

Registered number: 06574767

Direct Wines Holdings Limited
Annual report and financial statements
For the period ended 30 June 2023

FRIDAY



ACYYEWMQ

A11

15/03/2024

#263

COMPANIES HOUSE

Direct Wines Holdings Limited

Annual report and financial statements for the period ended 30 June 2023

	Page(s)
Company information	1
Co-Chairmen's statement - 2023	2 - 3
Strategic report	4 - 11
Directors' report	12 - 16
Independent auditors' report to the members of Direct Wines Holdings Limited	17 - 19
Consolidated income statement and Consolidated statement of comprehensive income	20
Consolidated balance sheet	21
Company balance sheet	22
Consolidated statement of changes in equity	23
Company statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the financial statements	26 – 54

Company information

Directors

A H G Laithwaite CBE	Founder
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 Weir	CFO

Registered office

One Waterside Drive
Arlington Business Park
Theale
Berkshire
RG7 4SW

Bankers

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

HSBC 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

Co-Chairmen's Statement - 2023

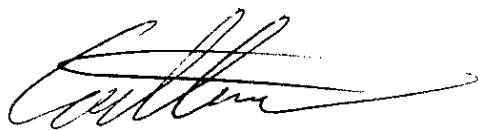
Direct Wines has continued to prove its resilience in the face of another demanding year. We continue to execute our strategy to develop the long-term profitability of the business through attracting high value customers, increasing loyalty and regular buying, and maintaining our culture of financial discipline. We have sharpened our focus on deepening relationships with both our existing and new customers and are intent on building those customer relationships into life-long partnerships, even if it means a smaller but more engaged customer base. This year we were very pleased to see a record proportion of high spending and loyal customers.

The business faced a significant number of challenges, not only due to the cost of living crisis, and fragile consumer confidence, but also from significant cost inflation. As these challenges unfolded in the early part of the financial year, the business responded quickly with a programme of targeted cost reductions that allowed for continued investment in customer acquisition and brand development. Whilst certain competitors persist with traditional approaches to customer acquisition, we are encouraged with the progress made in identifying new high-quality partners with a shared mindset. It was also a real pleasure to be able to see so many of our customers and suppliers in person, notably at the relaunched Vintage Festival in the UK. Once again, our ability to navigate the varied challenges in all of our markets was thanks to the formidable efforts of all our people, and our authentic and longstanding partnerships with our growers and winemakers.

We continued to ensure we do business responsibly and ethically, and with customer service at the forefront of everything we do. This year we were also pleased to be awarded the ServiceMark with Distinction from the Institute of Customer Service – (the first time we have achieved company-wide accreditation).

We are proud of the fact we pay our winemakers much faster than industry norms and of the way we look after employees. We are very proud that for the third consecutive year we have been recognised as a Great Place to Work in the UK. We have also been ranked overall as one of UK's Best Workplaces and specifically as a Best Workplace for Wellbeing and for Women within the large business category. We are also delighted to be certified as Great Places to Work in Australia and India with the US commencing their membership of GPTW later this year.

As shareholders, we are delighted that, during the year, we made significant progress on our ambitious commitment to achieving net zero scope 1 and 2 emissions (also including those related to outer packaging, shipping, haulage and customer distribution) by 2035. 2023 saw real progress with new more sustainable packaging solutions, and we have helped our supplier base through direct support for a number of sustainability initiatives. Increasing the proportion of our wines that are shipped in bulk and bottled locally in the UK and the US has had a significant impact on our carbon emissions.



Tom Laithwaite
Family Co-Chairman

Co-Chairmen's Statement – 2023 (continued)

We have responded to the combination of the easing of Covid restrictions and the impact of tougher macroeconomic conditions on consumer confidence by doing what we always do, prioritising long-term, profitable growth over short-term returns. As a consequence, revenue for the year decreased by 13% to £346.3m, and this revenue decline, together with the impact of high levels of cost inflation saw profit before income tax decrease to £0.7m from the previous year's profit (2022: £3.7m). However, our overall financial position remains strong - net cash and cash equivalents stand at £26.6m. Whilst this represented a decrease of £19.2m against last year, it reflects the normalization of trade creditors following several years of volatility. We are particularly pleased with the control of inventory, which fell by £12.3m to £53m.

As we prioritised long-term, sustainable growth over short-term returns, we saw reductions in revenue and profits in all three markets. Our focus on partnerships as a key mechanic for acquisition of high quality customers has continued, most notably with the launch of a multi-year sponsorship of the England and Wales Cricket Board, as well as innovative partnerships (e.g. through the Sunday Times Wine Club with Hawkstone). We saw the launch of a new TV and digital campaign which has shown highly promising results. Good progress has been made in digital transformation in all markets including significant enhancements to website functionality and the rollout of a new CRM platform. We were delighted with the progress in the US with major improvements in the performance of the Ohio warehouse and in customer service. We also continued to develop our own winemaking capabilities with the completion of the expansion of the Angaston Road winery in the Barossa, and the continued success of our Vineyard Partner programme, spearheaded by Chateau La Clariere.

The upcoming year is expected to be challenging once again, with continued difficult macroeconomic conditions and rising interest rates, exacerbated by increases in the wine duty regime in the UK and ever-increasing regulatory costs, testing the business model of competitors with less healthy balance sheets. We remain confident that by innovating, and by building deep and sustainable customer relationships, we will continue to thrive.

