

Registered number: 01517126

Lanchester Wine Cellars Limited

Annual report

30 June 2020



Lanchester Wine Cellars Limited

Company Information

Directors	A A Cleary V A Cleary M A Satchwell A R Black
Registered number	01517126
Registered office	Unit 2, Durham B Warehouse Greencroft Industrial Estate Tower Road Annfield Plain DH9 7XP
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	HSBC plc 1 Saddler Street Durham County Durham DH1 3NR

Lanchester Wine Cellars Limited

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Lanchester Wine Cellars Limited

Group strategic report Year ended 30 June 2020

Introduction

Lanchester Wine Cellars Limited is a leading UK wine importer, shipper and Class A bonded warehouse keeper. It is one of the UK's leading suppliers of quality wines and spirits to the trade, successfully operating and innovating across every element of UK wine import and export.

Within Lanchester Wine Cellars Limited sits Lanchester Gifts. This division supplies hampers and associated gifts, designed and produced in house, to national retailers and also direct to consumer via ecommerce websites. Lanchester Gifts also acts as a 'drop shipper' to many large internet businesses. The Full Circle Brew Co division and our other wholly owned businesses - Bon Bons (Wholesale) Limited and H F Chocolates Limited, complement our core business.

Lanchester Wines is part of the privately owned Lanchester group of companies which also includes Greencroft Bottling Company Limited, Lanchester Properties Limited and Lanchester Energy Limited.

Business review

The Financial Year 2019/20 was on track for a record year and then unfortunately the Covid-19 pandemic hit in March 2020. We reacted swiftly to this new challenge and increased our online sales, selling over one million pounds worth of wine on Amazon alone. This slowly declined through to the end of June as the large retailers got their stocks in order which caused our internet sales to drop appreciably.

We acted quickly and put together a management team, meeting at least once a week, to put measures in place to ensure that our staff, both locally and nationally, are as safe as they could be as we continued to work throughout. Whilst following all government guidance we have changed our working practices to include working from home wherever possible, erecting screens in the offices, re-arranging offices and communal areas so that staff are comfortably socially distanced, staggering start and finish times, providing sanitiser and keeping staff fully informed about latest developments. All absences have been fully documented and tracked to allow staff to reintegrate safely. We have dealt with absences, furlough, isolations and shielding. We are proud that our staff have worked hard to meet all that Covid threw at us and we have fortunately managed to get through with the least impact we could manage.

Whilst understandably our turnover was hit by the impact of Covid-19, despite the pandemic, the group profit before tax for continuing operations increased from £143,582 to £448,360 which, as a board, we are highly delighted with. We believe that we were operating in the top 5% of the liquor trade at this time.

Our 920,000 sq ft bonded warehouse operation started to empty very quickly in March because of the demand from large retailers. This had a dramatic effect on our rental income for the last third of the financial year. This is the main reason that our profitability was down on the year before.

Lanchester Wine Cellars Limited

Group strategic report (continued) Year ended 30 June 2020

Sustainability

Lanchester Wines has continued to keep energy and carbon footprint high on its agenda. The group generated almost five million kWh of electricity in this financial year and therefore maintained a carbon neutral operation using the carbon offset calculation. Low energy lighting installation continued, completing another 100,000 sqft at Abbotsford Road and the Greencroft warehouse. The pioneering sustainable heating systems are now operational at both Abbotsford Road and Nest Road.

We are looking forward to both heat pumps being fully operational by the end of 2021 giving us a substantial contribution towards our profitability.

In January 2020 we started the integration process of Spicers of Hythe Limited and Lanchester Gift. The first major objective was to move both businesses into one location at our Nest Road site in Felling. We invested more than £600,000 in upgrading this site by fully refurbishing the offices and outside space, putting in a mezzanine packing area and more racking in addition to continuing to develop our computer system. This move involved relocating staff and increasing our North East team. This certainly proved to be a huge challenge in the middle of the lock downs and associated restrictions. It was difficult to get contractors in, move stock, deliver training and continue to operate. This did affect the business towards the end of the year.

Our Lanchester Gifts division continues to go from strength to strength, with the launch of its Bottle 'n' Bar range a key highlight from the last 12 months. Spicers of Hythe Limited is trading slightly below expectations, with plans already in place to address this moving forward.

Our luxury confectionery business, Bon Bon's (Wholesale) Limited acquired H F Chocolates Limited, which is a leading importer, distributor and wholesaler of fine chocolates and novelties. We have continued to integrate these two businesses and we were having an excellent year until the pandemic hit. Our key markets, garden centres and visitor attractions, were forced to close. This caused the turnover to drop by nearly 90%. We used the furlough scheme and other government help to dramatically reduce our overheads. The board are happy with the final figures which are not too far down on our forecasts.

The business expanded its divisions further by investing in a brand new 30 hectolitre state of the art craft brewery trading under the name of Full Circle Brew Co. We look forward to the opportunities this will bring to the Group with the Lanchester Wines sales force selling the beers throughout the country.

While no one can predict what effect the UK's ever-changing political climate will have on business, we can look to the future in the knowledge that our group is strong, our wine offering is excellent and our team is outstanding.

Lanchester Wine Cellars Limited

Group strategic report (continued) Year ended 30 June 2020

Principal risks and uncertainties

The directors see very limited risk for the Lanchester Wine Cellars Limited group:

Financial risk

The group sees very low risk in the financial management of the business, with the valuation of our warehouse estate on the River Tyne increasing significantly. This gives the business an excellent base, together with 920,000 sq ft of warehouse space across the whole business.

