our strategy remains sound, this review resulted in a number of changes including a restructure to integrate our innovation function within each of our markets (promoting the efficient delivery of initiatives).</p> <p>In the light of ongoing challenges arising from cost inflation across our supply chain, together with lower consumer confidence and pressure on real incomes, the Board chose to defer some items of planned spend relating to warehouse infrastructure in order to maintain a stronger cash reserve, which will provide longer-term resilience and the agility to respond should challenging trading conditions prove to be sustained. The deferred items will be reconsidered next financial period.</p> <p>Additionally, the Board has amended the qualifying criteria for senior executive incentives (which are based on business performance over multiple years). The changes are intended (among other matters) to increase focus on capital spending as well as operational cost control, thereby maintaining profitability and a strong cash position in the ongoing challenging trading conditions.</p>



## Strategic report for the period ended 1 July 2022 (continued)

## Section 172(1) statement (continued)

## Activities of the Board during the financial period (continued)

A director of a company must...have regard (amongst other matters) to -	Evidence
(b) The interests of the company's employees	<p>The Board's commitment to the wellbeing of our staff remains strong. Specific actions taken by the Board this year include the approval and implementation of a hybrid working policy, which empowers staff to work more flexibly than ever before while investing in the office environment to reflect the different functions of an office as we emerge from the pandemic.</p> <p>The Board's commitment to the health of our staff was demonstrated by the decision to authorise the funding of a subscription to a personal wellbeing app for employees (with a free choice of app given to each employee).</p> <p>The Board has also supported initiatives which demonstrate our commitment to promote equality, diversity and an inclusive business culture. These include Direct Wines EmBRACE (an employee group led by colleagues of Black, Asian and minority ethnic colleagues of colour) and "Direct Wines with pride" for LGBTQ and allies.</p> <p>This track record of promoting employee's interests played a key role in achieving Great Place to Work certification for 2022, and the Board was proud to be awarded top 50 rankings in the categories "UK's Best Workplaces (large business)", "UK's Best Workplaces for Wellbeing (large business)", and "UK's Best Workplaces for Women (large business)". Independent accreditation based on employee feedback is a strong endorsement of the Board's approach to employee interests.</p>
(c) The need to foster the company's business relationships with suppliers, customers and others	<p>Our partnerships with suppliers and customers remain a major focus for our Board and other senior managers. In the current economic climate we maintain our focus on ensuring that we pay our suppliers fair prices for their goods and services, and pay them promptly, while providing value to our customers. These partnerships have been mutually beneficial in the past and will be the basis for success in the future.</p> <p>The Board's commitment to our supplier partnerships is demonstrated in actions such as the establishment of a supplier sustainability forum which seeks to align our own journey to Net Zero with that of our suppliers. We have also supported a number of our small suppliers directly by providing funding to advance their own efforts in this field, such as energy usage monitoring, renewable energy generation, ecological impact assessments and carbon footprinting. One of our Board members is also a founder of the Gentle Riot wine movement, which champions farmers and promotes the cause of sustainable wine, for example by supporting minimal vineyard intervention. These wines are then promoted to customers together with a wider explanation of the benefits of sustainability.</p> <p>We are always looking for new ways to engage with and delight our customers (and potential future customers). The Board was pleased that our strategic partnership with the Sunday Times enabled us to create the "Wine Times" podcast, which was awarded the "Podcast of the Year" award in the Consumer Media category of the 2022 British Media Awards.</p> <p>During the year, Board members and executive management have engaged extensively with the UK Government and industry bodies on proposals to reform UK Alcohol Duty. The Board supports the government's ambitions to simplify the Alcohol Duty regime but shares the industry's view that the proposals in respect of duty on wine would be unworkable for many smaller merchants due to excessive complexity, and would ultimately lead to higher prices for customers. We support an alternative model which has been proposed by the WSTA.</p>

## Strategic report for the period ended 1 July 2022 (continued)

## Section 172(1) statement (continued)

## Activities of the Board during the financial period (continued)

A director of a company must...have regard (amongst other matters) to -	Evidence
(d) The impact of the company's operations on the community and the environment	<p>This year, the Board was pleased to formalise our commitment to achieving Net Zero for carbon emissions by 2035. This has been supported by the appointment of a Head of Sustainability and the establishment of a defined sustainability function as part of our Global Buying team, which was approved by the Board as part of our annual budgeting process. It is particularly important that this commitment should engage our customers and we have been particularly pleased to promote greener packaging for some of our products, for example the 100% recycled glass bottle for our W/O Frappato. We have also offered our first wine in a cardboard bottle and further increased our range of "bag in box" wines.</p> <p>Beyond its impact on the natural environment, the Board recognises that a business such as ours can play a role in its local community which is greater than simply that of an employer. To this end, the Board was pleased to approve the extension of our support for Gloucester Rugby to provide more playing opportunities for local grassroots clubs, including the upgrade of pitches and training facilities.</p>
(e) The desirability of the company maintaining a reputation for high standards of business conduct	<p>The Board has continued to authorise investment in our IT platforms (both internal and customer-facing) which allows us to provide excellent service and satisfy our customers. These investments have supported our strong performance over the course of the pandemic. Improvements this year have included website functionality upgrades and the global roll-out of the Adobe CRM platform to improve the customer experience and a warehouse management system upgrade in the UK. We believe that investments such as these lie at the heart of our strong reputation in the industry and among our customers, for example being awarded Online Retailer of the Year for 2021 at the IWC awards and in our "Excellent" Trustpilot rating.</p> <p>The Board also supported two of our partner wineries in Moldova as they provided support, including accommodation and resources, to refugees from neighbouring Ukraine. The Board authorised the business to increase order volumes from these wineries and pay in advance of delivery in order to assist our friends in their efforts. Direct Wines also made a donation to the Disasters Emergency Committee for humanitarian relief. The actions of our Moldovan partners were then highlighted by a non-revenue generating feature in our May mailing. The Board believes this is an important and appropriate way for Direct Wines to support our suppliers and those directly affected by the conflict.</p>

**Strategic report for the period ended 1 July 2022 (continued)****Section 172(1) statement (continued)****Activities of the Board during the financial period (continued)**

A director of a company must...have regard (amongst other matters) to -		Evidence
(f)	The need to act fairly as between the members of the company	The Group remains 100% family-owned and the founders and their three children are equal shareholders as well as directors. The wider family is represented through a Family Council whilst the Board contains a number of Independent Non-Executive Directors. These arrangements ensure that all shareholders are fairly represented when the Board makes decisions.

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

On behalf of the Board



D.B. Gates

Director

22 September 2022

**Directors' report for the period ended 1 July 2022**

The directors present their annual report and the audited consolidated financial statements of the Group and Direct Wines Holdings Limited (the "Company") for the period ended 1 July 2022.