This year marked the retirement of Barbara Laithwaite after 52 years as a director of the company. As well as being a pioneering (and award winning) English sparkling winemaker, Barbara was the commercial driving force in the formative years of the business and we are delighted that her contribution both to the business, and to the UK Wine Industry, has been recognised with the award of a CBE to match the one awarded to Tony some time ago. We will miss her presence at Board meetings, but will continue to benefit from her wise counsel as she retains an advisory role within the business.



Angus Porter
Non-Family Co-Chairman

Strategic report for the period ended 30 June 2023

The directors present their strategic report for Direct Wines Holdings Limited Group ("the Group") for the period ended 30 June 2023.

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 20.

Following the end of lockdown, the beneficial impact of the pandemic on sales and profits was reversed as the negative impact of the war in Ukraine, high levels of inflation and very challenging macro-economic conditions affecting consumer confidence, coupled with our determination to prioritise long-term sustainable growth over short-term returns led to declines in all markets. As experienced across the sector, traditional methods of customer acquisition remain very challenging, and we are determined to continue to prioritise quality of recruits, over numbers. Overall customers declined by 13.3% on last year as the impact of the pandemic 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 £0.7m (2022: £3.9m) despite good margin control and a disciplined approach to cost reduction. Cash and cash equivalents decreased by £19.2m to £26.6m (2022: £45.8m), primarily due to settlement of trade creditors as supply arrangements reverted to a more normal pattern after a number of years of disruption.

However, with an ever-greater proportion of our customers in the highest yielding segments the focus remains on continuing to deepen our relationships with customers. There has been excellent progress on new customer propositions, with particular success both on Vineyard Partners, and on the Unlimited offer which builds on our existing subscription offerings and provides further engagement with 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, cashflow, sales and margins.

Our gross product margin remained stable at 40.8% (2022: 41.0%), a notable achievement in the face of increased inflationary pressures. The Consolidated Balance Sheet remains strong with net assets of £79.8m (2022: £84.6m). Included in the net assets are derivative financial instruments which are measured at fair value, with net liabilities of £1.2m (2022: liabilities of £0.8m).

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 with a renewed emphasis on digital transformation with a number of new website and CRM developments coming on stream during the year. 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 30 June 2023 (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 and profit; 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 30 June 2023 (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.
- All employees receive an additional day's annual leave (to be taken on or around each employee's birthday) as an ongoing benefit.
- Delivery of a series of employee led seminars focused on inclusion and diversity within the business
- 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 or meet key producers at least once a year.

Across our supplier base, we want to be known as a reliable customer. Our Payment Practice Reports demonstrate that we pay invoices much faster than both the national and sector averages, 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 30 June 2023 (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.

Following Barbara Laithwaite's resignation as a director in March 2023, the Board of Directors includes four of our five shareholders, two Independent Non-Executive Directors and two Executive Directors. Our Non-Executive Directors were independent at the time of their appointment and their independence continues to be monitored throughout their tenure. Selection of Executive and Independent directors is carried out through an open search conducted by reputable firms against a full brief. The size and composition of the Board remains 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 is the other 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 sub-committees chaired by Board members, all of which include at least one Shareholder representative. These include the Audit Committee, the Sustainability Committee, and the People Committee, which covers the functions of a remuneration committee and a nominations committee, as well as considering succession planning both of Board composition and roles, and key Executive Management roles in the wider business. We believe that these sub-committees 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 an appropriate, structured, and timely way. The policy is reviewed at every Board meeting to ensure it remains appropriate. During 2023, following a major review process, the policy was amended to reflect the changed composition of the Board following Barbara Laithwaite's resignation, and to provide increased clarity on voting thresholds on certain categories of decision.

All Board meetings are scheduled at least a year in advance. The programme of Board meetings has changed slightly, reducing the number of formal Board meetings from six to five, whilst introducing more frequent business performance update calls. Board documentation continues to be prepared and circulated monthly, irrespective of whether there is a full 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).

Strategic report for the period ended 30 June 2023 (continued)

Section 172(1) statement (continued)

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 agenda and standard board documentation have been simplified, to ensure that discussions are focussed, and that decision-making is effective.

The schedule continues to include 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.

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 (1) 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:

a) The likely consequence of any decision in the long-term

In approving our annual Budget, the Board carried out a review of strategy to ensure that the business is responding appropriately to the changing commercial outlook and to our own performance. Given challenging trading conditions and ongoing cost pressures resulting from global factors such as inflation but also industry-specific matters such as the fundamental changes to the UK's Excise Duty regime, our approved strategy increases our focus on our cash position in addition to long-term profitability, and recognises the importance of the US business as the growth engine for the Group. The Board discussions and associated documentation included consideration (and rejection) of several options that would improve short-term performance at the expense of long-term profitable growth.

During the year, the Board made the difficult decision to withhold funding for a proposed investment in solar panels at our UK Distribution Centre in Gloucester. Due to the ongoing volatility in the energy market, the business case for the investment (including the length of the payback period) had become less certain as energy prices fell from last winter's peak. Considering these circumstances as well as the wider trading outlook, the Board declined to authorise this project to proceed at this stage, on the basis that the long-term outlook is so uncertain that the benefits of proceeding with such a significant investment purely for environmental reasons do not outweigh the risks. The business case for solar panel investment will remain under review. The Board remains committed to our sustainability agenda and examples of progress made in this regard are given in section (d) below. However, this example illustrates the requirement for the Board to balance the sometimes competing demands of the different duties under s.172 when making decisions.

