Virgin wines

Annual Report and Accounts 2021

PASSION AND GROWTH

Virgin Wines UK plc is one of the UK's largest direct-to-consumer drinks retailers supplying high-quality products coupled with excellent customer service and innovative ways of retailing.

OUR PURPOSE

Our purpose is to make people's lives more enjoyable. We think life should be fun and want our wines to be the soundtrack to the best times of their life.

OUR VISION

To become the UK's most loved drinks retailer and to grow market share in the significant UK wine, beer and spirit markets.

OUR CULTURE

Our unique culture is the foundation from which our business thrives. Since our inception, we've been on a mission to deliver a consistently outstanding wine buying experience. We are passionate about our people, our partners and our customers and believe that every bottle we sell should be sourced, created and delivered to customers' homes in a way that we are proud of, ensuring a positive impact from grape to glass.

FINANCIAL HIGHLIGHTS

Group revenue

£73.6m +30%

2021	£73.6m
2020*	£56.6m
2019*	£42.4m

Adjusted EBITDA[1]

£7.0m +46%

2021	£7.0m
2020*	£4.8m
2019*	£2.6m

Gross profit

£23.3m +36%

2021	£23.3m
2020*	£17.1m
2019*	£12.4m

Sales retention rate

113%

2021	113%
2020*	112%
2019*	96%

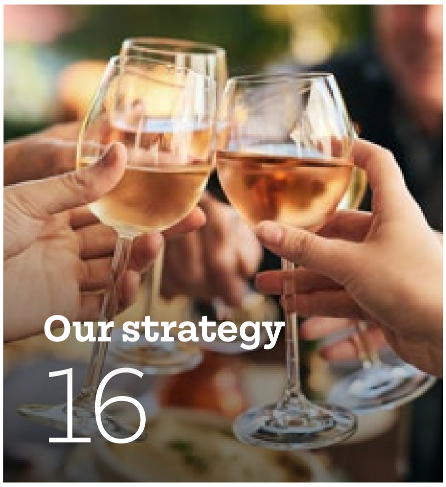
Profit before tax and exceptional items

£5.2m +86%

2021	£5.2m
2020*	£2.8m
2019*	£0.7m

1 Adjusted EBITDA is calculated after adding back IPO transaction fees in FY21. The IPO fees are shown as exceptional costs. Reconciliation to profit for the financial year is shown on page 40.
2 PBTE (profit before tax and exceptional items) is calculated after adding back IPO transaction fees in FY21.
* Comparative numbers for 2020 and 2019 are unaudited. See page 40 for more detail.

CONTENTS



"We are pleased to present Virgin Wines UK plc's maiden Annual Report after a strong year of growth."

JAY WRIGHT

Chief Executive Officer

Download the full report on our website at virginwinesplc.co.uk

Strategic Report

Governance Report

Financial Statements


LIFE'S TOO
SHORT FOR
BORING WINE

Our purpose is to make **people's lives more enjoyable.**

We think life should be fun, and wine should be **no different.**

Head to page 12 to see our business model or **see page 16** to read about our strategy

Group at a glance

As a direct-to-consumer drinks retailer, we offer a comprehensive range of wines, beers, spirits and gifts delivered next day to any address across the UK.

Our products

WINE

We maintain a product portfolio of approximately 700 wines, selling everything from full wine cases to gift packages. We source from a network of winemaking partners and suppliers using an open-source supply model, meaning we are not obliged to buy wine from the same vineyard, region or country for each vintage. This allows us to consistently source the highest quality grapes at the lowest prices every year, allowing us to blend a range of premium quality, exclusive wines exactly to the stylistic preferences of our customers through the constant analysis of over 100,000 ratings and reviews every year.

BEERS + SPIRITS

We launched our first craft beer and spirit ranges in 2019. The premiumisation of spirits and beers, as both categories move into the 'craft' sector, fits perfectly with our buying strategy mirroring that of our core wine range. We are working with some of the finest brewers and distillers across the globe to create our very own exclusive product portfolio, mirroring the same buying strategy that has been so successful for our wine range.

Our services

Whether you prefer the convenience of a regular delivery, the ability to spread the cost of buying wine, the personal service of a Wine Advisor or the flexibility to just Pay As You Go, Virgin Wines UK plc has the perfect service available.

Subscription

Virgin Wines UK plc offers more ways to buy than any other online wine retailer. This includes the ability to spread the cost of buying wine with our flagship WineBank scheme, where for every £5 you save into your account, you receive a £1 bonus (equivalent to 20% interest), as well as free next day delivery on all your wine orders. Alternatively, enjoy the convenience of our Discovery Wine Club where our Head Wine Buyer creates a case of exceptional, hand-picked, craft wines every quarter.

And if you are not quite ready for one of our clubs, you can still enjoy all we have to offer with our Pay As You Go service or by enjoying the specialist attention of one of our personal Wine Advisors – a single person to look after all your requirements, every step of the way.

Commercial

The Commercial division within Virgin Wines UK plc is focused on supplying commercial solutions to individual clients or wider ranging wholesale solutions for key National Accounts. Our Commercial offering allows our clients and partners to gift, reward and incentivise their clients, customers and employees with a diverse range of products. We also offer tailored solutions around product quantities, shipment, personalised packaging and delivery. Alongside that, we have ongoing commercial partnerships with a number of retailers. Our Commercial team leverages our core competencies of buying, new product development fulfilment and logistics.

Our history

We've sold more than 100 million bottles of wine to customers and won multiple independent awards during our 20-year history.

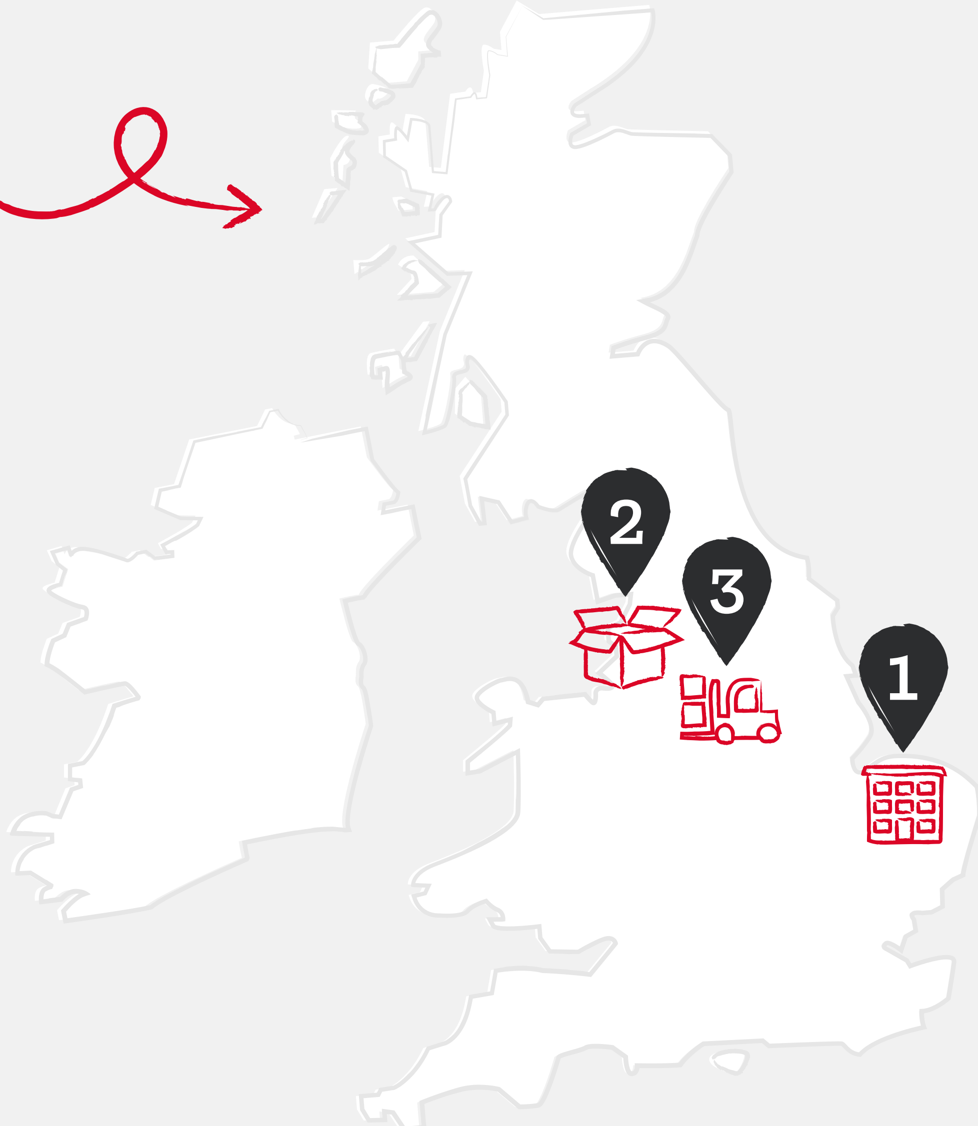
2000
Virgin Wines UK plc is established by the Virgin Group

2005
The business is acquired by Direct Wines

2009
Merged with Warehouse Wines, another subsidiary of Direct Wines

Our locations

We have around 187 employees, operating from three locations across the UK.



1 Norwich HQ

Our headquarters in Norwich is home to the majority of our teams, including Buying, Sales, IT, Design, Marketing, Wine Advisors and Customer Services.

2 Preston Distribution Centre

Our Preston site serves as our primary picking and packing centre and is also home to our Finance department. The site comprises 56,000 sq ft of bonded warehousing, which operates 24 hours a day and has the capacity to pick and pack 700,000 12-bottle mixed cases per annum.

3 Bolton Distribution Centre

In October 2020, we opened a new distribution centre in Bolton. It has 50,000 sq ft of bonded warehousing and can match the pick and pack capacity of our Preston site.

Gifting

Building on the infrastructure and customer base already in place across our wider Direct to Consumer (D2C) channels, our gift offering gives existing customers the opportunity to purchase beautifully packaged gifts, and targets converting gift-only customers onto one of our subscription schemes over time. Ongoing new product development, focused around seasonal and occasional gifts such as our original Wine Advent Calendar and alcohol Christmas Crackers, differentiates our gifting service.

187 employees

182,000 active customers

1,200 products in our portfolio

40+ trusted winemaking partners and suppliers

2013
The Virgin Wines UK plc management team, led by CEO Jay Wright and CFO Graeme Weir, successfully complete a buyout of the business

2015
Introduction of our Commercial proposition and a new gift offering

Launch of our first wine advent calendar

2019
Launch of our first craft beer and spirit collections

2021
Listed on the LSE's Alternative Investment Market (AIM)

Investment case

Our UNIQUE model delivers consistent growth in both revenue and profit

Premium exclusive products

Through our unique wine sourcing model and blending processes, we are able to offer premium quality wine at affordable prices, delivering high gross profit margins whilst ensuring customer ratings stay high.

93%
exclusive wines sold by volume

4.2/5
consistent customer rating

See more on our wine proposition **on page 12**

Loyal customer base and proven acquisition model

We operate two main subscription schemes, alongside a Pay As You Go service, which help drive high levels of repeat purchases, demonstrated by high customer retention rates. Our low-cost customer acquisition model uses both physical and digital marketing to recruit new customers who then move through a specially designed CRM journey to maximise conversion.

182,000
active customers

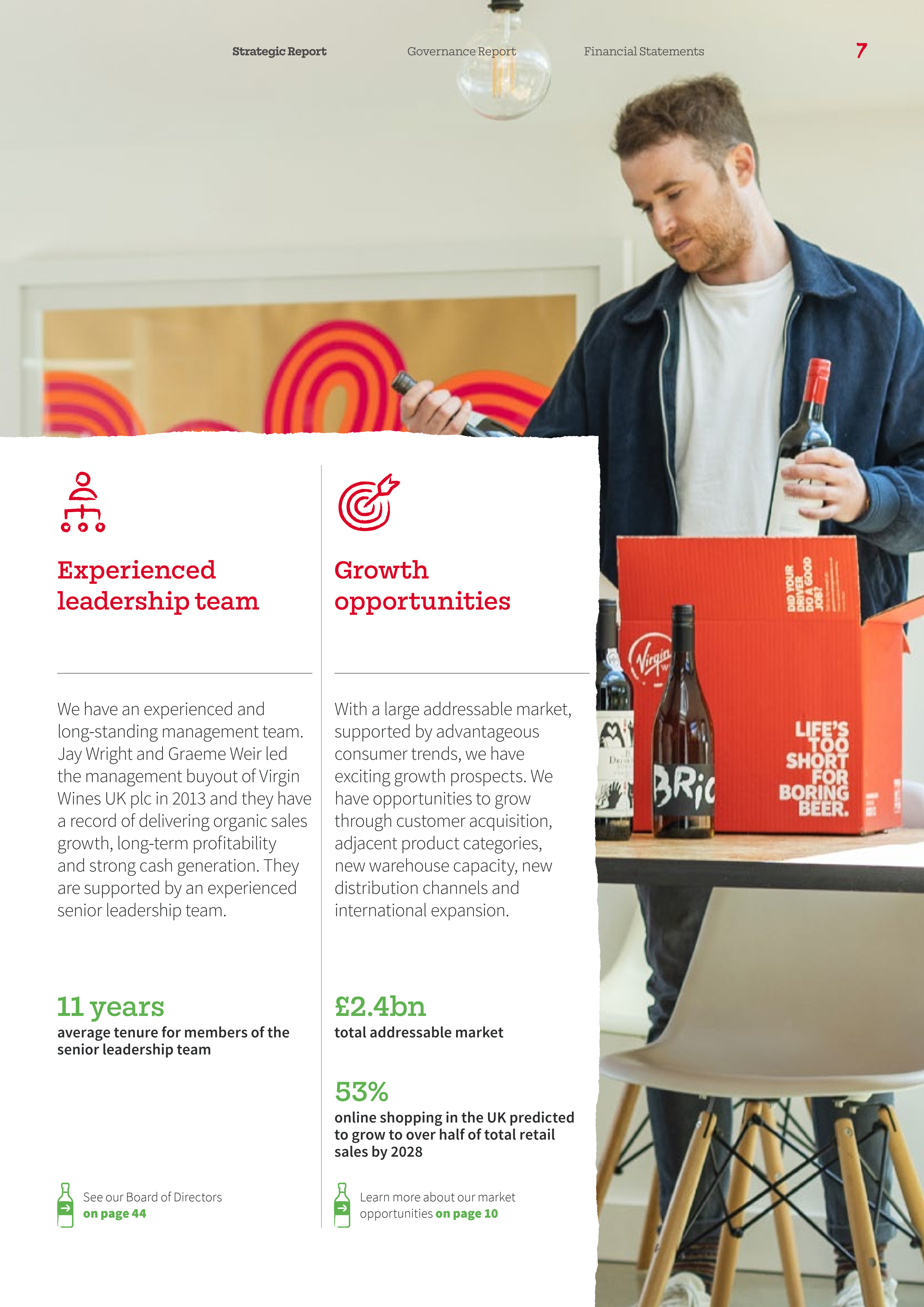
See more on customer acquisition in our business model **on page 14**

Operational excellence

We operate our own distribution centres, based in Bolton and Preston, which deliver high productivity, outstanding levels of accuracy and low fulfilment costs. All our customer service is also operated 'in-house' where the focus is on one-call resolution, top quality conversations and high levels of efficiency helping build loyalty, trust and repeat purchases.

'Excellent'
rating on Trustpilot from over 19,500 reviews

See more on our sustainable approach **on page 26**



Experienced leadership team

We have an experienced and long-standing management team. Jay Wright and Graeme Weir led the management buyout of Virgin Wines UK plc in 2013 and they have a record of delivering organic sales growth, long-term profitability and strong cash generation. They are supported by an experienced senior leadership team.

11 years

average tenure for members of the senior leadership team

See our Board of Directors **on page 44**

Growth opportunities

With a large addressable market, supported by advantageous consumer trends, we have exciting growth prospects. We have opportunities to grow through customer acquisition, adjacent product categories, new warehouse capacity, new distribution channels and international expansion.

£2.4bn

total addressable market

53%

online shopping in the UK predicted to grow to over half of total retail sales by 2028

Learn more about our market opportunities **on page 10**

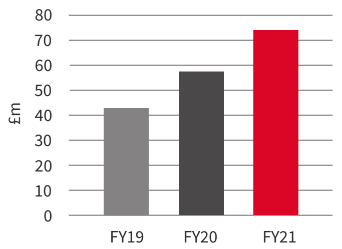
Key Performance highlights and trends at a glance

A disciplined business model delivering predictable outcomes

Revenue, margin and costs

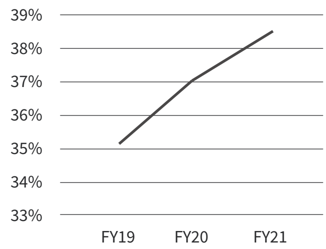
Revenue

FY21 growth £17m +30%



Product margins

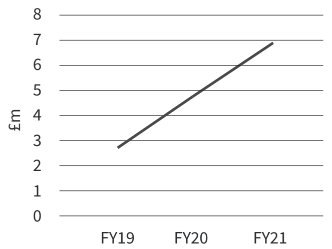
Improved by 3.1ppts from FY19



Growing earnings

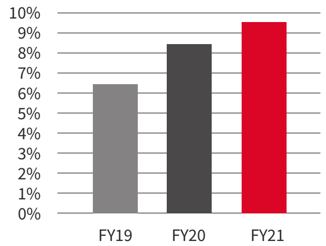
Adjusted EBITDA

FY21 growth £2.2m +46%



Adjusted EBITDA as % of revenue

% return improved by 3.2ppts since FY19



Definitions

Adjusted EBITDA
Earnings before interest, tax, depreciation and amortisation after adding back non recurring IPO costs.

Product margins
Revenue less product costs including inbound freight and duty. Statutory gross margin is after packaging and delivery costs.

New recruits
Customers making their first purchase in the year.

Cost per recruit
Customer acquisition cost divided by number of new recruits.

Net investment per new recruits
Customer acquisition cost + contribution from recruitment case after fulfilment costs divided by number of new recruits.

Conversion rate
New customers ordering a second case divided by the number of new recruits.

Active customers 1-12
Repeat customers ordering within the last 12 months.

Repeat customer contribution
Gross profit contribution from repeat customers less marketing and fulfilment costs.

Trade rate
Percentage of customers in the opening active base reordering within 12 months.

Sales retention rate
Percentage of sales from historical cohorts in the current year divided by their sales from the prior year.

Membership cancel rates
Membership cancels from active customers.

New customer acquisition

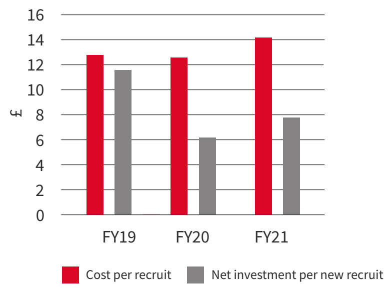
Customer payback

Improving 5 and 10 year trends

Payback forecast by cohort	5Yr	10Yr
FY18	5Yr	10yr
FY19	4.5x	6.4x
FY20	5.0x	7.0x
Long term average		
Previous	4.1x	5.8x
New	5.1x	6.5x

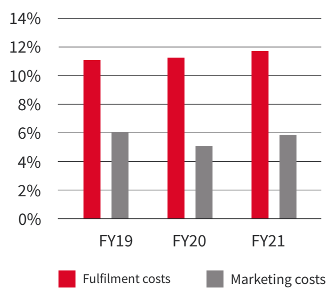
New customer acquistion costs

Model continues to deliver low cost quality recruits



Marketing and Fulfilment costs % of revenue

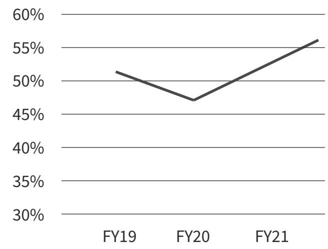
Strong growth and good cost control



Customer Health

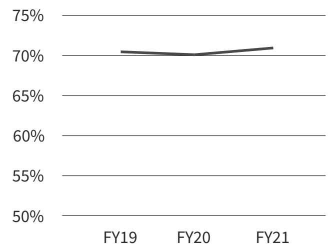
Conversion Rate

New customers ordering a second time/number of new recruits



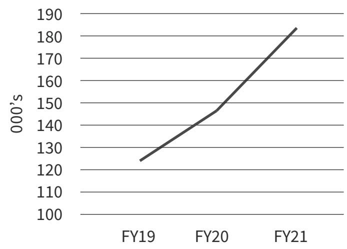
Trade rate

Predictable and consistent performance



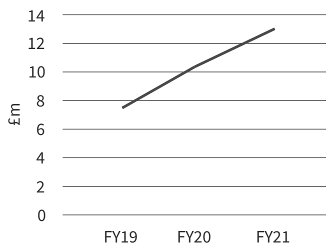
Customer base growth

FY21 active base grew by 24%



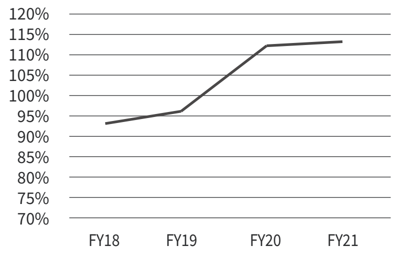
Repeat customer performance

Repeat customer contribution up 79% since FY19



Sales retention rate

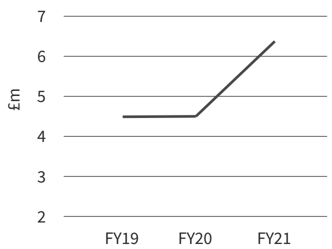
Strong retention and spend



Subscription schemes

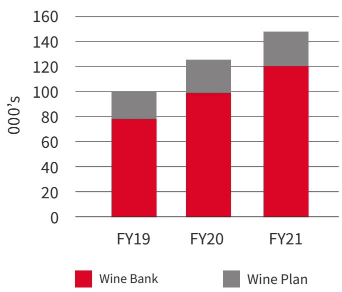
Wine Bank deposits

Growing deposits to support future revenue



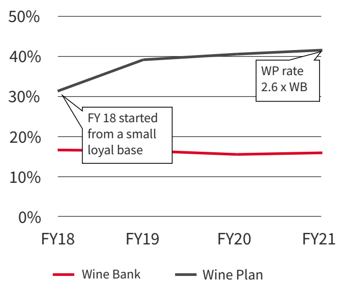
Subscription memberships

Increased by 49% from FY19



Membership cancels rate

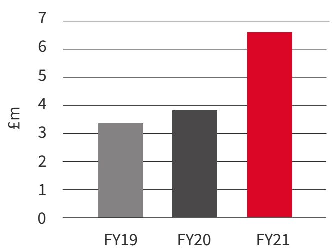
Consistent low Wine Bank cancels



Development sales channels

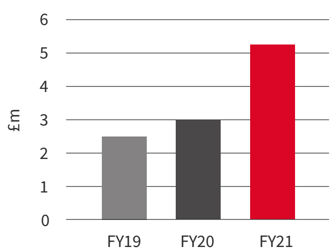
Commercial revenue

Revenue up £2.8m 73% in FY21



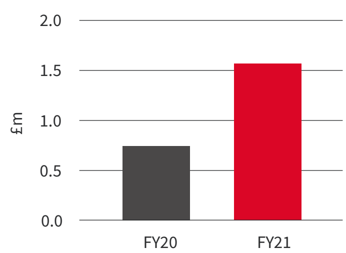
Gift revenue

Revenue up £2.2m 75% in FY21



Beer and Spirits revenue

Revenue up £0.8m 98% in FY21



Market overview

We have a CLEAR understanding of our addressable market and are well placed to benefit from a number of consumer trends

Our markets

The UK has the world's sixth largest wine market. Wine consumption in the UK is heavily weighted towards off-trade channels such as supermarkets, off licences and wine specialists like Virgin Wines UK plc, with 83.4% of the total UK wine volume sold through the off-trade against 16.6% consumed in the on-trade in 2020.