Interest rate risk

The group foresees no interest rate risk as we believe the rates will not move significantly until late 2021 at the earliest.

Foreign currency risk

The foreign exchange risk is always present. The group was caught by the Brexit exchange movement scenario but we have covered much of our large volume business at competitive rates moving forward. The majority of dry goods are purchased from within the UK.

Liquidity risk

The group enjoys excellent support from our lenders and sufficient funds are always available to meet the requirements of our ongoing operations.

Financial key performance indicators

The table below shows the key performance indicators used by the group to manage the business:

	2020	2019
	£	£
Revenue	38,605,561	38,269,396
Gross profit (%)	33.6	29.4
Operating profit	835,384	1,079,131
EBITDA	2,463,197	2,459,792

Due to the recent growth of the group, the consolidated operating profit is adversely impacted by significant goodwill amortisation charges and therefore a key measure of the group's success and growth is demonstrated through the EBITDA of £2,463,197 (2019: £2,459,792) achieved.

Other key performance indicators

Employee recruitment and retention

The group's performance relies upon the retention of key personnel and fortunately we have no issues keeping our talented people. With fresh new challenges and a profit share scheme, our managers and senior people appreciate how we operate.

Lanchester Wine Cellars Limited

Group strategic report (continued) **Year ended 30 June 2020**

Directors' statement of compliance with duty to promote the success of the group

To act in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole and, in so doing, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the group employees
- The need to foster the group's business relationships with suppliers, customers and others
- The impact of the group's operations on the community and the environment
- The desirability of the group maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the group

The directors understand the group is constantly evolving and we look at each part of the group separately and as a whole to develop a coherent strategy to strengthen and market position, while keeping safety and energy efficiencies at the heart of our strategic ambitions.

The directors recognise that the group's employees are fundamental and core to our business and to the delivery of our strategic ambitions. The success of the business depends on attracting, retaining and motivating employees. We are committed to ensuring the good health & safety practices, relevant training and shared information and wherever possible seek the views of employees on changes that may impact them.

Maintenance of high standards of business conduct are considered key to the group's success led by the group's directors.

Staff of Lanchester Wine Cellars Limited, Greencroft Bottling Company Limited and Lanchester Properties Limited are eligible to receive a profit share.

The companies have put in a number of energy saving measures throughout the business. This includes wind energy, solar energy, ground source heat pump energy, as well as energy saving measures.


We have invested heavily in 3 ERP systems and staff training to operate efficiently.

We have also invested heavily in our infrastructure and in improving the environment staff work in.

Engagement with suppliers, customers and others

The group considers the development and maintenance of strong relationships with suppliers and customers to be the key to the success of the business. Members of our management teams meet and are in contact regularly throughout the year the both suppliers and customers. We have developed some excellent working relationships which have stood the test of time. Our flexible approach to how we manage individuals, small and large enterprises has proven to be a key factor in our success.

This report was approved by the board on 16 April 2021 and signed on its behalf by:



V A Cleary
Director

Lanchester Wine Cellars Limited

Directors' report Year ended 30 June 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £150,276 (2019 - £241,806).

Dividends paid in the year were £50,000 (2019 - £40,000).

Directors

The directors who served during the year were:

A A Cleary
V A Cleary
M A Satchwell
A R Black

Greenhouse gas emissions, energy consumption and energy efficiency action

The group used 1,451 kWh of electricity in the year to 30 June 2020. The onsite generation of electricity was 4,709 kWh using three 500kW wind turbines and a 41kW solar array. The on site generation is also used by Greencroft Bottling Company Limited, a company based on the same site in common ownership. Given that the electricity is generated on site, the group would consider this to be carbon neutral electricity.

The group used 5,947 kWh of natural gas with a carbon intensity of 0.18387 kg of carbon dioxide emissions per kWh equating to 1,093 tonnes.

The group used 58,711 litres of liquefied petroleum gas (LPG) with a carbon intensity of 1.55537 kg of carbon dioxide emissions per litre equating to 91 tonnes.

The group used 102,960 litres of DERV with a carbon intensity of 2.5603 kg of carbon dioxide emissions per litre equating to 264 tonnes.

The total carbon footprint of the group was 1,448 tonnes of carbon dioxide emissions.

1/3 of the warehouse space (approx. 35,000m²) is heated using mine water heat pumps. This produces between 4 and 6 kWh of heat for each kWh used to run the heat pump. Using mine water as a source for space heating is a pioneering low carbon technology.