In an illustration of the Board's success in making decisions for the long-term, this year we marked the tenth anniversary of our Indian subsidiary, Redgrape Business Services. Initially, Redgrape enabled us to build an in-house IT development capability, and in more recent years has expanded to create a shared services function which supports the group on a wider basis. The Board was delighted to celebrate this significant milestone with the team in Chennai.

Strategic report for the period ended 30 June 2023 (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: (continued)

b) The interests of the company's employees

The Board's remains committed to promoting the wellbeing of our staff. Laithwaite's Wine holds Certified Workplace status from the Great Place to Work Institute, and is ranked for 2023 in the categories "UK's Best Workplaces (large business)" and "UK's Best Workplaces for Wellbeing (large business)". We were also pleased to achieve Great Place to Work certification in both Australia and India for the first time. The certification is the result of independent accreditation based on employee feedback, which the Board considers to be a strong endorsement of our approach to employee interests.

This year, we engaged our financial wellness partner, Nudge, to provide a webinar for UK-based employees covering various aspects of personal financial management in direct response to concerns about increases in the cost of living. Our partnership also provides employees with access to resources from Nudge on an ongoing basis.

The Board also continues to support initiatives which demonstrate our commitment to promote equality, diversity and an inclusive business culture. In the last financial year, we have held events to mark a number of national and international diversity celebrations, including Black History Month, Pride Month and International Women's Day. Just after the end of the financial year, in July 2023 we were pleased to celebrate South Asian Heritage Month for the first time. Our approach to these celebrations is to provide a forum for our employees to share personal experiences with colleagues of different backgrounds in an informal, relatable and thought-provoking way. The Board and executive management team fully support the principles of equality and inclusion within our workforce and also within our business partnerships – an example of the latter is our collaboration with Queer Britain through the Madame F wine brand.

c) The need to foster the company's business relationships with suppliers, customers and others

In May, we were delighted to welcome customers back through the doors of the Vintage Festival for the first time in three years. The Board and shareholders have always regarded our flagship event as an opportunity to connect our customers with the winemakers who create their favourite products, and an occasion to celebrate existing relationships as well as create new ones. Together with the return of smaller-scale tastings hosted by Board members at our retail premises, our events programme ensures that our Board remains visible and accessible to our enthusiastic customers.

The Board also regards customer-facing events as ways to develop business partnerships in engaging ways. We invited our partners from Times Radio to broadcast live from the Vintage Festival, and also expanded our presence at partners' own events such as the BBC Good Food Show and the Blenheim Palace Food Festival.

Our success relies on us working with suppliers and other partners to ensure that we adapt as the trading environment changes. At present there is considerable regulatory change happening in our core UK market, specifically the changes to UK Excise Duty and proposed recycling initiatives such as Extended Producer Responsibility and Deposit Return Schemes. During the year, the Board approved the creation of a Corporate Affairs function with specific responsibility for engagement with industry bodies and lawmakers to ensure our voice is heard when policy is being shaped. Our Global Buying team is also working closely with our wine suppliers to ensure that we can address legislative changes in a practical way – for example exploring opportunities for targeted reductions in alcohol levels in our range to mitigate some impact of the new Excise Duty regime, or by increasing our use of alternative packaging material such as bag-in-box. Our long-standing relationships with our wine suppliers allow us to address these challenging issues in a mutually supportive way.

Strategic report for the period ended 30 June 2023 (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: (continued)

d) The impact of the company's operations on the community and the environment

Although the trading outlook is challenging, the Board remains committed to our sustainability programme. Our strategy and progress have been published on our website.

Our sustainability function (part of the Global Buying team) has day-to-day responsibility for driving change within the business and for engaging with suppliers to support their own sustainability initiatives and reduce emissions in our wider supply chain. During the year the team has begun to develop a carbon emissions calculator which will enable suppliers to measure their own carbon footprint, and we are working with our partners to reduce bottle weights and increase volumes in low-carbon formats. Responding to customer demand, we have also expanded the "W/O" range of wines which are sold in 100% recycled glass bottles. The Board has also authorised funding in support of The Great Reserve, a project to plant Giant Sequoia trees in the UK which benefits the environment through carbon capture, the protection of an endangered species and the promotion of biodiversity.

Each of our offices raises funds for a local charity (the charities are selected on a two-year cycle, and are nominated by employees). The Board has allocated funds for the business to match donations made by employees to these nominated charities. We believe this is an appropriate way for us to support both the interests of local good causes and of our employees.

e) The desirability of the company maintaining a reputation for high standards of business conduct

For over 50 years we have been proud to hold ourselves to the highest standards of business conduct. This is underpinned by the Board's approval of long-term strategy and short-term financial plans, as well as their ongoing monitoring of progress against these plans through monthly Board reporting.

The Board continues to approve significant investment in our IT platforms and technical support which enable us to maintain the highest standards of customer service. Visible enhancements this year include new web search functionality, but we have also increased our internal resource dedicated to cyber-security (including cloud security). These measures contribute to our strong reputation among our customers (evidenced by our Trustpilot ratings), and this year we were also pleased to be awarded the ServiceMark with Distinction from the Institute of Customer Service – the first time we have achieved company-wide accreditation).

Board papers always include monitoring of our cash position and variances to budget – this enables us to ensure that we maintain our good performance in paying suppliers on time (which is demonstrated in our six-monthly Payment Practices Reporting results) and maintain our reputation with these key partners.