UK Wine Market

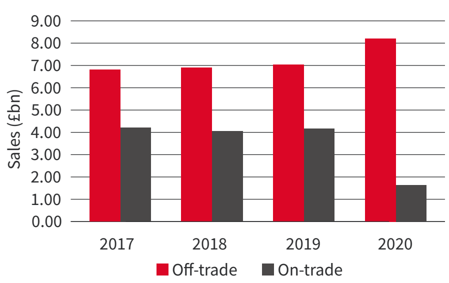
The overall wine market in the UK between 2017 and 2019 has been in slight decline by volume, countered by growth in value due to premiumisation. The steepest decline in volume has been in the on-trade whilst the off-trade has seen relatively minor decline in volume over that period. During 2020, following the changes in consumer behaviour driven by the pandemic, the off-trade saw significant growth in volume (+13.8%) whilst the on-trade saw volumes fall by 60.2%, driven by the restrictions placed on hospitality. This led to an overall growth in volume of 2.4%, reversing the trend of overall slow decline seen for a number of years.

Of particular note is the growth in value that has been seen in the off-trade with an increase of 21% in 2020, far outperforming the 13.8% growth in volume, driven by consumers moving even further into the more premium end of the wine market, a position where Virgin Wines UK plc is firmly established.

The off-trade market grew to be worth £8.21bn in 2020 from £7.04bn in 2019, with the total addressable market for D2C wine specialists £2.4bn of that total.

We expect the shift between the off-trade and on-trade to partially unwind during 2021 as hospitality opens back up, but we also believe there has been a structural shift in consumer behaviour with socialising at home being a favoured option for many. This, coupled with the value, quality and convenience many new consumers found as they tried a specialist D2C wine supplier for the first time, gives confidence there will continue to be sustained growth in the online/D2C sector.

The UK wine market – value[1]



Market trends

Our business model and strategy are guided by shifting consumer trends within the industry, many of which have been accelerated by the pandemic.

1 Premiumisation

Virgin Wines UK plc is focused on the UK premium wine retail market, with an average retail price per bottle of £8.65 over the financial year ended 30 June 2021, which represents approximately an 89% premium to the market's average value of £4.58. When we look at the addressable market, we focus on households which indicate they buy three or more bottles of wine per month at a price of more than £6 per bottle.

Market share for bottles of wine over £6 nearly tripled from 15% in 2012 to 44% in 2020. At the same time, the number of consumers purchasing bottles of wine above £6 has grown from approximately 3.9 million to 12.3 million.

It is particularly interesting to see the growth in 2020 of wines sold between £7 a bottle and £10+ a bottle, with each of these price bands seeing a minimum growth increase of 33%. This is firmly in the sweet spot for Virgin Wines UK plc and gives great confidence that there is an increasing number of consumers moving into the price and quality bracket where we excel.

This was exemplified in a recent report from Wine Intelligence where its research showed an even more apparent tendency for wine drinkers to spend more in the online sector, with 39% spending £8+ compared to 28% spending the same amount in-store.

Price per bottle	2020 YoY growth %
<£3	**-34%**
£3-£4	**-8%**
£4.01-£5	**1%**
£5.01-£6	**6%**
£6.01-£7	**29%**
£7.01-£8	**35%**
£8.01-£9	**33%**
£9.01-£10	**41%**
£10.01+	**36%**

1 Source: WSTA reports
2 Source: Profitero
3 Source: IBIS
4 Source: Internet Retailing
5 Source: Retail Insight Network
6 Source: IWSR
7 Source: IWSR
8 Source: IWSR
9 Source: IWSR

2 Shift to Online Retailing

The advent of the pandemic has seen a significant shift by consumers to online retailing. Ecommerce grew by 46% in 2020, its strongest growth for more than a decade, and over 38% up on predictions at the start of the year. Overall retail sales fell by a record 1.9%.

The UK's ecommerce spending in Q1 2021 grew by 54% year-on-year, reaching £28bn in spend. This is considerably faster than the global average where, for comparison, US online sales grew 39% year-on-year and the global average growth figure was 38%. Indeed, 15% of consumers who shopped online in March this year had never bought anything online before lockdown restrictions came into force in March 2020.

As of 2017, 21% of consumers who had purchased goods online had also purchased alcohol[2]. For online alcohol retailing, a 2020 report found that wine accounts for the majority of the online alcohol retailing industry revenue[3].

Looking ahead, forecasts predict online shopping in the UK will reach 30% of total retail sales by the end of 2021[4], and continue to grow to 53% by 2028[5]. In the UK it was estimated online sales accounted for 8.6% share of total alcohol sales, up from 4.8% in 2019[6]. By 2024, the total value of online alcohol sales in the UK are predicted to reach £2.8bn[7]. Wine is the most developed ecommerce category and is predicted to account for 51% of total online alcohol sales in 2024[8]. As online shopping takes an increasingly large share of the wine retail market, it is expected to grow at a 15% compound annual growth rate (CAGR) from 2021 to 2025 in our addressable market[9].

It is estimated that the D2C market in the UK is now worth £750m with Virgin Wines UK plc currently enjoying 10% market share and 11.8% against our key competitors, up from 10.4% in 2019.

Over 70% of the D2C market is dominated by 5 major players, including Virgin Wines. Due to the size of these well-established businesses, companies entering the market in recent years have failed to achieve any significant market share. Attempts from major supermarkets to create a separate wine business, such as Tesco 'Wine by the Case', have also ceased operating.

3 Growth of Subscription Models

The popularity of subscription services has risen dramatically in recent years. The value of the physical subscription box market has risen from £583m in 2017 to £1.37bn in 2020, with food and drink being the most popular category. It is forecast that the subscription box sector will rise even further, to £1.8bn by 2025.

74% of people signed up to a subscription have more than one, up from 61% in 2018, with 56% a member of four or more, up from 37% in 2018. Subscription boxes are particularly popular with a younger demographic, with under 45s the most active with an average of 4.6 subscriptions each.

Virgin Wines UK plc are ideally placed to capitalise on this shift with over 73% of D2C revenue being driven by our subscription services. Customers list convenience and personalisation as driving consumers' key decision to join a subscription service, with tailored initiatives being a defining element of a high-quality consumer experience. Our WineBank scheme fits those demands perfectly with customers in charge of the whole experience, from the amount they save to the wines they choose and the service they desire. Couple that with the convenience and flexibility of the scheme and we believe we are placed ideally to benefit from these key consumer trends.

Our business model

FROM GRAPE TO GLASS

We source, blend and supply a largely exclusive range of wines.

SUPPLIERS

We have a network of over 40 trusted, long-term winemaking partners and suppliers from around the world. In addition, our open-source model means we have access to every potential source of supply worldwide, every vintage, to ensure the highest quality grapes at the best value prices.

BLENDING

Our Wine Buying team is part of the winemaking process, working in tandem with external winemakers to expertly compose new blends, creating a range of top quality, exclusive wines.

Sourcing and creating beers and spirits

DESIGN

From bottle shape to weight, through to label design and the production of custom capsules, our in-house Design team creates the majority of our brands and labels.

DELIVERY

We operate a low-cost and efficient distribution model, supported by long-standing relationships with logistics providers. Over 99% of orders placed before 4pm are dispatched the same day.

DATA

We incentivise customers to rate our wines. This data is then used by our Wine Buying team to inform them of the specific stylistic preferences and taste profiles of our customers to craft a portfolio that continually evolves to match their feedback.

Our wine proposition

Our expert team creates our distinct wine proposition via our unique model: sourcing, blending, designing and delivering a collection of award-winning wines, all driven by our customers' tastes.

Like our wines, our approach to online wine retail is differentiated by a number of supercharged components.

We are trusted by our customers

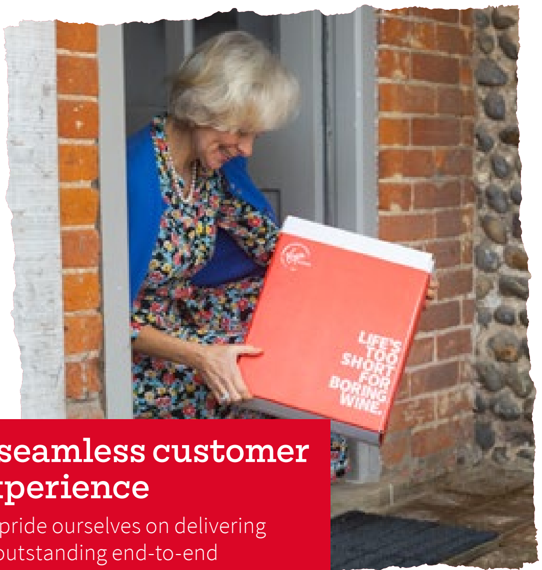
Virgin enjoys universal brand awareness in the UK, and more than 8 in 10 people would consider buying Virgin-branded products/services.

Innovative online retailing

We offer more ways to buy than any other online wine retailer, providing a range of sales channels to suit our customers' varying buying requirements. From our WineBank scheme, through a range of different Wine Plans, a Pay As You Go service with access to our full portfolio and a 45-strong personal Wine Advisor team, we have a service to suit every wine enthusiast.

Exclusive, high-quality products

Our approach allows us to blend different parcels of wine to curate a range of premium quality, exclusive wines precisely to our customers' taste profiles, that are not available anywhere else.



A seamless customer experience

We pride ourselves on delivering an outstanding end-to-end service. We strive for a seamless customer journey, tackling every potential point of friction, solving every customer query quickly and efficiently whilst speedily and accurately preparing every package we send out to be delivered on time and in pristine condition.

Industry-leading wine knowledge

As well as offering curated cases featuring wines selected by our experts and the flexibility for customers to bespoke their own selection from across our full range, every customer also has the opportunity to use the services of their own nominated personal Wine Advisor. This free service allows those customers to use the expertise of a Wine & Spirit Education Trust qualified professional for every requirement they may have, from choosing wines to advice on wine and food pairing.

Our business model continued

HOW WE ACQUIRE CUSTOMERS

We have an industry-leading customer acquisition model, using a combination of physical and digital marketing initiatives including partnerships, SEO, paid search, telemarketing, social, programmatic and referrals to recruit new customers.

Total addressable market

£2.4bn

Digital | Web | Reactivation | Partner

Recruited customer base

Once a customer makes an initial purchase they enter the recruited customer base.

Digital | Web | Reactivation | Partner | Wine Advisors

Active customer

When a customer makes a second purchase, not via a new customer introduction offer, they become a converted customer and enter the active base.

WineBank | **Wine Plan** | **Pay As You Go**

56% average conversion rate of recruited customers to active customers over a period of five years

71% average trade rate for active customers

HOW WE GENERATE REVENUE

We provide a range of sales channels to suit our customers' varying buying requirements.

WineBank
59% of revenue

Wine Plan
16% of revenue

Pay As You Go
25% of revenue

Percentage split of repeat customer sales by membership scheme.

THE VALUE WE CREATE FOR STAKEHOLDERS

We are committed to delivering value for all stakeholders in line with our long-term growth strategy.

Customers

We are driven by our purpose, to make people's lives more enjoyable. Since our foundation, we've been on a mission to deliver customers a consistently great wine buying experience. We offer great choice, convenient, flexible and fast service, and value for money, and our product range is guided by the feedback our customers give.

Employees

Each and every employee is fundamental to the success of our business, and we are committed to creating and maintaining an inclusive workplace where our staff can feel empowered and confident that they have an opportunity to grow and progress.

Investors

We seek to run the business in the best interests of our investors by delivering consistent returns through a long-term strategy, with the aim of becoming the dominant force in online drinks retailing.

Partners and suppliers

We enjoy strong and long-lasting relationships with a network of more than 40 independent winemakers across the globe, through both direct relationships and via third-party agents. Many of our winemakers are small, family-owned businesses, and we are proud to support their growth and help them to make a positive impact on their local economies.

Community and planet

Our mission to look out for others extends beyond our customers and employees to include those within our industry and beyond. We are committed to maintaining an ethical supply chain and are passionate about minimising the impact of our operations on the planet, and we have partnered with industry wellness initiative The Drinks Trust and mental health charity Growing Well.

Our strategy

We have a CLEAR and BOLD strategy for future growth

Strategic objectives	Key growth drivers
Core wine business A unique sourcing model delivers exceptional value wines to over 182k active customers who are serviced through one of our subscription schemes, our Pay As You Go service or looked after by one of our personal Wine Advisors.	» The business increased the active customer base by 24% over the year through an 11% increase in investment in customer acquisition. » The total 1-12 month active customer base grew 24% to 182k with WineBank up 21%, Wine Plan up 16% and Pay As You Go up 51%. » Sales to the core base were strong through all key channels, with revenue up 39% through the email channel, up 22% through the Wine Advisor team, up 19% through the Wine Plan schemes and up 17.5% through the web channel. » Strong levels of customer loyalty with a sales retention rate of 113%.
Commercial The continued focus on growing the Commercial arm of the business continues to pay dividends, with a number of key partnerships driving increased revenue and profit through the channel.	» An increase in sales of 73% despite the lack of sales through our travel and leisure partners. » A positive partnership with Virgin Money was particularly successful either side of the Christmas trading period. » Continued investment in the Commercial sales team has strengthened the resource in that channel.
Gifts The online gift market has seen significant growth in recent years and our ability to source and deliver a wonderfully curated and beautifully packaged range of gifts fits perfectly into our core competencies around product sourcing, innovative product development, fulfilment and delivery.	» Increased investment in digital marketing helped drive a 75% increase in revenue. » A particularly successful Christmas period with record sales from our advent calendar campaign. » A continued focus on innovative packaging, growing the customer base and exciting new partnerships, especially with our new hamper service. » The launch of an automated gift reminder service on the website to remind customers of forthcoming occasions.
Beers and spirits The growth of the craft sectors for both beers and spirits presents a significant opportunity to grow revenue to our existing customer base as well as attract new customers into the Virgin Wines UK plc business.	» A positive year with sales up 98% as these new product categories continue to gain traction. » The development of an exclusive range in both product portfolios continues to track ahead of schedule with over 40 products now successfully launched. » Positive to see the growth in customer numbers specific to both product categories as well as increased sales to the core Virgin Wines UK plc customer.

Focus for 2022	Highlights
» To continue to increase investment in customer acquisition to drive growth in the customer base that in turn drives increased revenue through our core email, Wine Advisor, Wine Plan and web channels. » To continue to focus on optimising conversion rates using personalised welcome journeys and ensuring the service or scheme offered to each customer is appropriate to their requirements. » To minimise lapsed rates whilst maximising sales retention rates through outstanding levels of service, relevant and timely promotional marketing, delivering market-leading value for money on a comprehensive range of individually crafted wines driven by customer data and continued developments in technology and data analytics to give customers a truly personalised experience.	» WineBank membership now over 120k. » Active customer base up 24% year-on-year. » Core wine sales up 27%.
» To continue to grow partnerships in a variety of market sectors using our expertise in product, fulfilment and logistics to create solutions in the commercial space. » To leverage the brand synergies within the Virgin Group to add value by providing product and service-led solutions to help those 'sister' businesses grow their customer base or deliver a superior product to their customers. » To maximise the key Christmas period to deliver tactical solutions and partnerships to businesses looking to reward staff, thank customers or grow their business over this key trading period. » To continue to innovate in all areas, whether that be product development or partnership solutions.	» Sales increased by 73% year-on-year. » £1.5m+ partnership with Virgin Money. » Increase in net contribution of 199%.
» To continue to build and gain increased repeat purchase levels through gift customers, both for further gift purchases as well as converts to the core product offering. » To launch a personalised label service to allow customers to choose bespoke messaging and design on individual bottles of wine, prosecco and champagne. » To continue to develop an innovative product range that delights both gift purchasers and recipients, all backed up by exemplary levels of service and delivery. » To continue to drive growth through digital and social marketing with specific focus on video through increased investment, specifically to deliver incremental revenue at Christmas, and on Valentine's Day, Mother's Day and Father's Day.	» Sales increased by 75% year-on-year. » Record-breaking sales of wine, gin and beer advent calendars. » Increase in the gift customer base of 77%.
» To continue to build on the exclusive range of products in the portfolio to increase gross margin, deliver better quality/value ratios for customers and to ensure repeat purchase without price comparison. » To develop a savings scheme for both product categories so members can save each month and receive special membership pricing for their commitment. Membership pricing also available to all WineBank customers in the core Virgin Wines UK plc base. » To develop the BeerBox auto-ship subscription scheme to offer convenient monthly or bi-monthly deliveries of specially sourced craft beers from around the world. » To introduce a craft gin club to tailor for customers looking to discover interesting and unusual gins not readily available elsewhere.	» Sales increased by 98% year-on-year. » Over 40 exclusive products now in the range. » BeerBox subscription scheme launched.

Our winemakers

Over the years we have developed close relationships with a large number of outstanding independent winemakers from all around the world who we are PROUD to call our friends as well as our partners.

These relationships allow us to work hand in hand with the wineries, at source, to create the perfect bespoke blends of wines for our customers based on their continuous feedback.

These relationships have proved to be as valuable to the winemakers as they have been to Virgin Wines UK plc as they have embraced the model of customer-informed wine creation.

"From the start we understood that hearing from Virgin Wines UK plc customers and what they thought was really key to us making the right wines together. It's an idea and a model we now love"

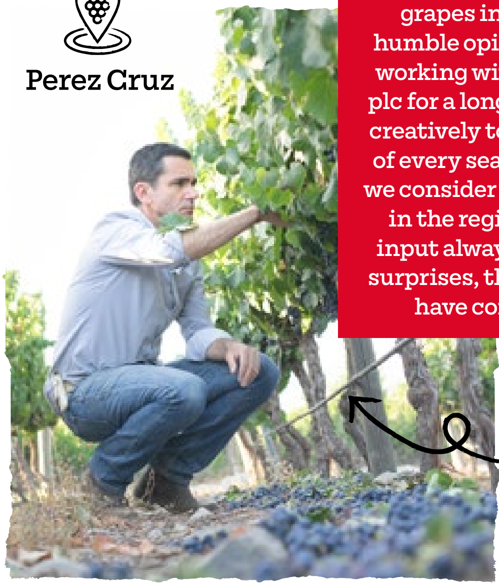
"Every year the guys from Virgin Wines UK plc come to the Cape to weave their magic on what we present to them. It's a process we all enjoy and the wines we make together are undoubtedly more than the sum of their parts"

"My love of wine started when I was very young. It has continued to grow with my understanding and I have cherished the 15+ year relationship I have had creating exceptional wines with the Virgin Wines UK plc team"

GAVIN CRISFIELD

"It was counter-intuitive at first the notion that my ideas on what wine should be, could be informed by the people who drink it. But once I accepted that, the evolution I have seen in the wines we make together has been truly revelatory"

Perez Cruz



"I have access to the finest grapes in the Maipo in my humble opinion. We have been working with Virgin Wines UK plc for a long time now, working creatively to wring the best out of every season. We make what we consider to be the best wines in the region, but the Virgin input always yields wonderful surprises, things that I may not have considered at all!"

GERMÁN LYON

NICOLA ALLISON

"One of the great things for Château de Seuil has been showing our wines at Virgin Wines UK plc tastings, meeting literally thousands of people who drink our wines and talking about what turns everyone on about our range"

JÜRGEN WAGNER

"I came to Montsant many years ago and was utterly charmed by it. I somehow never managed to leave. It has some of the best terroir I have ever seen and that means that the potential to make great wine is limitless which we love doing with Virgin Wines UK plc. I hope that over the years we have managed to do it justice"

NICOLÁS PÉREZ

"We are serial tinkerers at De Martino, we never stop moving and experimenting. It has been great, over the years to do this with our friends at Virgin Wines UK plc and to see the reactions to our projects from their customers. It's gratifying to see that we're not being crazy when people love the wines!"

STEVE GRIMLEY

"I have been working with Virgin Wines UK plc for over 16 years since I first became independent. They offered me an opportunity to make wines in collaboration with them from the start and it's been great to build on this over the years and see the leaps in quality we've achieved"

Our customers

At the very HEART of our business is an unrivalled passion for delighting our customers.

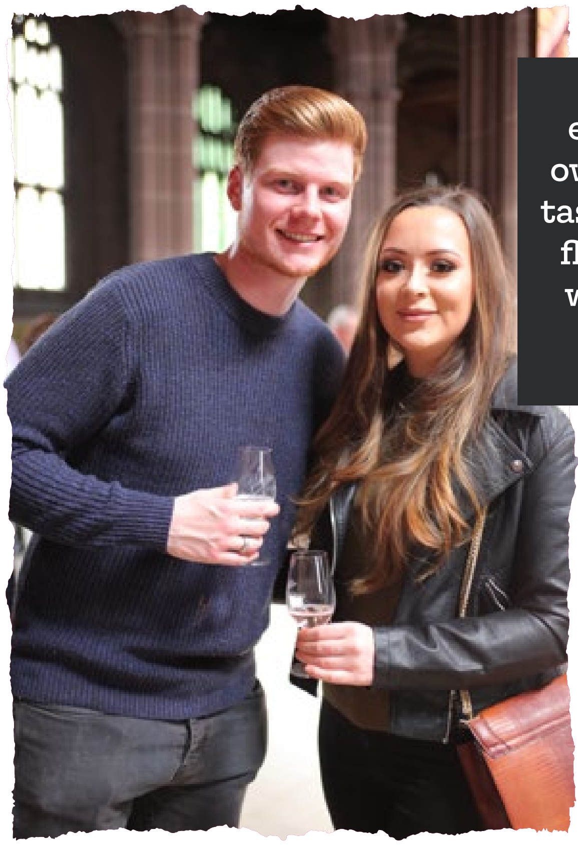
The customer experience is at the centre of our decision-making process with the constant aim of eliminating every point of friction a customer could experience. This is why we are rated 'Excellent' on Trustpilot with over 15k five-star customer reviews.

"Excellent customer service and great wines and plenty of variety"

Gary O

"Every bottle deserves 10 stars each. Every one amazing in their own right. Each bottle has so much taste and are bursting with so much flavour. They are great for sharing with friends but are equally good shared with the one you love"

Mick R



"So it's fair to say I'm in love with Virgin Wines UK plc. Not because of the great prices, or because they support smaller vineyards or even because of the awesome WineBank programme but because of the staff. I like to save up and every 3-4 months I get my favourite call from my wine legend at Virgin Wines UK plc. We have been together longer than my now wife. He knows the types of wines I love, never tried to pressure sell, just listens, chats, laughs and ensures that I get great wines. Virgin Wines UK plc may be a company but for me I stay and always will because of my wine guy and the great relationship we have built"

Phil H

All quotes taken from Trustpilot between Aug 21 and Oct 21.