**Results and dividends**

The Group's profit for the financial period was £2,852,000 (2021: £13,591,000). Subsequent to the year end, the directors declared a final dividend of £1,611,610 (£31.85 per share) in respect of the period ended 1 July 2022 (2021: £2,496,098 (£49.33 per share)). Dividends paid in the year amounted to £2,496,098 in respect of the period ended 2 July 2021 (2021: £1,599,972). In addition, an interim dividend £2,999,948 (£59.29 per share) in respect of the period ended 1 July 2022 was paid (2021: £599,610 (£11.85 per share)). Further information is provided in Note 11.

**Future developments**

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

**Directors**

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

A H G Laithwaite CBE	Founder
B A Laithwaite	President
T A E Laithwaite	Co-Chairman (appointed as Co-Chairman 21 <sup>st</sup> July 2022)
A J Porter	Co-Chairman
H J H Laithwaite	Non-executive (resigned as Co-Chairman 21 <sup>st</sup> July 2022)
W W Laithwaite	Non-executive
A J Clifford-King	Non-executive
D B Gates	CEO
J W H Weir	CFO

**Directors' and officers' liability insurance**

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

**Financial risk management**

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

The risk management policies are set by the Board of directors and implemented by the Group's finance department. The policies provide specific guidelines to manage liquidity risk, foreign exchange risk, interest rate risk and credit risk and circumstances where it would be appropriate to use financial instruments to manage these risks. Further details are provided in Note 22.

**Directors' report for the period ended 1 July 2022 (continued)****Political and charitable contributions**

The Group made charitable donations of £93,063 (2021: £52,158). The main donation of £41,614 was to Drinkaware (2021: £41,614 to Drinkaware). A further non-charitable donation to support the local community of £225,000 was made during the year (2021: £150,000). No political donations were made during the period (2021: £Nil).

**Employee Engagement Statement**

The Board has always believed in open dialogue between themselves, senior management and 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. Suggestions from employees aimed at improving the Group's performance are encouraged.

In addition, the Board takes account of employees' interests when making decisions and employees are informed regularly of the Group's performance, both operational and financial, by way of monthly intranet updates and quarterly presentations by Board members.

The Board recognises the benefits of this engagement with employees in developing a productive and creative working environment, and a shared sense of pride in the success of the business. The annual engagement survey measures employee satisfaction with the business as a whole as well as in each department. All feedback is considered at Board level to ensure that business policies and practices are aligned with our purpose and values.

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

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

**Statement of engagement with suppliers, customers and others in a business relationship with the company**

The Board recognises its duty to have regard for a wide range of stakeholder groups.

**Customers**

The Group focuses on developing long term customer relationships. The success of the business rests on our ability to ensure that we understand what our customers want from us, meeting those needs and where there are opportunities for us to improve.

The Group measures itself against the strictest industry benchmarks for customer service. We are proud to have been assessed as outstanding by the UK Institute of Customer Service. Direct feedback from our customers in the form of our 'Excellent' Trustpilot rating also reflects our success in achieving this demanding goal. Our commitment to customer satisfaction is underlined by our "no questions asked" Money Back Guarantee.

Events such as the Vintage Festival and Laithwaites Live give us the opportunity to engage face-to-face with many of our customers. We compensated for the continued cancellation of those landmark events by holding a number of virtual events via social media although we have now added small scale in-person events.

**Directors' report for the period ended 1 July 2022 (continued)****Statement of engagement with suppliers, customers and others in a business relationship with the company (continued)****Suppliers**

The Board regards our relationships with wine suppliers as a point of strategic difference from our competitors. These long-standing partnerships have been a cornerstone of our ability to continue to trade during the recent Covid-19 disruption.

Across our wider supplier base (including winemakers, distribution partners and suppliers of other non-wine goods and services), the Board is keen that we are known as a reliable customer. The Board reviews our published Payment Practice Reports against national averages to ensure that we maintain high standards.

**Other stakeholders**

The Board understands that as a wine maker and alcohol retailer, the Group has a responsibility to make customers aware of the need to enjoy alcohol responsibly. We give our support, both financial and in terms of time and expertise, to initiatives such as Drinkaware in the UK. We also take an active role in trade associations such as the Wine and Spirit Trade Association to ensure that we play our part in the way that the drinks trade addresses such issues.

The Group embraces its responsibility to support the local community beyond its role as an employer and our offices raise funds directly for local charities chosen by our employees. Recognising our commitments to our charity partners and also to our employees who had nominated them to receive support, the Board authorised the business to make donations in lieu of the opportunity to conduct normal fundraising.

The Group is committed to meeting all of its regulatory and compliance obligations, to maintaining the highest standards and to the promotion of good practice in the prevention of bribery, corruption and malpractice (including criminal tax evasion). We are proud to be recognised by HMRC as a business with a low risk in relation to UK taxation. We have published our Tax Strategy, describing our approach of prioritising tax compliance over tax planning. We are aware that HMRC has a particular focus on reducing the cost of Duty Fraud to the Exchequer, and we recognise our obligation to ensure that all the alcohol we sell is fully traceable and that all relevant taxes have been paid.

**Streamlined Energy and Carbon Reporting****Calculation methodology**

The Company (Direct Wines Holdings Limited) has no assets or employees that consume energy or generate carbon emissions, although other Group companies do.

Direct Wines Limited is the only subsidiary company in the Group that is required to report its energy consumption and emissions under the Streamlined Energy and Carbon Reporting (SECR) framework. Averys of Bristol Limited is not individually required to report. However, our results include the operations of both Direct Wines Limited and Averys of Bristol Limited on the basis that the Gloucester Distribution Centre is a shared facility and both companies are under the common ownership of Direct Wines Holdings Limited. The boundary for this reporting covers the activities of the Group at all UK-based sites with the boundary exceeding that required for SECR compliance.

Greenhouse Gas (GHG) emissions have been quantified according to the GHG Protocol, Corporate Accounting and Reporting Standard following the operational control approach. Following the closure of two sites, as of the end of the reporting period, Direct Wines Limited and Averys of Bristol operate 12 leased buildings. 7 types of greenhouse gases are included in the Kyoto Protocol and are required for reporting under the GHG Protocol. The following are included - carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, nitrogen trifluoride. The total emissions are measured in metric tonnes of carbon dioxide equivalent.

## Directors' report for the period ended 1 July 2022 (continued)

### Streamlined Energy and Carbon Reporting (continued)

#### Calculation methodology (continued)

All of the categories are calculated using the 2022 BEIS Greenhouse Gas factors for the full operating year as instructed by BEIS for a July to June financial period. The carbon footprint below shows the "locational" footprint based on energy consumed.