Beyond this financial decision-making and stewardship, the Board has an informal motto for the way we conduct ourselves – "Doing Things Beautifully". This means that we always seek to do the right thing for our customers, our partners and suppliers, and in so doing we will do the right thing for ourselves. Every employee, regardless of role, is in a position to build our reputation with stakeholders by embodying these values. For this reason, the Board maintains a visible, approachable presence with employees, from the induction process right through to our day-to-day operations – this connection between Board members and employees, built on the sharing of values, is key to how we maintain our reputation in the wider world.

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: (continued)

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. During the year, Barbara Laithwaite resigned from the Board of Directors. As described above, the Board approved changes to the Internal Governance Policy to clarify voting thresholds for certain categories of decision – the policy specifically names certain matters which are reserved matters for all shareholders. The wider family is represented through a Family Council whilst the Board contains a number of Independent Non-Executive Directors. These arrangements ensure that the 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 pages 2-3.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'D B Gates', written in a cursive style.

D B Gates
Director
18 October 2023

Directors' report for the period ended 30 June 2023

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 30 June 2023.

Results and dividends

The Group's profit for the financial period was £403,000 (2022: a profit of £2,852,000). Subsequent to the year end, the directors declared a final dividend of £1,599,972 (£31.62 per share) in respect of the period ended 30 June 2023 (2022: £1,611,610 (£31.85 per share)). Final dividend paid in the year amounted to £1,611,610 in respect of the period ended 30 June 2023 (2022: £2,496,098). No interim dividend was paid in respect of the period ended 30 June 2023 (2022: £2,999,948 (£59.29 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 (resigned as a Director 15 th March 2023)
T A E Laithwaite	Co-Chairman (appointed Co-Chairman 21 st July 2022)
A J Porter	Co-Chairman
H J H Laithwaite	Non-executive (resigned as Co-Chairman 21 st 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 30 June 2023 (continued)

Political and charitable contributions

The Group made charitable donations of £15,000 (2022: £93,063). The main donation of £15,000 was to Queer Britain Museum (2022: £41,614 to Drinkaware). No further non-charitable donation to support the local community was made during the year (2022: £225,000). No political donations were made during the period (2022: £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.

Following the cancellation in the last two years of customer events, the relaunch of events such as the Vintage Festival and Taste with Laithwaites has given us the opportunity to engage face-to-face with many of our customers.

Directors' report for the period ended 30 June 2023 (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 were 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 and the Retail of Alcohol Standards Group 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 industry 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 match donations.

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. As of the end of the reporting period, Direct Wines Limited and Averys of Bristol operated 11 leased buildings. Of these, the store at Alderley Edge subsequently closed in August 2023. 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 30 June 2023 (continued)

Streamlined Energy and Carbon Reporting (continued)

Calculation methodology (continued)

All categories are calculated using the 2023 Greenhouse Gas factors for the full operating year as instructed by the Department for Energy Security and Net Zero ("DESNZ", formerly the Department for Business, Energy and Industrial Strategy, "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/DESNZ 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 0.2% of the total energy consumption.

Greyfleet and hire car consumption is based on cost and translated into energy and carbon footprint on the following basis. The predominant hire car fossil fuel type has been petrol. Hire cars are returned fully fuelled. We have used the cost of refuelling allied with UK Government statistics during 22/23 to calculate the number of litres. Greyfleet data was calculated using the cost by size category and fuel type.

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		2022/23 (kWh)	2021/22 (kWh)
Fossil Fuels in stationary combustion		122,377	164,589
Electricity		1,660,442	1,866,299
Fuel used for transport purposes (Group operated vehicles)		13,267	13,107
Fuel used in personal/hire cars on business use		154,870	161,069
Total Energy Consumption		1,950,956	2,205,064
Carbon Footprint	Scope	2022/23 (tonnes CO ₂ e)	2021/22 (tonnes CO ₂ e)
Emissions from stationary combustion	1	22.4	29.9
Emissions from combustion of fuel for transport purposes (Group operated vehicles)	1	3.8	3.2
Fugitive Emissions	1	-	-
Total Scope 1 emissions		26.2	33.1
Electricity consumption	2	343.8	360.9
Total Scope 2 emissions		343.8	360.9
Emissions from the fuel used in personal/hire cars on business use	3	46.3	50.2
Upstream impacts from stationary fossil fuel use and electricity production	3	10.3	38.1
Upstream impacts from combustion of fuel for transport purposes (Group operated vehicles)	3	0.8	0.9
Total Scope 3 emissions		57.4	89.2
Total Carbon Footprint		427.4	483.2
Intensity ratio	Tonnes CO₂e/£'000 revenue	0.0018	0.0017

Directors' report for the period ended 30 June 2023 (continued)**Streamlined Energy and Carbon Reporting (continued)****Energy efficiency action taken during the period**

The Group has focused on improving the energy efficiency of our its retail shops. 6 shops have had LED lighting and motion sensors installed in stockrooms to reduce electricity consumption. At our Beaconsfield shop we have replaced our diesel van for an electric van for local deliveries.

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

18 October 2023

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 30 June 2023 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, including 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 30 June 2023; 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.

Direct Wines Holdings Limited

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.

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 30 June 2023 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 employment laws, data protection, healthy and safety and industry laws

Direct Wines Holdings Limited

governing the sale of alcohol, and we considered the extent to which non-compliance might 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 and local and international tax legislation. 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. 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.