"I like having wine delivered when I want it – but don't want a regular delivery. I like offers on good and exciting new wines as well as old favourites. I like a personalised service where I can deal with a person on the phone or on email. I hate admin and passwords and pin numbers and credit card forms and prove-you're-not-a-robot hassle. I like to get the stories behind the wines. I like next day delivery to my door, without needing to be in. I love it when the red box arrives. Thank you, Virgin Wines UK plc and Leigh P, for making wine buying such an easy pleasure. And now I'm into beer from you too!"

Tomo

"Consistent quality and excellent value for money, some stunning wines and great offers regularly – thanks very much"

Andrew L

"The best way I know of buying wines. Thoroughly professional and friendly service, easy website, great wines. What's more to say?"

Anthony L

"Always a positive experience buying wines, beers or spirits. A wide choice of drinks and prices to suit all. Having your own Wine Advisor is a useful bonus"

Mick R

"Excellent service and fantastic beers especially the non-alcohol beers"

Kevin B

"A bouquet of excellence. I cannot praise Virgin Wines UK plc highly enough. I have never had a single bad bottle – and I have tried many new wines. The delivery service is excellent – as is the interest you receive when you join WineBank"

Jane W

Chief Executive's Review

Our PASSION pairs well with our strategy for growth

JAY WRIGHT

Chief Executive Officer

Head to page 38 to see more financial highlights or **page 16** for our strategy and vision for 2021

Last year was a highly eventful period for the business. The year was punctured with both national and regional lockdowns which, for us along with many other ecommerce businesses, caused a noticeable uptick in sales as customers remained at home. We also saw a continuation of macro-trends which directly benefited the off-trade wine specialists such as ourselves, including customers increasingly purchasing alcohol online as well as the growth in popularity of food and drink subscriptions. In addition, we completed a highly successful IPO in March 2021, listing on AIM and raising £13m of gross proceeds. As such, it is a pleasure to present Virgin Wines UK plc's first Annual Report, and in doing so, welcome our new shareholders to the business.

Business Overview

We delivered an excellent performance in the year, with revenues up 30% to £73.6m (FY20 unaudited: £56.6m), Adjusted EBITDA of £7.0m, an increase of 46% over the prior year and Profit before tax and exceptional items of £5.2m (FY20 unaudited: £2.8m) up 86%.

The past two years have seen a marked period of growth for the business. Back in July 2019, at the start of FY20 and following a period of transition within our customer base, we made the strategic decision to increase our investment in customer acquisition, delivering double-digit growth. At that point, in March 2020 when Covid-19 and the subsequent lockdowns struck, we saw a step-change in consumer behaviour, with substantial additional traffic driven to direct-to-consumer businesses.

This last financial year has seen a further acceleration of this growth, and whilst we fully appreciate the unique circumstances the country has seen itself in, and the benefits this has delivered to businesses in the direct-to-consumer sectors, we are also encouraged that the foundations that were laid to deliver this growth have allowed it to be delivered in a profitable and sustainable fashion. Customers who have experienced the benefits of buying wine online – quality, price, range and service – have formed habits which we believe will be maintained in the long term and will lead to further online penetration in the sector.

Over the past year we have sold over one million cases and served over 250,000 customers. Our revenue growth of 73% over the past two years has significantly increased market share whilst also driving Adjusted EBITDA up 163% from £2.7m over the same period. We also increased our customer base by 24% during the year and by 44% since January 2020.

As well as delivering against our financial objectives we also achieved significant progress against our strategic goals. Over the period we saw substantial growth in our gift and commercial channels, significant headway made in developing our craft beer and quality spirit offerings, all whilst continuing to deliver the very highest levels of customer service to our customers.

This was all achieved whilst keeping the welfare of our people as our priority and supporting them through what was a challenging time for many, both personally and professionally.

Core Sales

During the past year the business has been focused on acquiring increased numbers of new customers, converting them to become long-term advocates of Virgin Wines UK plc, whilst maximising the loyalty of our existing customers, and in turn, driving growth in our overall customer base. I am delighted that all of these objectives were met and that all our core trading channels, from email to Wine Advisors, Wine Plan to web, have seen substantial year-on-year growth.

The sales channels have been supported superbly across the business in a number of ways. We have delivered excellent levels of customer service, ensuring an 'Excellent' rating on Trustpilot. We have focused hard

Adjusted EBITDA is calculated after adding back IPO transaction fees in FY21. The IPO fees are shown as exceptional costs.

PBTE (profit before tax and exceptional items) is calculated after adding back IPO transaction fees in FY21.

Comparative figures for FY20 are stated as unaudited in these financial statements.

> "This past year has been transformational for Virgin Wines UK plc with significant growth in both revenue and profit. Coupled with the accelerated shift by consumers to the convenience and value of home delivery and our successful listing on the London Stock Exchange, the business is in a stronger position than ever to continue its growth."

Jay Wright – Chief Executive Officer

Group revenue

£73.6m +30%

Year	Group revenue
2021	£73.6m
2020*	£56.6m
2019*	£42.4m

Repeat customer contribution[1]

£13.2m +28%

Year	Repeat customer contribution
2021	£13.2m
2020*	£10.3m
2019*	£7.4m

Adjusted EBITDA[2]

£7.0m +46%

Year	Adjusted EBITDA
2021	£7.0m
2020*	£4.8m
2019*	£2.6m

on continuing to develop and improve our wine offering, resulting in an average customer rating of 4.2 out of 5 from over 120k reviews, and we have invested heavily in both our operational capacity and our digital marketing.

Our Consumer Propositions

Fundamental to the ongoing success of the business is the popularity of the different services we offer our customers, and I am delighted that all our customer groups demonstrated pleasing growth over the past 12 months.

Our WineBank customers are our most active and most loyal, so we were delighted to deliver a 21% increase in the WineBank membership, growing it to over 120k in total. Our Wine Plan schemes also continue to be popular, with our Discovery Wine Club the key driver of sales in this area and the membership of the active 1-12 month base increased 16% to just over 19k customers. Our Pay As You Go customers, who prefer to use our services without being part of a subscription scheme, grew by 51%, driven by large numbers of walk-up and digital traffic in the early months of lockdown. Conversion rates on these customers in FY21 were extremely positive, giving a substantially increased active base. Finally, the popularity of our Wine Advisor service continues to increase, with 45k customers now enjoying the one-to-one attention of their own personal wine expert to help them through every step of their relationship with Virgin Wines UK plc.

Our Wine Sourcing Model

We operate a unique wine buying model where we source our wine from a large network of trusted long-term winemaking partners and suppliers using an open-source supply model. This means we can source the best quality grapes from every region of every country for every vintage. This ensures that we are able to deliver the very best value wines to our customers, which we blend to match their stylistic preferences through the constant use of data and analytics from over 100k customer reviews, to curate a range of premium quality, exclusive wines.

Gifts

It has been a particularly successful year for our gift channel with sales 75% ahead year-on-year, undoubtedly helped by the lockdowns and the increased demand in online gifting in general. It is also pleasing to see habits that were formed during lockdown being maintained since. Having first launched our gift service in 2015, we have seen consistent year-on-year growth as innovative new product developments, such as our ground-breaking wine, gin and beer advent calendars and our prosecco, wine and G&T Christmas Crackers, have driven engagement and increased interest. We have also launched a gift reminder service over the past year to help customers remember important forthcoming occasions and we continue to drive incremental volume through our partnership with Amazon.

182,000
active customers

1,200
products in our portfolio

113%
sales retention rate

148,000
total number of customers in a subscription scheme

Head to page 12 to read more about our business model

1 Net contribution from repeat customer sales equals the gross profit from those sales less repeat marketing costs less fulfilment costs.
2 Adjusted EBITDA is calculated after adding back IPO transaction fees in FY21. The IPO fees are shown as exceptional costs.

* Comparative figures for FY20 and FY19 are stated as unaudited in these financial statements.

Chief Executive's Review continued

Commercial

The corporate B2B sales channel within our business has developed over the past year to take on a full commercial scope delivering much more than just corporate gift solutions. As the department has grown, so have the opportunities, with the variety of services the team now provides. These range from wholesale relationships with travel operators (LNER and Avanti) and wine and gift range initiatives with other retailers (Shop Direct), through to large-scale promotions to drive significant new customers for key partners (Virgin Money) and more traditional one-off gift solutions to reward other companies' staff, customers or suppliers.

Sales grew by 73% year-on-year despite much of the year being negatively affected through limited opportunities with our holiday, travel and leisure partners with new opportunities being developed to more than replace the shortfall through these sectors.

Beers and Spirits

A new initiative in FY20, our move into the adjacent product categories of craft beers and quality spirits virtually doubled in sales volume over the past 12 months with revenue up 98% year-on-year. Key to the future growth and profitability of these product ranges is the replication of our wine sourcing model where we work hand in hand with some of the best brewers and distillers around the world to develop an exclusive range that delivers increased quality/value ratios to our customers while increasing loyalty to drive future purchases. It also drives incremental margin by cutting out all the agencies, wholesalers and marketing/advertising costs of the brand owners to ensure every penny is spent on delivering the best taste profiles at the most competitive prices.

Operational Review

One of the most challenging areas of the business over the past 12 months has been our warehouse and fulfilment operations. Our priority throughout the year has been the safety, the working conditions and the wellbeing of our people. This involved a complete change in processes for picking and packing and I am incredibly proud that we adapted so quickly to ensure customers continued to receive the very highest service standards, which they have been so used to receiving over the years.

The growth in our volumes led to the urgent requirement for additional warehouse capacity and we were delighted to secure an additional 50,000 sq ft of fully bonded warehousing in September 2020. Without the addition of this space, it would have been impossible to service our customers so brilliantly throughout the peak Christmas trading period, a non-negotiable for us given our laser-like focus on exceptional service levels. The fact the warehouse was fully operational, bonded and working efficiently within three months of the original viewing says much of the urgency and expertise of the team delivering the project.

It would be wrong not to thank our partners at DHL who throughout the past year have worked tirelessly with us to ensure our customers continued to receive fast, safe and effective deliveries all over the UK, even as they were also going through significant operational challenges.

Market Opportunity

The size of the D2C wine market is estimated at approximately £750m, of which Virgin Wines UK plc has approximately 10% market share. We believe that the market will increase due to multiple consumer factors such as premiumisation, the increase in online buying patterns and the increased popularity in subscription schemes. Furthermore, with our continued focus on customer acquisition, we will continue to grow our market share. We also have a huge untapped opportunity in the craft beer and spirit segments of the market.

The UK remains a key focus with a huge £2.4bn addressable market.

Our Culture and Values

Throughout the challenges of the past 12 months, it has been more apparent than ever how important it is to be a business with a clear purpose and shared values. Virgin Wines UK plc has been built with the overarching ambition of making people's lives more enjoyable, and we have been proud to be able to bring some happiness into people's lives over a period where many were finding that hard to come by. We also know how important it is for customers to enjoy alcohol in moderation and we pushed our messaging that 'Drinking is only fun when you don't overdo it' with a greater intensity than ever before.

The strong culture within Virgin Wines UK plc has ensured our team have helped and supported each other, as well as our customers and winemaking partners, through this past year where our values such as 'We Are Family', 'Heartfelt Service' and 'Smart Disruption' have been more appropriate than ever.

Our People

Across all businesses and walks of life, many individuals have found the past year as challenging as any in recent memory. I couldn't be prouder of the way our teams, right across the business, were able to adapt to very different working environments and significantly increased volumes, all the time continuing to serve our customers superbly whilst looking out for, and supporting, each other. The resilience, determination, compassion and desire that was in evidence sums up the character we have amongst our people, and I am incredibly grateful for the way everyone has pulled together in these unique circumstances.

Focused on Building Our Business Responsibly

As part of our ongoing commitment to build on the work that has already been done in recent years, we have recently introduced our ESG ambition which is 'to be a leader on creating positive impacts on our environment and communities within the drinks industry'.

We already have rigorous recycling initiatives, are proud to support two hugely deserving charities in The Drinks Trust and Growing Well and now bottle 25% of our wines in the UK, reducing the carbon footprint of a bottle of wine by a third.

We are also committed to supporting our people within the business and have introduced a free service for all employees where they can receive fully funded counselling sessions, online or in person, as well as confidential help on a variety of issues, from financial advice to family worries.

However, we know we can do more, and we have committed to focus right across the business, working with our suppliers, our staff and all stakeholders, to drive forward a variety of initiatives to progress our responsibilities around the key areas of environment, social and governance.

FY21 has been a transformational year for the Group and I would like to take the opportunity to wholeheartedly thank everyone across the business for their continued commitment and support. Following this milestone year, I look forward to working with our stakeholders over the coming 12 months to maintain this exciting momentum and drive the business further towards achieving its significant potential.

Outlook

This coming financial year is clearly a difficult one to predict with an ever-changing consumer landscape. However, we are delighted that we have seen positive year-on-year trends as we come out of our Q1 period with revenue up 13.3% year-on-year and new customers acquired up 10.7%. This all comes despite the end of lockdowns and the return to full operational capability of on-trade hospitality, highlighting the continued support from customers acquired over the lockdown period as well as a continued appetite from new potential customers to venture into the direct-to-consumer market for the first time for the supply of their wines, beers and spirits.

We are also well aware of the many supply chain issues that are providing businesses globally with operational challenges and cost inflation. We took the decision to stock up for the key Christmas trading period well in advance to mitigate any issues around stock availability and are confident that we are well placed to continue to supply our customers with a full range of wines, beers and spirits from around the world, without limitations.

Despite these challenges, with consumer demand still buoyant and our stock levels in excellent shape, we remain optimistic and excited about the year ahead.

Sustainability

Ensuring that we have a POSITIVE impact, from grape to glass

As well as being delicious and enjoyable, it is of the utmost importance to us that every wine we sell is created and delivered to customers' homes in a way that we are proud of.

We are continuing our ESG journey by reviewing where we are as a business, working with our stakeholders to understand what they value, identify how and where we need to support our suppliers, and use all this knowledge to inform and create a formal ESG strategy for the coming years.

The business has worked hard to implement sustainable business practices over the years, and we are proud that this is something people across the business have championed within their own departments. Our objective from here is to build upon the work we have done so far, understanding where we deliver the most impact, so we build a meaningful plan that has clear and measurable goals.

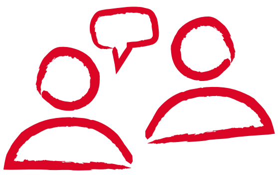
Our ESG ambition

To be a leader in creating positive impacts on our environment and communities within the drinks industry.

ENVIRONMENT

Strive to continuously reduce our emissions and operate in an environmentally thoughtful manner

SOCIAL



A fun, supportive and inclusive place where people are proud to work

GOVERNANCE

Operate an ethical and stable business, that understands the importance of creating a culture of responsible drinking

Sustainability continued

ENVIRONMENT

OUR AMBITION

Strive to continuously reduce our emissions and operate in an environmentally thoughtful manner

We are passionate about minimising the impact of our operations on the planet.

We're big believers that small things can have a big impact. The glass used for our wine and beer products is infinitely recyclable and we take steps to reduce the environmental impact of our products during transportation by shipping many of our wines in tank and bottling in the UK.

Whilst we have several initiatives in place to reduce our environmental impact, we know that there is more we can do. The Board of Directors is committed to developing a plan to minimise the Company's environmental impact through further product innovation, targeted operational initiatives, and collaboration with our stakeholders.

Recycling Ethos

We pride ourselves on our rigorous recycling practices taking place across both warehouses. We aim to recycle all packaging materials including all cardboard from supplier packaging, the plastic film used to secure imports, and office paperwork. We also reintroduce wooden pallets back into the network for reuse, and even repair those that are broken to reduce waste. We comply with the PRN (Packaging Recovery Notes) scheme, where we pay a levy to help cover the cost of recycling the packaging that we import.

Our transit packaging is manufactured from 100% FSC certified paper, is 100% recyclable, 100% biodegradable and has up to 88% recycled content. We also do whatever possible to avoid single-use plastics within our product packaging, and we are working on how we can eradicate further use of plastic within the business.

CASE STUDY

Reducing our Carbon Footprint by UK Bottling

We currently ship 25% of our wines in tank and then bottle them in the UK. By doing this as opposed to shipping in bottle, it saves approximately 40% of the carbon emissions.

How does it work?

1. We work with winemakers all over the world to blend wines specifically to our customers' tastes. We then either bottle the wine at source or ship it in specially designed tanks to the UK to be bottled at the Greencroft Estate in Durham.
2. If we decide to ship to the wine for bottling in the UK, we do so in specialist tanks. Technical advancements in recent years have made this a safe, and often preferred, method for transporting and bottling wine. Constant sampling of the wine at different points along the wine's journey, from initial blending through to pre-shipping, and of course samples on arrival, provides certainty of the authenticity and integrity of the wine from beginning to end.
3. We have chosen to work with Greencroft Bottling, which is BRC Grade AA+ rated (the highest rating you can achieve) and runs a high-tech bottling estate in Durham. The Greencroft Estate is a pioneer in sustainable practices. It is powered by three wind turbines which produce around 5,500,000 kWh of clean, renewable electricity per year. The Estate currently uses around 60% of this electricity to power its operations, whilst the remaining energy – enough to power 800 three-bedroom homes – feeds into the National Grid.
4. Following the bottling process, the wine is stored at Greencroft to reduce the requirements for outside storage and further transportation, only being delivered into one of our bonded warehouses when needed.

Reporting	2020/21 tCO_2e	2019/20 tCO_2e
Scope 1 Direct Emissions from natural gas	**21.20**	15.00
Scope 2 Indirect Emissions from purchased electricity	**59.91**	59.43
Total from Direct and Indirect	**81.12**	74.43
Intensity metric		
Tonnes of CO_2 per employee	**0.43**	0.47
Tonnes of CO_2 per £ of revenue	**1.10**	1.32
Total Energy Consumption (kWh)	**397,929**	336,440

Carbon Emissions

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Company is required to disclose our UK energy consumption and associated GHG emissions.

Under these regulations we are required to report building-related energy usage under Scope 1 for Direct emissions for natural gas and under Scope 2 for Indirect emissions from the purchase of electricity.

In completing the reporting we have used the latest conversion factors from the Department for Business, Energy & Industrial Strategy.

We have included our FY20 base year figures alongside this year's reporting.

Our Environmental Practices

- We are a member of the Soil Association, a charity that looks to transform the way we eat, farm and care for our natural world.
- Our Norwich office uses a renewable energy supplier, and we are investigating how we can move 100% of our locations to renewable energy suppliers over the coming years.
- We encourage our employees to work in an environmentally responsible manner, including promoting recycling and cutting down on single-use plastics.
- We use the environmental policies of potential suppliers as a key criterion in selecting who we will work with in the production and distribution of our products.
- We promote efficient use of materials and resources including water, electricity, raw materials and other resources, particularly those that are non-renewable.
- We avoid unnecessary use of hazardous materials and products, seeking substitutions when feasible.

Adapting to Hybrid Working

For the last 18 months our staff have been remote working, and whilst at the time that was not a choice, we have seen many benefits to this working structure. One of those is the environmental benefit of staff not needing to travel to work, helping every member of staff cut down on their carbon footprint. We have decided to adopt a hybrid working model, allowing staff to continue to work from home, whilst still having access to an office when required. We are also actively encouraging staff to organise virtual meetings with external partners to continue to minimise travel.

Sustainability continued

SOCIAL

OUR AMBITION

A fun, supportive and inclusive place where people are proud to work

Our People

Supporting Wellbeing

Whilst this has always been a hugely important topic, the last year has amplified awareness of and the need for wellbeing to be discussed in open forum amongst colleagues. It's an area that we're keen to do as much as possible to support and with Covid-19 restrictions lifting and a new hybrid working approach, it's never been more important for us to take practical measures to support every person within the business. Twelve managers from across the business recently completed 'Mental Health in the Workplace' training run by the charity Mind. It equips these managers to deal with a range of scenarios, both in terms of spotting signs that people may be struggling, but also how to best support them.

In addition, we have introduced an Employee Assistance Programme (EAP). This offers employees access to fully funded counselling sessions which are available online and in person. It also offers a range of services offering advice on a variety of personal and workplace concerns, including legal and debt management advice.

Training and Development

It is important that all staff feel that they are knowledgeable about the products we sell as a business, which is why every single employee is offered the chance to complete a Wine & Spirit Education Trust (WSET) qualification that is fully funded by the Company. We even have our very own in-house trainer. Currently 52% of our staff hold a Level 2 WSET qualification. Within our Wine Advisor team 25% also hold the advanced Level 3 WSET qualification, also funded by us.

Virgin Wines UK plc understands the importance of self-development, both within a current role and also to help people progress to a new role or career. A further way we support this is by funding external qualifications that people are passionate about, and in doing so have helped many people reach their career goals.

Employee ESG Group

Our employees are one of our stakeholders, but more importantly they are the people who drive this business forward. We want to give everyone the opportunity to tell us what is important to them, and what they believe as a business we should be focusing on when it comes to environmental and social issues. This led to our employee ESG committee, with now more than 10% of employees belonging to this group, from departments across the business. The group works on everything from introducing practical initiatives to feeding back how supported they feel by the business. Ideas and feedback around what is important to our employees are then passed along to senior management and have resulted in some great new initiatives being implemented (please refer to the Section 172 chart on page 34).

Diversity and Inclusion

Each and every employee is fundamental to the success of our business. We are committed to creating and maintaining an inclusive workplace that respects and values each employee's individuality, background and experience. We have created a culture where all staff can feel empowered and confident that they have an opportunity to grow, progress and feel that they belong.

Charity

Our mission to look out for others extends beyond our own employees to include those within our industry and beyond.

We are delighted to partner with industry wellness initiative The Drinks Trust and mental health charity Growing Well to support those struggling with mental health issues throughout the Covid-19 pandemic and afterwards.

CASE STUDY

The Drinks Trust

Many people in the drinks and hospitality industry were negatively impacted by the pandemic in the last year, and we wanted to help in a tangible manner. In July 2020 we partnered with The Drinks Trust and donated £15,000.

The Drinks Trust is a charity that provides care and support to people from the drinks industry, both past and present.

It provides a wide range of support in different ways. There are numerous wellbeing initiatives, including access to a therapist, a helpline service giving 24 hour in-the-moment counselling with multiple ways to reach out including WhatsApp, plus support around mindful drinking for managing alcohol consumption.

It also offers financial support via hardship funds, given to the most vulnerable in the industry, as well as those experiencing life-changing circumstances such as critical illnesses. During 2020 it set up the Covid-19 relief fund when those in the hospitality industry were heavily affected. In 2020 it helped over 2,600 individuals, totalling over £600k in financial grants. This continued into 2021 with a further 411 people helped in just the first four months.

CASE STUDY

Growing Well

Growing Well is a mental health charity working with adults in Cumbria and North Lancashire, set within a six-acre organic horticultural enterprise. Where sometimes there just aren't the words, its activities provide a unique context for discovering, understanding and communicating personal needs, and strengths.