Building energy consumption data is based on metered consumption sourced from energy bills for all sites with the exception of the Theale office. This was deemed to be a "leased asset" due to the lack of operational control. The footprint of this building is therefore not included within the calculated scope 1 and 2 footprint.

Where there is a lack of data, estimations have been made primarily in the averaging of billed energy data where the billing period did not match the reporting period, or where energy bills are not available. This represents less than 1% of the total energy consumption.

Energy consumption relating to company-owned vehicles includes both the fuel consumed by a diesel shunter used in the Gloucester warehouse and a plug-in hybrid transit van. BEIS does not publish emission factors for plug-in hybrid class 1 vans. As a result, emissions have been calculated using an appropriate alternative emission factor for a plug-in hybrid vehicle. This represents approximately 0.1% of the total energy consumption.

The Group engaged a specialist carbon footprinting consultant from Spring Environmental Limited to support the calculation of GHG emissions and ensure compliance with the SECR requirements and GHG Protocol methodologies.

Energy Consumption		2021/22 (kWh)	2020/21 (kWh)
Fossil Fuels in stationary combustion		164,589	235,938
Electricity		1,866,299	2,161,626
Fuel used for transport purposes (Group operated vehicles)		13,107	27,003
Fuel used in personal/hire cars on business use		161,069	98,564
<b>Total Energy Consumption</b>		<b>2,205,064</b>	<b>2,523,131</b>
Carbon Footprint	Scope	2021/22 (tonnes CO <sub>2</sub> e)	2020/21 (tonnes CO <sub>2</sub> e)
Emissions from stationary combustion	1	29.9	43.2
Emissions from combustion of fuel for transport purposes (Group operated vehicles)	1	3.2	6.4
Fugitive Emissions	1	-	-
<b>Total Scope 1 emissions</b>		<b>33.1</b>	<b>49.6</b>
Electricity consumption	2	360.9	459.0
<b>Total Scope 2 emissions</b>		<b>360.9</b>	<b>459.0</b>
Emissions from the fuel used in personal/hire cars on business use	3	50.2	24.2
Upstream impacts from stationary fossil fuel use and electricity production	3	38.1	48.0
Upstream impacts from combustion of fuel for transport purposes (Group operated vehicles)	3	0.9	
<b>Total Scope 3 emissions</b>		<b>89.2</b>	<b>72.2</b>
<b>Total Carbon Footprint</b>		<b>483.2</b>	<b>580.8</b>
<b>Intensity ratio</b>	<b>Tonnes CO<sub>2</sub>e/£'000 revenue</b>	<b>0.0017</b>	<b>0.0018</b>

## Directors' report for the period ended 1 July 2022 (continued)

### Streamlined Energy and Carbon Reporting (continued)

#### Energy efficiency action taken during the period

Although the overall reduction in energy usage and carbon emissions is most heavily influenced by reduced activity as sales fell from their peak in the previous year (influenced by the pandemic), our carbon intensity ratio reduced due to action including our new policy of using hire cars for business travel when required, replacing any company leased cars (eliminating the possible use of those leased vehicles for discretionary rather than essential purposes). Additionally, two retail locations closed during the reporting period.

#### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

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

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### Directors' confirmations

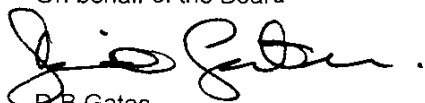
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

#### Independent auditors

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

On behalf of the Board



D B Gates

Director

22 September 2022



## Direct Wines Holdings Limited

# Independent auditors' report to the members of Direct Wines Holdings Limited Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 1 July 2022 and of the group's profit and the group's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 1 July 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, the Consolidated and Company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Direct Wines Holdings Limited**

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

### **Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 1 July 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches in respect of local and international tax legislation, employment laws, data protection, health and safety and industry laws governing the sale of alcohol, and we considered the extent to which non-compliance might

## Direct Wines Holdings Limited

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

### Responsibilities for the financial statements and the audit (continued)

have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, specifically revenue. Audit procedures performed by the engagement team included:

- Discussions held with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud; and
- Incorporating elements of unpredictability into the audit procedures performed

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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.

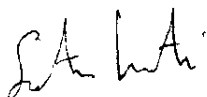
## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.



Sotiris Kroustis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
22 September 2022

**Consolidated income statement for the period ended 1 July 2022**

	Note	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Revenue</b>	4	<b>395,974</b>	448,100
Cost of sales		(233,577)	(264,495)
<b>Gross profit</b>		<b>162,397</b>	183,605
Distribution costs		(16,311)	(22,493)
Administrative expenses		(145,498)	(149,362)
Other operating income		3,278	3,187
<b>Operating profit</b>	5	<b>3,866</b>	14,937
Finance income	6	5	6
Finance costs	7	(146)	(137)
<b>Profit before income tax</b>		<b>3,725</b>	14,806
Income tax expense	10	(873)	(1,215)
<b>Profit for the financial period</b>		<b>2,852</b>	13,591

The results for the period ended 1 July 2022 are derived entirely from continuing operations.

**Consolidated statement of comprehensive income for the period ended 1 July 2022**

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Profit for the financial period</b>	<b>2,852</b>	13,591
<b>Other comprehensive income/(expense):</b>		
- Currency translation differences	6,528	(4,882)
- Changes in fair value of cash flow hedges	405	(2,118)
- Tax on Other comprehensive income/(expense)	24	396
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>6,957</b>	(6,604)
<b>Total comprehensive income for the year</b>	<b>9,809</b>	6,987

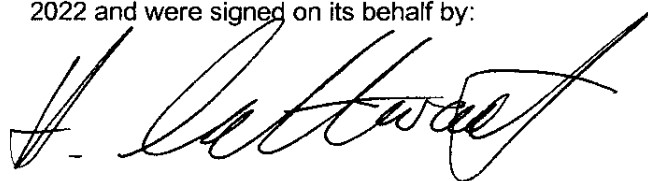
The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The profit for the Company for the financial period was £Nil (2021: profit of £52,147,000).

## Consolidated balance sheet as at 1 July 2022

		1 July 2022	2 July 2021
	Note	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	12	27,084	27,963
Property, plant and equipment	13	17,490	18,178
<b>Total fixed assets</b>		<b>44,574</b>	46,141
<b>Current assets</b>			
Inventories	15	65,288	58,706
Trade and other receivables	16	20,572	19,373
Cash at bank and in hand	17	53,831	56,759
<b>Total current assets</b>		<b>139,691</b>	134,838
Trade and other payables	18	(97,827)	(98,369)
<b>Net current assets</b>		<b>41,864</b>	36,469
<b>Total assets less current liabilities</b>		<b>86,438</b>	82,610
Provisions for liabilities	19	(1,832)	(2,317)
<b>Net assets</b>		<b>84,606</b>	80,293
<b>Capital and reserves</b>			
Called up share capital	23	51	51
Hedging reserve		(568)	(997)
Retained earnings		85,123	81,239
<b>Total equity</b>		<b>84,606</b>	80,293

The notes on pages 25 to 53 are integral part of these financial statements.