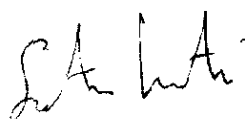
Other required reporting

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
19 October 2023

Consolidated income statement for the period ended 30 June 2023

	Note	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Revenue	4	346,305	395,974
Cost of sales		(205,092)	(233,577)
Gross profit		141,213	162,397
Distribution costs		(14,462)	(16,311)
Administrative expenses		(129,392)	(145,498)
Other operating income		3,342	3,278
Operating profit	5	701	3,866
Finance income	6	444	5
Finance costs	7	(459)	(146)
Profit before income tax		686	3,725
Income tax expense	10	(283)	(873)
Profit for the financial period		403	2,852

The results for the period ended 30 June 2023 are derived entirely from continuing operations.

Consolidated statement of comprehensive income for the period ended 30 June 2023

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Profit for the financial period	403	2,852
Other comprehensive income/(expense):		
- Currency translation differences	(3,429)	6,528
- Changes in fair value of cash flow hedges	(161)	405
- Tax on Other comprehensive income/(expense)	33	24
Other comprehensive (expense)/income for the year, net of tax	(3,557)	6,957
Total comprehensive (expense)/income for the year	(3,154)	9,809

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 (2022: profit of £Nil).

Consolidated balance sheet as at 30 June 2023

		30 June 2023	1 July 2022
	Note	£'000	£'000
Fixed assets			
Intangible assets	12	27,323	27,084
Property, plant and equipment	13	16,795	17,490
Total fixed assets		44,118	44,574
Current assets			
Inventories	15	52,983	65,288
Trade and other receivables	16	21,586	20,572
Cash at bank and in hand	17	34,896	53,831
Total current assets		109,465	139,691
Trade and other payables	18	(71,870)	(97,827)
Net current assets		37,595	41,864
Total assets less current liabilities		81,713	86,438
Provisions for liabilities	19	(1,873)	(1,832)
Net assets		79,840	84,606
Capital and reserves			
Called up share capital	23	51	51
Hedging reserve		(696)	(568)
Retained earnings		80,485	85,123
Total equity		79,840	84,606

The notes on pages 26 to 54 are integral part of these financial statements.

The financial statements on pages 20 to 54 were approved by the Board of directors on 18th October 2023 and were signed on its behalf by:

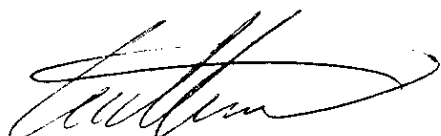


T A E Laithwaite
Director
Direct Wines Holdings Limited
Registered number: 06574767

Company balance sheet as at 30 June 2023

	Note	30 June 2023 £'000	1 July 2022 £'000
Fixed assets			
Investments	14	2,703	2,703
Current assets			
Trade and other receivables	16	43,760	50,872
Cash at bank and in hand		5	5
Total current assets		43,765	50,877
Trade and other payables	18	-	(5,500)
Net current assets		43,765	45,377
Total assets less current liabilities		46,468	48,080
Net assets		46,468	48,080
Capital and reserves			
Called up share capital	23	51	51
Retained earnings		46,417	48,029
Total equity		46,468	48,080

The financial statements on pages 20 to 54 were approved by the Board of directors on 18th October 2023 and were signed on its behalf by:



T A E Laithwaite
Director
Direct Wines Holdings Limited
Registered number: 06574767

Consolidated statement of changes in equity for the period ended 30 June 2023

	Called up share capital £'000	Retained earnings £'000	Hedging Reserve £'000	Total Equity £'000
Balance as at 2 July 2021	51	81,239	(997)	80,293
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
Total comprehensive income for the year	-	9,380	429	9,809
Dividends paid	-	(5,496)	-	(5,496)
Total transactions with owners, recognised directly in equity	-	(5,496)	-	(5,496)
Balance as at 1 July 2022	51	85,123	(568)	84,606
Profit for the financial period	-	403	-	403
Other comprehensive income/(expense) for the year:				
- Currency translation differences on net investment in foreign operations	-	(3,429)	-	(3,429)
- Cash flow hedge net of tax	-	-	(128)	(128)
Total comprehensive expense for the year	-	(3,026)	(128)	(3,154)
Dividends paid	-	(1,612)	-	(1,612)
Total transactions with owners, recognised directly in equity	-	(1,612)	-	(1,612)
Balance as at 30 June 2023	51	80,485	(696)	79,840

Company statement of changes in equity for the period ended 30 June 2023

	Notes	Called up share capital £'000	Retained earnings £'000	Total Equity £'000
Balance as at 2 July 2021		51	53,525	53,576
Result for the financial period		-	-	-
Total comprehensive income for the year		-	-	-
Dividends paid	11	-	(5,496)	(5,496)
Total transactions with owners, recognised directly in equity		-	(5,496)	(5,496)
Balance as at 1 July 2022		51	48,029	48,080
Result for the financial period		-	-	-
Total comprehensive income for the year		-	-	-
Dividends paid	11	-	(1,612)	(1,612)
Total transactions with owners, recognised directly in equity		-	(1,612)	(1,612)
Balance as at 30 June 2023		51	46,417	46,468