Its ethos is offering activity as a powerful alternative (or accompaniment) to talking therapy. It offers a range of supported, meaningful activity and training, all based around participatory work on the field and in its kitchens.

It focuses on three vital objectives:
- Building emotional resilience
- Developing life skills
- Supporting healthier, more active living

Growing Well relies on charitable donations and Virgin Wines UK plc is proud to have donated £15,000 towards continuing the great work it is doing in the community.

Sustainability continued

GOVERNANCE

OUR AMBITION

Operate an ethical and stable business, that understands the importance of creating a culture of responsible drinking

Our Commitment to Responsible Drinking

As a retailer of alcohol, we understand the importance of promoting a culture of responsible drinking. We have created our very own campaign that focuses on the ethos that 'Drinking is only fun when you don't overdo it'. Pivotal to this campaign is our responsible drinking resource page that includes practical information such as units within various drinks, recommendations on where to seek additional help, and most importantly, how customers can completely remove themselves from our database should they no longer wish to receive alcohol-related correspondence. We ensure that the campaign slogan, and where possible the web address for the resource page, is included on all communications and literature.

We also have a duty of care to ensure that our employees are maintaining safe and healthy levels of drinking. We regularly communicate about the excellent resources available from The Drinks Trust, and being able to recognise unhealthy drinking habits by employees formed part of the mental health training our managers completed.

We are also constantly growing our low and no alcohol ranges across wine, beers and spirits. Currently we have over 35 low or no alcohol products.

Our Supply Chain

Many of our winemakers are small, family-owned businesses. We are proud to partner with these businesses to support their growth and help them to make a positive impact on their local economies.

We are committed to ensuring all products we sell are created through the operation of an ethical supply chain. We take a zero-tolerance approach to slavery and human trafficking, and prior to working with suppliers, undertake due diligence to identify and mitigate potential risks. We regularly review our supplier base and require our partners to comply with all relevant local legislation regarding working hours, wages and working conditions. All suppliers must adhere to the standards set out in our 'Slavery and Human Trafficking Statement'.

Compliance

To operate in an open and ethically transparent manner we have a number of policies in place within Virgin Wines UK plc, including:

- Insider trading policy
- Anti-bribery and corruption policy
- Whistleblowing policy

We are also compliant with the QCA Governance Code (more information can be found on page 48).


ALCHEMY
community.co
ZERO ALCOHOL
ALCHEMY
community.co
ZERO ALCOHOL

Section 172

The Board considers the needs and concerns of all stakeholders in its running of the Company.

By seeking to understand the differing stakeholder interests and impacts through a proactive programme of engagement, the Directors ensure that their decision-making is informed and that the development and delivery of our strategy leads to long-term sustainable success for Virgin Wines UK plc.

This section articulates how, as required by section 172 of the UK Companies Act 2006, the Directors have acted to promote the success of the Company for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

- **A** the likely consequences of any decisions in the long term;
- **B** the interests of the Company's employees;
- **C** the need to foster the Company's business relationships with suppliers, customers and others;
- **D** the impact of the Company's operations on the community and environment;
- **E** the Company's reputation for high standards of business conduct; and
- **F** the need to act fairly as between members of the Company.

Stakeholder	Why we engage
Customers	Our unique wine sourcing model is built around our customers' reviews. Plus, in order to continue to deliver exceptional service, feedback at every point during a customer's experience is vital so that we can monitor and react to any area that doesn't meet our high standards.
Employees	It is important that we engage with our employees, give everyone a chance to input, and ensure we have their support when it comes to how we operate, as each person is integral to the success of our business.
Investors	As an AIM-listed business, we now have a wider range of investors, both institutional, private and employee. It's important that we understand fully the matters that are most important to them in their investment decisions and that these are aligned with our corporate strategies.
Partners and suppliers	Many of our winemakers are small, family-owned businesses. We are proud to partner with these businesses to support their growth and help them to make a positive impact on their local economies.
Communities	We have a responsibility to be a force for good in our community.

How we engage and actions taken	Their material topics
» We collect over 100,000 customer ratings and reviews every year which we use to help shape our range » Extensive insight schedule including NPS score tracked every quarter, a 30+ question bi-annual survey, customers encouraged to review us on Trustpilot (currently rating 'Excellent' from over 19k reviews), and regular ad-hoc feedback requests focused on specific customer segments » One-on-one contact made by our Wine Advisor team with its customer base of over 40k customers » Regular contact with our customers via social media platforms » Plans made to reinstate our tasting events post-Covid, giving us face-to-face access to 1,000s of customers each year	» Wine quality » How wines are sourced » Service levels » Customer propositions available » Company ethics
» Regular communications from the management team sharing business updates such as end-of-year results » A weekly internal memo, 'Cork Talk', as well as a monthly internal newsletter, 'Just the Juice', both giving updates on activity and new initiatives across all areas of the business » Employee ESG group allowing employees at all levels to feed back what is important to them in all topics surrounding environment, social and governance » Introduction of regular employee engagement surveys » Participation in LTIP schemes » All employees complete an induction which includes an introductory meeting with the CEO so everyone is on first-name terms and this assists all employees in feeling part of the of the team from the moment they start	» How employees are treated by the business, with regard to pay, conditions and inclusivity » Company ethics » Financial stability of the Company
» Regular reporting of financial performance » Updates on corporate strategy and new opportunities » Investor meetings to create a two-way dialogue » Investor presentation for retail investors » Financial PR to inform and update » AGM to meet and discuss progress	» Financial stability of the Company » Growth plans for the Company » Leadership and Board composition » Company ethics
» We regularly review our supplier base and require our partners to comply with all relevant local legislation regarding working hours, wages and working conditions » Active partnerships with suppliers in order to supply the range our customers want, including regular virtual meetings in place of our usual visits during the pandemic » Ongoing ethical and environmental audit of all suppliers	» Company ethics and how the Company treats suppliers » Fair pay for suppliers » Sustainability » Longevity of partnerships with the Company
» Continuous promotion of our responsible drinking campaign 'Drinking is only fun when you don't overdo it', across all communication touchpoints » Ensure that all internal and external policies are regularly reviewed, updated and published » Continue to support the drinks trade community by partnering with and donating to The Drinks Trust charity	» Company ethics » How alcohol is promoted as a company » What the Company gives back to their communities

Section 172 continued

Considering Stakeholders in Action

We shape our products, services and practices based on the feedback we receive from our customers and our employee engagement mechanisms.

Customers

Feedback
We had several customers comment that our boxes would be more convenient if we had carry handles.

Response
We have designed a prototype box with handles and have currently ordered just over 3,000 samples to carry out a delivery trial. We are planning a second trial shortly to gauge overall success and customer impact.

Feedback
Some customers who feel they have limited wine knowledge wanted online guidance as to what wines they might enjoy.

Response
We introduced the 'Find your perfect wine' pop-up on the homepage that asks the customer a few questions and guides them towards styles we think they should enjoy.

Feedback
Members of WineBank were unable to earn VAA Air Miles on their wine orders.

Response
When Virgin Atlantic Air Miles merged with Virgin Red to offer one currency of Virgin Points we felt this was the perfect time to change how customers can accrue points with us, and so WineBank customers can now also earn Virgin Points on their wine orders.

Over 100,000
wine reviews and ratings per annum

'Excellent'
rating on Trustpilot from over 19,500 reviews

Feedback

One of the main pieces of feedback over the Christmas period was that customers didn't know where to enter their gift message when buying a gift.

Response

We included adding a gift message into the customer journey. When a customer clicks 'Add to basket' they get a pop-up asking them if they want next day or named day delivery first, and then it asks them to enter an optional gift message.

Feedback

Some customers were saying that the person they sent a gift to didn't see the gift message on the box.

Response

The Gifts team took that feedback and has completely redesigned the gift message on the box to significantly increase visibility.

Employees

What employees told us

We have created an employee ESG group as a way to give everyone the chance to tell us what is important to them, and what they believe as a business we should be focusing on when it comes to environment and social issues. More than 10% of employees now belong to this group, from departments across the business. It was suggested by a few members that a couple of managers attend a mental health training course so they can help spot signs in staff who are struggling and know how best to offer support. This was something the group felt was a high priority based on the current circumstances of the pandemic.

What we did

After discussions with senior management it was agreed that this was something that would be incredibly beneficial to employees and hopefully create a culture where people feel comfortable to reach out for help and support. So far 12 managers have completed 'Mental Health in the Workplace' training with the charity Mind, and we have also implemented an Employee Assistance Programme, which gives our staff a further level of support outside of business. This offers employees access to fully funded counselling sessions which are available online and in person. It also offers a range of services giving advice on a variety of personal and workplace issues, including legal and debt management advice.

Financial Review

Strong sales growth with IMPROVING gross margins and good cost control ensured a further improvement in profitability

GRAEME WEIR

Chief Financial Officer

Overview

It would be remiss if we did not refer to the broader context in which this performance was achieved. The impacts of Covid-19 over the last 18 months have been deep and far reaching, creating a challenging environment for a lot of retail businesses. We have seen changes in customer behaviours, impacts on our suppliers both in the UK and internationally and on our hard-working and talented staff.

Against this background we are privileged to be one of the businesses able to remain open throughout, albeit with nearly all our office-based staff working from home and the teams in our National Distribution Centres having to adapt quickly to new working practices, hygiene regimes and changing shift patterns in order to stay safe and continue to give great service. This has enabled us to deliver another year of high revenue growth (up 30.3% in FY21) and improve Adjusted EBITDA as a percentage of sales, increasing to 9.5% in FY21 compared to 8.5% in FY20.

The Group was admitted to AIM of the London Stock Exchange on 2 March 2021. As part of the transaction the Group was able to repay all outstanding loans from the previous private equity ownership structure. The business is now debt free and well placed to invest in future sustainable growth. Following the admission to AIM, the Group reports its consolidated financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006.

Comparative figures for FY20 and FY19 are stated as unaudited in these financial statements.

Virgin Wines UK plc was incorporated on 1 February 2021 and became the parent of the Group on 2 March 2021. We have opted to use predecessor accounting, and the retrospective presentation method, in preparing these consolidated financial statements of Virgin Wines UK plc for the first time. As a result:

- the assets and liabilities of the Group are stated at their predecessor carrying values;
- no new goodwill arose when Virgin Wines UK plc became the parent of the Group; and
- the comparative period has been prepared as if Virgin Wines UK plc had always had always been combined with the rest of the Group. For more information please refer to note 2 of the financial statements, the Basis of preparation on page 70.

Revenue

Reported revenue for the year to 30 June 2021 was £73.6m, an increase of £17.1m (30.3%) from FY20 with revenue of £56.6m. Revenue growth was consistently good across all sales channels and business segments. Repeat D2C revenues grew by 31.5% in FY21 and 29.2% in FY20. Revenue from the Commercial department (B2B) was up 72.8% in FY21 compared to 13.7% in FY20.

Gross Profit

Gross profit as a percentage of revenue increased by 1.3ppt from 30.3% to 31.6%. The uplift was mainly due to the increase in proportion of repeat D2C sales as a percentage of the total sales mix. Gross profit in these financial statements is stated as revenue less wine cost, outbound packaging and carrier delivery costs. Duty, inbound packaging and freight costs are included in the wine cost.

Head to page 39 to see more financial highlights or **page 16** for our strategy and vision for 2021

	FY21 audited £m	FY20 unaudited £m	Growth %
Revenue	**73.6**	56.6	30%
Gross profit	**23.3**	17.1	36.3%
Operating expenses	**16.3**	12.3	32.5%
Adjusted EBITDA	**7.0**	4.8	45.8%
Exceptional costs (IPO fees)	**3.5**	0.0	
Amortisation and depreciation	**0.8**	0.7	
Operating profit	**2.7**	4.1	
Finance expense	**1.0**	1.3	
Profit before tax	**1.7**	2.8	
Tax	**0.9**	0.2	
Profit for the period	**0.8**	2.6	

Operating Expenses

Operating expenses (comprising Administrative expenses and Selling and distribution costs) increased by £4.0m (32.5%) to £16.3m in FY21 from £12.3m in FY20. This reflects an increase in volume-related costs and infrastructure investment in staff and premises to support the strong revenue growth. Since FY19 sales have increased by £31.2m (73.4%). In September 2020, the business added a new warehouse facility of 50,000 sq ft near Bolton. This effectively doubled in-house storage and pick-and-pack capacity. The new National Distribution Centre was up and running by the end of October 2020 and provided much-needed additional capacity over the Christmas peak. The second warehouse has improved business resilience by allowing us to switch volumes between sites to cover spikes in demand. Despite this step-change in capacity, operating expenses as a percentage of revenue has changed little, with FY21 at 22.1% compared to 21.8% in FY20.

Adjusted EBITDA

Adjusted EBITDA improved by £2.2m (45.8%) to £7m in FY21. As a percentage of revenue, Adjusted EBITDA increased by 1.0ppt from 8.5% in FY20 to 9.5% in FY21, with good cost control enabling the margin gain to flow into profit. Adjusted EBITDA is calculated after adding IPO transaction fees showing as exceptional costs in FY21 of £3.5m (FY20: £nil). The reconciliation of Adjusted EBITDA to profit for the financial year is shown on page 40 of this report.

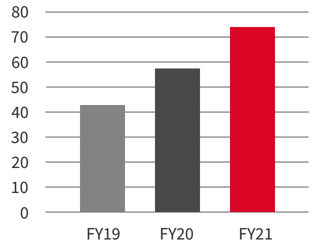
Finance Expense and Income

Finance expenses relate mainly to interest on term loans that existed under the previous private equity ownership structure, FY21 £1.0m and FY20 £1.3m. The reduction in cost is due to the early settlement in full on 2 March 2021 of the outstanding loans. Further details are available in note 12 of the financial statements.

Revenue growth*

+30%

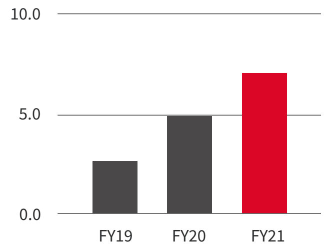
Sales £m



Adjusted EBITDA*

+46%

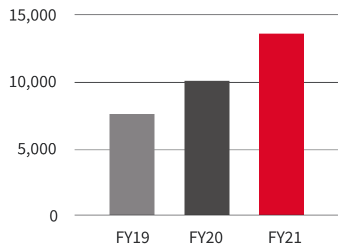
£m



Repeat customer contribution*

+28%

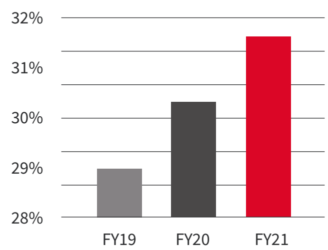
Net £000s



Gross profit*

+1.3ppt

%



* Comparative figures for FY20 and FY19 are stated as unaudited in these financial statements.

Financial Review continued

Amortisation and Depreciation

The total charge for FY21 was £0.8m compared to £0.7m in FY20. Amortisation relates to the charge for intangible assets for software development. Depreciation charges relate to tangible assets written down in accordance to Group policies set out on page 70.

Initial public offering (IPO)

The comparative figures in the financial statements and referenced in the Strategic Report and Directors' Report are unaudited. The schedule opposite illustrates the impact of adopting IFRS as compared to the audited financial statements of Virgin Wines Holding Company Limited, which are publicly available.

Impairment review

At the reporting date the Directors tested goodwill for impairment in accordance with the requirements of IAS 36 Impairment of Assets. The total carrying amount of the Group's single cash-generating unit was compared to its estimated value in use. No impairment was identified. For further details see note 2.

Profit before tax

Profit before tax FY21 £1.7m (FY20: £2.8m). After adjusting for exceptional costs of £3.5m the Adjusted profit before tax increased by £2.4m, 86%, to £5.2m (FY20 £2.8m). The Group does not propose to pay a dividend for FY21 but will keep this policy under review depending on future surplus cash generation and investment opportunities.

Taxation

The tax charge in the financial statements relate to a release of the deferred tax asset and have no cash impact. The deferred tax asset is expected to be utilised in full within a year and before announced changes to the corporation tax rate, so the Deferred taxes have been measured using the current tax rate of 19%.

IFRS adoption impact on the Consolidated statement of comprehensive income

Audited	UK GAAP 2021 £'000	IFRS16 Leases £'000	IAS38 Prepayments £'000	IAS38 Amortisation £'000	IFRS 2021 £'000
Adjusted EBITDA	**6,443**	**606**	**(69)**	**–**	**6,980**
Exceptional costs	**(3,512)**				**(3,512)**
EBITDA after exceptional costs	**2,931**	**606**	**(69)**	**–**	**3,468**
Amortisation and depreciation	**(974)**	**(447)**		**589**	**(832)**
Finance costs	**(823)**	**(135)**			**(958)**
Taxation	**(933)**				**(933)**
Profit for the financial year	**201**	**24**	**(69)**	**589**	**745**

Unaudited	UK GAAP 2020 £'000	IFRS16 Leases £'000	IAS38 Prepayments £'000	IAS38 Amortisation £'000	IFRS 2020 £'000
EBITDA	4,390	368			4,758
Amortisation and depreciation	(943)	(311)		589	(665)
Finance costs	(1,224)	(82)			(1,306)
Taxation	(211)				(211)
Profit for the financial year	2,012	(25)	–	589	2,576

The tax assessed for the year is higher (2020 unaudited: lower) to the standard corporation tax rate due mainly to expenses not deductable for tax purposes.

Earnings per share (EPS)

Basic and diluted earnings per share is (0.5p) for the year ended 30 June 2021 and 5.4p for the year ended 30 June 2020. Adjusted earnings per share is calculated after adding back to earnings IPO exceptional costs and the preference dividend paid in FY21. The weighted average number of shares in issue has been amended to show the same number for both reporting periods and therefore a like for like comparison. The Adjusted basic and diluted earnings per share is 9p for year ended 30 June 2021 and 6.5p for the year ended 30 June 2020 (see note 14 for more details).

Cash and Working Capital

The Group end of year cash balance for FY21 was £15.7m (FY20: £19.9m). These balances include cash deposits from Wine Bank customers of FY21 £7.3m, (FY20: £5.4m). This cash is ring fenced as customer deposits and not used to fund working capital. As a direct result of Covid 19 the Group deferred tax payments of £7.2m at 30 June 2020. When it became clear that the business would be able to remain open these deferred payments were settled in full by the end of August 2020. The Group did not apply for or use any other government financing support or the furlough scheme. Net of Wine Bank customer deposits and the deferred payments the adjusted cash position was FY21 £8.4m, (FY20: £7.3m).

The Group raised £12.1m net of issue costs as part of the IPO listing to settle in full term loans of £12m and paid a dividend to former investors of £1.3m and IPO fees of £3.5m.

The Group invested in working capital and in particular an increase in stockholding of £2.2m (45%) to fund the growth in volume and to provide an additional buffer against supply challenges.

The Group is cash generative with no net borrowing. In the opinion of the Board the Group is well funded to achieve future growth plans and manage any downside financial risk.

* Comparative figures for FY20 and FY19 are stated as unaudited in these financial statements.


Virgin
wines

Principal risks and uncertainties

Virgin Wines UK plc has a strong culture of managing risk and a well-defined risk management process.

The Board

Risks are assessed on the likelihood of occurrence, the potential impact on the business and the mitigations in place to minimise both. The Board has considered market, strategic, financial and operational risks and uncertainties.

Audit Committee

The Audit Committee formally reviews the effectiveness of our risk management processes and internal control systems bi-annually.

Senior Leadership Team

The Company regularly updates the Risk Register which is reviewed by the Board quarterly. Each risk is allocated to a member of the senior management team who is responsible for managing the risk and updating the Board of any changes in nature, likelihood or impact.

Virgin Wines UK plc teams

Everyone at Virgin Wines UK plc has a role to play in identifying key risks facing the Group, and in the day-to-day management of risk through applying the appropriate controls, policies and processes.

Key	Risk category	Potential causes	Potential impact	Mitigations
1	Changes in consumer preferences	Consumer preferences and spending habits may change due a number of factors including lifestyle, health considerations and attitude towards online shopping.	Reduce demand for the Group's products and services or increase business complexity and operational costs.	The Group continues to ensure the products and services offered evolve to remain relevant to consumers. This includes introducing new ranges such as non alcoholic wines, beers and spirits. Survey customers to understand developing trends.
2	Macroeconomic changes	The Group has operated in a relatively stable environment of inflation, economic growth and low interest rates. The impact of Brexit and Covid-19 has potentially created less predictable market conditions.	Increase in macroeconomic instability resulting in lower consumer demand and inflationary cost increases.	The Board manages credit risk to ensure the Group has adequate resources and liquidity to manage economic shocks beyond our control. Maintain a high level of variable and discretionary spend that can be refined to reflect the economic environment.
3	Increases in taxation	As a retailer of alcoholic products and as an employer the Group is subject to a range of taxes and customs and excise duties levied by the UK government. The Group may be exposed to increases in the rates of taxation or the introduction of new taxes.	Increase in the financial cost to the Group negatively impacting the financial results.	Ensure the Group has a flexible business plan that can adapt to changes in the taxation regime. Work with advisers and experts to ensure the Group is positioned to minimise the impact of increased taxes.

Key	Risk category	Potential causes	Potential impact	Mitigations
4	Increased government regulation	The sale of alcohol in the UK and online trading is subject to a number of existing taxes, laws and regulations. Changes to the current regulations regarding online trading, additional regulations and new consumer protection laws may have an adverse impact on the Group.	Increase operational complexity and costs having an adverse impact on financial performance.	Monitor, prepare and continue to invest in technology to minimise the impact of changes to the regulatory framework. Work with industry peers and trade associations to ensure regulations are fair and balanced.
5	Sourcing of products and services	In 2021 there has been disruption to global supply chains and within the UK a shortage of freight capacity and labour shortages in some sectors.	Potential disruption of supplies and increasing costs impacting operational efficiency.	The Group has increased stock holding and supplier lead times to reduce the risk of exposure to short-term supply issues. Continue to monitor the situation in the UK and globally and make changes to our supply chain to de-risk.
6	Covid-19 or global pandemic	Covid-19 is a major shock to businesses and economies in the UK and globally.	Risk of temporary closure to business units.	Continue to invest in technology to ensure operations can be managed in a safe and efficient manner. Ensure business continuity plans are robust and regularly tested.
7	Foreign exchange exposure	The Group purchases the majority of its wine from a global network of winemakers and suppliers. As a result the Group is exposed to exchange rate risk on purchases primarily in Euros, Australian Dollars and US Dollars.	Increases in the cost of wine driving up retail prices and the affordability of wine and impacting gross margins.	The Group hedges its exposure to foreign exchange risk, reducing the potential impact of major fluctuations and giving surety of cost prices. The ability to manage the content of pre mix cases enables the business to manage margins.
8	Failure or reliability of critical IT infrastructure	As an online business the Group relies heavily on its IT infrastructure, ecommerce systems and website.	Reduction in operational efficiency resulting in loss of revenue from unplanned downtime.	The Group continues to invest in the IT infrastructure to increase resilience. Maintain secure robust backup systems for all critical IT software and data. The Group has in place disaster recovery plans and business continuity plans to minimise the impact of any IT failure.
9	Cyber security threats	Cyber attacks leading to unauthorised access to the Group's software and systems, resulting in the potential misappropriation of Group assets or intellectual property, the loss of customer data, the corruption of data or ransomware and denial of service attacks.	Financial costs including possible regulatory fines. Reputational damage and loss of investor confidence.	The Group maintains a range of security measures that are regularly reviewed and updated to prevent unauthorised access to systems. The business maintains cyber security insurance.
10	Climate change	Wine is an agricultural product and the quality and yields of harvests will be materially impacted by Climate change.	Reduced availability of important lines, increase in costs and supply chain disruptions.	As global wine buyer we are able to source from different regions depending on price and quality. This purchasing model allows us to minimise impacts from any particular region. The business also supports initiatives both internally and with our supplier base to reduce the future impact of climate change. More detail in the ESG report on page 28.