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Government Conversion Factors for Company Reporting.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

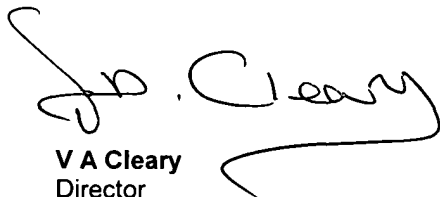
Lanchester Wine Cellars Limited

Directors' report (continued) **Year ended 30 June 2020**

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 16 April 2021 and signed on its behalf by:



V A Cleary
Director

Lanchester Wine Cellars Limited

Directors' responsibilities statement Year ended 30 June 2020

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice'), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of Lanchester Wine Cellars Limited

Opinion

We have audited the financial statements of Lanchester Wine Cellars Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020, which comprise the group statement of comprehensive income, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditor's report to the members of Lanchester Wine Cellars Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Independent auditor's report to the members of Lanchester Wine Cellars Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 Group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Morris FCA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

16 April 2021

Lanchester Wine Cellars Limited

Consolidated statement of comprehensive income Year ended 30 June 2020

	Note	Continuing operations 2020 £	Discontinued operations 2020 £	Total 2020 £	Continuing operations 2019 £	Discontinued operations 2019 £	Total 2019 £
Turnover	5	38,605,561	-	38,605,561	38,083,038	186,358	38,269,396
Cost of sales		(25,626,309)	-	(25,626,309)	(26,845,353)	(162,408)	(27,007,761)
Gross profit		12,979,252	-	12,979,252	11,237,685	23,950	11,261,635
Distribution costs		(6,102,113)	-	(6,102,113)	(5,153,383)	(102,801)	(5,256,184)
Administrative expenses		(10,856,505)	-	(10,856,505)	(9,074,331)	(35,008)	(9,109,339)
Exceptional administrative expenses		-	-	-	(606,705)	451,450	(155,255)
Other operating income	7	4,814,750	-	4,814,750	4,337,791	483	4,338,274
Operating profit	8	835,384	-	835,384	741,057	338,074	1,079,131
Share of profit/(loss) in joint venture		46,098	-	46,098	(43,529)	-	(43,529)
Interest receivable and similar income		113	-	113	2,282	-	2,282
Interest payable and expenses	11	(433,235)	-	(433,235)	(556,228)	-	(556,228)
Profit before taxation		448,360	-	448,360	143,582	338,074	481,656
Tax on profit	12	(259,775)	-	(259,775)	(219,871)	-	(219,871)
Profit for the financial year		188,585	-	188,585	(76,289)	338,074	261,785
Profit for the year attributable to:							
Non-controlling interests		38,309	-	38,309	19,979	-	19,979
Owners of the parent company		150,276	-	150,276	(96,268)	338,074	241,806
		188,585	-	188,585	(76,289)	338,074	261,785

There was no other comprehensive income for 2020 or 2019.

The notes on pages 17 to 37 form part of these financial statements.

Lanchester Wine Cellars Limited

Consolidated balance sheet At 30 June 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	5,151,817	5,336,184
Tangible fixed assets	15	16,277,858	13,720,478
Fixed asset investments	16	110,192	14,094
		<u>21,539,867</u>	<u>19,070,756</u>
Current assets			
Stocks	17	9,299,550	8,167,067
Debtors	18	7,217,464	8,132,034
Cash at bank and in hand		1,245,922	283,222
		<u>17,762,936</u>	<u>16,582,323</u>
Creditors: amounts falling due within one year	19	(31,575,056)	(15,499,568)
Net current (liabilities)/assets		<u>(13,812,120)</u>	<u>1,082,755</u>
Total assets less current liabilities		<u>7,727,747</u>	<u>20,153,511</u>
Creditors: amounts falling due after more than one year	20	(1,572,289)	(14,325,214)
Provisions for liabilities			
Deferred taxation	22	(677,352)	(488,776)
Net assets		<u>5,478,106</u>	<u>5,339,521</u>
Capital and reserves			
Called up share capital	23	100,000	100,000
Profit and loss account	24	5,374,601	5,274,325
Equity attributable to owners of the parent company		<u>5,474,601</u>	<u>5,374,325</u>
Non-controlling interests		3,505	(34,804)
		<u>5,478,106</u>	<u>5,339,521</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 April 2021.



V A Cleary
Director

The notes on pages 17 to 37 form part of these financial statements.

Lanchester Wine Cellars Limited

Company balance sheet At 30 June 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible fixed assets	14	721,478	373,811
Tangible fixed assets	15	15,622,732	12,952,064
Fixed asset investments	16	10,442,821	10,346,723
		<u>26,787,031</u>	<u>23,672,598</u>
Current assets			
Stocks	17	6,508,093	5,592,085
Debtors	18	5,494,919	6,138,178
Cash at bank and in hand		42,150	18,915
		<u>12,045,162</u>	<u>11,749,178</u>
Creditors: amounts falling due within one year	19	(30,025,418)	(14,451,319)
Net current liabilities		<u>(17,980,256)</u>	<u>(2,702,141)</u>
Total assets less current liabilities		<u>8,806,775</u>	<u>20,970,457</u>
Creditors: amounts falling due after more than one year	20	(1,536,185)	(14,241,438)
Provisions for liabilities			
Deferred taxation	22	(638,720)	(440,000)
Net assets		<u>6,631,870</u>	<u>6,289,019</u>
Capital and reserves			
Called up share capital	23	100,000	100,000
Profit and loss account brought forward		6,189,019	5,374,994
Profit for the year		392,851	454,025
Other changes in the profit and loss account		(50,000)	360,000
		<u>6,531,870</u>	<u>6,189,019</u>
Total equity		<u>6,631,870</u>	<u>6,289,019</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 April 2021.