The financial statements on pages 19 to 53 were approved by the Board of directors on 22<sup>nd</sup> September 2022 and were signed on its behalf by:



H J H Laithwaite  
Director  
Direct Wines Holdings Limited  
Registered number: 06574767

## Company balance sheet as at 1 July 2022

	Note	1 July 2022 £'000	2 July 2021 £'000
<b>Fixed assets</b>			
Investments	14	2,703	2,703
<b>Current assets</b>			
Trade and other receivables	16	50,872	51,852
Cash at bank and in hand		5	1
<b>Total current assets</b>		50,877	51,853
Trade and other payables	18	(5,500)	(980)
<b>Net current assets</b>		45,377	50,873
<b>Total assets less current liabilities</b>		48,080	53,576
<b>Net assets</b>		48,080	53,576
<b>Capital and reserves</b>			
Called up share capital	23	51	51
Retained earnings		48,029	53,525
<b>Total equity</b>		48,080	53,576

The financial statements on pages 19 to 53 were approved by the Board of directors on 22<sup>nd</sup> September 2022 and were signed on its behalf by:



H J H Laithwaite  
Director  
Direct Wines Holdings Limited  
Registered number: 06574767

### Consolidated statement of changes in equity for the period ended 1 July 2022

	Called up share capital £'000	Retained earnings £'000	Hedging Reserve £'000	Total Equity £'000
<b>Balance as at 3 July 2020</b>	<b>51</b>	<b>74,730</b>	<b>725</b>	<b>75,506</b>
Profit for the financial period	-	13,591	-	13,591
Other comprehensive income/(expense) for the year:				
- Currency translation differences on net investment in foreign operations	-	(4,882)	-	(4,882)
- Cash flow hedge net of tax	-	-	(1,722)	(1,722)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8,709</b>	<b>(1,722)</b>	<b>6,987</b>
Dividends paid	-	(2,200)	-	(2,200)
Total transactions with owners, recognised directly in equity	-	(2,200)	-	(2,200)
<b>Balance as at 2 July 2021</b>	<b>51</b>	<b>81,239</b>	<b>(997)</b>	<b>80,293</b>
Profit for the financial period	-	2,852	-	2,852
Other comprehensive income/(expense) for the year:				
- Currency translation differences on net investment in foreign operations	-	6,528	-	6,528
- Cash flow hedge net of tax	-	-	429	429
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9,380</b>	<b>429</b>	<b>9,809</b>
Dividends paid	-	(5,496)	-	(5,496)
Total transactions with owners, recognised directly in equity	-	(5,496)	-	(5,496)
<b>Balance as at 1 July 2022</b>	<b>51</b>	<b>85,123</b>	<b>(568)</b>	<b>84,606</b>

**Company statement of changes in equity  
for the period ended 1 July 2022**

	Notes	Called up share capital £'000	Retained earnings £'000	Total Equity £'000
<b>Balance as at 3 July 2020</b>		51	3,578	3,629
Profit for the financial period		-	52,147	52,147
Total comprehensive income for the year		-	52,147	52,147
Dividends paid	11	-	(2,200)	(2,200)
Total transactions with owners, recognised directly in equity		-	(2,200)	(2,200)
<b>Balance as at 2 July 2021</b>		51	53,525	53,576
Result for the financial period		-	-	-
Total comprehensive income for the year		-	-	-
Dividends paid (Note 11)	11	-	(5,496)	(5,496)
Total transactions with owners, recognised directly in equity		-	(5,496)	(5,496)
<b>Balance as at 1 July 2022</b>		51	48,029	48,080



## Consolidated statement of cash flows for the period ended 1 July 2022

	Note	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
Net cash inflow from operating activities	24	8,270	2,818
Taxation paid		(1,294)	(3,133)
<b>Net cash generated from/(used in) operating activities</b>		<b>6,976</b>	<b>(315)</b>
<b>Cash flow from investing activities</b>			
Interest received	6	5	6
Sale of property, plant and equipment	13	497	4
Purchase of intangible assets	12	(6,496)	(4,517)
Purchase of property, plant and equipment	13	(3,000)	(5,630)
<b>Net cash used in investing activities</b>		<b>(8,994)</b>	<b>(10,137)</b>
<b>Cash flow from financing activities</b>			
Interest paid	7	(146)	(137)
Equity dividends paid to shareholders	11	(5,496)	(2,200)
<b>Net cash used in financing activities</b>		<b>(5,642)</b>	<b>(2,337)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(7,660)</b>	<b>(12,789)</b>
Cash and cash equivalents at the beginning of the year		50,468	65,375
Exchange gains/(losses) on cash and cash equivalents		2,981	(2,118)
<b>Cash and cash equivalents at the end of the year</b>		<b>45,789</b>	<b>50,468</b>
<b>Cash and cash equivalents consist of</b>			
Cash at bank and in hand		53,831	56,759
Bank overdrafts	18	(8,042)	(6,291)
<b>Cash and cash equivalents</b>		<b>45,789</b>	<b>50,468</b>

## **Notes to the financial statements for the period ended 1 July 2022**

### **1 General information**

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

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

### **2 Statement of compliance**

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

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and individual 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 consolidated and individual financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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

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

#### **Financial period**

The financial statements are made up to the Friday nearest to 30 June each year. Periodically this results in a financial period of 53 weeks. The current accounting period is for the 52-week period ended 1 July 2022. The previous accounting period was for the 52 weeks ended 2 July 2021.

In accordance with the provisions of para 390 (3) of Companies Act 2006 these financial statements are presented as those in relation to the financial period.

#### **(b) Going concern**

The Group has a strong cash position and expects to have sufficient liquidity to meet all its obligations in full including capital expenditure and distributions for the foreseeable future. As at 1 July 2022 the Group had undrawn debt facilities amounting to £31.0m (2021: £32.5m) and it held £53.8m of cash at bank and in hand (2021: £56.8m). Based on the Group's resources, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

## Notes to the financial statements for the period ended 1 July 2022 (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. The Direct Wines Holdings Limited parent entity can take exemptions in its standalone financial statements.

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

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

#### (d) Basis of consolidation

The Group's consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of its joint ventures made up to 1 July 2022.