Consolidated statement of cash flows for the period ended 30 June 2023

	Note	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Net cash outflow from operating activities	24	(4,646)	8,270
Taxation paid		(1,342)	(1,294)
Net cash generated from/(used in) operating activities		(5,988)	6,976
Cash flow from investing activities			
Interest received	6	444	5
Sale of property, plant and equipment		36	497
Purchase of intangible assets	12	(7,198)	(6,496)
Purchase of property, plant and equipment	13	(3,109)	(3,000)
Net cash used in investing activities		(9,827)	(8,994)
Cash flow from financing activities			
Interest paid	7	(459)	(146)
Equity dividends paid to shareholders	11	(1,612)	(5,496)
Net cash used in financing activities		(2,071)	(5,642)
Net decrease in cash and cash equivalents		(17,885)	(7,660)
Cash and cash equivalents at the beginning of the year		45,789	50,468
Exchange (losses)/gains on cash and cash equivalents		(1,334)	2,981
Cash and cash equivalents at the end of the year		26,569	45,789
Cash and cash equivalents consist of			
Cash at bank and in hand		34,896	53,831
Bank overdrafts	18	(8,327)	(8,042)
Cash and cash equivalents		26,569	45,789

Notes to the financial statements for the period ended 30 June 2023

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 30 June 2023. The previous accounting period was for the 52 weeks ended 1 July 2022.

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 30 June 2023 the Group had undrawn debt facilities amounting to £31.0m (2022: £31.0m) and it held £34.9m of cash at bank and in hand (2022: £53.8m). 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 30 June 2023 (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 30 June 2023.

(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 30 June 2023 (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 30 June 2023 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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 (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 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Operating profit is stated after charging:		
Depreciation charge for the period	3,415	4,044
Amortisation of goodwill	1,326	1,210
Amortisation of other intangible assets	5,168	6,257
Inventory recognised as an expense (included in 'cost of sales')	142,721	167,677
Impairment of inventory (included in 'cost of sales')	512	279
Operating lease rentals	3,369	3,342
Services provided by the company's auditors		
- fees payable for audit of group undertakings	217	238
- fees payable for the audit of the Company	92	83
- tax advisory services	33	52
- other services	281	78

6 Finance income

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
On bank deposits	444	5

Notes to the financial statements for the period ended 30 June 2023 (continued)

7 Finance costs

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
On bank loans and overdrafts	459	146

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 30 June 2023	52 week period ended 1 July 2022
By activity	Number	Number
Office and management	511	503
Selling and distribution	507	529
	1,018	1,032

Staff costs for the above persons comprised:

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Wages and salaries	51,138	46,672
Social security costs	4,846	4,170
Other pension costs (note 27)	2,086	1,827
	58,070	52,669

Included in the above, are staff costs of £4,025,850 (2022: £3,647,206) 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 30 June 2023 (continued)

9 Directors' emoluments

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Aggregate emoluments	2,856	2,760

In the current period no retirement benefits were accruing for any director (2022: Nil) under the Group's defined contribution scheme. The contribution paid was £nil (2022: Nil).

Highest paid director

The highest paid director's emoluments were as follows:

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Aggregate emoluments	783	809

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 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Salaries and other short-term benefits	4,834	5,166
Post-employment benefits	35	55
	4,869	5,221

Notes to the financial statements for the period ended 30 June 2023 (continued)

10 Income tax expense

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

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Current tax		
- UK Corporation tax on profits for the year	-	126
- Foreign corporation tax on profits for the year	856	1,119
- Adjustments in respect of prior periods	(1,178)	(553)
Total current tax (income)/expense	(322)	692
Deferred tax		
Origination and reversal of timing differences:		
- UK	(600)	(200)
- Foreign tax	46	(24)
Adjustments in respect of prior periods	1,159	405
Total deferred tax expense (Note 19)	605	181
Income tax expense	283	873

(b) Tax charge included in other comprehensive income

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Deferred tax		
- Origination and reversal of timing differences	(33)	(24)
Total tax income included in other comprehensive income	(33)	(24)

Notes to the financial statements for the period ended 30 June 2023 (continued)

10 Income tax expense (continued)

(c) Reconciliation of tax charge

The tax assessed for the period is higher (2022: higher) than the standard rate of corporation tax in the UK for the period ended 30 June 2023 of 20.5% (2022: 19%).

The differences are explained below:

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
Profit before income tax	686	3,725
Profit multiplied by standard rate of corporation tax in the UK of 20.5% (2022: 19%)	141	708
Effects of:		
Expenditure not allowable for tax purposes	40	121
Income not taxable	(24)	(18)
Fixed assets ineligible for capital allowance	16	59
Overseas difference in tax rates	279	216
Overseas tax losses utilised	(95)	(60)
Adjustments in respect of prior periods	(19)	(148)
Other permanent differences	36	33
Other short timing differences	18	10
Deferred tax, change in tax rates	(109)	(48)
Income tax expense	283	873

(d) Tax rate changes

The blended standard rate of corporation tax in the UK for this accounting period is 20.5% (2022: 19%).

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 30 June 2023 has been calculated at 25%, reflecting the expected timing of reversal of the related temporary differences (2022: 25%).

Notes to the financial statements for the period ended 30 June 2023 (continued)

11 Dividends

	52 week period ended 30 June 2023 £'000	52 week period ended 1 July 2022 £'000
2021 Final dividend paid £49.33 per share	-	2,496
2022 Interim dividend paid £59.29 per share	-	3,000
2022 Final dividend paid £31.85 per share	1,612	-
Total dividend paid	1,612	5,496

Subsequent to the year end, the directors declared a final dividend of £1,599,972 (£31.62 per share) in respect of the period ended 30 June 2023 (2022: £1,611,610, £31.85 per share). Dividends paid in the year amounted to £1,611,610 in respect of the period ended 1 July 2022 (2022: £2,496,098). No interim dividend was paid (2022: £2,999,948).