V A Cleary
Director

Company registered number: 01517126

Lanchester Wine Cellars Limited

Consolidated statement of changes in equity Year ended 30 June 2020

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 July 2018	100,000	5,072,519	5,172,519	(54,783)	5,117,736
Profit for the year	-	241,806	241,806	19,979	261,785
Dividends	-	(40,000)	(40,000)	-	(40,000)
At 1 July 2019	100,000	5,274,325	5,374,325	(34,804)	5,339,521
Profit for the year	-	150,276	150,276	38,309	188,585
Dividends	-	(50,000)	(50,000)	-	(50,000)
At 30 June 2020	100,000	5,374,601	5,474,601	3,505	5,478,106

The notes on pages 17 to 37 form part of these financial statements.

Company statement of changes in equity Year ended 30 June 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2018	100,000	5,374,994	5,474,994
Profit for the year	-	454,025	454,025
Dividends	-	360,000	360,000
At 1 July 2019	100,000	6,189,019	6,289,019
Profit for the year	-	392,851	392,851
Dividends	-	(50,000)	(50,000)
At 30 June 2020	100,000	6,531,870	6,631,870

The notes on pages 17 to 37 form part of these financial statements.

Lanchester Wine Cellars Limited

Consolidated statement of cash flows Year ended 30 June 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	188,585	261,785
Adjustments for:		
Amortisation of intangible assets	802,035	790,806
Depreciation of tangible assets	779,680	633,384
Loss on disposal of tangible assets	35,640	(238,710)
Interest payable	433,235	556,228
Interest receivable	(113)	(2,282)
Taxation charge	259,775	219,871
(Increase)/decrease in stocks	(840,729)	263,015
Decrease/(increase) in debtors	828,176	(514,404)
Increase in creditors	3,201,263	795,681
Share of (profit)/loss in joint ventures	(46,098)	43,529
Corporation tax received/(paid)	28,745	(247,150)
Net cash generated from operating activities	5,670,194	2,561,753
Cash flows from investing activities		
Purchase of intangible fixed assets	(412,191)	(92,681)
Purchase of tangible fixed assets	(2,607,673)	(1,936,992)
Sale of tangible fixed assets	33,771	735,186
Business acquisitions	(580,131)	-
Investment in joint ventures	(50,000)	(50,000)
Interest received	113	2,282
Net cash from investing activities	(3,616,111)	(1,342,205)
Cash flows from financing activities		
New secured loans	9,310,000	262,379
Repayment of loans	(8,297,530)	(2,010,887)
Net movement on finance leases	(488,238)	(546,735)
Dividends paid	(50,000)	(40,000)
Interest paid	(433,235)	(556,228)
Net cash used in financing activities	40,997	(2,891,471)
Net increase/(decrease) in cash and cash equivalents	2,095,080	(1,671,923)
Cash and cash equivalents at beginning of year	(1,503,907)	168,016
Cash and cash equivalents at the end of year	591,173	(1,503,907)

Lanchester Wine Cellars Limited

Consolidated statement of cash flows (continued) Year ended 30 June 2020

	2020 £	2019 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,245,922	283,222
Bank overdrafts	(654,749)	(1,787,129)
	<u>591,173</u>	<u>(1,503,907)</u>

Consolidated analysis of net debt Year ended 30 June 2020

	At 1 July 2019 £	Cash flows £	New finance leases £	Other non- cash changes £	At 30 June 2020 £
Cash at bank and in hand	283,222	-	-	-	283,222
Bank overdrafts	(1,787,129)	1,132,380	-	-	(654,749)
Debt due after 1 year	(5,876,276)	47,672	-	5,057,500	(771,104)
Debt due within 1 year	(6,143,432)	(519,697)	-	(5,057,500)	(11,720,629)
Finance leases	(923,498)	488,238	(791,604)	-	(1,226,864)
	<u>(14,447,113)</u>	<u>1,148,593</u>	<u>(791,604)</u>	<u>-</u>	<u>(14,090,124)</u>

The notes on pages 17 to 37 form part of these financial statements.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

1. General information

Lanchester Wine Cellars Limited ('the company') and its subsidiaries (together 'the group') operate in the wine and hampers market sector as importers, shippers and bonded warehouse keepers.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England. The address of the registered office is Greencroft Industrial Estate, Tower Road, Annfield Plain, County Durham, DH9 7XP.

2. Statement of compliance

The financial statements have been prepared in accordance 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. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

These financial statements comprise the consolidated (group) financial statements and the company's separate financial statements. However, as permitted by section 408 of the Companies Act 2006, the separate profit and loss account of the company is not presented.

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Reduced disclosure

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity in respect of its separate (non-group) financial statements and has taken advantage of the disclosure exemptions relating to the presentation of a cash-flow statement. The equivalent disclosures, on a consolidated basis, are included in the consolidated financial statements.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

3. Accounting policies (continued)

3.3 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances are therefore eliminated in full and, where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method, under which the acquiree's identifiable assets (including intangible assets), liabilities and contingent liabilities are recognised initially in the consolidated balance sheet at fair value.

3.4 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements.

The directors have performed this assessment and have prepared the financial statements on a going concern basis which is considered appropriate for the following reasons.

In the year to 30 June 2020, the group profit after tax for the year was £188,585. At 30 June 2020, the group net assets position was £5,478,106.

The directors have prepared profit and cash flow forecasts for a period in excess of 12 months from the date of their approval of these financial statements and considered the continued impact of the COVID-19 outbreak.