##### *(i) Investments in subsidiaries*

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

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

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

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

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

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (d) Basis of consolidation (continued)

##### (ii) Investments in joint venture

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

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

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

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

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

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

The Group and the Company has taken advantage of the transition exemption under paragraph 35.10(f) FRS 102 in respect of measurement of investments in subsidiaries and joint venture on the date of transition to FRS 102 (28 June 2014) and measure investment at their existing carrying value (which can be determined to be deemed cost).

#### (e) Exemption from audit by parent guarantee

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial period ending 1 July 2022 have been taken by companies stated below.

Company Name	Registered number
Direct Wines Limited	01095091
Averys of Bristol Limited	00376920
Direct Wines International Limited	02987166
Direct Wines Europe Limited	08532287
Direct Wines Finance Limited	06932033
Ecosse Services Ltd	12477150

As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial period, 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.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (f) Revenue recognition

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

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

Revenue for tastings is recognised when the service is provided.

Revenue for annual subscription services is recognised evenly over the subscription period.

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

#### (g) Employee benefits

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

##### *(i) Short term benefits*

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

##### *(ii) Defined contribution pension scheme*

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (h) Intangible assets

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

- Computer software      3 to 7 years

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

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

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

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

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

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

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

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (i) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

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

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

In accordance with Section 35.10(a) of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition 28 June 2014.

#### (j) Property, plant and equipment

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

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

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

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 consolidated income statement.

#### (k) Leased assets

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (k) Leased assets (continued)

##### *(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 in the consolidated income statement on a straight-line basis over the lease term.

##### *(ii) Lease incentives*

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

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

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

#### (l) Inventories

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

Cost is determined using the first-in first-out method for under bond stock and weighted average method for stock which is duty paid. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition.

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



## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (m) Foreign currency

##### *(i) Functional and presentation currency*

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

The Group and Company's functional currency is Pound Sterling.

##### *(ii) Transaction and balances*

Foreign currency transactions are translated into the functional currency of the respective trading entity 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.

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

##### *(iii) Translation*

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

#### (n) Production cost

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

#### (o) Borrowing costs

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

#### (p) Cash and cash equivalents

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (q) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

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

##### (ii) Deferred tax

Deferred tax arises from timing differences, with the exception of goodwill arising on acquisition, 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.

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### (r) Impairment of non-financial assets

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

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

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

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (s) Provisions and contingencies

##### *(i) Provisions*

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

##### *(ii) Contingencies*

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

#### (t) Financial instruments

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

##### *(i) Financial assets*

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

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

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

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

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (t) Financial instruments (continued)

##### *(ii) Financial liabilities*

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

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

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

##### *(iii) Offsetting*

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

##### *(iv) Derivative financial instruments*

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

##### *(v) Hedging arrangements*

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

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

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

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

#### (u) Related party transactions

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

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

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

##### *(i) Key accounting estimates and assumptions*

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

##### *a) Useful economic lives of tangible assets and intangible assets*

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

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 4 Revenue

The Group's revenue was all derived from its principal activity. In the directors' opinion, it would be seriously prejudicial to the interests of the Group to disclose an analysis of turnover by geographical market.

### 5 Operating profit

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Operating profit is stated after charging:</b>		
Depreciation charge for the period	4,044	3,316
Amortisation of goodwill	1,210	1,197
Amortisation of other intangible assets	6,257	6,042
Inventory recognised as an expense (included in 'cost of sales')	167,677	184,328
Impairment of inventory (included in 'cost of sales')	279	245
Operating lease rentals	3,342	3,701
Services provided by the company's auditors		
- fees payable for audit of group undertakings	238	203
- fees payable for the audit of the Company	83	80
- tax advisory services	52	88
- other services	78	3

### 6 Finance income

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
On bank deposits	5	6

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 7 Finance costs

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
On bank loans and overdrafts	146	137

### 8 Employee information

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

	52 week period ended 1 July 2022 Number	52 week period ended 2 July 2021 Number
<b>By activity</b>		
Office and management	503	475
Selling and distribution	529	504
	1,032	979

Staff costs for the above persons comprised:

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
Wages and salaries	46,672	47,027
Social security costs	4,170	4,020
Other pension costs (note 27)	1,827	1,577
	52,669	52,624

Included in the above, are staff costs of £3,647,206 (2021: £3,450,661) which have been capitalised into intangible assets as part of the cost of development of software assets. These costs are included in "Software under construction" and "Computer software".

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 9 Directors' emoluments

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
Aggregate emoluments	2,760	2,829

In the current period no retirement benefits were accruing for any director (2021: 1) under the Group's defined contribution scheme. The contribution paid was £nil (2021: £833).

#### Highest paid director

The highest paid director's emoluments were as follows:

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
Aggregate emoluments	809	768

#### Key management compensation

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

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
Salaries and other short-term benefits	5,166	5,128
Post-employment benefits	55	54
	5,221	5,182



## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 10 Income tax expense

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

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Current tax</b>		
- UK Corporation tax on profits for the year	126	2,977
- Foreign corporation tax on profits for the year	1,119	1,585
- Adjustments in respect of prior periods	(553)	(640)
<b>Total current tax expense</b>	<b>692</b>	<b>3,922</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences:		
- UK	(200)	(801)
- Foreign tax	(24)	(2,341)
Adjustments in respect of prior periods	405	743
Impact of change in tax rate	-	(308)
<b>Total deferred tax expense/(income) (Note 19)</b>	<b>181</b>	<b>(2,707)</b>
<b>Income tax expense</b>	<b>873</b>	<b>1,215</b>

#### (b) Tax charge included in other comprehensive income

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Deferred tax</b>		
- Origination and reversal of timing differences	(24)	(479)
- Adjustments in respect of prior periods	-	21
- Impact of change in tax rate	-	62
<b>Total tax income included in other comprehensive income</b>	<b>(24)</b>	<b>(396)</b>

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 10 Income tax expense (continued)

#### (c) Reconciliation of tax charge

The tax assessed for the period is higher (2021: lower) than the standard rate of corporation tax in the UK for the period ended 1 July 2022 of 19% (2021: 19%).

The differences are explained below:

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
<b>Profit before income tax</b>	<b>3,725</b>	<b>14,806</b>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	<b>708</b>	<b>2,813</b>
Effects of:		
Expenditure not allowable for tax purposes	<b>121</b>	<b>1,404</b>
Income not taxable	<b>(18)</b>	<b>(1,213)</b>
Fixed assets ineligible for capital allowance	<b>59</b>	<b>93</b>
Overseas difference in tax rates	<b>216</b>	<b>551</b>
Overseas tax losses utilised	<b>(60)</b>	<b>(826)</b>
Adjustments in respect of prior periods	<b>(148)</b>	<b>103</b>
Overseas Deferred tax asset recognised	<b>-</b>	<b>(1,405)</b>
Other permanent differences	<b>33</b>	<b>3</b>
Other short timing differences	<b>10</b>	<b>-</b>
Deferred tax, change in tax rates	<b>(48)</b>	<b>(308)</b>
<b>Income tax expense</b>	<b>873</b>	<b>1,215</b>

#### (d) Tax rate changes

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

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset/(liability) at 1 July 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 19%).

