

Registered number: 01609571

**ARMIT WINES LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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ARMIT WINES LIMITED

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ARMIT WINES LIMITED

COMPANY INFORMATION

Directors Baarsma Wine Group Holding BV
K L Ellis
S Harper

Registered number 01609571

Registered office 5 Royalty Studios
105 Lancaster Road
London
W11 1QF

Independent auditors Ernst & Young LLP
1 More London Place
London
SE1 2AF

Accountants Blick Rothenberg Limited
16 Great Queen Street
Covent Garden
London
WC2B 5AH

ARMIT WINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Results and dividends

The loss for the year, after taxation, amounted to £507,193 (2018 - profit £564,784).

The company has not paid and does not propose to pay any dividends for FY19 (FY18: £nil).

Existence of subsidiary outside the UK

The company has one subsidiary, as defined in section 1046(3) of the Companies Act 2006, outside the UK in Hong Kong, which is 100% owned by Armit Wines Limited. There are no branches.

Directors

The directors who served during the year were:

Baarsma Wine Group Holding BV
K E Kilby (resigned 9 April 2019)
K L Ellis
S Harper (appointed 17 December 2018)

Matters covered in the strategic report

As permitted by Section 414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the director's report by Schedule 7 of the "Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008", in the strategic report.

Disclosure of information to auditors

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's auditors are 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's auditors are aware of that information.

Going Concern

The financial statements have been prepared using the going concern basis of accounting. Further details regarding the adoption of the going concern basis can be found in the accounting policy 2.2 in the notes to the financial statements.

This report was approved by the board and signed on its behalf.



K L Ellis
Director

Date: 19/12/19

ARMIT WINES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Introduction

The directors are pleased to present their strategic report on the company for the year ended 30th June 2019. The principle activity of the company during the financial period continued to be that of importing and selling fine wines.

Business review

The first half of the FY19 financial period continued to be a difficult one for both the business, and the market, however this improved in the second half with a renewed focus on the portfolio, changes to the business strategy and a realignment of the sales teams following a review of each route to market.

During the period, a key focus was to identify and strengthen the core business of Armit Wines Limited in order to maximise returns and profitability. This was coupled with the continued actions to integrate into the new broad group strategies of the recent acquirer, Invivo SAS. As part of both of these strategies, restructuring occurred, both with regards to internal structures, as well as product mixes. This was combined with an effort to engage with key suppliers to ensure that the goals of the entity and the suppliers are aligned. These activities contributed to the improved second half of the FY19 period. The Directors believe that Armit Wines Limited is well poised to take advantage of all upcoming opportunities.

Trading conditions continue to be impacted by the uncertainty of our political and economic landscape in respect of Brexit, particularly in the horeca space which is facing its own challenges in terms of staffing, business rates and property prices. Against this backdrop and combined with stronger campaign management, the financial performance in the last quarter improved on prior year.

Armit Wines has seen a decrease in turnover from £27.8m to £22.6m although this reflects the extension of the accounting period in the prior year. Gross margin has decreased from 24.5% to 21.1% due to the restructuring due to the campaign and product mixes.

The business continues to invest in improvements to the day-to-day operations which has seen the outsourcing of the IT function to ensure reliability and stability within the systems environment. This forms the basis for future developments.

Working capital continued to be an emphasis for the management team with wine stock levels being reduced to concentrate particularly on delivering business through the on-trade, restaurant, channel in line with the direction of our key and exclusive agencies. Improvements have been made regarding the working capital position of the entity, and a continued focus going forward is expected in this regard.

A new Managing Director, Brett Fleming, was appointed after the year end and he joined the business in November 2019. Brett brings with him a wealth of experience in both the UK market, as well as continental European wine. He has the full support of the other directors, as well as the parent entity.

Principal risks and uncertainties

The principle risks facing the Company continue to be dominated by the economic uncertainty that relates to the British exit from the European union which still has no clear end date or agreed deal articulating the terms of trade going forwards. There continues to be a significant level of competition in the fine wine market and in mitigation the company continues to focus on its business model ensuring that the performance is less dependent on any one single campaign or vintage release.

ARMIT WINES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Going concern

For the period ended 30 June 2019, the Company has incurred a loss in the amount of £507,193 (2018: Profit of £564,784) and as at that date the Company had accumulated losses totalling to £2,890,376 (2018: £2,383,183). As of the reporting date, the Company's current liabilities exceeded its current assets by £2,092,524 (2018: £1,635,500). The Company is financed in full with current liabilities/long-term debts, including loans from group companies. The continuity of the company depends to a certain extent on the willingness of group entities to continue these financing facilities. Invivo Wine SAS has provided a letter to the Management of Armit Wines Limited in which it undertakes to investigate in good faith the implementation of any appropriate solution, including financial support, necessary to the normal continuation of the business of Armit Wines Limited.