12 Intangible assets

Group	Goodwill on acquisition £'000	Other Intangible Assets £'000	Software under construction £'000	Computer Software £'000	Total £'000
Cost					
At 1 July 2022	35,366	537	2,237	29,398	67,538
Additions	-	366	6,832	-	7,198
Assets brought into use	-	-	(4,788)	4,788	-
Translation differences	(1,586)	(7)	(10)	-	(1,603)
At 30 June 2023	33,780	896	4,271	34,186	73,133
Accumulated amortisation and impairment					
At 1 July 2022	24,363	275	-	15,816	40,454
Amortisation charge for the period	1,326	104	-	5,064	6,494
Translation differences	(1,131)	(6)	-	(1)	(1,138)
At 30 June 2023	24,558	373	-	20,879	45,810
Net book value					
At 30 June 2023	9,222	523	4,271	13,307	27,323
At 1 July 2022	11,003	262	2,237	13,582	27,084

The Company has no intangible assets.

Notes to the financial statements for the period ended 30 June 2023 (continued)

13 Property, plant and equipment

Group	Land and buildings		Computer hardware and furniture and fittings	Assets in 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
Cost							
At 1 July 2022	7,093	9,995	6,438	749	15,559	204	40,038
Additions	607	36	501	1,312	612	41	3,109
Disposals	(44)	(137)	(791)	-	(396)	-	(1,368)
Assets brought into use	288	-	3	(560)	269	-	-
Translation differences	(155)	(59)	(117)	(41)	(488)	(11)	(871)
At 30 June 2023	7,789	9,835	6,034	1,460	15,556	234	40,908
Accumulated depreciation							
At 1 July 2022	1,622	7,627	4,866	-	8,328	105	22,548
Charge for the period	349	410	632	-	1,979	45	3,415
Disposals	(44)	(127)	(779)	-	(396)	-	(1,346)
Translation differences	(32)	(49)	(97)	-	(319)	(7)	(504)
At 30 June 2023	1,895	7,861	4,622	-	9,592	143	24,113
Net book value							
At 30 June 2023	5,894	1,974	1,412	1,460	5,964	91	16,795
At 1 July 2022	5,471	2,368	1,572	749	7,231	99	17,490

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 30 June 2023 (continued)

14 Investments

Company	Shares in subsidiaries £'000
Cost and net book value at 1 July 2022 and 30 June 2023	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 30 June 2023 (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 st 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
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

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 st 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 (2022: £Nil).

Notes to the financial statements for the period ended 30 June 2023 (continued)

15 Inventories

Group	30 June 2023 £'000	1 July 2022 £'000
Raw materials and consumables	1,921	1,876
Work in progress	10,407	14,913
Finished goods and goods for resale	40,655	48,499
	52,983	65,288

The amount of inventories recognised as an expense during the year was £142,720,788 (2022: £167,677,161).

Inventories are stated after provisions for impairment of £1,839,517 (2022: £1,941,206).

The difference between the carrying amount of inventory and the replacement cost was £621,632 (2022: £210,546).

The Company holds no inventory (2022: £Nil).

16 Trade and other receivables

	Group		Company	
	30 June 2023 £'000	1 July 2022 £'000	30 June 2023 £'000	1 July 2022 £'000
Amounts falling due within one year				
Trade receivables	11,490	10,581	-	-
Amounts owed by group undertakings	-	-	43,760	50,872
Corporation tax	2,180	1,043	-	-
Deferred tax asset	1,824	2,380	-	-
Other receivables	1,707	1,522	-	-
Derivative financial instruments (note 21)	720	1,451	-	-
Prepayments and accrued income	3,665	3,595	-	-
	21,586	20,572	43,760	50,872

Trade and other receivables are stated after provisions for impairment of £241,444 (2022: £279,596). 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 £624,637 (2022: £647,085) 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 30 June 2023 (continued)

18 Trade and other payables

	Group		Company	
	30 June 2023	1 July 2022	30 June 2023	1 July 2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank loans and overdrafts	8,327	8,042	-	-
Trade payables	18,692	36,406	-	-
Amounts owed to group undertakings	-	-	-	5,500
Corporation tax	6	501	-	-
Other taxation and social security	6,251	6,818	-	-
Other payables	2,575	3,100	-	-
Derivative financial instruments (note 21)	1,895	2,284	-	-
Accruals and deferred income	34,124	40,676	-	-
	71,870	97,827	-	5,500

Of the bank loans and overdraft balance, £8,327,000 (2022: £8,042,000) 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 1 July 2022	1,832
Credit to the income statement	605
Credited to the other comprehensive income	(33)
Reclassified to Deferred Tax asset (note 16)	(556)
Translation differences	25
At 30 June 2023	1,873

The Company had no deferred tax provision at 30 June 2023 (2022: £Nil).