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 11 Dividends

	52 week period ended 1 July 2022 £'000	52 week period ended 2 July 2021 £'000
2020 Final dividend paid £31.62 per share	-	1,600
2021 Interim dividend paid £11.85 per share	-	600
2021 Final dividend paid £49.33 per share	2,496	-
2022 Interim dividend paid £59.29 per share	3,000	-
<b>Total dividend paid</b>	<b>5,496</b>	<b>2,200</b>

Subsequent to the year end, the directors declared a final dividend of £1,611,610 (£31.85 per share) in respect of the period ended 1 July 2022 (2021: £2,496,098, £49.33 per share). Dividends paid in the year amounted to £2,496,098 in respect of the period ended 2 July 2021 (2021: £1,599,972) and interim dividend of £2,999,948 in respect of the period ended 1 July 2022 (2021: £599,610).

### 12 Intangible assets

Group	Goodwill on acquisition £'000	Other Intangible Assets £'000	Software under construction £'000	Computer Software £'000	Total £'000
<b>Cost</b>					
At 2 July 2021	31,238	459	1,029	41,606	74,332
Additions	-	75	6,421	-	6,496
Disposals	-	-	-	(17,421)	(17,421)
Assets brought into use	-	-	(5,213)	5,213	-
Translation differences	4,128	3	-	-	4,131
<b>At 1 July 2022</b>	<b>35,366</b>	<b>537</b>	<b>2,237</b>	<b>29,398</b>	<b>67,538</b>
<b>Accumulated amortisation and impairment</b>					
At 2 July 2021	20,419	206	-	25,744	46,369
Amortisation charge for the period	1,210	66	-	6,191	7,467
Disposals	-	-	-	(16,119)	(16,119)
Translation differences	2,734	3	-	-	2,737
<b>At 1 July 2022</b>	<b>24,363</b>	<b>275</b>	<b>-</b>	<b>15,816</b>	<b>40,454</b>
<b>Net book value</b>					
<b>At 1 July 2022</b>	<b>11,003</b>	<b>262</b>	<b>2,237</b>	<b>13,582</b>	<b>27,084</b>
At 2 July 2021	10,819	253	1,029	15,862	27,963

The Company has no intangible assets.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 13 Property, plant and equipment

Group	Land and buildings		Computer hardware and furniture and fittings	Assets in Warehouse course of construction	Warehouse fixtures and fittings	Motor vehicles	Total
	Freehold properties	Short leasehold property improvements and shop premiums					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 2 July 2021	7,487	9,806	6,696	4,455	10,938	165	39,547
Additions	4	643	750	735	816	109	3,057
Disposals	(488)	(561)	(1,202)	-	(1,613)	(82)	(3,946)
Assets brought into use	-	6	55	(5,067)	5,006	-	-
Translation differences	90	101	139	626	412	12	1,380
<b>At 1 July 2022</b>	<b>7,093</b>	<b>9,995</b>	<b>6,438</b>	<b>749</b>	<b>15,559</b>	<b>204</b>	<b>40,038</b>
<b>Accumulated depreciation</b>							
At 2 July 2021	1,399	7,639	4,981	-	7,223	127	21,369
Charge for the period	335	490	959	-	2,218	42	4,044
Disposals	(129)	(561)	(1,197)	-	(1,534)	(77)	(3,498)
Translation differences	17	59	123	-	421	13	633
<b>At 1 July 2022</b>	<b>1,622</b>	<b>7,627</b>	<b>4,866</b>	<b>-</b>	<b>8,328</b>	<b>105</b>	<b>22,548</b>
<b>Net book value</b>							
<b>At 1 July 2022</b>	<b>5,471</b>	<b>2,368</b>	<b>1,572</b>	<b>749</b>	<b>7,231</b>	<b>99</b>	<b>17,490</b>
At 2 July 2021	6,088	2,167	1,715	4,455	3,715	38	18,178

The cost of land included within freehold properties is not depreciated.

The Company has no property, plant and equipment.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 14 Investments

Company	Shares in subsidiaries £'000
Cost and net book value at 2 July 2021 and 1 July 2022	2,703

Details of all subsidiary undertakings are as follows:

Subsidiary	Registered office	Class of holding	Proportion held	Nature of business
Direct Wines Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%	Sale of wine
Averys of Bristol Limited	9A Culver Street, Bristol, BS1 5LD	Ordinary	100%	Sale of wine
Direct Wines Finance Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%	Financing company
Direct Wines International Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%	Holding company
DW USA Holdings Inc.	50 N Water Street, Norwalk, Connecticut, 06854, USA	Ordinary	100%*	Holding company
SLJ Group Inc.	28188 N. Ballard Drive, Lake Forest, IL 60045, USA	Ordinary	100%*	Sale of wine
Archway Partnerships Inc.	50 N Water Street, Norwalk, Connecticut, 06854, USA	Ordinary	100%*	Business Services
Ecosse Services Ltd	The Old Brewery House 86 New Street, Henley-On-Thames, Oxfordshire, RG9 2BT	Ordinary	100%*	IT Services
Direct Wines Australia Holdings Pty Limited	Piper Alderman, Level 16, 70 Franklin Street, Adelaide SA 5000, Australia	Ordinary	100%*	Holding company
St Andrews Vineyard Pty Limited	Piper Alderman, Level 16, 70 Franklin Street, Adelaide SA 5000, Australia	Ordinary	100%*	Production of wine
Handcrafted Wines Limited	Piper Alderman, Level 16, 70 Franklin Street, Adelaide SA 5000, Australia	Ordinary	100%*	Production of wine
Wine People Pty Limited	Piper Alderman, Level 16, 70 Franklin Street, Adelaide SA 5000, Australia	Ordinary	100%*	Sale of wine
Direct Wines Source Australia Pty Ltd	Piper Alderman, Level 16, 70 Franklin Street, Adelaide SA 5000, Australia	Ordinary	100%*	Production of wine
Direct Wines France Holdings SARL	8 Route de Sainte Colombe, 33350 Saint Magne de Castillon, France	Ordinary	100%*	Holding company
Bordeaux Direct 1969 SARL	7-9 Quai Camille Pelletan, 33350, Castillon la Bataille, France	Ordinary	100%*	Production of wine
Direct Wines (Castillon) SARL	8 Route de Sainte Colombe, 33350 Saint Magne de Castillon, France	Ordinary	100%*	Production of wine
SCI de Colombe	7-9 Quai Camille Pelletan, 33350, Castillon la Bataille, France	Ordinary	100%*	Production of wine