The Strategic Report was approved on behalf of the Board on 28 October 2021.

Graeme Weir
Chief Financial Officer

Board of Directors

The Board is responsible for overseeing the management of the business as a whole and for ensuring that high standards of corporate governance are maintained throughout the business. Certain aspects of this are delegated to Committees of the Board, as further described in the reports of the various Committees below. The Board comprises four Non-Executive Directors and two Executive Directors. The Group is supported by an operating board consisting of the Executive Directors and senior management. The biographical details, skills and experience of each of the Directors as at 30 June 2021 are summarised below.

Jay Wright

Chief Executive Officer

Jay Wright is CEO of Virgin Wines UK plc, having held the role since 2008 when he successfully merged the Warehouse Wines and Virgin Wines UK plc businesses. In 2013, Jay led a private equity-backed management buyout of the Virgin Wines UK plc business and following substantial growth took the business public in March 2021.

Prior to joining Virgin Wines UK plc, Jay held Managing Director roles at Warehouse Wines, the business he founded in 2000, and World Wines Direct, a subsidiary of the Greenalls Group.

In addition to his role as CEO of Virgin Wines UK plc, Jay is also Vice Chairman of Lincoln City F.C.

John Risman

Chairman

John has held the position of Chairman of Virgin Wines UK plc since October 2018. He is also Chief Executive of Hillarys Group, the UK's largest window furnishing company.

John has 30 years' experience within the retail sector. Prior to joining Hillarys Group in 2005, John was COO at Thresher Group and held various roles at Dixons Retail, where he was latterly a Managing Director. He started his business career as a strategy consultant with LEK Partnership.

Graeme Weir

Chief Financial Officer

A Chartered Accountant, Graeme has been CFO at Virgin Wines UK plc since 2008 and in 2013 led a private equity-backed management buyout of the business alongside CEO Jay Wright. Prior to joining Jay as his Finance Director of Warehouse Wines in 2003, Graeme held a number of roles in the engineering and manufacturing sector. Graeme is based at the main National Distribution Centre in Preston to oversee the finance function and fulfilment operations.

Key

A Audit Committee
R Remuneration Committee
AIM AIM Compliance Committee
Chair

Sophie Tomkins

Non-Executive Director

Sophie is a Non-Executive Director with extensive public markets experience gained through nearly two decades as a London-based stockbroker. Sophie was previously Head of Equities at Fairfax plc and has also held roles at Collins Stewart and Cazenove & Co.

Sophie currently sits on the Board of several AIM-listed companies. She is a Non-Executive Director and Audit Committee Chair of Hotel Chocolat Group plc (consumer), Cloudcall Group plc (software), and System1 Group plc (advertising effectiveness), and a member of all three Remuneration Committees.

Helen Jones

Non-Executive Director

Helen joins Virgin Wines UK plc as a Non-Executive Director and Chair of the Remuneration Committee. She has more than 35 years' experience in the food and beverage sector, both in the UK and internationally. Helen was Group Executive Director at Caffe Nero and Managing Director at Zizzi. She also spent nine years at Unilever, where she launched the Ben & Jerry's brand in the UK and Europe.

Helen is currently Senior Independent Director at the Halfords Group plc, Remuneration Chair at Fuller, Smith & Turner plc and a Non-Executive Director at Premier Foods plc. She also serves on the Boards of Whittard Tea and Toast Ale.

Ed Wass

Non-Executive Director

Ed is a Portfolio Partner at Gresham House Ventures, previously Mobeus Equity Partners LLP. He brings more than 20 years' experience of supporting companies to create and realise shareholder value. Prior to joining Gresham House, Ed was Chief Investment Officer at Catapult Ventures. Ed has held a number of senior finance roles, including at ATX Software and The Carbon Neutral Company, having qualified as a Chartered Accountant with PricewaterhouseCoopers.

Chairman's Statement

John Risman

Chairman

Introduction

I am delighted to present the Group's first Annual Report and Accounts as a public company, following the Company's successful admission to the London Stock Exchange's AIM in March 2021. I would like to take this opportunity to welcome all our new shareholders to the business.

FY21 Summary

The 2021 financial year was a transformational one for Virgin Wines UK plc in which we became a public company, representing an exciting new chapter in the Group's long-term development.

As a result of the IPO, at which we received strong support from a host of high-quality institutional investors, the Company raised gross proceeds of £13m. The fundraise has empowered the Company to execute its ambitious growth plans and continue to take market share in the large and growing online wine, spirits and beer market.

Throughout the year, the Group experienced strong levels of customer demand for its product offering, in part driven by an accelerated shift in consumer behaviour towards online retailing as a result of the Covid-19 pandemic alongside increased digital marketing activity and capitalising on the underlying growth drivers across the D2C wine sector. Our strong sales, taken together with high rates of cash conversion and a tightly managed balance sheet, means the Company emerges from this year significantly stronger than when it went in.

Group revenue in the 12 months to 30 June 2021 was £73.6m, a 30% increase compared to the prior year. This is the second year in succession in which we have now seen over 30% growth. Adjusted EBITDA was up 46% at £7.0m and the Group saw an improvement in Adjusted EBITDA margin. We were pleased also to see strong order frequency amongst our existing customers.

Environment, Social and Governance

ESG is an important driver of our business. It informs our culture, our strategy and our stakeholder engagement. We are committed to operating an ethical, transparent business, delivering value for all stakeholders in line with our long-term growth strategy. It is of the utmost importance to us that every wine we sell is, from grape to glass, created and delivered to customers' homes in a way that we are proud of. At the IPO, Virgin Wines UK plc was delighted to announce the appointments of Helen Jones, Sophie Tomkins and Ed Wass as Non-Executive Directors as it strengthened its Board of Directors. Helen has more than 35 years' experience in the food and beverage sector, having held previous roles as Group Executive Director at Caffe Nero, Managing Director at Zizzi as well as spending nine years at Unilever. Sophie has extensive public markets experience gained through nearly two decades at London-based stockbrokers, having previously held the role of Head of Equities at Fairfax plc and has also held roles at Collins Stewart and Cazenove & Co. Ed sat on the Virgin Wines UK plc Board pre IPO and now represents Gresham House Asset Management Limited in its position as shareholder.

I would like to officially welcome our new Board colleagues and thank them for their valuable contribution to the Group as it continues on its journey as a listed company.

The Group has chosen to apply the QCA Corporate Governance Code (QCA Code) as the most appropriate for our size and structure. We have complied with the principles of the QCA Code since adoption. Further details on our approach to governance can be found on pages 45 to 48.

The Virgin Wines UK plc Community

Over the past 18 months, the Covid-19 pandemic disrupted the lives of all the Group's stakeholders. I would like to thank our colleagues for their continued hard work, our customers for their loyalty, and our partners for their collaboration throughout this challenging time.

The skill, flexibility and, above all, dedication of the Virgin Wines UK plc team have been highlighted during this period characterised by disruption to the ways we work and interact. We have made a number of changes to the way we work together as a business to ensure that we can continue to serve our customers efficiently while keeping our people safe. We are hopeful, however, that with the successful roll-out of the UK vaccination programme, our people and our customers can return to normal ways of living and working in the near future.

Outlook

The current year has got off to a good start. Despite the opening up of the hospitality sector, revenue for the Group was up 13.3% year-on-year for the first quarter (July – Sept) whilst the number of new customers acquired was up 10.7% year-on-year.

The D2C wine sector is a large, addressable market and is buoyed by multiple consumer trends. These trends include an increasing shift towards premiumisation in the alcoholic beverage market, consumers increasingly purchasing alcohol online and increasing consumer spend on food and drink based subscriptions.

Whilst the Board remains mindful of the potential impact from the easing of lockdown restrictions on consumer spending patterns, I am confident that Virgin Wines UK plc, underpinned by underlying growth drivers, its strong brand and unique customer proposition as well as its growing, subscription-weighted customer base, remains well placed for the future.

John Risman
Chairman

Corporate Governance Report

Chairman's Introduction

Dear shareholder,

On behalf of the Board, I am pleased to introduce Virgin Wines UK plc's Corporate Governance Report for the financial year ended 30 June 2021.

The Board is committed to ensuring high standards of governance for Virgin Wines UK plc as the basis for promoting the long-term growth and protecting the reputation of the business for the benefit of our shareholders and our wider stakeholders.

As Chair of the Board of Directors, it is my responsibility to ensure that Virgin Wines UK plc has both robust corporate governance and an effective Board. My responsibilities include overseeing the Company's corporate governance, leading the Board effectively, communicating with shareholders and ensuring effective communication between Executive and Non-Executive Directors in a timely manner.

Since admission to AIM, the Board has adopted the QCA Code. The Board considers the QCA Code to provide the most appropriate framework of governance for a public company of our size and complexity. We support the QCA Code's principles and have complied with all of them since adoption.

The Board is responsible for establishing and maintaining the Group's systems of financial controls and robust operational controls, which are continuously monitored and reviewed. This provides the Board comfort around the risk exposure of the Company and to what extent it has changed during the year.

We seek to ensure we have a dynamic governance environment where open dialogue is encouraged to build trust and ensure the wishes and expectations of shareholders and wider stakeholders are recognised and met.

As a Board, we are committed to providing robust leadership and oversight of the business in setting and monitoring the Company's culture to ensure that behaviours align with our purpose, vision and values. A strong corporate culture is paramount to the vitality and sustainability of our business. Further information can be found within the Sustainability section on pages 26 to 32.

The Board is satisfied that a culture of openness, honesty and integrity pervades the business and complements our strategic goals. We foster and promote an open culture where employees feel empowered to provide feedback in a trusting and understanding environment. We promote knowledge of our whistleblowing policies with employees to ensure continued openness and accountability.

During the year, there have been no corporate governance challenges nor adverse governance-related matters to report. Whilst Covid-19 brought its operational challenges, the governance of the Company remained unwavering. Throughout lockdown, the Board quickly embraced the move to virtual meetings and adapted its focus to address the rapidly evolving developments in the business and the market, with meetings conducted virtually. The Board is satisfied that the steps taken to ensure business continuity were effective and appropriate and, as the situation continues to evolve, the Board will continue to adapt its approach and guidance for the Company.

As has been stated previously, the IPO was a momentous occasion for the business and necessitated a strengthening of the Board. On admission, we were delighted to appoint Ed Wass, Helen Jones and Sophie Tomkins. Ed Wass is the Board representative for Gresham House Asset Management Limited and both Helen Jones and Sophie Tomkins are considered independent for the purposes of the QCA Code. Maintaining a skilled, well-balanced, diversified and experienced Board is of fundamental importance to the long-term success of the business. We currently have four Non-Executive Directors alongside two Executive Directors.

The Board recognises the benefits that diversity and inclusion can bring to the effectiveness of Board decision-making where different skill sets and perspectives are present. The Board supports the Company's diversity and inclusion policy and is committed to achieving and maintaining its objectives.

The Board, which aims to meet at least 11 times per year, is focused on delivering our strategy for the benefit of all stakeholders.

Board Structure and Composition

The current Board and Board Committees were constituted in February 2021 as part of the preparation for admission to AIM on 2 March 2021. This report covers the period from IPO.

The Board is responsible to the shareholders and to act in the interest of all Group stakeholders. This includes setting the strategy for the Group to achieve its long-term goals, monitoring performance, governance and managing Group risk.

The Board comprises six Directors, two Executive Directors, Jay Wright and Graeme Weir and four Non- executive Directors, Chairman John Risman, supported by Ed Wass, Sophie Tomkins and Helen Jones. Further details and Board biographies can be found on page 44.

Sophie Tomkins and Helen Jones brought a wide range on business skills and knowledge alongside listed company experience to the Board. As a result, the Board composition has a balanced range of skills and experience and independence to meet the business challenges.

The Chairman is responsible for setting the Board agenda and monitoring its effectiveness. There is clear separation of responsibilities and independence between the Chairman and Chief Executive.

Matters reserved for the Board and meetings

The Board is ultimately responsible for the Groups strategy, performance and management. The Board discusses and reviews all matters and issues relevant to the performance of the Group. A rolling agenda of matters to be reviewed is agreed by the Board under the guidance of the Chairman. Certain matters are reserved for the Board, these include:

- Setting the Group strategy and long-term objectives.
- Approving budgets and forecasts.
- Changes to the Group's capital structure and dividend policy.
- Extension of Group activities by geographical regions or acquisitions.
- Approval of significant contracts, capital or operating expenditure.
- Assessing the effectiveness of financial risks and control.
- Effective communication with shareholders.
- Approving interim and annual reporting and regulatory communications.

Corporate Governance Report continued

The Board has met six times since being constituted in February 2021. All Board members attended all the meetings. The Board will normally meet eleven times in a full 12-month cycle. Board members are expected to attend all meetings. Outside formal Board meetings, Non-executive Directors communicate directly with the Executive Directors and senior management. Non-executive Directors are expected to attend committee meetings of which they are a member and devote sufficient time throughout the year to ensure they fulfil their role as Company Directors.

Board Committees

The Board delegates specific responsibilities to the Audit and Remuneration committees. These committees have written terms of reference including their duties and reporting responsibilities. Each committee shall have at least two Non-Executive Directors who are independent of the management and free from any business or other relationship that could interfere with the exercise of their independent judgement. The terms of reference for the committees are kept under review to ensure they remain relevant and reflect changes in regulation and best practice.

The Audit Committee

The Audit Committee is chaired by Sophie Tomkins with other members Ed Wass and Helen Jones. The Audit Committee is responsible for ensuring the financial performance of the Group is properly reported and reviewed, and for overseeing the framework of internal controls to manage business risk. The committee is responsible for advising the Board on the appointment of the external auditor, ensuring external auditor independence and advising on fees and terms of reference. The Committee will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the internal controls operating within the Group.

The Audit Committee will meet at least three times each year at appropriate times in the reporting and audit cycle. The Chief Financial Officer may attend the meetings by invitation.

The Remuneration Committee

The Remuneration Committee is chaired by Helen Jones with other members Sophie Tomkins and John Risman. The committee is responsible for ensuring remuneration policies and practices support Group strategy and promote long term sustainable success. Maintain a formal and transparent process for developing policy on executive rewards and ensuring executive remuneration is aligned to the Group's purpose and is clearly linked to the successful delivery of long-term strategy.

The Remuneration Committee will also make recommendations to the Board for granting of share options or other equity incentive is line with share-based incentive plans operating within the Group.

In exercising this role, the Remuneration Committee will have regard to recommendation of the QCA code and where appropriate the QCA Remuneration Committee Guide and associated guidance. The Committee is authorised to appoint external consultants to advise on remuneration policies.

The Remuneration Committee will normally meet at least twice every year.

Board Evaluation and Appraisal

The Board commissioned an external advisor to carry out an effectiveness review of Board performance in July 2021. The objective of the review was to identify changes which could make the Board's workings and actions more effective and efficient and to provide a benchmark for the evaluation of future reports. The review covered the culture and nature of the Board, including how the team operates and communicates, the management and effectiveness of meetings, the skills, experience and independence of the Board and highlighted areas for the Board to focus on for future development. The Board will carry out future annual reviews to ensure it continues to improve and delivers its key objectives.

The Company is committed to achieving and maintaining high standards of corporate governance and has adopted QCA Code. The QCA Code identifies ten corporate governance principles that companies should follow.

Set out below is a description of how the Company complies with the QCA Code at this point in time and explains the areas of non-compliance, where applicable. The Directors of the Company (the Board) remain committed to evolving the Company's corporate governance arrangements as the business develops.

1

Establish a strategy and business model which promote long-term value for the shareholders

The Company's strategy is to create a platform for organic growth and potentially for acquisitions in the wine, beer and spirits sector where the opportunity exists to create significant shareholder value through high growth and/or a well-executed consolidation strategy. The Board is responsible for implementing the strategy and managing the business of the Company.

2

Seek to understand and meet shareholder needs and expectations

The Company has engaged with its existing shareholders and sought to articulate its strategy and business model as part of its admission to trading on AIM (the 'admission'). Since admission, the Company has been committed to maintaining an open dialogue with its shareholders to develop a good understanding of the needs and expectations of shareholders and will continue to communicate the Company's strategy at appropriate intervals as progress is made. All shareholders have the opportunity, and are encouraged, to attend and vote at the Annual General Meeting of the Company, during which the Board will be available to discuss matters affecting the Company. John Risman will be the primary point of contact for shareholder liaison. As the Senior Independent Director, Helen Jones will be available to shareholders if they have an issue that the normal channels of communication have failed to resolve or for which such channels of communication are inappropriate.

The Company's website contains information on the Company, including the AIM admission document, the Company's Articles of Association, the Audit Committee terms of reference, the Remuneration Committee terms of reference and regulatory announcements. The Company will also make available on its website the year-end and interim results announcements as well as all Annual Reports, notices of Annual General Meetings and general meetings, proxy voting details, circulars sent to shareholders and any other information sent to shareholders.

3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company's stakeholders principally include its customers, suppliers, employees, shareholders, potential vendors and executive management teams and this list of resources and business relationships on which the business relies will be monitored by the Board. The principal ways in which the Company will engage with these stakeholders is through direct dialogue and will rely on their feedback through meetings, conversations and formal feedback processes in due course.

Whilst the Company has a number of initiatives in place to reduce its environmental impact, the Company is aware that there is more it can do. The Board is committed to developing a plan to minimise the Company's environmental impact through further product innovation, targeted operational initiatives and collaboration with its stakeholders. Following admission, the Company will continue to monitor its governance policies and health and safety policies, as appropriate. The Board will also consider the broader factors that relate to the Group's impact on society and communicate how those matters will be integrated into the Company's strategy and business model.

4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board will conduct a review of its system of internal control to ensure compliance with best practice quarterly, while also having regard to its size and the resources available. The review may cover all material controls, including financial, operational and compliance controls and risk management systems and will also incorporate an analysis of the regulatory and fiscal position in the territories in which the Company operates.

The Board is responsible for ensuring the Company has effective and robust systems of internal controls and these controls are designed to manage, but not eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatements and loss.

The Board has compiled a comprehensive list of these risks, which are detailed in Part II of the admission document which is available at www.virginwinesplc.co.uk.

The Board has established an Audit Committee, a summary of the terms of which is set out under principle nine below and in the corporate governance section of the website.

The Company maintains appropriate insurance cover in respect of actions taken against the Board and/or the Group. The insurance cover in place will be reviewed on a periodic basis.

5

Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board currently comprises a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors (two of whom are considered to be independent). The Board has considered each Non-Executive Director's interests in the share capital of the Company and considers that Helen Jones and Sophie Tomkins are independent in character and judgement and the Board does not believe that either of them has any relationships or circumstances which are likely to affect, or could appear to affect, their judgement as an independent Non-Executive Director.

Each member of the Board is subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Company and has committed to meet at least quarterly to discuss the strategy of the Company and review potential opportunities in a structured and orderly manner.

The Executive Directors are required to dedicate appropriate time, being the Company's normal business hours and such other hours required, to the Company. The three Non-Executive Directors and the Non-Executive Chairman are each required to dedicate appropriate time, being two days (or equivalent) per month, to the Company. The Board is aware of the other commitments and interests of its members, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Company has put in place an Audit Committee and a Remuneration Committee, summaries of the terms of reference for each are set out under principle nine below.

Corporate Governance Report continued

6

Ensure that between them the Board has the necessary up-to-date experience, skills and capabilities

The Board has a wealth of knowledge and experience, as illustrated by the biography of each Board member, which can be found on the investor relations section of its website, as required by AIM Rule 26. The Board believes that it has the appropriate mix of experience, expertise, personal qualities and skills in order to effectively implement its strategy.

The Board intends to hold meetings regularly throughout the year and as required, for example when a potential opportunity is presented which requires more immediate attention and Board input. In any event, Board meetings will be held eleven times each year. Board meetings will be held in person where possible, or where this is not practically possible, via video conference.

During the course of the year, the Board will continue to receive updates from its nominated adviser and legal advisers in relation to corporate governance matters. Each Director takes responsibility for maintaining his or her own skill set, which includes roles and experience with other Boards and organisations as well as formal training and seminars. This will be reviewed by the Board periodically.

Each member of the Board can take independent professional advice in the continuance of their duties, if necessary, at the Company's expense. In addition, the Board has direct access to the advice and services of the Company's advisers, company secretary and Chief Financial Officer.

7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board intends to undertake a formal process of evaluating its own performance and effectiveness and that of the individual members of the Board and members of the Board Committees annually.

8

Promote a corporate culture that is based on ethical values and behaviours

The Board has put in place an effective corporate governance and compliance framework. The Board has established a corporate culture based on sound ethical values and behaviours and intends to lead from the front in promoting the adoption of this culture throughout the Group. The Group's culture is that life should be fun and wine should be no different. The Group's mission is to cut through the confusion of unfathomable restaurant lists, obscure wine labels and brand-led supermarket shelves, tell it straight, and take its customers to the good products.

9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is responsible for the overall management and control of the Company. The Board intends to review its strategy regularly and is responsible for determining the strategic focus of the Company.

As set out above, the Board intends to meet quarterly to review, formulate and approve the Company's strategy, budgets, corporate actions and oversee the Company's progress towards its goals. The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Consideration will be given by the Board to future succession plans for members of the Board as well as consideration as to whether the Board has the skills required to manage the Company effectively.

The Board discusses and reviews all matters and issues which are important to the business. Certain decisions are reserved for the Board and they can be found on page 47.

10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company will communicate with its shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting and meetings/discussions with the Company's major existing or potential shareholders. The Company will communicate principally by way of the release of regulatory and other announcements as and when information is available to disclose.

The Company's website, www.virginwinesplc.co.uk, will be regularly updated. Once available, the Company's Annual Report and Accounts will be located under the 'Financial Results and Reports' section of the website. Notices of the general meetings of the Company will be located under the 'AGM and General Meetings' section of the website.

The results of voting on all resolutions at future general meetings will be posted to the website on a timely basis, including any actions to be taken as a result of resolutions of which votes against have been received by a significant proportion of votes.