Notes to the financial statements for the period ended 30 June 2023 (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	
	30 June 2023 £'000	1 July 2022 £'000	30 June 2023 £'000	1 July 2022 £'000
The effect of timing differences because of:				
Accelerated capital allowances	-	-	(1,135)	19
Other timing differences	-	-	1,830	2,476
Tax losses carried forward	-	-	816	121
Derivative financial instruments	-	-	313	(236)
Deferred tax asset	-	-	1,741	2,380

Group Deferred tax liability	30 June 2023 £'000	1 July 2022 £'000
The effect of timing differences because of:		
Accelerated capital allowances	(3,154)	(3,972)
Other timing differences	1,302	1,624
Derivative financial instruments	(21)	516
Deferred tax provision	(1,823)	(1,832)

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 2024 is £1,003k and primarily relates to the reversal of timing differences on acquired tangible assets.

The Company had no deferred tax provision at 30 June 2023 (2022: £Nil).

Notes to the financial statements for the period ended 30 June 2023 (continued)

21 Financial instruments

The Group has the following financial instruments:

	Note	30 June 2023	1 July 2022
		£'000	£'000
Financial assets measured at fair value through other comprehensive income:			
Derivative financial instruments	16	720	1,451
Financial assets that are debt instruments measured at amortised cost:			
Trade receivables	16	11,490	10,581
Other receivables	16	1,707	1,522
		13,197	12,103
Financial liabilities measured at fair value through other comprehensive income:			
Derivative financial instruments	18	1,895	2,284
Financial liabilities measured at amortised cost			
Bank loans and overdraft	18	8,327	8,042
Trade payables	18	18,692	36,406
Accruals and deferred income	18	34,124	40,676
Other payables	18	2,575	3,100
		63,718	88,224

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 30 June 2023, the outstanding contracts all mature within 24 months (2022: 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 £1,175,000 (2022: liability £833,000). During the year, a net hedging loss of £342,000 (2022: profit of £421,000) 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 30 June 2023 were £120,437,789 (2022: £119,520,979).

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 30 June 2023 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 30 June 2023 (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.

After the balance sheet date, the Group completed a refinancing with its existing bankers, providing a committed £15m revolving credit facility until at least December 2026.

Notes to the financial statements for the period ended 30 June 2023 (continued)

23 Called up share capital

	30 June 2023	1 July 2022
Group and company	£'000	£'000
Authorised		
1,000,000 (2022:1,000,000) ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid		
50,600 (2022: 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 30 June 2023	Period ended 1 July 2022
	£'000	£'000
Operating profit for the year	701	3,866
Adjustments for:		
Depreciation of property, plant and equipment	3,415	4,044
Amortisation of goodwill	1,326	1,210
Amortisation of other intangible assets	5,168	6,257
(Profit)/Loss on sale of property, plant and equipment	(14)	1,248
Working capital movements:		
- Decrease/(Increase) in inventories	10,625	(4,173)
- Increase in trade and other receivables	(2,122)	(48)
- Decrease in trade and other payables	(23,746)	(4,134)
Net cash inflow from operating activities	(4,646)	8,270

Analysis of changes in net debt

	At 1 July 2022	Cash flows	Fair value and Foreign Exchange movements	At 30 June 2023
	£'000	£'000	£'000	£'000
Cash at bank and in hand	53,831	(17,600)	(1,335)	34,896
Bank overdraft	(8,042)	(285)	-	(8,327)
Cash and cash equivalents	45,789	(17,885)	(1,335)	26,569
Derivative financial instruments	(833)	(236)	(106)	(1,175)
Total	44,956	(18,121)	(1,441)	25,394

Notes to the financial statements for the period ended 30 June 2023 (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 30 June 2023 these amounted to £0.6m (2022: £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 30 June 2023 these amounted to £218,000 (2022: £235,000).

The bank overdrafts and loan of the UK group undertakings are secured by cross guarantees between the UK group companies. At 30 June 2023 the potential liability of the Company was £8,327,000 (2022: £8,041,820).

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:

	30 June 2023 £'000	1 July 2022 £'000
Not later than one year	3,501	3,630
Later than one year but not later than five years	11,217	12,009
Later than five years	5,299	7,258
	20,017	22,897

The Company had no capital or other commitments at 30 June 2023 (2022: £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 £2,086,000 (2022: £1,827,000). There were unpaid contributions at the period end of £221,000 (2022: £227,000).

Notes to the financial statements for the period ended 30 June 2023 (continued)

28 Related party transactions

During the year the Group purchased £155,869 (2022: £130,047) 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 (2022: £Nil). The Group has sold £44,573 (2022: £Nil) of goods to Harrow & Hope Limited. The amount due from this company to the Company at the year end was £44,573 (2022: £Nil).

During the year the Group purchased £105,987 (2022: £89,336) 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 £264 (2022: £Nil). The Group also sold £5,509 (2022: £22,067) of goods and services to Wyfold Vineyard Limited. The amount due from this company to the Company at the year end was £Nil (2022: £Nil).

During the year the Group purchased £71,707 (2022: £102,755) of goods from The Loose Cannon Brewing Company Limited, a company owned by W.W. Laithwaite, B.A. Laithwaite, directors of the Company. The amount outstanding at the year end was £Nil (2022: £Nil). The Group also sold £19,368 (2022: £20,536) of goods to The Loose Cannon Brewing Company Limited. The amount due from this company to the Company at the year end was £3,126 (2022: £2,900).

During the year the Group sold £37,035 (2022: £4,301) 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 £4,370 (2022: £4,301).

During the year the Group sold no goods (2022: £1,394) to T.A.E. Laithwaite, a director of the Company. The amount due from Mr Laithwaite to the Company at the year end was £Nil (2022: £1,394).

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.