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 14 Investments (continued)

Subsidiary	Registered office	Class of holding	Proportion held	Nature of business
SCEA L'Enclos Vert	8 Route de Sainte Colombe, 33350, Saint Magne de Castillon, France	Ordinary	100%*	Production of wine
SCEA du Domaine du Bois	8 Route de Sainte Colombe, 33350, Saint Magne de Castillon, France	Ordinary	100%*	Production of wine
Direct Wines Cyprus Limited	41-49 Agiou Nicolaou, Nimeli court, 3rd floor, 1408 Nicosia, Cyprus	Ordinary	100%*	Holding Company
Redgrape Business Services Private Limited	Office No. 106, 1 <sup>st</sup> Floor, Mayfair Tower-I, S. No. 28, TP Scheme, Bhamburda, Shivajinagar, Pune, 411005, India	Ordinary	100%*	IT Services
Direct Wines Europe Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%*	Holding Company
Laithwaites AG**	c/o Format A, Wiesenstrasse 9, 8008 Zurich, Switzerland	Ordinary	100%*	Non-Trading
Laithwaites GmbH***	Prielmayerstrasse 3, 80335 Munich, Germany	Ordinary	100%*	Non-Trading
Bordeaux Direct Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%*	Dormant
Direct Wines (Windsor) Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%*	Dormant
Laithwaites Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%*	Dormant
Laithwaites Wine Limited	One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW	Ordinary	100%*	Dormant

\* held indirectly

\*\* Company dissolved 7<sup>th</sup> January 2022

\*\*\* Company dissolved 20<sup>th</sup> September 2021

The Company also has an investment in the following joint venture:

Undertaking	Registered office	Class of holding	Proportion held	Nature of business
Wine Soc. of India Private Limited	Office No. 108, 1 <sup>st</sup> Floor, Hiranandani Ind Estate, Onkar Indus Premises CHS Opp Kanjurmarg Rly Station (W), Mumbai - 400 078	Ordinary	33.3%*	Non-Trading

\* held indirectly

Given the underlying net liability position of the joint venture, the carrying value of the Group's interest is £Nil (2021: £Nil).

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 15 Inventories

Group	1 July 2022 £'000	2 July 2021 £'000
Raw materials and consumables	1,876	1,615
Work in progress	14,913	11,772
Finished goods and goods for resale	48,499	45,319
	<b>65,288</b>	<b>58,706</b>

The amount of inventories recognised as an expense during the year was £167,677,161 (2021: £184,327,974).

Inventories are stated after provisions for impairment of £1,941,206 (2021: £1,865,073).

The difference between the carrying amount of inventory and the replacement cost was £210,546 (2021: £518,901).

The Company holds no inventory (2021: £Nil).

### 16 Trade and other receivables

	Group		Company	
	1 July 2022 £'000	2 July 2021 £'000	1 July 2022 £'000	2 July 2021 £'000
<b>Amounts falling due within one year</b>				
Trade receivables	10,581	10,695	-	-
Amounts owed by group undertakings	-	-	50,872	51,852
Corporation tax	1,043	736	-	-
Deferred tax asset	2,380	3,272	-	-
Other receivables	1,522	237	-	-
Derivative financial instruments (note 21)	1,451	738	-	-
Prepayments and accrued income	3,595	3,695	-	-
	<b>20,572</b>	<b>19,373</b>	<b>50,872</b>	<b>51,852</b>

Trade and other receivables are stated after provisions for impairment of £279,596 (2021: £266,242). Deferred tax asset includes amounts falling due after one year.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 17 Cash at bank and in hand

Included in Cash at bank and in hand is a balance of £647,085 (2021: £776,081) relating to advance payments received from customers. The corresponding creditor to customers is included in accruals.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 18 Trade and other payables

	Group		Company	
	1 July 2022	2 July 2021	1 July 2022	2 July 2021
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts	8,042	6,291	-	-
Trade payables	36,406	34,529	-	-
Amounts owed to group undertakings	-	-	5,500	980
Corporation tax	501	794	-	-
Other taxation and social security	6,818	7,725	-	-
Other payables	3,100	2,509	-	-
Derivative financial instruments (note 21)	2,284	1,992	-	-
Accruals and deferred income	40,676	44,529	-	-
	<b>97,827</b>	<b>98,369</b>	<b>5,500</b>	<b>980</b>

Of the bank loans and overdraft balance, £8,042,000 (2021: £6,291,000) related to amounts held under cash pooling arrangements where the overdrawn balances are offset by credit positions on other accounts. The overdraft balances are repayable on demand.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 19 Provisions for liabilities

	Group Deferred tax provision £'000
At 2 July 2021	2,317
Credit to the income statement	181
Credited to the other comprehensive income	(24)
Reclassified to Deferred Tax asset (note 16)	(892)
Translation differences	250
<b>At 1 July 2022</b>	<b>1,832</b>

The Company had no deferred tax provision at 1 July 2022 (2021: £Nil).



## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 20 Deferred taxation

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

Group Deferred tax asset	Not recognised		Recognised	
	1 July 2022 £'000	2 July 2021 £'000	1 July 2022 £'000	2 July 2021 £'000
<b>The effect of timing differences because of:</b>				
Accelerated capital allowances	-	-	19	(198)
Other timing differences	-	-	2,476	2,892
Tax losses carried forward	-	-	121	236
Derivative financial instruments	-	-	(236)	342
Deferred tax asset	-	-	2,380	3,272

Group Deferred tax liability	1 July 2022 £'000	2 July 2021 £'000
<b>The effect of timing differences because of:</b>		
Accelerated capital allowances	(3,972)	(4,058)
Other timing differences	1,624	1,741
Derivative financial instruments	516	-
Deferred tax provision	(1,832)	(2,317)

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

The net deferred tax liability expected to reverse in 2023 is £574k and primarily relates to the reversal of timing differences on acquired tangible assets.

The Company had no deferred tax provision at 1 July 2022 (2021: £Nil).