We also expect that the cash flow will develop positively in the next few financial years as a result of the further measures we have already taken and the plans we have made.

The positive expectations of cashflow due to measures taken or planned leaves us to be confident regarding the going concern of the Company. Therefore, the accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

Financial risk management objectives and policies

The company has various financial instruments such as trade debtors and trade creditors that arise directly from its operations. The main risks arising from the company's financial instruments are discussed below.

Credit risk

The company's principal financial assets are bank balances, trade and other debtors and amounts due from other group undertakings.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts.

The credit risk is limited due to the stringent credit verification procedure in place and the company's preference to work with creditworthy customers. Each customer is assessed using international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity risk

Liquidity risk is mitigated through forecasting the future cash flow requirements of the business and maintaining sufficient cash balances.

The company maintains a strong relationship with its bank and has further strengthened its cash planning and cash management methods.

ARMIT WINES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Financial risk management objectives and policies (continued)

Foreign currency risk

The company undertakes transactions in foreign currency and the directors are aware of the foreign currency risks. The potential financial impact of this risk is periodically reviewed and mitigation options considered as appropriate. Accordingly, the company enters into foreign exchange forward contracts based on the company's current exposure.

Price risk

The company is exposed to commodity price risk on the price of wines. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

Future Developments

The Company will continue to work closely with its Ultimate Parent Company, Invivo SAS, to leverage sales growth and improved sourcing, which in turn will have a positive impact on both gross profit, and net profit. This will be further enhanced by the implementation of the new ERP system due for completion in late 2020 which will drive operational efficiencies and improved customer service.

Financial key performance indicators

The key performance indicators include turnover, gross profit, gross profit margin and net debt. These are discussed as part of the Business Review.

This report was approved by the board and signed on its behalf.



K L Ellis
Director

Date: 19/12/19

ARMIT WINES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

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

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

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that they 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ARMIT WINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARMIT WINES LIMITED FOR THE YEAR ENDED 30 JUNE 2019

Opinion

We have audited the financial statements of Armit Wines Limited (the 'company') for the year ended 30 June 2019, which comprise the profit and loss account, the balance sheet, the 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 company's affairs as at 30 June 2019 and of its loss 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company 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 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.

ARMIT WINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARMIT WINES LIMITED (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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 auditors' 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 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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

ARMIT WINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARMIT WINES LIMITED (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, 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 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 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.

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 auditors' 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 auditors' 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.

Ernst & Young LLP

Oxana Dorrington (senior statutory auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditor

1 More London Place
London
SE1 2AF

Date: *19 December 2019*

ARMIT WINES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2019


		30 June 2019 £	15-month period ended 30 June 2018 £
	Note		
Turnover	4	22,596,860	27,798,082
Cost of sales		(17,834,942)	(20,994,647)
Gross profit		4,761,918	6,803,435
Distribution costs		(783,401)	(1,128,189)
Administrative expenses		(3,991,781)	(4,536,499)
Exceptional administrative expenses		(491,222)	(91,105)
Operating (loss)/profit	6	(504,486)	1,047,642
Interest payable and similar expenses	9	(77,211)	(227,891)
(Loss)/profit before tax		(581,697)	819,751
Tax on (loss)/profit	10	74,504	(254,967)
(Loss)/profit for the financial year/period		(507,193)	564,784

There are no items of other comprehensive income for either the year or the prior period other than the profit for the period/year. Accordingly no statement of other comprehensive income has been presented.

ARMIT WINES LIMITED**BALANCE SHEET
AS AT 30 JUNE 2019**

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	266,701	303,170
Tangible assets	12	49,919	63,619
Investments	13	90	90
		<u>316,710</u>	<u>366,879</u>
Current assets			
Stocks	14	5,617,974	3,662,513
Debtors: amounts falling due within one year	15	7,750,262	10,348,188
Cash at bank and in hand	16	323,959	787,072
		<u>13,692,195</u>	<u>14,797,773</u>
Creditors: amounts falling due within one year	17	(15,784,719)	(16,433,273)
Net current liabilities		<u>(2,092,524)</u>	<u>(1,635,500)</u>
Total assets less current liabilities		<u>(1,775,814)</u>	<u>(1,268,621)</u>
Net liabilities		<u>(1,775,814)</u>	<u>(1,268,621)</u>
Capital and reserves			
Called up share capital	21	486,132	486,132
Share premium account	23	628,430	628,430
Profit and loss account	23	(2,890,376)	(2,383,183)
Total equity		<u>(1,775,814)</u>	<u>(1,268,621)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



K L Ellis
Director

Date: 19/12/19

The notes on pages 13 to 31 form part of these financial statements.