The cash flow forecasts that the directors have prepared are based on their current best estimate of trading levels with the group's key customers and the group's expected cost base and show that the group can maintain sufficient financial headroom and operate within the currently available bank facilities for the foreseeable future. The directors do not anticipate needing the support from the various funding sources made available by the UK government, other than the 'Coronavirus Job Retention Scheme'.

The directors have also taken measures to counter the impact of COVID-19 on the group's operations and the resultant impact on financial headroom. Contingency plans have been implemented to mitigate the risk and reduce this to an acceptable level in the following areas:

Workforce

The group has remained profitable throughout periods of lockdown, however Government support in the form of the 'Coronavirus Job Retention Scheme' has facilitated the protection of the workforce. The risk of employee absence and the health of key personnel has been mitigated through revised working practices and shift patterns designed to protect employees' welfare and comply with all government guidance.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

3. Accounting policies (continued)

Going concern

Customers

An inherent risk of the current economic environment and considered a key risk impacting the group is the continuation of key customer demand and credit worthiness. The group continues to support its customer base and a large proportion of the group's customers are considered secure.

Supply chain

The group continues to monitor and maintain strong supplier relationships which has allowed for continuous supplies with no interruption throughout periods of lockdown.

Whilst the above risks and others cannot be completely mitigated and therefore some level of future uncertainty remains, the directors have adopted measures and assessed the financial implications of associated factors outside their control and consider that it is appropriate to prepare the financial statements on a going concern basis.

3.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure.

3.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

3. Accounting policies (continued)

3.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

3.9 Intangible fixed assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill recognised represents the excess fair value and directly attributable costs of the purchase of a business over the fair value of the identifiable net assets, liabilities and contingent liabilities acquired.

Amortisation is provided on all intangible assets, other than assets under construction, so as to write off the cost of an asset over its estimated useful life as follows:

Website rights	-	7 years straight-line
Goodwill	-	5 - 10 years straight-line

Intangible assets are reviewed for impairment where market conditions or other factors indicate a reduction in future economic benefits. Impairment losses are expensed to the profit and loss account.

3.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets, other than assets under construction, at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Leasehold property	-	over the lease term
Plant and machinery	-	20% straight-line / 20% reducing balance
Motor vehicles	-	25% straight-line / 25% reducing balance
Fixtures and fittings	-	25-33% straight-line / 20-25% reducing balance

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

3. Accounting policies (continued)

3.11 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the group similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of charge on the remaining balance of the liability.

Leases that do not confer rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

3.12 Fixed asset investments

In the company balance sheet, investments in subsidiary undertakings are measured at cost less accumulated impairment losses.

Other investments held as fixed assets are shown at cost less accumulated impairment losses.

Interest in jointly controlled entities are accounted for using the equity method. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss. The consolidated statement of comprehensive income includes the group's share of the profit/(loss) of such undertakings applying accounting policies consistent with those of the group. In the consolidated balance sheet, the interests are shown as the group's share of the identifiable net assets.

3.13 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost is determined using the first-in first-out (FIFO) method and includes the purchase price (including non-recoverable taxes and duties) and any transport and handling costs directly attributable to bringing the stock to its present location.

Provision is made as necessary for damaged, obsolete or slow-moving items.

3.14 Employee benefits

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 employee's entitlement to the benefit accrues.

Defined contribution pension plan

The group operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

The assets of the plan are held separately from the group in independently administered funds.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

3. Accounting policies (continued)

3.15 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances, bank loans and loans to or from group undertakings and connected companies.

Debt instruments due within one year are measured, initially and subsequently at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

3.16 Foreign currency translation

The group's functional currency is the pound sterling.

Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

3.17 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when they are paid and final dividends are recognised when they are approved by the company's shareholders.

3.18 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

4. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments 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.

Significant judgments in applying the entity's accounting policies

No significant judgments were required in the process of applying the group's accounting policies.

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation and amortisation charges, and asset impairments (for example provisions against debtors and stock). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Turnover

The whole of the turnover is attributable to the sale of goods.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	36,575,906	37,067,770
Rest of the world	2,029,655	1,201,626
	<u>38,605,561</u>	<u>38,269,396</u>

6. Discontinued operations

In the prior year, Spicers of Hythe Limited, a subsidiary undertaking of the parent company, disposed of its 100% owned subsidiary One Up Golf Limited (10 December 2018). The group received cash consideration of £40,000. The net assets at the date of disposal were £68,506 and a loss on disposal of £28,506 was recognised in the profit and loss account.

7. Other operating income

	2020 £	2019 £
Management charges receivable	1,291,533	1,155,452
Rent receivable	3,007,528	3,034,407
Government grants receivable	297,257	-
Heat pump income	218,432	147,932
Commissions receivable	-	483
	<u>4,814,750</u>	<u>4,338,274</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

8. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	779,680	633,384
Amortisation of intangible assets, including goodwill	802,035	790,806
Exchange differences	88,767	(20,223)
Operating lease rentals	537,347	564,085
Audit fees payable to the group's auditor		
The audit of these financial statements	11,750	11,500
Audit of the company's subsidiaries	24,600	19,600
	<u>11,750</u>	<u>11,500</u>
	<u>24,600</u>	<u>19,600</u>

9. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	5,936,117	5,156,442	3,272,542	2,997,700
Social security costs	527,262	468,503	284,657	274,073
Cost of defined contribution scheme	140,731	88,302	87,847	57,988
	<u>6,604,110</u>	<u>5,713,247</u>	<u>3,645,046</u>	<u>3,329,761</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Distribution staff	200	172
Management staff	42	49
	<u>242</u>	<u>221</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

10. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	137,482	152,833
Company contributions to defined contribution pension schemes	2,717	1,820
	<u>140,199</u>	<u>154,653</u>

11. Interest payable

	2020 £	2019 £
Bank interest payable	328,553	266,959
Other loan interest payable	-	159,509
Finance leases and hire purchase contracts	45,036	31,286
Other interest payable	59,646	98,474
	<u>433,235</u>	<u>556,228</u>

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	145,320	(174,172)
Adjustments in respect of previous periods	(72,966)	341,708
Total current tax	<u>72,354</u>	<u>167,536</u>
Deferred tax		
Origination and reversal of timing differences	116,770	82,558
Adjustments in respect of previous periods	11,764	(21,532)
Effects of changes in tax rates	58,887	(8,691)
Total deferred tax	<u>187,421</u>	<u>52,335</u>
Taxation on profit on ordinary activities	<u>259,775</u>	<u>219,871</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>448,360</u>	<u>481,656</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	85,188	91,515
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	176,902	162,824
Adjustments to tax charge in respect of prior periods	(61,202)	(51,444)
Deferred tax not provided	-	21,946
Tax rate changes	58,887	(8,691)
Effects of capital gains	-	3,721
Total tax charge for the year	<u>259,775</u>	<u>219,871</u>

Factors that may affect future tax charges

The rate of corporation tax in the UK throughout the period was 19% and this was the enacted rate of corporation tax at the balance sheet date. Accordingly, the group's profits for this period are taxed at an effective rate of 19% and closing deferred taxation has been calculated based on a rate of 19% (2019: 17%).

In the Spring Budget 2021, the government announced that the main rate of UK corporation tax will increase to 25% from 1 April 2023, however this rate change has not yet been substantively enacted.

If closing deferred taxation had been calculated based on a rate of 25%, the deferred tax liability as at 30 June 2020 would have been £201,000 higher.

13. Exceptional items

	2020 £	2019 £
Stock write off	<u>-</u>	<u>155,255</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

14. Intangible assets

Group

	Computer software £	Assets under construction £	Goodwill £	Website development £	Website rights £	Total £
Cost						
At 1 July 2019	320,766	85,121	7,006,753	58,131	302,500	7,773,271
Additions	412,191	-	205,477	-	-	617,668
Transfers between classes	85,121	(85,121)	-	-	-	-
At 30 June 2020	818,078	-	7,212,230	58,131	302,500	8,390,939
Amortisation						
At 1 July 2019	32,076	-	2,067,514	34,997	302,500	2,437,087
Charge for the year	64,524	-	719,783	17,728	-	802,035
At 30 June 2020	96,600	-	2,787,297	52,725	302,500	3,239,122
Net book value						
At 30 June 2020	721,478	-	4,424,933	5,406	-	5,151,817
At 30 June 2019	288,690	85,121	4,939,239	23,134	-	5,336,184

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

14. Intangible assets (continued)

Company

	Computer software £	Assets under construction £	Website rights £	Total £
Cost				
At 1 July 2019	320,766	85,121	302,500	708,387
Additions	412,191	-	-	412,191
Transfers between classes	85,121	(85,121)	-	-
At 30 June 2020	818,078	-	302,500	1,120,578
Amortisation				
At 1 July 2019	32,076	-	302,500	334,576
Charge for the year	64,524	-	-	64,524
At 30 June 2020	96,600	-	302,500	399,100
Net book value				
At 30 June 2020	721,478	-	-	721,478
At 30 June 2019	288,690	85,121	-	373,811

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

15. Tangible fixed assets

Group

	Freehold property £	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Assets under construction £	Total £
Cost or valuation						
At 1 July 2019	6,474,136	676,914	1,527,886	3,178,229	4,628,564	16,485,729
Additions	28,955	10,099	107,057	312,968	2,940,198	3,399,277
Acquisition of subsidiary	-	-	-	7,194	-	7,194
Disposals	-	(7,920)	(641,241)	(539,304)	-	(1,188,465)
Transfers between classes	244,337	-	-	3,850,724	(4,095,061)	-
At 30 June 2020	6,747,428	679,093	993,702	6,809,811	3,473,701	18,703,735
Depreciation						
At 1 July 2019	-	209,782	1,020,172	1,535,297	-	2,765,251
Charge for the year	112,070	44,924	209,829	412,857	-	779,680
Disposals	-	(7,920)	(610,670)	(500,464)	-	(1,119,054)
At 30 June 2020	112,070	246,786	619,331	1,447,690	-	2,425,877
Net book value						
At 30 June 2020	6,635,358	432,307	374,371	5,362,121	3,473,701	16,277,858
At 30 June 2019	6,474,136	467,132	507,714	1,642,932	4,628,564	13,720,478

Group and company

The net book value of assets held under finance leases or hire purchase contracts is £274,759 (2019: £323,592) included within motor vehicles above, £200,915 (2019: £251,144) included within fixtures and fittings and £1,143,702 (2019: £1,141,343) included within assets under construction.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