Audit Committee Report

Sophie Tomkins

Chair, Audit Committee

Audit Committee Members

Sophie Tomkins – Chair
Ed Wass
Helen Jones

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Members of the Audit Committee

The membership of the Committee is set out on page 43 of the Corporate Governance Report. Sophie Tomkins became Chair upon the IPO in March 2021. Two members of the Committee, including the Chair, are independent Non-Executive Directors. The Chief Financial Officer routinely attends the Audit Committee meetings by invitation, but other Executive Directors or members of the management team may also be invited to attend meetings as required. The Non-Executive Directors are provided an opportunity at the Audit Committee meetings to discuss matters with the auditor without the presence of the Executive Directors. The Board is satisfied that the Chair of the Committee has recent and relevant financial experience. Sophie is a Chartered Accountant and is also Chair of the Audit Committee at Hotel Chocolat Group plc, Cloudcall Group plc, and System1 Group plc. The Committee meets at least twice a year and more frequently if required, and has unrestricted access to the Group's auditor. Attendance at Board and Committee meetings is set out in the Corporate Governance Report on pages 47-50. During FY21, additional meetings were held as part of the audit tender.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are summarised on page 47 and available on the Group's website (www.virginwinesplc.co.uk).

The work carried out by the Audit Committee during FY21 comprised the following:

- ensuring the financial performance of the Company is being properly measured and reported on;
- review of the FY21 audit plan;
- consideration of key audit matters and how they are addressed;
- going concern review;
- review of suitability of the external auditor;
- review of the financial statements and Annual Report;
- review of the appropriateness of the Group's accounting policies and judgements made in the preparation of the financial statements, and adequacy of the disclosures made therein;
- consideration of the external audit report and management representation letter;
- review of the risk management and internal control systems;
- meeting with the external auditor without management present; and
- review of anti-bribery policy and whistleblowing arrangements.

Audit Committee Report continued

Role of the External Auditor

The Audit Committee monitors the relationship with the external auditor to ensure that auditor independence and objectivity are maintained. As part of this role, the Committee reviews the non-audit fees of the auditor. PwC's fees for the financial year to 30 June 2021 are disclosed in note 7. Non-audit fees relate primarily to pre-IPO tax advice relating to share issues; the Audit Committee is satisfied that:

- the relevant independence threats arising from non-audit work have been identified and appropriate safeguards put in place;
- the level of non-audit fees does not approach the audit fee; and
- the non-audit fees are not significant to PwC as a firm.

The Audit Committee also assesses the auditor's performance.

Audit Process

The auditor prepares an audit plan for the audit of the full period financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed by the Audit Committee. Following the audit, the auditor presents its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the period; however, areas of elevated risk (such as IFRS and accounting for the IPO) and other matters of audit relevance are regularly communicated.

Audit Tender

PwC has been the incumbent auditor at the Group[1] since 2007. Upon the Group's listing on AIM in March 2021, the Audit Committee recommended putting the FY21 audit to external tender to assess both independence and value for shareholders. Having conducted a rigorous tender process, the Audit Committee was satisfied that retaining PwC as the Company's auditor remained in stakeholder interests. Independence considerations were enhanced by partner rotation, with a new PwC partner signing off the FY21 audit.

Internal Audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Risk Management and Internal Controls

As described throughout the Annual Report and the corporate governance section of the Group's website (www.virginwinesplc.co.uk), the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the period, the Committee has reviewed the framework and is satisfied that the internal control systems in place are currently operating effectively.

Whistleblowing

The Group has in place a process whereby employees can discuss concerns confidentially. The Committee is comfortable that the current policy is operating effectively.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Sophie Tomkins
Chair, Audit Committee

1 Group – Virgin Wines Holding Company Ltd and Virgin Wine Online Ltd.

Remuneration Committee Report

Helen Jones

Chair, Remuneration Committee

Remuneration Committee Members

Helen Jones – Chair
Sophie Tomkins
John Risman

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year to 30 June 2021. It sets out our remuneration policy and provides details of amounts earned by the Directors during the year. This is our first report since the IPO on 2 March 2021. The information is unaudited except where stated.

As the Company is listed on the Alternative Investment Market it is not required to provide all of the information included in this report. However, we provide disclosures in addition to that which is required by AIM Rule 19 on a voluntary basis to enable shareholders to understand and consider our remuneration arrangements. In line with best practice, we will also voluntarily submit this report to an advisory shareholder vote at our Annual General Meeting.

The Company is committed to high standards of corporate governance and our remuneration policy and disclosures are designed to reflect this approach.

Composition of the Committee and Role

The Committee members since the IPO have been Helen Jones (Chair), Sophie Tomkins (Non-Executive Director) and John Risman (Non-Executive Chairman). The Executive Directors may attend meetings from time to time at the invitation of the Committee and provide information and support as requested. Directors are not present when their own remuneration is being discussed.

The activities of the Committee are governed by its terms of reference, which are available from the Group's website.

In exercising its role, the Remuneration Committee has regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

The Remuneration Committee determines, on behalf of the Board, the Group's policy for executive remuneration and the individual remuneration packages for Executive Directors. The Remuneration Committee reviews the incentive and reward packages for the Executive Directors to ensure that they are aligned with the Group's strategic objectives and financial performance; are appropriate to attract, retain and motivate executive behaviour in support of the creation of shareholder value; and drive continued commitment of executives to the Group's success through appropriate incentive schemes.

FIT Remuneration Consultants is appointed as adviser to the Committee. FIT Remuneration Consultants is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code.

The Remuneration Committee has met three times during the period since the IPO and will normally meet at least twice every year.

Remuneration Policy

The Company's remuneration policy is designed to attract, motivate and retain high calibre individuals who will contribute fully to the success of the Group. It is intended that this policy conforms with best practice standards commensurate with its size and market listing.

The key objectives of the policy are to:

- align executive packages with Company objectives and shareholder interests;
- create an appropriate balance between fixed and performance-related elements and between short-term and long-term performance;
- promote a high-performance culture; and
- support the recruitment, motivation, development and retention of quality people.

Remuneration Committee Report continued

Element and link to strategy	Operation	Maximum opportunity	Performance
Base Salary			
Help recruit and retain high performing Executive Directors. Reflects the individual's role, experience and contribution. Set at levels to attract and retain individuals of the calibre required to lead the business.	Base salaries are reviewed annually with any increases normally taking effect on 1 July of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce.	N/A
Benefits			
Provide a competitive level of benefits.	Benefits are in line with those offered to other senior management employees and may include medical expenses cover and life insurance cover.	The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.	N/A
Pension			
Provide a competitive level of pension benefit.	Executive Directors are eligible to receive an employer's pension contribution or a cash supplement.	Maximum contribution currently 5% of base salary. This percentage is in line with the pension contribution made by the Company to its workforce.	N/A
Annual Bonus			
Incentivise and reward the achievement of stretching one-year key performance targets set by the Committee at the start of each financial year.	Parameters, performance criteria, weightings and targets are set at the start of each year. Payments are made in cash following completion of the year, subject to the assessment of performance against targets, and the Committee retains the discretion to adjust the bonus outcomes to ensure that they reflect underlying business performance. Awards are subject to malus/clawback provisions.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. At present, the performance target is based on Group earnings which is considered by the Committee to be the Group's key financial performance indicator.
Long Term Incentive Plan			
Incentivise and reward Executive Directors for the delivery of longer-term financial performance and shareholder value. Share based to provide alignment with shareholder interests.	Awards are granted as nil cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. An additional holding period post vesting may be applied. Awards are subject to malus/clawback provisions. Dividend equivalents may be added to awards.	The maximum annual award for the CEO and CFO is 100% of base salary.	Performance measures may include financial and share price performance-based targets. Performance criteria and weightings may be changed from year to year. No awards have yet been made to the Executive Directors.

Element and link to strategy	Operation	Maximum opportunity	Performance
Shareholding Guidelines Increase alignment between Executive Directors and shareholders.	If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the guideline is met.	Minimum shareholding of 200% of salary for all Executive Directors.	N/A
Non-Executive Director Remuneration Support recruitment and retention of Non-Executive Directors with the necessary breadth of skills and experience. Provide fees appropriate to time commitments and responsibilities of each role.	Non-Executive Directors are paid a base fee in cash, with additional fees payable for chairing a Board committee. Fees are reviewed periodically. In addition, reasonable business expenses may be reimbursed.	The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	N/A

Executive Directors' Service Contracts

The Executive Directors entered into new rolling service contracts with the Group on admission to AIM in March 2021 with an indefinite term, but a fixed period of 12 months' notice of termination.

Non-Executive Directors

The Non-Executive Directors do not have service contracts but instead have letters of appointment dated 24 February 2021 for an initial term of three years. The appointments are subject to a three-month notice period. Non-Executive Directors' remuneration is approved by the Board.

Summary of Directors' Remuneration (audited)

The table below sets out the total remuneration for the financial period.

	2021					2020 unaudited				
Name	Basic Salary/Fee	Bonus	Pension	Benefits	Total	Basic Salary/Fee	Bonus	Pension	Benefits	Total
Executive										
Jay Wright	**209,576**	**–**	**19,559**	**3,814**	**232,949**	174,250	–	20,667	3,752	198,669
Graeme Weir	**173,703**	**–**	**24,295**	**4,672**	**202,670**	164,000	–	19,680	4,512	188,192
Non-Executive										
John Risman	**47,609**	**–**	**–**	**–**	**47,609**	35,875	–	–	–	35,875
Ed Wass[2]	**37,058**	**–**	**–**	**–**	**37,058**	32,784	–	–	–	32,784
Helen Jones[1]	**16,667**	**–**	**–**	**–**	**16,667**	–	–	–	–	–
Sophie Tomkins[1]	**16,667**	**–**	**–**	**–**	**16,667**	–	–	–	–	–

1 Helen Jones and Sophie Tomkins were appointed to the Board on 11 February 2021.
2 During the reporting period, Ed Wass was a Portfolio Director at Mobeus Equity Partners LLP and fees relating to his services on behalf of the Board were paid to Mobeus Equity Partners LLP.

There was no bonus in place for the Executive Directors for the 2021 or 2020 financial periods.

Remuneration Committee Report continued

Long-Term Incentive Awards Granted During the Year

No awards were made to the Executive Directors during the year.

The first award of 433,288 shares was made under the LTIP on 23 June 2021 to 24 staff with a vesting date of 23 November 2023 with Group revenue and profit performance conditions attached to the majority of the award. For the award to vest fully, the Group would need to outperform market expectations at the grant date. If fully vested the award would represent 0.8% of the shares in issue at 30 June 2021.

Directors' Interest in Shares

The interest of the Directors as at 30 June 2021 in the shares of the Company were:

Name	Number	% of issued
Jay Wright	**4,631,260**	**8.3%**
Graeme Weir	**3,130,092**	**5.6%**
John Risman	**1,513,834**	**2.7%**
Sophie Tomkins	**Nil**	**Nil**
Helen Jones	**Nil**	**Nil**
Ed Wass	**Nil**	**Nil**

As at 30 June 2021, Rapunzel Newco Limited held the shareholding of four VCT funds managed by Mobeus Equity Partners LLP. At that time Ed Wass was a Portfolio Director at Mobeus Equity Partners LLP. The total number of shares held by Rapunzel Newco Limited were 20,131,610 representing 36.1% of the shares in issue.

On 30 September 2021, Gresham House Asset Management Limited acquired the management contracts of the four VCT funds managed by Mobeus Equity Partners LLP. In addition to the shareholding of Rapunzel Newco Limited, Gresham House already held 5.4% of the Company's shares, taking the total shareholding managed by Gresham House to 41.5%.

Directors' Remuneration for the Year Commencing 1 July 2021

Executive Directors

There will be no increase in Director salaries for FY22. The salaries for the CEO and CFO remain as set out in the AIM admission document as £275,000 and £210,000 respectively. Pension contributions are 5% of salary for both Executive Directors.

The Committee has approved implementation of the annual bonus scheme for Executive Directors which will operate as set out in the policy table above. The FY22 bonus will be measured against Group Adjusted EBITDA targets. The performance sliding scale was set considering the internal and external market expectations at the time, with maximum payout only achieved for performance in excess of these. The Remuneration Committee considers the actual performance targets to be commercially sensitive and therefore will disclose them retrospectively in next year's report.

Long-term incentive awards are planned to be granted to the Executive Directors during the year and will operate as set out in the policy table above. The measures and targets are yet to be confirmed but will be disclosed in next year's report.

Non-Executive Directors

Non-Executive Directors' fees for 2022 will remain unchanged. The annual fee payable to John Risman is £70,000. The base fee payable to the other Non-Executives is £45,000, with an additional annual fee of £5,000 payable to Helen Jones and Sophie Tomkins for chairing the Remuneration and Audit Committees respectively.

Helen Jones
Chair of the Remuneration Committee

Directors' Report
for the year ended 30 June 2021

The Directors present their report and audited consolidated and Company financial statements for the year ended 30 June 2021.

Business Review and Future Developments

A review of Group performance during the year including key performance indicators, business risks and comments on future developments is given in the Chairman's Statement on page 46 and the Strategic Report on pages 1 to 43.

Results and Dividends

The Group has reported its consolidated financial statements and Company accounts in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group's revenue in the year was £73.6m (2020 unaudited: £56.6m) and profit after tax of £0.8m (2020 unaudited: £2.6m).

The Board is not recommending a final dividend for the year.

Post Balance Sheet Events

There are no matters arising after the balance sheet date that would require disclosure in the financial statements.

Directors and Their Interests

The Directors of the Company who held office during the year and up to the date of approving the Group financial statements were:

Executive

Jay Wright (appointed 1 February 2021)
Graeme Weir (appointed 1 February 2021)

Non-Executive

John Risman (appointed 11 February 2021)
Helen Jones (appointed 11 February 2021)
Sophie Tomkins (appointed 11 February 2021)
Ed Wass (appointed 11 February 2021)

The Directors who held office during the year had the following interests in the Ordinary Shares of the Company:

Name of Director	Number
Jay Wright	4,631,260
Graeme Weir	3,130,092
John Risman	1,513,834

Directors' Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Appointment and Replacement of Directors

The rules governing the appointment and resignation of Directors are contained within the Company's Articles of Association. The Articles can be found on the Company's website, www.virginwinesplc.co.uk.

Political Donations

It is the Company's policy not to make political donations. The Directors confirm that no political donations were made during the year (2020: £nil).

Share Capital and Voting

As at 30 June 2021 the Company's issued share capital comprised 55,837,560 Ordinary Shares of £0.01. The holders of Ordinary Shares are entitled to one vote per share at general meetings of the Company.

Significant Shareholdings

As at 27 October 2021, the Company has been advised of the following significant shareholding interests in 3% or more of the voting rights.

	Number	% of issued
Rapunzel Newco Limited	20,131,610	36.1%
Jay Wright	4,631,260	8.3%
Graeme Weir	3,130,092	5.6%
Gresham House Asset Management[1]	3,020,304	5.4%
Otus Capital Management	2,842,639	5.1%
AXA Framlington Investment Managers	2,049,444	3.7%
Premier Miton Investors	1,971,414	3.5%
Ninety One	1,900,940	3.4%
Unicorn Asset Management	1,740,000	3.1%

1 On 30 September 2021 Gresham House Asset Management Limited acquired the management contracts of the four VCT funds previously managed by Mobeus Equity Partners LLP. As a result Gresham House now manages the shareholding of Rapunzel Newco Limited (36.1%) in addition to the already held 5.4%.

Comparative figures for FY20 and FY19 are stated as unaudited in these financial statements.

Directors’ Report continued
for the year ended 30 June 2021

Employee Involvement and Equal Opportunities
Employee involvement is encouraged at all levels within the Group and is a key part of the Company culture which contributes towards the success of the business. The Group provides regular communications to staff on corporate strategy and objectives.

The Group is committed to eliminating discrimination in any form and promoting diversity within the workforce and the wider group of stakeholders. Our people should be a reflection of the whole society including our customers and suppliers.

Corporate Governance
The Group has signed up to the QCA Code of Conduct. Our Statement on Corporate Governance is included on pages 45 to 48 of the report.

Going Concern
The Directors have a reasonable expectation that the Group has adequate resources to operate for a period of at least 12 months from the date of approving these financial statements. Accordingly, they have adopted the going concern basis in preparing these financial statements.

During the year the Group met its day-to-day working capital requirements through cash generated from operating activities. The Group’s forecasts and projections, taking account of a severe but plausible change in trading performance, show that the Group should be able to operate using cash generated from operations, and that no additional borrowing facilities will be required. As a result, the stock financing facility was terminated in the year and the investor loans were repaid on IPO. The Group is therefore no longer subject to any external borrowings or covenants.

Financial Risk
The financial risk management objectives and policies of the Group, including credit risk liquidity risk, foreign currency exchange risk and capital management, are provided in note 25 of the financial statements.

Future Developments of the Group
The Company will continue to focus on organic growth by increasing the investment in new customer acquisition and digital marketing.

Notice of Annual General Meeting
Details of the matters to be conducted at the AGM will be contained in the Notice of Annual General Meeting which will be communicated separately to shareholders.

Disclosure of Information to Auditors
The Directors of the Company at the date of approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company’s and Group’s auditors are unaware; and
- each Director has taken all reasonable steps they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Company’s and Group’s auditors are aware of that information.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Approval
The Directors’ Report was approved on behalf of the Board on 28 October 2021.

Graeme Weir
Chief Financial Officer

Virgin Wines UK plc
37–41 Roman Way Industrial Estate
Longridge Road
Preston
PR2 5BD

Registered Number 13169238

Statement of Directors' Responsibilities
in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Statement of Directors' Responsibilities was approved on by the Board on the 28 October 2021.

Graeme Weir
Chief Financial Officer

Independent auditors' report to the members of Virgin Wines UK plc

Report on the audit of the financial statements

Opinion

In our opinion, Virgin Wines UK plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2021 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 30 June 2021; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; the Company Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Context

The Company's shares were admitted to trading on the Alternative Investment Market (AIM), a market operated by the London Stock Exchange, on 2 March 2021. These financial statements are the Group's and the Company's first subsequent to its admission to AIM. The Directors have disclosed the basis of accounting used to prepare the financial statements for both periods presented in Note 2 to the financial statements. This is our first auditors' report on the financial statements of the Virgin Wines UK plc group, and our opinion is in respect of the year ended 30 June 2021 only. As such, the comparative period presented, which is based on the financial statements of Virgin Wines Holding Company Limited (subject to adjustments to reflect compliance with international accounting standards in compliance with the Companies Act 2006), is unaudited.

Overview

Audit scope

- The Group consists of three reporting components, which are the legal entities, all within the UK. The Group financial statements are a consolidation of these components.
- We identified one component which required an audit of its complete financial information, being the only trading entity in the Group, Virgin Wine Online Limited.
- The remaining two components were also subject to audit procedures over specific balances due to their contribution to the Group; this consisted of finance costs in Virgin Wines Holding Company Limited, and accruals and exceptional items in Virgin Wines UK plc.
- As a result of this scoping we obtained coverage over 100% of Group revenue and 99% of Group profit before tax and exceptional items.

Key audit matters

- Impact of the Initial Public Offering (IPO) (group and parent).

Materiality

- Overall group materiality: £260,000 based on 5% of profit before tax and exceptional items.
- Overall company materiality: £92,690 based on 1% of net assets.
- Performance materiality: £195,000 (group) and £69,517 (company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impact of the Initial Public Offering (IPO) (group and parent)	
Refer to Note 2 for a description of the Initial Public Offering (IPO) and the basis of preparation of these financial statements including the significant accounting policies; Note 3 for a description of the critical accounting judgement in relation to IPO costs; and Note 6 for a description of exceptional items. The Group listed on the Alternative Investment Market (AIM) in March 2021. The accounting for the IPO involves non-recurring and judgemental transactions, particularly in relation to share capital and other equity accounts and the treatment of costs incurred in relation to the IPO. We focused on this area as there is a risk that these transactions are not accurately calculated or recorded, are incomplete, or are incorrectly classified in the financial statements. The Group's listing on AIM also required its financial statements to be prepared under international accounting standards in compliance with the Companies Act 2006 (IFRS) and this is pervasive to the financial statements. This is the first time that the Group's IFRS financial statements have been audited. We focused on the appropriateness of the Group's accounting policies under IFRS, as well as the completeness and accuracy of the accounting entries and the disclosures.	We agreed the movements presented in the statement of changes in equity, relating to the pre-IPO reorganisation and the issue of new shares upon listing, to supporting evidence. We agreed the costs incurred in relation to the IPO were consistent with that description based on supporting evidence, and that those included in profit and loss are appropriately classified as exceptional items. We challenged the judgements made by management when allocating the costs incurred in relation to the IPO between equity and profit and loss, including verifying the nature of the items to supporting documentation. We performed an independent completeness assessment to verify that all IPO-related transactions were identified. We checked the appropriateness of the disclosures included in the notes to the financial statements to ensure they are consistent with the nature of the transactions undertaken relating to the IPO. We found, based on the results of our testing, that the accounting entries recognised in relation to the IPO were accurately calculated and recorded, complete, and correctly classified based on the supporting evidence obtained. We also found that the disclosures made in the financial statements were consistent with the supporting evidence obtained. We evaluated the accounting policies disclosed in Note 2 by comparing them to the requirements of IFRS and to our knowledge of the Group and its processes. We checked that the financial statements have been prepared in accordance with those accounting policies. We assessed the disclosures included within the financial statements and found them to be complete and accurate.

Independent auditors' report to the members of Virgin Wines UK plc continued

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group consists of three reporting components, being one trading company and two holding companies, all of which are accounted for by the Group finance team. These components are also each separate legal entities based in the UK. The Group financial statements are a consolidation of these components.

We identified one component which required an audit of its complete financial information, being the only trading entity in the Group, Virgin Wine Online Limited, based on its contribution to profit before tax and exceptional items.

The remaining two components were also subject to audit procedures over specific balances due to their contribution to the Group; this consisted of finance costs in Virgin Wines Holding Company Limited, and accruals and exceptional items in Virgin Wines UK plc.

We also audited material consolidation journals. All audit work over all three components and the consolidation was performed by the Group audit team.

As a result of this scoping we obtained coverage over 100% of Group revenue and 99% of Group profit before tax and exceptional items.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£260,000.	£92,690.
How we determined it	5% of profit before tax and exceptional items	1% of net assets
Rationale for benchmark applied	Profit before tax and exceptional items is considered to be a key metric used to assess the performance of the Group, and is a generally accepted auditing benchmark. The statutory profit before tax is adjusted for exceptional items given their significant, one-off nature.	Net assets is appropriate as the entity is not profit oriented. The company holds an investment in the rest of the Group. Net assets is considered a generally acceptable auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £200,000 to £247,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £195,000 for the group financial statements and £69,517 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £13,000 (group audit) and £4,635 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing the directors' going concern assessment to the board-approved budget and ensuring that the base case scenario indicates that the business generates sufficient cash flows to meets its long and short term obligations;
- evaluating and assessing the process by which the Group's future cash flow forecasts were prepared, including the historical accuracy of forecasting;
- considering the extent to which the group's and company's future cash flows might be adversely affected by COVID-19; assessing and challenging the key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the period to June 2023;
- ensuring the mathematical accuracy of the model;
- evaluating the directors' severe but plausible scenario of disruptions continuing into the future and ensuring this is appropriately modelled through the cash flows;
- performing further sensitivity analysis on the severe but plausible scenario;
- considering the adequacy of the disclosures in the financial statements.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent auditors' report to the members of Virgin Wines UK plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation, health and safety laws and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to increase revenue, profit before tax and exceptional items, or EBITDA, and management bias in accounting estimates.. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework;
- discussions with management and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing minutes of meetings of those charged with governance, where available;
- reading any key correspondence with regulatory authorities that has taken place in the year;
- incorporating an element of unpredictability into our audit procedures;
- identifying and testing journal entries, including those with unusual account combinations relating to the principal fraud risks set out above;
- challenging assumptions and judgements made by management in their significant accounting estimates.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 30 June 2020, forming the corresponding figures of the financial statements for the year ended 30 June 2021, are unaudited.