ARMIT WINES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	486,132	628,430	(2,947,967)	(1,833,405)
Comprehensive income for the period				
Profit for the financial period	-	-	564,784	564,784
At 1 July 2018	486,132	628,430	(2,383,183)	(1,268,621)
Comprehensive income for the year				
Loss for the financial year	-	-	(507,193)	(507,193)
At 30 June 2019	486,132	628,430	(2,890,376)	(1,775,814)

The notes on pages 13 to 31 form part of these financial statements.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Armit Wines Limited buys and sells fine wines.

The company is a private company limited by shares and is incorporated in England. The address of its registered office and principal place of business is 5 Royalty Studios, 105 Lancaster Road, London, W11 1QF.

The comparative information in the accounts covers the 15 month period ended 30 June 2018 and as such this information is not entirely comparable.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in pound sterling (£).

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

Armit Wines Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The company was, at the year end, a wholly-owned subsidiary of Armit Holding Limited, a company incorporated in the UK, whose registered office is 5 Royalty Studios, 105 Lancaster Road, London, W11 1QF. In accordance with the exemption given in Section 400 of the Companies Act 2006, the company is not required to produce, and has not published, consolidated accounts.

The following principal accounting policies have been applied:

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.2 Going concern

For the year ended 30 June 2019, the company achieved a loss in the amount of £507,193 (2018: profit of £564,784) and as at that date the company had accumulated losses totalling to £2,890,376 (2018: £2,383,183). As of the reporting date, the company's current liabilities exceeded its current assets by £2,092,524 (2018: £1,635,500). The company is financed in full with current liabilities/long-term debts, including loans from group companies. The continuity of the company depends to a certain extent on the willingness of group entities to continue these financing facilities. Invivo Wine SAS has provided a letter to the Management of Armit Wines Limited in which it undertakes to investigate in good faith the implementation of any appropriate solution, including financial support, necessary to the normal continuation of the business of Armit Wines Limited.

The directors also expect that the cash flow will develop positively in the next few financial years as a result of the following measures that have already been taken and the plans that have been made:

A strong focus on selling the right wines in the right place at the right time to minimise stockholding and maximise profitability

Delivery of operational efficiencies and cost benefits through the implementation of a new Group wide ERP system.

The positive expectations of cashflow due to measures taken or planned leads the directors to be confident regarding the going concern of the company. Therefore the accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 company has transferred the significant risks and rewards of ownership to the buyer;
- the company 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 company 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.

Sales of En Primeur wine is recognised when the wine is made available to the customer. This may be up to several months after the amount is invoiced to the customer, during which time it is held as deferred revenue. The cost of wine is carried as a supplier En Primeur prepayment until the point that wines become available to Armit Wines Limited and/or to the customer, at which time it becomes cost of sales.

Rental income

Rental income included in turnover relates to the recharge of customer annual storage charges.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.4 Exceptional items

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

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life and are being amortised on the straight line basis over that period through administrative expenses. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following basis:

Website	-	20 % straight line
Computer Software	-	20 % straight line
Trademarks	-	10 % straight line

2.6 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Improvements to premises	-	10% straight line
Fixtures and fittings	-	15% straight line
Computer equipment	-	20% to 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

2.7 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in the profit and loss account.

2.10 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

(continued)

(continued)

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 profit or loss.

Derecognition of financial assets and financial liabilities

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) despite having retained some significant risks and rewards of ownership, 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.

If a transfer does not result in derecognition because the company has retained significant risks and rewards of ownership of the transferred asset, the company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. The asset and liability are not offset. In subsequent periods, the company recognises any income on the transferred asset and any expense incurred on the financial liability.

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

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.11 Share capital

Ordinary shares are classified as equity.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable or payable'.

2.14 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.15 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 Finance costs

Finance costs are charged to the profit and loss account 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.