15. Tangible fixed assets (continued)

Company

	Freehold property £	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Assets under construction £	Total £
Cost or valuation						
At 1 July 2019	6,474,136	578,562	1,402,230	2,288,956	4,628,564	15,372,448
Additions	28,955	10,099	107,057	168,627	2,940,198	3,254,936
Disposals	-	(7,920)	(586,749)	(456,895)	-	(1,051,564)
Transfers between classes	244,337	-	-	3,850,724	(4,095,061)	-
At 30 June 2020	<u>6,747,428</u>	<u>580,741</u>	<u>922,538</u>	<u>5,851,412</u>	<u>3,473,701</u>	<u>17,575,820</u>
Depreciation						
At 1 July 2019	-	171,567	977,026	1,271,791	-	2,420,384
Charge for the year	112,070	31,478	194,452	246,268	-	584,268
Disposals	-	(7,920)	(586,749)	(456,895)	-	(1,051,564)
At 30 June 2020	<u>112,070</u>	<u>195,125</u>	<u>584,729</u>	<u>1,061,164</u>	<u>-</u>	<u>1,953,088</u>
Net book value						
At 30 June 2020	<u>6,635,358</u>	<u>385,616</u>	<u>337,809</u>	<u>4,790,248</u>	<u>3,473,701</u>	<u>15,622,732</u>
At 30 June 2019	<u>6,474,136</u>	<u>406,995</u>	<u>425,204</u>	<u>1,017,165</u>	<u>4,628,564</u>	<u>12,952,064</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

16. Fixed asset investments

Group

	Investments in subsidiary companies £	Other fixed asset investments £	Investment in joint ventures £	Total £
Cost or valuation				
At 1 July 2019	5,622	2,000	6,472	14,094
Additions	-	-	50,000	50,000
Share of profit	-	-	46,098	46,098
At 30 June 2020	<u>5,622</u>	<u>2,000</u>	<u>102,570</u>	<u>110,192</u>

Company

	Investments in subsidiary companies £	Other fixed asset investments £	Investment in joint ventures £	Total £
Cost or valuation				
At 1 July 2019	10,338,251	2,000	6,472	10,346,723
Additions	-	-	50,000	50,000
Share of profit	-	-	46,098	46,098
At 30 June 2020	<u>10,338,251</u>	<u>2,000</u>	<u>102,570</u>	<u>10,442,821</u>

The group and company have a joint venture, Universal Wines & Spirits Limited. The company is incorporated in the United Kingdom and the group and company own 50% of the ordinary share capital. The principal activity of the company is online sales of wines and spirits.

The investment is accounted for using the equity method. The company made a profit for the year of £92,196 (2019: £87,057 loss), of which the group's share is recognised in the consolidated profit and loss account.

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company at the balance sheet date. All subsidiaries are wholly owned directly, unless stated otherwise, and are incorporated in the United Kingdom.

The following were indirect subsidiary undertakings of the company:

Name	Registered office	Holding
Lanchester Wine Sales Limited	Dormant	100%
Spicers of Hythe Limited	Sale of gift hampers	100%
The Wine Fusion Limited	Wine production and agency house	75%
Bon Bons (Wholesale) Limited	Confectionery wholesaler	100%
H F Chocolates Limited	Confectionery sales	100%
Icelandic subsidiary	Dormant	100%

The registered office of Lanchester Wine Sales Limited, The Wine Fusion Limited and Icelandic subsidiary is Greencroft Industrial Estate, Tower Road, Annfield Plain, County Durham, DH9 7XP.

The registered office of Spicers of Hythe Limited is Greencroft Industrial Estate, Tower Road, Annfield Plain, County Durham, DH9 7XP (previously Spicer House, Link Park, Lympe Industrial Estate, Hythe, Kent, CT21 4LR).

The registered office of Bon Bons (Wholesale) Limited and H F Chocolates Limited is 1 Ash Way, Thorp Arch Estate, Wetherby, West Yorkshire, LS23 7FA.

17. Stocks

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Raw materials and consumables	1,051,368	1,099,853	-	-
Finished goods and goods for resale	8,248,182	7,067,214	6,508,093	5,592,085
	<u>9,299,550</u>	<u>8,167,067</u>	<u>6,508,093</u>	<u>5,592,085</u>

No provision for impairment is recognised against stock (2019: £nil) and no impairment has been charged in the year (2019: £nil).

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

18. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	5,279,509	4,780,593	3,891,306	3,279,589
Amounts owed by group undertakings	-	-	443,351	614,368
Amounts owed by connected companies	273,012	629,239	128,735	329,239
Other debtors	175,826	313,799	-	244,602
Prepayments and accrued income	1,489,117	2,408,403	1,031,527	1,670,380
	7,217,464	8,132,034	5,494,919	6,138,178

Trade debtors are stated after provisions for impairment of £114,239 (2019: £60,000).