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 October 2021

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Revenue	5	**73,634**	56,554
Cost of sales		**(50,353)**	(39,420)
Gross profit		**23,281**	17,134
Administrative expenses before exceptional items		**(5,381)**	(3,598)
Exceptional items	6	**(3,512)**	–
Administrative expenses		**(8,893)**	(3,598)
Selling and distribution costs		**(11,752)**	(9,443)
Operating profit	7	**2,636**	4,093
Finance income	11	**5**	5
Finance costs	12	**(963)**	(1,311)
Profit before taxation		**1,678**	2,787
Taxation	13	**(933)**	(211)
Profit for the financial year and total comprehensive income		**745**	2,576
Basic and diluted (loss)/earnings per share (pence)	14	**(0.5)**	5.4

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

The Company has no other comprehensive income or expense other than the profit above and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 70-91 form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2021

Company number 13169238	Note	**30 June 2021 £'000 Audited**	30 June 2020 £'000 Unaudited
ASSETS			
Non-current assets			
Intangible assets	15	**10,842**	11,033
Property, plant and equipment	16	**163**	116
Right-of-use assets	17	**2,867**	1,500
Deferred tax asset	18	**1,100**	2,033
Total non-current assets		**14,972**	14,682
Current assets			
Inventories	19	**7,239**	4,996
Trade and other receivables	20	**1,552**	2,441
Derivative financial instruments	25	**–**	81
Cash and cash equivalents	21	**15,660**	19,904
Total current assets		**24,451**	27,422
Total assets		**39,423**	42,104
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	22	**(18,314)**	(22,062)
Derivative financial instruments	25	**(5)**	–
Lease liability	17	**(489)**	(319)
Total current liabilities		**(18,808)**	(22,381)
Non-current liabilities			
Provisions	23	**(275)**	(238)
Lease liability	17	**(2,713)**	(1,372)
Loans and borrowings	24	**–**	(11,976)
Total non-current liabilities		**(2,988)**	(13,586)
Total liabilities		**(21,796)**	(35,967)
Net assets		**17,627**	6,137
Equity			
Share capital	26	**558**	477
Share premium		**11,989**	31
Own share reserve		**(36)**	(36)
Merger reserve		**65**	–
Retained earnings		**5,051**	5,665
Total Equity		**17,627**	6,137

The financial statements of Virgin Wines UK plc were approved by the Board of Directors and authorised for issue on 28 October 2021. They were signed on its behalf by:

Graeme Weir
Chief Financial Officer

The notes on pages 70-91 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Called up share capital £'000	Share premium £'000	Own share reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
1 July 2019	477	31	(36)	–	3,274	3,746
Profit for the financial year	–	–	–	–	2,576	2,576
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,576**	**2,576**
Dividends paid	–	–	–	–	(185)	(185)
Total transactions with owners recognised in equity	**–**	**–**	**–**	**–**	**(185)**	**(185)**
30 June 2020 (unaudited)	**477**	**31**	**(36)**	**–**	**5,665**	**6,137**
1 July 2020	**477**	**31**	**(36)**	**–**	**5,665**	**6,137**
Profit for the financial year	–	–	–	–	745	745
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**745**	**745**
Group reorganisation	(477)	(31)	–	–	–	(508)
Issue of shares	559	12,967	–	65	–	13,591
Share issue costs	–	(978)	–	–	–	(978)
Buy back of preference shares	(1)	–	–	–	–	(1)
Dividends paid	–	–	–	–	(1,359)	(1,359)
Total transactions with owners recognised in equity	**81**	**11,958**	**–**	**65**	**(1,359)**	**10,745**
30 June 2021	**558**	**11,989**	**(36)**	**65**	**5,051**	**17,627**

The notes on pages 70-91 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

Company number 13169238	**Year ended 30 June 2021 £'000 Audited**	Year ended 30 June 2020 £'000 Unaudited
Cash flows from operating activities		
Profit before taxation	**1,678**	2,787
Adjustments for:		
Depreciation and amortisation	**832**	665
Net finance costs	**958**	1,306
Decrease/(increase) in trade and other receivables	**969**	(898)
Increase in inventories	**(2,243)**	(16)
(Decrease)/increase in trade and other payables	**(3,567)**	12,306
Net cash (used in)/generated from operating activities	**(1,373)**	16,150
Cash flows from investing activities		
Interest received	**5**	5
Purchase of intangible and tangible fixed assets	**(242)**	(247)
Net cash used in investing activities	**(237)**	(242)
Cash flows from financing activities		
Dividend paid	**(1,359)**	(185)
Interest on loans and borrowings	**(953)**	(1,304)
Repayment of borrowings	**(11,986)**	–
Share issue (net of issue costs)	**12,104**	–
Payment of lease liabilities	**(305)**	(221)
Payment of lease interest	**(135)**	(82)
Net cash used in financing activities	**(2,634)**	(1,792)
Net (decrease)/increase in cash and cash equivalents	**(4,244)**	14,116
Cash and cash equivalents at beginning of year	**19,904**	5,788
Cash and cash equivalents at end of year	**15,660**	19,904
	(4,244)	14,116
Cash and cash equivalents comprise:		
Cash at bank and in hand	**15,660**	19,904

The notes on pages 70-91 form part of these financial statements.

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021

1 General information
The principal activity of the Group is import and distribution of wine.

The Company was incorporated on 1 February 2021 in the United Kingdom and is a public company limited by shares registered in England and Wales. The registered office is 37-41 Roman Way Industrial Estate, Longridge Road, Ribbleton, Preston, Lancashire, United Kingdom, PR2 5BD. The registered company number is 13169238.

2 Accounting policies
This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent that they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Virgin Wines UK plc and its subsidiaries.

Basis of preparation
The consolidated financial statements of the Virgin Wines UK plc Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Accounting reference date
UK company law permits a company to draw up financial statements to a date seven days either side of its accounting reference date. For operational reasons the Company has in the current financial year adopted an accounting period of 52 weeks, and as a result of this, the exact year-end date was 2 July 2021. All references to the financial year therefore relate to the 52 weeks commencing on 4 July 2020. In the previous year the accounting period was 53 weeks long, beginning on 29 June 2019 and ending on 3 July 2020.

Historical cost convention
The financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities (including derivative instruments), measured at fair value through the income statement.

New standards, interpretations and amendments issued not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the EU that are effective in future accounting periods that the Group has decided not to adopt early.

The following standards were in issue but have not come into effect:

Amendments to

- IFRS 16 'Leases' – Covid-19 related rent concessions (Extension of the practical expedient) – effective for the year ending 30 June 2022
- IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9, as amended in June 2020 – effective for the year ending 30 June 2024
- IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 – effective for the year ending 30 June 2022
- IFRS 3, IAS 16, IAS 37 (narrow scope) and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – effective for the year ending 30 June 2022
- IAS 1, Presentation of financial statements on classification of liabilities – effective for the year ending 30 June 2024
- IAS 1, Practice statement 2 and IAS 8 (narrow scope) – effective for the year ending 30 June 2024
- IAS 12 – deferred tax related to assets and liabilities arising from a single transaction – effective for the year ending 30 June 2024
- IFRS 17, 'Insurance contracts' – effective for the year ending 30 June 2024

The Directors anticipate that the adoption of planned standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report and the Directors' Report, which also describes the financial position of the Group. The Group's financial risk management objectives and its exposure to credit risk and liquidity risk are set out in note 25.

During the year the Group met its day-to-day working capital requirements through cash generated from operating activities. The Group's forecasts and projections, taking account of a severe but plausible change in trading performance, show that the Group should be able to operate using cash generated from operations, and that no additional borrowing facilities will be required. As a result, the stock financing facility was terminated in the year and the investor loans were repaid on IPO. The Group is therefore no longer subject to any external borrowings or covenants.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Basis of consolidation
The financial statements consolidate the financial information of the Group and companies controlled by the Group (its subsidiaries) at each reporting date.

2 Accounting policies continued

Basis of consolidation continued

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The results of subsidiaries acquired or sold are included in the financial information from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of acquired subsidiaries to bring their accounting policies into line with those used by the Group.

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

The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the consolidated financial statements. Any assets held by the EBT cease to be recognised on the Consolidated Statement of Financial Position when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Consolidated Statement of Comprehensive Income.

Initial public offering (IPO)

The Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange, on 2 March 2021. These financial statements are the Company's first subsequent to its admission to AIM. In connection with the admission to AIM, the Group undertook a Group reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation the ultimate holding company was Virgin Wines Holding Company Limited. The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of Virgin Wines Holding Company Limited Group with comparative information of Virgin Wines Holding Company Limited Group presented for all periods since no substantive economic changes have occurred. The comparative information is unaudited.

Revenue recognition

Revenue from contracts with customers contains one performance obligation, unless it is a WineBank sale, in which case there are two performance obligations and this is described separately further below. The single performance obligation is the supply of goods. The transaction price is fully allocated to the single performance obligation for non-WineBank sales. The Group recognises revenue at a point in time when the single performance obligation is satisfied. The performance obligation is satisfied when control is passed to the customer. Control is deemed to pass to the customer upon delivery of the goods.

Revenue is recognised at the transaction price of the sale of goods, net of discounts and excluding value added tax, in the ordinary course of business.

The Group uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. Credit terms are only provided to corporate customers, and the average days are 60.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets represent revenue recognised prior to invoicing when it has satisfied its performance obligation and has the unconditional right to payment.

Contract liabilities consists of fees received related to unsatisfied performance obligations at the end of the period.

WineBank

Amounts deposited by customers for WineBank are initially reported as a liability in the Statement of Financial Position. On registering as a WineBank customer, subscription customers agree to lodge a regular monthly sum into their WineBank account. These sums accumulate in the customer account and build a balance to use against their next purchase from the Group.

Amounts deposited by WineBank customers are reported within the Group cash balance but are held separate to Group funds. WineBank deposits are not used to fund the working capital of the business. WineBank customers can cancel their WineBank account at any time and may request to receive their money back immediately with no penalty whatsoever.

Using funds deposited through the WineBank scheme entitles account holders to benefit from an extra discount on the Group's website prices. This discount represents a 'material right' under IFRS 15 Revenue from Contracts with Customers, which is a separate performance obligation which is fulfilled when the customer uses that discount. The transaction price allocated to the material right performance obligation represents the value of the discount earned, and is deferred until the customer uses the discount on a future order.

Orders placed through the WineBank scheme also contain the same performance obligation as for other sales, as described above. The transaction price allocated to this performance obligation is the remaining amount after allocating the element to the material right, and is recognised upon delivery to the customer.

Notes Forming Part of the Financial Statements

for the year ended 30 June 2021 continued

2 Accounting policies continued

Finance costs

Finance costs on financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Issue costs relating to financial instruments are recognised in the profit and loss account over the term of the debt at a constant rate over the instrument's life.

Interest on leases is calculated based on the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used (see lease accounting policy).

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amounts of deferred tax assets are reviewed at each reporting date.

Foreign currencies

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Group is Pounds Sterling. The financial statements have been rounded to thousands.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at quoted rates of exchange ruling at the balance sheet date. Exchange profits and losses arising from current trading are included in operating profit.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised.

The goodwill in the consolidated financial statements represents the goodwill recognised in the predecessor holding company accounts at the original carrying value.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets

Computer software is stated at cost less accumulated amortisation and impairment losses. Software is amortised over its estimated useful life, of between five and eight years, on a straight-line basis.

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

Property, plant and equipment

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

2 Accounting policies continued

Property, plant and equipment continued

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property – over the life of the lease
Fixtures and fittings – 33.33% per annum
Computer hardware and warehouse equipment – 33.33% per annum

Assets classified as 'work in progress' are not depreciated as such assets are not currently available for (or in) use. Once in use, assets will be recategorised and depreciated at the rate appropriate to their classification.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Impairment of non-financial assets (excluding goodwill)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Leases

A contract, or a portion of a contract, is accounted as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- there is an identified asset;
- the Group obtains substantially all the economic benefits from use of the asset; and
- the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset. In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRS rather than IFRS 16.

The Group leases various offices, warehouses and equipment. Rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options as detailed in note 17.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Notes Forming Part of the Financial Statements

for the year ended 30 June 2021 continued

2 Accounting policies continued

Leases continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Virgin Wines UK plc, which does not have recent third-party financing; and
- makes adjustments specific to the lease, for example term and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventory

Inventories are valued at the lower of cost and net realisable value on a first in, first out (FIFO) basis. Cost comprises purchase price plus associated freight and duty costs for imported goods. Inventories are regularly assessed for evidence of impairment. Where such evidence is identified, a provision is recognised to reduce the value of inventories to its selling price after incurring any future costs to sell.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and with banks, as well as any deposits made with financial institutions with a maturity period of less than three months from the date of deposit. Cash and cash equivalents also includes amounts received from WineBank customers which are not restricted and as such are presented as cash and cash equivalents.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Financial assets at amortised cost
- Financial assets/liabilities held at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2 Accounting policies continued

Financial instruments continued

Financial assets at amortised cost continued

The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All income and expenses relating to financial assets that are recognised in the Consolidated Statement of Comprehensive Income are presented within finance costs or finance income, except for impairment of trade receivables which is presented within other administrative expenses.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables, accruals and contract liabilities, loans and borrowings and derivative financial instruments.

Financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried at fair value with gains or losses recognised in the Consolidated Statement of Comprehensive Income.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the Consolidated Statement of Comprehensive Income are included within finance costs or finance income.

Derivative financial liabilities

Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently remeasured to their fair value at each reporting date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income immediately. A derivative is presented as a non-current asset or non-current liability if the Group has an unconditional right to defer payment beyond 12 months. Otherwise derivatives are presented as current assets or liabilities.

Borrowing

Inventory financing facilities are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Exceptional items

The Company presents certain items as 'exceptional' on the face of the profit and loss account in arriving at operating profit. These are non-recurring items which in management's judgement need to be disclosed separately by virtue of their size, nature and occurrence.

Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

(iii) Share-based payments

A transaction is accounted for as a share-based payment where the Group receives services for employees, Directors or third parties and pays for these in shares or similar equity instruments.

The Group makes equity-settled share-based payments to certain employees and Directors. Equity-settled share-based schemes are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant, measured by use of an appropriate valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021 continued

2 Accounting policies continued

Employee benefits continued

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period services are received, based on the Group's estimate of shares that will eventually vest.

Share options are forfeited when an employee ceases to be employed by the Group unless determined to be a 'Good Leaver'. A 'Good Leaver' is a participant who ceases employment by reason of death, injury, ill-health or disability.

The Company has discretion to recover the employer's National Insurance liability from the employee. For the 2021 LTIP the Company has chosen to do so.

Merger reserve

During the year the Company became the ultimate Parent Company of the Group. The merger reserve was created during the year as a result of the share-for-share exchange under which Virgin Wines UK plc became the parent undertaking prior to the IPO. The mandatory use of merger relief under section 612 of the Companies Act 2006 gave rise to a merger reserve, being the difference between the share capital issued by Virgin Wines UK plc and the consideration received.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, including foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities.

All transactions with owners of the parent are recorded separately within equity.

Dividends are recognised when approved by the Group's shareholders or, in the case of interim dividends, when the dividend has been paid.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following estimates:

Recognition of deferred tax asset

The Directors have used estimation in determining the extent to which deferred tax assets for tax losses and other timing differences should be recognised. In concluding on the recognition of the deferred tax assets, the Directors took account of the forecast future trading of the Group and the likely availability of future taxable profits against which the deferred tax assets can be utilised.

Goodwill impairment assessment (note 15)

At each reporting date, the Group tests goodwill for impairment in accordance with the requirements of IAS 36. The recoverable amount of the Group's single cash-generating unit (CGU) is determined by calculating its value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the single CGU and to use a suitable discount rate in order to calculate their present value. The value in use is then compared to the total of the relevant assets and liabilities of the CGU. See note 15 for details of the test for impairment and the relevant key assumptions.

Revenue recognition

In determining the appropriate amount of revenue to be recognised for WineBank sales when applying the accounting policy set out in note 2 above, the Directors make key estimates in relation to the amount of breakage (to reflect their expectation of customers who will not exercise all of their rights to future discounts) and the total transaction price relating to existing and future orders.

In preparing these financial statements, the Directors have made the following judgements:

IPO costs

IPO costs are accounted for either through equity or the income statement depending on the nature of the costs, and a judgement is involved in determining the appropriate treatment of each of the costs according to the following:

- Transaction costs directly attributable to the issuance of new shares that otherwise would have been avoided are deducted from equity;
- Transaction costs relating to the listing of shares, whether new or existing, are expensed through the income statement;
- Where transaction costs relate jointly to more than one transaction (e.g. the issue of new shares, the sale of existing shares and listing all the shares), the costs have been appropriately allocated to each activity.

4 Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

As such, there is only one operating segment, which comprises all of the operations of the Group. Performance of this operating segment is assessed on revenue and Adjusted EBITDA (being operating profit excluding any adjusted items). These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of the segment. Adjusted items are not allocated to the operating segment as this reflects how they are reported to the Board.

5 Revenue

The Directors have considered the requirement of IFRS 15 with regard to disaggregation of revenue and do not consider this to be required as the Group has only one operating segment, which is the sale of alcohol.

There is one geographical market, being the UK, all revenue streams have similar recognition policies, and Directors do not believe further analysis would provide meaningful information for users of the financial statements.

There were no major customers that individually accounted for more than 10% of total revenues (2020 unaudited: no customers).

6 Exceptional items

Exceptional items relate to legal and professional fees associated with the Group's admission to AIM on 2 March 2021. These costs are deemed exceptional due to their size and non-recurring nature.

7 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Inventory charged to cost of sales	**45,616**	35,599
Depreciation (note 16)	**91**	84
Depreciation of right-of-use asset (note 17)	**447**	311
Employee benefit expenses (note 8)	**7,534**	6,364
Net exchange gains (including movements on fair value through profit and loss derivatives)	**(125)**	(21)
Movement in inventory provision	**118**	71
Intangible asset amortisation (note 15)	**294**	271
Auditors' remuneration:		
– for the audit of the Group financial statements	**110**	–
– for the audit of the subsidiary financial statements	**65**	41
– non-audit fees (tax compliance services)	**10**	15
– non-audit fees (tax advice)	**59**	–

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021 continued

8 Staff costs

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Staff costs (including Directors) consist of:		
Wages and salaries	**6,502**	5,476
Social security costs	**645**	534
Other pension costs	**387**	354
	7,534	6,364

The amount recognised in the Consolidated Statement of Comprehensive Income as an expense in relation to the Group's defined contribution schemes is £387k (2020 unaudited: £354k).

The average number of employees (including Directors) during the year was as follows:

By function	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
Sales	**155**	127
Management and administrative	**32**	31
	187	158

The majority of employees are eligible to join the defined contribution pension plan.

9 Key management personnel

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Short-term employee benefits	**510**	415
Post-employment benefits	**44**	40
	554	455

During the year, retirement benefits were accruing to 2 Directors (2020 unaudited: 2) in respect of defined contribution pension schemes.

Key management personnel include only the Directors and, as such, no further disclosures in respect of compensation are given.

10 Share-based payments

In the year ended 30 June 2021 the Group operated an equity-settled share-based payment plan as described below.

The charge in the year attributed to the plan was £6,000 (2020 unaudited: nil).

Under the Virgin Wines UK plc Long-Term Incentive Plan, the Group gives awards to Directors and staff subject to the achievement of a pre-agreed revenue and profit figure for the financial year of the Group, three financial years subsequent to the date of the award. These shares vest after the delivery of the audited revenue and profit figure for the relevant financial year has been announced.

Awards are granted under the plan for no consideration and carry no dividend or voting rights.

Awards are exercisable at the nominal share value of £0.01.

Awards are forfeited if the employee leaves the Group before the awards vest, except under circumstances where the employee is considered a 'Good Leaver'.

	Number of shares
At 1 July 2020	–
Granted during the year	433,288
Outstanding at 30 June 2021	**433,288**

The Company granted its first share options on 23 June 2021. The awards outstanding at 30 June 2021 have a weighted average remaining contractual life of 2.3 years.

The fair value at grant date was determined with reference to the share price at grant date, as there are no market-based performance conditions and the expected dividend yield is 0%. Therefore there was no separate option pricing model used to determine the fair value of the awards.

11 Finance income

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Bank interest	**5**	5

12 Finance costs

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Investor loans	**828**	1,227
Interest payable for lease liabilities	**135**	81
Stock financing facility	**–**	3
	963	1,311

13 Taxation

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Analysis of charge for the year		
Current tax:		
Total current tax	**–**	–
Deferred tax:		
Origination and reversal of timing differences	**933**	475
Adjustment in respect of prior year	**–**	(5)
Effect of changes in tax rates	**–**	(259)
Total deferred tax	**933**	211
Tax charge on profit on ordinary activities	**933**	211

Factors that may affect future tax charges:

On 3 March 2021, the 2021 UK Budget announced an increase to the corporation tax rate from 19% to 25% effective from April 2023. This was substantively enacted on 24 May 2021.

The deferred tax asset is expected to be utilised before the increased tax rate comes into effect. Deferred taxes at the balance sheet date have therefore been measured using the current tax rate (19%).

The tax assessed for the year is higher (2020 unaudited: lower) to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 30 June 2021 £'000 Audited	Year ended 30 June 2020 £'000 Unaudited
Profit before tax	**1,678**	2,787
Profit at the standard rate of corporation tax in the UK of 19% (year ended 30 June 2020 unaudited: 19%)	**319**	530
Effects of:		
Expenses not deductible for tax purposes	**667**	53
Tax rate change	**–**	(259)
Adjustment in respect of prior year	**–**	(5)
Other permanent differences	**(53)**	(108)
Total tax charge for the year	**933**	211

For further information on deferred tax balances see note 18.

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021 continued

14 Earnings per share
Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of Ordinary Shares in issue during the year.

The calculation of basic (loss)/earnings per share is based on the following data:

Statutory EPS

	Year ended 30 June 2021 Audited	Year ended 30 June 2020 Unaudited
Earnings (£'000)		
Profit after tax	**745**	2,576
Dividend attributed to preference shareholders	**(1,006)**	–
(Loss)/earnings for the purpose of basic earnings per share	**(261)**	2,576
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**50,634,884**	47,617,287
Weighted average number of shares for the purpose of diluted earnings per share	**50,643,194**	47,617,287
Basic and diluted (loss)/earnings per Ordinary Share (pence)	**(0.5)**	5.4

Adjusted EPS
The calculation of adjusted earnings per share is based on the after-tax adjusted operating profit after adding back certain costs as detailed in the table below. Adjusted earnings per share figures are given to exclude the effects of exceptional items and pre-reorganisation finance costs, all net of taxation, and are considered to show the underlying performance of the Group.