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 21 Financial instruments

The Group has the following financial instruments:

	Note	1 July 2022	2 July 2021
		£'000	£'000
<b>Financial assets measured at fair value through other comprehensive income:</b>			
Derivative financial instruments	16	1,451	738
<b>Financial assets that are debt instruments measured at amortised cost:</b>			
Trade receivables	16	10,581	10,695
Other receivables	16	1,522	237
		12,103	10,932
<b>Financial liabilities measured at fair value through other comprehensive income:</b>			
Derivative financial instruments	18	2,284	1,992
<b>Financial liabilities measured at amortised cost</b>			
Bank loans and overdraft	18	8,042	6,291
Trade payables	18	36,406	34,529
Accruals and deferred income	18	40,676	44,529
Other payables	18	3,100	2,509
		88,224	87,858

#### Derivative financial instruments – Forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. In accordance with Board-approved treasury policies, foreign exchange contracts in the current period include foreign exchange forwards and foreign exchange swaps which are arranged with approved market counterparties. At 1 July 2022, the outstanding contracts all mature within 24 months (2021: 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 liability £833,000 (2021: liability £1,254,000). During the year, a net hedging profit of £421,000 (2021: loss of £2,100,000) was recognised in other comprehensive income for changes in the fair value of cash flow hedges.

The notional principal amounts of the outstanding forward foreign exchange contracts at 1 July 2022 were £119,520,979 (2021: £117,253,422).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 24 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 1 July 2022 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is within 24 months of the end of the reporting period.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 22 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 controls 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 Group's business operations. To do this, the Group can enter into a range of financial instruments including foreign exchange contracts and interest rate swaps to protect against currency and interest rate risk.

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

##### (ii) Interest rate risk

Currently the Group has no net borrowings and therefore the interest rate risk is limited.

#### (b) Credit risk

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

#### (c) Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due.

The Group produces short- and long-term forecasts which enable management to conclude that the Group's cash and committed debt facilities are sufficient to fund its forecast financial commitments, and that covenant terms are likely to be met.

The Group maintains an experienced Treasury team to manage liquidity on a day-to-day basis. Robust controls, including regular management review, are in place to ensure that debt facility terms are adhered to and that cash and cash equivalent investments are managed in line with the Group's Treasury Policy.

The Group maintains strong long-term relationships with its bankers, updating them regularly on business performance and future refinancing requirements, to ensure liquidity is managed in the near and longer term.

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 23 Called up share capital

	1 July 2022	2 July 2021
Group and company	£'000	£'000
<b>Authorised</b>		
1,000,000 (2021: 1,000,000) ordinary shares of £1 each	1,000	1,000
<b>Allotted, issued and fully paid</b>		
50,600 (2021: 50,600) ordinary shares of £1 each	51	51

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

### 24 Net cash inflow from operating activities

	Period ended 1 July 2022	Period ended 2 July 2021
	£'000	£'000
<b>Operating profit for the year</b>	3,866	14,937
Adjustments for:		
Depreciation of property, plant and equipment	4,044	3,316
Amortisation of goodwill	1,210	1,197
Amortisation of other intangible assets	6,257	6,042
Loss on sale of property, plant and equipment	1,248	38
Working capital movements:		
- Increase in inventories	(4,173)	(15,547)
- Decrease in trade and other receivables	(48)	3,303
- Increase in trade and other payables	(4,134)	(10,468)
<b>Net cash inflow from operating activities</b>	8,270	2,818

### Analysis of changes in net debt

	At 2 July 2021	Cash flows	Fair value and Foreign Exchange movements	At 1 July 2022
	£'000	£'000	£'000	£'000
Cash at bank and in hand	56,759	(5,909)	2,981	53,831
Bank overdraft	(6,291)	(1,751)	-	(8,042)
<b>Cash and cash equivalents</b>	50,468	(7,660)	2,981	45,789
Derivative financial instruments	(1,254)	(4)	425	(833)
<b>Total</b>	49,214	(7,664)	3,406	44,956

## Notes to the financial statements for the period ended 1 July 2022 (continued)

### 25 Contingent liabilities

The Group has given indemnities to its bankers in respect of duty deferment guarantees made by the bank on behalf of the Group. At 1 July 2022 these amounted to £0.6m (2021: £0.6m).

The Group has given indemnities to its bankers in respect of other guarantees made by the bank on behalf of the Group. At 1 July 2022 these amounted to £235,000 (2021: £226,000).

The bank overdrafts and loan of the UK group undertakings are secured by cross guarantees between the UK group companies. At 1 July 2022 the potential liability of the Company was £8,041,820 (2021: £6,291,000).

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

### 26 Financial commitments

The Group had future minimum lease payments under non-cancellable operating leases for each of the following period:

	1 July 2022 £'000	2 July 2021 £'000
Not later than one year	3,630	2,856
Later than one year but not later than five years	12,009	12,952
Later than five years	7,258	9,190
	<b>22,897</b>	<b>24,998</b>

The Company had no capital or other commitments at 1 July 2022 (2021: £Nil).

### 27 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 £1,827,000 (2021: £1,577,000). There were unpaid contributions at the period end of £227,000 (2021: £213,000).

**Notes to the financial statements for the period ended  
1 July 2022 (continued)****28 Related party transactions**

During the year the Group purchased £130,047 (2021: £52,000) of goods and services from Harrow & Hope Limited, a company owned by H.J.H. Laithwaite, a director of the Company. The amount outstanding at the year end was £Nil (2021: £Nil). The Group has sold £Nil (2021: £3,000) of goods to Harrow & Hope Limited. The amount due from this company to the Company at the year end was £Nil (2021: £Nil).

During the year the Group purchased £89,336 (2021: £Nil) of goods from Wyfold Vineyard Limited, a company owned by B.A. Laithwaite, H.J.H. Laithwaite, W.W. Laithwaite and T.A.E. Laithwaite directors of the Company. The amount outstanding at the year end was £Nil (2021: £Nil). The Group also sold £22,067 (2021: £4,000) of goods and services to Wyfold Vineyard Limited. The amount due from this company to the Company at the year end was £Nil (2021: £Nil).

During the year the Group purchased £102,755 (2021: £157,000) of goods from The Loose Cannon Brewing Company Limited, a company owned by W.W. Laithwaite, a director of the Company. The amount outstanding at the year end was £Nil (2021: £Nil). The Group also sold £20,536 (2021: £24,000) of goods to The Loose Cannon Brewing Company Limited. The amount due from this company to the Company at the year end was £2,900 (2021: £4,000).

During the year the Group sold £4,301 (2021: £Nil) of goods to Green Monkey Pub LLP, a company owned by B.A. Laithwaite, A.H.G Laithwaite and T.A.E. Laithwaite, directors of the Company. The amount due from this company to the Company at the year end was £4,301 (2021: £Nil).

During the year the Group sold £1,394 (2021: £Nil) of goods to T.A.E. Laithwaite, a director of the Company. The amount due from Mr Laithwaite to the Company at the year end was £1,394 (2021: £Nil).

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

**29 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.