19. Creditors: amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank overdrafts	654,749	1,787,129	510,055	1,342,749
Bank loans	11,615,608	6,038,411	11,137,178	5,507,579
Other loans	105,021	105,021	105,021	105,021
Trade creditors	2,993,748	3,294,804	2,421,915	2,488,012
Amounts owed to group undertakings	-	-	1,168,424	1,576,054
Amounts owed to connected companies	13,398,670	2,135,150	12,454,756	1,569,266
Corporation tax	267,091	167,147	121,687	76,000
Other taxation and social security	830,050	198,903	572,608	111,644
Net obligations under finance lease and hire purchase (note 21)	425,679	450,004	425,679	450,004
Other creditors	312,135	538,433	247,193	513,247
Accruals and deferred income	972,305	784,566	860,902	711,743
	31,575,056	15,499,568	30,025,418	14,451,319

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

20. Creditors: amounts falling due after more than one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank loans	735,000	5,792,500	735,000	5,792,500
Other loans	36,104	83,776	-	-
Net obligations under finance leases and hire purchase contracts (note 21)	801,185	473,494	801,185	473,494
Amounts owed to connected companies	-	7,975,444	-	7,975,444
	<u>1,572,289</u>	<u>14,325,214</u>	<u>1,536,185</u>	<u>14,241,438</u>

All loans were consolidated into one term-loan of £9,800,000 during the year which accrues interest at 1.7% above LIBOR and is repayable in 40 equal quarterly instalments of £245,000, with the final repayment due in March 2030. The total amount due after more than five years is £4,655,000. There is a cross guarantee between companies under common control as detailed at note 25.

The bank loan and overdrafts are secured by a first fixed and floating charge over the assets of the group and entities under common control. The hire purchase liabilities are secured on the assets to which they relate.

Amounts owed to connected companies are unsecured.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Within one year	461,154	469,384	461,154	469,384
After one year and before five years	873,490	486,195	873,490	486,195
Less finance costs allocated to future periods	(107,780)	(32,081)	(107,780)	(32,081)
Carrying amount of liability	<u>1,226,864</u>	<u>923,498</u>	<u>1,226,864</u>	<u>923,498</u>

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

22. Deferred taxation

Group

	2020 £	2019 £
At beginning of year	488,776	436,441
Charged to profit or loss	188,576	52,335
At end of year	677,352	488,776

Company

	2020 £	2019 £
At beginning of year	440,000	412,714
Charged to profit or loss	198,720	27,286
At end of year	638,720	440,000

The provision for deferred taxation is made up as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Fixed asset timing differences	1,096,263	882,194	1,055,262	832,398
Short-term timing differences	(3,761)	(3,768)	(1,392)	(2,748)
Losses	(415,150)	(389,650)	(415,150)	(389,650)
	677,352	488,776	638,720	440,000

23. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
100,000 (2019 - 100,000) Ordinary shares of £1 each	100,000	100,000

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

24. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses, net of cumulative dividends paid and other adjustments.

25. Contingent liabilities

There is an unlimited and cross guarantee for the total bank indebtedness in both the group and Greencroft Bottling Company Limited, a company under common control. The aggregate amount outstanding at the balance sheet date to which the guarantee relates is £25,576,396 (2019: £23,425,498), of which £12,687,748 (2019: £13,034,315) is recognised as a liability in these financial statements.

26. Capital commitments

At 30 June 2020 the group and company had capital commitments as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Contracted for but not provided in these financial statements	18,102	1,430,570	18,102	1,430,570

27. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounts to £140,731 (2019: £88,302). Contributions totaling £18,057 (2019: £26,844) were payable to the fund at the balance sheet date and are included within other creditors.

28. Commitments under operating leases

At 30 June 2020 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Not later than 1 year	627,513	692,900	336,353	338,657
Later than 1 year and not later than 5 years	1,774,100	1,891,683	994,096	1,321,187
Later than 5 years	433,125	27,433	-	27,433
	2,834,738	2,612,016	1,330,449	1,687,277

Lanchester Wine Cellars Limited

Notes to the financial statements Year ended 30 June 2020

29. Related party transactions

Sales of £536,524 (2019: £938,796) and management charges of £834,000 (2019: £834,000) were made to Greencroft Bottling Company Limited, a company under common control. Recharges made from Greencroft Bottling Company Limited amounted to £2,100,284 (2019: £2,048,344) and purchases were made by the group of £1,361,684 (2019: £nil) from Greencroft Bottling Company Limited. At the year end, £203,781 (2019: £310,381) was owed by Greencroft Bottling Company Limited to the group and £13,068,838 (2019: £9,506,021) was owed to Greencroft Bottling Company Limited from the group.

Recharges of £887 (2019: £16,151) and management charges of £60,000 (2019: £60,000) were made to Lanchester Properties Limited, a company under common control. Purchases made from that company amounted to £357,307 (2019: £321,638). At the year-end, £22,254 (2019: £17,997) was owed by Lanchester Properties Limited and £110,099 (2019: £37,892) was owed to Lanchester Properties Limited.

Recharges of £54,537 (2019: £52,050) were made to Lanchester Energy Limited, a company under common control. At the year end, £14,960 (2019: £861) was owed by Lanchester Energy Limited.

Sales of £15,906 (2019: £nil), purchases of £2,462 (2019: £nil) and management charges of £20,000 (2019: £20,000) were made to Universal Wines & Spirits Limited, a jointly controlled entity. A further capital contribution of £50,000 (2019: £50,000) was made to the entity during the period. At the year end, £219,733 (2019: £797) was owed to Universal Wines & Spirits Limited and £32,017 (2019: £nil) was owed from the company.

As permitted by section 33 of FRS 102 the company has not disclosed details of transactions with its wholly-owned subsidiaries.

Dividends paid to the directors were £50,000 (2019: £40,000).

30. Controlling party

The group is controlled by A A Cleary by virtue of a 75% shareholding in Lanchester Wine Cellars Limited.