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

The directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	30 June 2019 £	15-month period ended 30 June 2018 £
Sales of goods	22,234,674	27,218,540
Rental income	362,186	579,542
	<u>22,596,860</u>	<u>27,798,082</u>

Analysis of turnover by country of destination:

	30 June 2019 £	15-month period ended 30 June 2018 £
United Kingdom	21,415,057	26,470,833
Rest of Europe	85,006	430,562
Rest of the world	1,096,797	896,687
	<u>22,596,860</u>	<u>27,798,082</u>

5. Exceptional items

	30 June 2019 £	15-month period ended 30 June 2018 £
Reorganisation costs	491,222	-
Stock provisions	-	91,105
	<u>491,222</u>	<u>91,105</u>

The company was restructured in 2019 and the expenses relates to the costs and settlements to implement the restructure.

Stock provisions in 2018 have been made against stock located in Hong Kong following the closure of the local office.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	30 June 2019 £	15-month period ended 30 June 2018 £
Depreciation of tangible fixed assets	20,617	26,134
Amortisation of intangible assets	112,444	147,406
Fees payable to the company's auditor for the audit of the company's annual financial statements	26,000	26,000
Exchange differences	(54,224)	(134,387)
Other operating lease rentals	18,965	17,482
Rentals under land and buildings	139,025	176,172
Exchange differences on group loans	(3,893)	118,064
Defined contribution pension costs	63,061	87,774
Stocks recognised in cost of sales	14,955,713	18,542,754
Stock provision movement	250,926	-
Bad debt expense/(release)	17,748	(50,648)
	<u>2,042,648</u>	<u>2,764,152</u>

7. Employees

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

	30 June 2019 £	15-month period ended 30 June 2018 £
Wages and salaries	1,784,667	2,389,409
Social security costs	194,920	286,969
Cost of defined contribution scheme	63,061	87,774
	<u>2,042,648</u>	<u>2,764,152</u>

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

	30 June 2019 No.	15-month period ended 30 June 2018 No.
Office and management staff	<u>40</u>	<u>42</u>

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. Directors' remuneration

	30 June 2019 £	15-month period ended 30 June 2018 £
Directors' emoluments	504,951	355,417
Company contributions to defined contribution pension schemes	28,537	39,911
	<u>533,488</u>	<u>395,328</u>

During the year retirement benefits were accruing to 3 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £307,841 (2018 - £211,667).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,629 (2018 - £30,690).

During the year the aggregate amount of compensation to directors for loss of office was £67,667 (2018: £NIL).

9. Interest payable and similar expenses

	30 June 2019 £	15-month period ended 30 June 2018 £
Bank interest payable	-	27,389
Other loan interest payable	5,378	-
Loans from group undertakings	75,726	82,438
Foreign exchange	(3,893)	118,064
	<u>77,211</u>	<u>227,891</u>

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. Taxation

	30 June 2019 £	15-month period ended 30 June 2018 £
Total current tax		
Deferred tax		
Origination and reversal of timing differences	(74,504)	254,967
Total deferred tax	(74,504)	254,967
Taxation on (loss)/profit on ordinary activities	(74,504)	254,967

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	30 June 2019 £	Restated Year ended 30 June 2018 £
(Loss)/profit on ordinary activities before tax	(581,697)	819,751
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	(110,522)	155,753
Effects of:		
Disallowable expenses and non-taxable income	9,284	10,155
Short term timing difference	-	(8,866)
Other differences leading to an increase (decrease) in the tax charge	17,201	2,002
Changes in the tax rate	9,533	95,923
Total tax charge for the year/period	(74,504)	254,967

Factors that may affect future tax charges

A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11. Intangible assets

	Website £	Computer software £	Trademarks £	Total £
Cost				
At 1 July 2018	280,027	546,193	5,404	831,624
Additions	12,734	59,871	3,370	75,975
At 30 June 2019	292,761	606,064	8,774	907,599
Amortisation				
At 1 July 2018	144,951	383,458	45	528,454
Charge for the year	49,561	62,107	776	112,444
At 30 June 2019	194,512	445,565	821	640,898
Net book value				
At 30 June 2019	98,249	160,499	7,953	266,701
At 30 June 2018	135,076	162,735	5,359	303,170

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. Tangible fixed assets

	Improvements to premises £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 July 2018	88,127	152,763	106,486	347,376
Additions	-	-	6,917	6,917
At 30 June 2019	88,127	152,763	113,403	354,293
Depreciation				
At 1 July 2018	85,650	96,684	101,423	283,757
Charge for the year	425	10,883	9,309	20,617
At 30 June 2019	86,075	107,567	110,732	304,374
Net book value				
At 30 June 2019	2,052	45,196	2,671	49,919
At 30 June 2018	2,477	56,079	5,063	63,619

13. Fixed asset investments

	Investment in subsidiary £
Cost	
At 1 July 2018	90
At 30 June 2019	90
Net book value	
At 30 June 2019	90
At 30 June 2018	90

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

13. Fixed asset investments (continued)

Subsidiary undertakings

The following is a subsidiary undertaking of the company:

Name	Class of shares	Holding	Principal activity
Armit Wines (Hong Kong) Limited	Ordinary	100 %	Trading of fine wines

The registered office is 11/F., Fortis Tower, 77-79 Gloucester Road, Hong Kong.

14. Stocks

	2019 £	2018 £
Goods for resale	<u>5,617,974</u>	<u>3,662,513</u>

Stocks are stated after provision for impairment of £516,873 (2018: £273,629).

15. Debtors

	2019 £	2018 £
Trade debtors	2,600,768	2,491,890
Amounts owed by group undertakings	1,654,326	1,627,631
Other debtors	-	676,667
Prepayments, deferred expenses and accrued income	2,846,338	4,977,675
Deferred taxation	648,830	574,325
	<u>7,750,262</u>	<u>10,348,188</u>

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>323,959</u>	<u>787,072</u>

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	6,350,386	5,855,035
Amounts owed to group undertakings	5,053,478	3,733,554
Other taxation and social security	275,246	298,399
Other creditors	201,290	187,627
Accruals and deferred income	3,904,319	6,358,658
	<u>15,784,719</u>	<u>16,433,273</u>

18. Pension commitments

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the company, in funds under the control of trustees. The total cost incurred during the year was £63,061 (2018: £87,774).

19. Commitments under operating leases

At 30 June 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Land and Buildings		
Not later than 1 year	138,800	138,800
Later than 1 year and not later than 5 years	34,700	173,500
	<u>173,500</u>	<u>312,300</u>
	2019 £	2018 £
Other		
Not later than 1 year	13,470	6,749
Later than 1 year and not later than 5 years	7,297	-
	<u>20,767</u>	<u>6,749</u>

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

20. Other financial commitments

At 30 June 2019, the company had two (30 June 2018: none) pending forward foreign exchange contracts to acquire a maximum of €2,421,000 (30 June 2018: €Nil) at a future maximum cost £2,126,737 (30 June 2018: £Nil). The fair value of these contracts at 30 June 2019 is £39,512 (30 June 2018: £Nil).

At 30 June 2019, the company had guaranteed a Duty Bond of £250,000 (30 June 2018: £300,000) to HM Revenue & Customs.

21. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
476,132 Ordinary A shares of £1.00 each	476,132	476,132
100,000 Ordinary B shares of £0.10 each	10,000	10,000
	<u>486,132</u>	<u>486,132</u>

Voting

'A' shareholders receive the right to one vote per share at any General Meeting. 'B' shareholders do not have any voting rights, unless under specific circumstances.

Winding up

'A' shareholders have the right to participate in the distribution of surplus assets on the winding up of the company. 'B' shareholders have no rights to participate in the distribution of surplus assets.

Proceeds of sale

'A' shareholders have the right to participate in the net proceeds of sale of the entire issued share capital of the company. 'B' shareholders have the right to participate in the proceeds of a Qualifying Disposal.

The shares rank pari passu in all other respects.

22. Deferred taxation

	2019 £	2018 £
At beginning of year	574,325	829,899
Charged to profit or loss	74,505	(255,574)
At end of year	<u>648,830</u>	<u>574,325</u>

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

22. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(162)	(321)
Tax losses carried forward	648,992	567,961
Other timing differences	-	6,685
	<u>648,830</u>	<u>574,325</u>

23. Reserves

Share premium account

The share premium reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

24. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

Transactions with other related parties are as follows:

Relationship	Transaction	Amount		Amount due (to)/from related parties	
		2019 £	2018 £	2019 £	2018 £
Entities with control or significant influence	Interest	75,726	82,438	(5,013,133)	(3,733,554)
	Management fees	110,811	135,036	-	-
Other related parties	Sales	271,525	121,135	-	250

Included in amounts due to entities with control or significant influence is £553,108 (2018: £553,108) that bear interest at Euribor+2.5% and has no fixed repayment date; £2,460,025 (2018: £1,485,940) that bears interest at LIBOR GBP 1 month+0.2%; and £2,000,000 that bears interest at LIBOR GBP 1 month+0.8%.

ARMIT WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

25. Controlling party

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Invivo Wines SAS, whose registered office is at 83 Avenue De La Grande Armée, 75016 Paris, France. Copies of group financial statements are available to the public from www.infogreffe.fr.

The ultimate parent undertaking is Union Invivo SAS.