The weighted average number of shares uses the number of shares in issue post admission on 2 March 2021. This has been applied retrospectively to the number of shares in issue at 30 June 2020 and the metric has been restated to ensure that the adjusted earnings per share figures are comparable over the two periods.

	Year ended 30 June 2021 Audited	Year ended 30 June 2020 Unaudited
Earnings (£'000)		
(Loss)/earnings for the purpose of basic earnings per share	**(261)**	2,576
Preference dividend	**1,006**	–
Exceptional items	**3,512**	–
Private equity finance cost	**963**	1,311
Tax effect of above	**(183)**	(249)
Earnings for the purpose of adjusted earnings per share	**5,037**	3,638
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**55,837,560**	55,837,560
Weighted average number of shares for the purpose of diluted earnings per share	**55,845,869**	55,845,869
Basic and diluted earnings per Ordinary Share (pence)	**9.0**	6.5

15 Intangible assets

	Goodwill £'000	Software £'000	Group Total £'000
Cost			
At 1 July 2019	9,623	1,898	11,521
Additions	–	187	187
At 1 July 2020	9,623	2,085	11,708
Additions	–	103	103
30 June 2021	**9623**	**2,188**	**11,811**
Accumulated amortisation and impairment			
At 1 July 2019	–	404	404
Amortisation charge	–	271	271
At 1 July 2020	–	675	675
Amortisation charge	–	294	294
30 June 2021	**–**	**969**	**969**
Net book value			
30 June 2021	**9,623**	**1,219**	**10,842**
30 June 2020 (unaudited)	9,623	1,410	11,033

Included within software is £0.8m net book value in relation to development of the Mantiki core IT platform, which has a remaining amortisation period of four years.

Amortisation is charged to administrative expenses in the Consolidated statement of comprehensive income.

Software is amortised over its estimated useful economic life.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows

The goodwill figure has been derived from the acquisition of 100% of the share capital of Virgin Wine Online Limited by Virgin Wines Holding Company Limited in 2013 and as such there is only one cash-generating unit.

The Group has estimated the value in use of the business as a cash-generating unit based on a discounted cash flow model which adjusts for risks associated with the assets. The discount rate applied is a pre-tax rate of 9.1% and a post-tax rate of 7.5%.

The forecasts for the business are based over a 5-year projection period, use past experience and apply a forecast annual growth rate. The key assumptions used in the discounted cash flow are the revenue and EBITDA figures (based on Board-approved plans), the future growth rate (including the long-term growth rate of 2%) and the discount rate.

The Directors have assessed the sensitivity of the impairment test to reasonably possible changes in the key assumptions described above, and noted that sufficient headroom existed in all cases.

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021 continued

16 Property, plant and equipment

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 July 2019	20	511	212	743
Additions	–	38	21	59
At 1 July 2020	20	549	233	802
Additions	–	95	44	139
Disposals	–	(13)	–	(13)
At 30 June 2021	**20**	**631**	**277**	**928**
Accumulated depreciation				
At 1 July 2019	20	401	181	602
Charge for the year	–	59	25	84
At 1 July 2020	20	460	206	686
Charge for the year	–	68	23	91
Disposals	–	(12)	–	(12)
At 30 June 2021	**20**	**516**	**229**	**765**
Net book value				
At 30 June 2021	**–**	**115**	**48**	**163**
At 30 June 2020 (unaudited)	–	89	27	116

Depreciation is charged to administrative expenses in the Consolidated statement of comprehensive income.

17 Right-of-use assets

The Group leases a number of properties across the UK, in Norwich, Preston and Bolton.

The Group entered into a lease for an office in Norwich on 1 October 2017 under a 5-year lease term ending on 30 September 2022.

The Group entered into a lease for a warehouse in Preston on 19 October 2016 under a 10-year lease term ending on 18 October 2026. The Group sometimes negotiates break clauses in its property leases. The factors considered in deciding to negotiate a break clause include:

- the length of the lease term; and
- whether the location represents a new area of operations for the Group.

The Preston warehouse lease has a second break clause on 18 October 2024.

The Group entered into a lease for a bulk storage facility in Bolton on 1 September 2020 under a 10-year lease term ending on 31 August 2030. The first break clause is on 31 August 2026.

For all of the property leases, the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. Leases of plant and equipment comprise fixed payments over the lease terms.

The fully retrospective approach was adopted to calculate the cost of the right-of-use asset.

17 Right-of-use assets continued

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
Cost			
At 1 July 2019	2,423	28	2,451
Additions	–	67	67
At 1 July 2020	2,423	95	2,518
Additions	1,779	35	1,814
Disposals	–	(26)	(26)
At 30 June 2021	**4,202**	**104**	**4,306**
Accumulated depreciation			
At 1 July 2019	684	23	707
Charge for the year	299	12	311
At 1 July 2020	983	35	1,018
Charge for the year	432	15	447
Disposals	–	(26)	(26)
At 30 June 2021	**1,415**	**24**	**1,439**
Net book value			
At 30 June 2021	**2,787**	**80**	**2,867**
At 30 June 2020 (unaudited)	1,440	60	1,500

Lease liability

	Leasehold property £'000	**Computer hardware & warehouse equipment £'000**	**Total £'000**
At 1 July 2019	1,844	2	1,846
Additions	–	67	67
Interest expense	79	2	81
Lease payments	(293)	(10)	(303)
At 1 July 2020	1,630	61	1,691
Additions	1,779	35	1,814
Interest expense	132	3	135
Lease payments	(421)	(17)	(438)
At 30 June 2021	**3,120**	**82**	**3,202**

Notes Forming Part of the Financial Statements

for the year ended 30 June 2021 continued

18 Deferred tax

	£'000
1 July 2020	2,033
Utilisation though profit and loss account	(933)
30 June 2021	**1,100**

The balance comprises temporary differences attributable to:

	Fixed asset differences £'000	Other timing differences £'000	Tax losses £'000	Total £'000
Brought forward deferred tax asset	703	11	1,319	2,033
Recognised in the year through profit and loss	(110)	4	(827)	(933)
Carried forward deferred tax asset	593	15	492	1,100

The Directors consider that sufficient future taxable profits will be available and as such deferred tax assets have been recognised in full for Virgin Wine Online Limited. A deferred tax asset has been recognised on losses in Virgin Wines Holding Company Limited to the extent to which the losses can be utilised through group relief. The deferred tax asset not recognised in Virgin Wines Holding Company is £0.7m (2020 unaudited: £0.7m).

The deferred tax asset is expected to be recovered against profits within the next financial year (2020 unaudited: £0.6m)

19 Inventories

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Finished goods for resale	**7,239**	4,996

There is no difference between the replacement cost of stocks and carrying value (30 June 2020 unaudited: £nil).

Inventories are stated after provision for impairment of £255k (2020 unaudited: £137k).

20 Trade and other receivables

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Amounts falling due within one year:		
Gross carrying amount – trade receivables	**458**	530
Loss allowance	**(13)**	(47)
Net carrying amount – trade receivables	**445**	483
Taxation and social security	**90**	1
Other debtors	**–**	1,224
Prepayments	**1,017**	733
	1,552	2,441

At 30 June 2021 the stock financing balance was a receivable of £nil (2020 unaudited: £1.22m) which forms part of other receivables, as transfers to the lender exceeded the amount drawn down at that date. On 11 September 2020 the stock financing facility was terminated by the Group as it was no longer required.

Trade receivables are considered past due once they have passed their contracted due date. Trade receivables and contract assets are assessed for impairment based upon the expected credit losses model.

The Group applies the IFRS 9 Simplified Approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the 3 years prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The average credit period on sales is 30 days after the invoice has been issued. No interest is charged on outstanding trade receivables.

20 Trade and other receivables continued

At 30 June 2021 there were 4 (2020 unaudited: 2) customers who owed in excess of 10% of the total trade debtor balance. These customers were operating within their agreed credit terms and the Directors do not foresee an increased credit risk associated with these customers. As such no provision for impairment has been recognised on these balances.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 60 days past due. There are no amounts outstanding on financial assets that were written off during the reporting period and which are still subject to enforcement activity. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The maturity analysis of trade receivables and other debtors is shown below:

	Gross £'000	**Provision £'000**	**30 June 2021 Net £'000 Audited**	Gross £'000	Provision £'000	30 June 2020 Net £'000 Unaudited
Trade receivables and other debtors						
Not yet due	**442**	–	**442**	380	(10)	370
Overdue	**16**	**(13)**	**3**	150	(37)	113
	458	**(13)**	**445**	530	(47)	483

Movements in the impairment allowance for trade receivables and contract assets are as follows:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Opening provision for impairment of trade receivables and contract assets	**47**	30
Receivables written off during the year as irrecoverable	**(47)**	–
Increase during the year	**13**	17
Carried forward	**13**	47

21 Cash and cash equivalents

Included in cash and cash equivalents is a balance of £7.3m (2020 unaudited: £5.4m) relating to advance payments received from WineBank customers. The corresponding creditor to customers is included in contract liabilities.

£2.0m of the cash balance is held on 95 day notice at a preferential interest rate of 0.45% (2020 unaudited: £2.0m at a rate of 0.85%).

22 Trade and other payables

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Trade payables	**4,174**	4,188
Taxation and social security	**2,594**	9,918
Contract liabilities	**8,168**	5,871
Accruals	**3,378**	2,085
	18,314	22,062

The Directors consider the fair value of trade payables to be equal to the book value given their short-term nature.

The growth in WineBank membership has resulted in an increase in advance customer payments held within contract liabilities.

Notes Forming Part of the Financial Statements

for the year ended 30 June 2021 continued

23 Provisions

Leasehold dilapidation provision

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Brought forward	**238**	217
Charged in income statement	**37**	21
Carried forward	**275**	238

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease as a result of general 'wear and tear' and removal of fixtures and fittings. The cost is recognised as an expense in the Consolidated Statement of Comprehensive Income and accrued for over the term of the lease, on the basis that the 'wear and tear' increases over the period of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

Maturity analysis for provisions

Dilapidation provisions are expected to mature at the end of the lease term as follows:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Over 5 years	**275**	238
	275	238

24 Loans and borrowings

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Secured shareholder loans	**–**	11,976
	–	11,976

The movements in loans and borrowings during the year were as follows:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Brought forward	**11,976**	11,969
Accrued interest (note 12)	**828**	1,226
Repayment of loans and interest	**(12,804)**	(1,219)
Carried forward	**–**	11,976

In November 2013, the Group took out a loan note with investor clients of Connection Capital LLP of £3,390,479, with interest payable at 11% on a quarterly basis. The original loan note was due for repayment in November 2018 but this was extended to May 2022. As part of the IPO the loan was repaid in full in March 2021.

In November 2013, the Group took out two loan notes with venture capital trusts advised by Mobeus Equity Partners LLP totalling £8,499,736, split into a loan of £6,199,736 with interest payable at 11% on a quarterly basis and a loan note of £2,300,000 that was reduced to £2,000,000 in August 2014, with interest payable at 6% on a quarterly basis. The principal balance for all reporting periods is £8,199,736. The original loan notes were due for repayment in November 2018 but this was extended to May 2022. As part of the IPO the loan was repaid in full in March 2021.

In November 2013 the Group took out a loan note with the management team of £43,700 that was paid down to £35,871 in July 2016, with interest payable at 11% on a quarterly basis. In January 2019 an additional £360,000 loan note was issued, such that at June 2019 the loan note value held by the management team totalled £395,871. Interest on the additional loan notes is payable at 11% on a quarterly basis. The original loan note was due for repayment in November 2018 but this was extended to May 2022. As part of the IPO the loan was repaid in full in March 2021.

Shareholder/investor loans related to mezzanine finance and investor loans issued to the Group which were secured by way of a fixed and floating charge over all assets of the Group and bear interest at market rates. Following repayment of the loans in full upon IPO, these fixed and floating charges were relinquished.

25 Financial instrument and financial risk management

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables; and
- lease liabilities.

The existence of these financial instruments exposes the Group through its operations to the following financial risks:

- credit risk;
- liquidity risk;
- foreign currency risk; and
- capital management.

The Group's financial instruments may be analysed as follows:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Trade and other receivables	**445**	1,707
Cash and cash equivalents	**15,660**	19,904
Financial assets measured at amortised cost	**16,105**	21,611
Derivative financial assets measured at fair value through profit or loss	**–**	81
Financial assets measured at fair value through profit and loss	**–**	81
Derivative financial liabilities measured at fair value through profit or loss	**(5)**	–
Financial liabilities measured at fair value through profit and loss	**(5)**	–
Trade and other payables, excluding non-financial liabilities	**(7,552)**	(6,273)
Lease liabilities	**(3,202)**	(1,691)
Loan notes	**–**	(11,976)
Financial liabilities measured at amortised cost	**(10,754)**	(19,940)

Financial assets which are debt measured at amortised cost comprise trade receivables, other receivables and cash and cash equivalents.

Financial assets measured at fair value through profit and loss represent the Company's derivative financial instruments, being foreign exchange forward contracts.

Financial liabilities measured at amortised cost comprise trade payables, accruals and other creditors, lease liabilities and loans and borrowings.

Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Financial assets measured at amortised cost	**16,105**	21,611
Financial assets measured at fair value through profit and loss	**–**	81

The Group's cash and cash equivalents are all held on deposit with leading international banks and hence the Directors consider the credit risk associated with such balances to be low.

The Group provides credit to customers in the normal course of business. The principal credit risk therefore arises from the Group's trade receivables. In order to manage credit risk the Directors set credit limits for corporate customers based on a combination of payment history, credit references and a financial review of the business. Credit limits are reviewed on a regular basis in conjunction with debtor ageing and payment history. Historic credit losses of the Group have been negligible as referenced in note 20.

Notes Forming Part of the Financial Statements
for the year ended 30 June 2021 continued

25 Financial instrument and financial risk management continued
Liquidity risk
Liquidity risk arises from the Group's management of working capital and the amount of funding required for growth. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its cash and borrowing requirements through preparation of annual cash flow forecasts reflecting known commitments and anticipated projects in order to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of the Group. Borrowing facilities are arranged as necessary to finance requirements.

The following table shows the maturities of gross undiscounted cash flows of financial liabilities:

	Carrying amount £'000	Contractual cash flows £'000	<1 year £'000	1-5 years £'000	>5 years £'000
Non-derivative financial liabilities:					
Trade and other payables	**7,552**	**7,552**	**7,552**	**–**	**–**
Lease liabilities	**3,202**	**3,753**	**621**	**2,067**	**1,065**
	10,754	**11,305**	**8,173**	**2,067**	**1,065**
Derivative financial liabilities:					
Foreign currency forwards					
(Inflow)		**(5,082)**	**(5,082)**	**–**	**–**
Outflow		**5,087**	**5,087**	**–**	**–**
	5	**5**	**5**	**–**	**–**
Total	**10,759**	**11,310**	**8,178**	**2,067**	**1,065**

Contractual maturities of financial liabilities as at 30 June 2020 (unaudited) are as follows:

	Carrying amount £'000	Contractual cash flows £'000	<1 year £'000	1-5 years £'000	>5 years £'000
Non-derivative financial liabilities:					
Trade and other payables	6,273	6,273	6,273	–	–
Lease liabilities	1,691	1,911	388	1,198	325
Loans and borrowings	11,976	13,738	1,235	12,503	–
	19,940	21,922	7,896	13,701	325
Derivative financial liabilities:					
Foreign currency forwards					
(Inflow)		(1,445)	(1,445)	–	–
Outflow		1,364	1,364	–	–
	(81)	(81)	(81)	–	–
Total	19,859	21,841	7,815	13,701	325

Foreign currency risk
Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business. The Group purchases goods from overseas suppliers and is invoiced in currencies other than GBP. It is therefore exposed to movements in the GBP exchange rate against the currencies in which suppliers invoice the Group. The Group monitors exchange rate movements closely and ensures adequate funds are maintained in appropriate currencies to meet known liabilities.

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 June 2021, the outstanding contracts all mature within 6 months (2020 unaudited: 6 months) of the year end. The Company is committed to buy Euros, Australian Dollars, US Dollars and New Zealand Dollars (2020 unaudited: Australian Dollars and Euros) with a Sterling value of £5.1m (2020 unaudited: £1.4m).

The forward currency contracts are measured at fair value, by reference to the spot rate. This is a level 1 valuation in that the spot rate is a directly observable input.

25 Financial instrument and financial risk management continued

Foreign currency risk continued

The Group's exposure to foreign currency risk at the end of the respective year was as follows:

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
AUS	**15**	293
EUR	**1,493**	1,293
USD	**56**	186
Total	**1,564**	1,772

Liabilities include the monetary assets and liabilities of subsidiaries denominated in foreign currency.

The Group is exposed to foreign currency risk on the relationship between the functional currencies of Group companies and the other currencies in which the Group's material assets and liabilities are denominated. The table below summarises the effect on reserves had the functional currencies of the Group weakened or strengthened against these other currencies, with all other variables held constant.

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
(Loss)/gain on 10% strengthening of functional currency	**(320)**	30
Gain/(loss) on 10% weakening of functional currency	**391**	(36)

Capital risk management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group.

The capital structure of the Group consists of shareholders' equity as set out in the Consolidated Statement of Changes in Equity. All working capital requirements are financed from existing cash resources.

In the prior year the capital structure included £12.0m of investor loans, which were repaid upon IPO. The Group maintained a net cash position in both the current and prior year.

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Net cash	**12,458**	6,237
Equity	**17,627**	6,137

Notes Forming Part of the Financial Statements

for the year ended 30 June 2021 continued

26 Share capital

	30 June 2021 £'000 Audited	30 June 2020 £'000 Unaudited
Authorised, allotted, called up and fully paid		
55,837,560 (2020: 15,687,291) Ordinary Shares of £0.01 each	**558**	156
Nil (2020: 80,000) A Ordinary Shares of £0.01 each	–	1
Nil (2020: 30,899,252) B Ordinary Shares of £0.01 each	–	309
Nil (2020: 950,744) C Ordinary Shares of £0.01 each	–	10
Nil (2020: 79,200) A and B preference shares of £0.01 each	–	1
	558	477

Virgin Wines UK plc was incorporated on 1 February 2021 with authorised, allocated and fully paid share capital of 5,000,000 Ordinary Shares of £0.01 each.

Prior to the transaction referred to in the next paragraph, the previous ultimate parent undertaking, Virgin Wines Holding Company Limited, issued 1,604,900 new shares to existing shareholders. These shares form part of the share capital of Virgin Wines Holding Company Limited which was subject to the transaction referred to below.

On 2 March 2021 the Group underwent a reorganisation in which Virgin Wines UK plc became the ultimate parent undertaking of the Group. The share capital at 30 June 2020 reflects the shares in Virgin Wines Holding Company Limited, the previous ultimate parent undertaking of the Group. Virgin Wines UK plc issued 44,222,147 Ordinary Shares of £0.01 each and 79,200 A and B preference shares of £0.01 each in exchange for shares in Virgin Wines Holding Company Limited. All of the A and B preference shares were redeemed, at par on 2 March 2021.

As part of the reorganisation 6,615,413 new Ordinary Shares of £0.01 each were created.

The new shares were fully paid and will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions.

£0.98m of costs in relation to the issue of new shares have been charged to the share premium account.

3,660,100 (2020 unaudited: 3,660,100) Ordinary Shares of £0.01 are held within the Group by the Employee Benefit Trust.

The Directors have approved an interim dividend of £1.36m (0.02p per share) in the year, which was approved and paid before the Group's IPO (2020 unaudited: £0.19m). The Directors do not recommend the payment of a final dividend.

27 Analysis and reconciliation of net cash

This section sets out an analysis of the movements in net cash, which includes cash and cash equivalents and liabilities arising from financing activities.

	1 July 2020 £'000	New leases £'000	Other non-cash changes £'000	Cash flow £'000	30 June 2021 £'000
Group					
Cash at bank and in hand	19,904	–	–	(4,244)	**15,660**
Lease liabilities	(1,691)	(1,816)	(135)	440	**(3,202)**
Borrowings	(11,976)	–	(10)	11,986	–
Net cash	6,237	(1,816)	(145)	8,182	**12,458**

28 Related party disclosures

During the year ended 30 June 2021, management fee income of £205,522 (2020: £206,548) was charged by Virgin Wines Holding Company Limited to Virgin Wine Online Limited. These have been eliminated on consolidation.

During the year ended 30 June 2021, management fee income of £324,122 (2020: £nil) was charged by Virgin Wines UK plc to Virgin Wine Online Limited. These have been eliminated on consolidation.

Balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

There was an intercompany dividend in the period to 30 June 2021 from Virgin Wine Online Limited of £1,654,239 (2020: £3,929,082).

Details of remuneration of key management personnel can be found in note 9.

As part of the Group reorganisation the following loan notes, issued by Virgin Wines Holding Company Limited to its shareholders, were repaid on 2 March 2021:

- Mobeus Equity Partners LLP totalling £8,199,736 repaid (2020: £8,199,736 outstanding). Interest of £538,238 (2020: £801,971) was charged in the period.
- Connection Capital LLP £3,390,479 repaid (2020: £3,390,479 outstanding). Interest of £250,338 (2020: £372,953) was charged in the period.
- Management team £395,871 repaid (2020: £395,871 outstanding). Interest of £29,229 (2020: £43,546) was charged in the period.

During the period, the Group paid £37,058 (2020: £33,099) in monitoring fees and expenses to Mobeus Equity Partners LLP and £19,688 (2020: £28,614) to Connection Capital LLP. At 30 June 2021 £4,500 (2020: £3,278) was due to Mobeus Equity Partners LLP and £nil (2020: £3,261) was due to Connection Capital LLP.

During the period, sales of £6,511 (2020: £5,112) were made to Mobeus Equity Partners LLP and sales of £2,173 (2020: £1,152) were made to Connection Capital LLP. At 30 June 2021 £164 (2020: £nil) was due from Connection Capital LLP.

During the period, sales of £15,904 (2020: £16,742) were made to LKB Enterprises Limited. At 30 June 2021 £4,076 (2020: £1,229) remained outstanding from LKB Enterprises Limited.

29 Ultimate parent undertaking

In the opinion of the Directors, there is no single controlling party.

30 Events after the end of the reporting year

There have been no matters arising after the balance sheet date that would require disclosure in the financial statements.

31 Capital commitments and contingent liabilities

At 30 June 2021 there were no capital commitments or contingent liabilities not provided in the financial statements (2020: £nil).

The Group has a bank guarantee in place of £0.1m in relation to the operation of its bonded warehouses.

32 Nature of each reserve

Share premium
Amount subscribed for share capital in excess of nominal value.

Own shares reserve
Shares held within the EBT (Employee Benefit Trust).

Merger reserve
The difference between the nominal value of shares issued in exchange for the book value of assets acquired.

Retained earnings
All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Company Statement of Financial Position

as at 30 June 2021

Company number 13169238	Note	30 June 2021 £'000 Audited
ASSETS		
Non-current assets		
Investment	3	**679**
Intangible assets	4	**14**
Total non-current assets		**693**
Current assets		
Trade and other receivables	5	**9,537**
Total current assets		**9,537**
Total assets		**10,230**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	6	**(961)**
Total current liabilities		**(961)**
Total liabilities		**(961)**
Net assets		**9,269**
Equity		
Share capital	7	**558**
Share premium		**11,989**
Merger reserve		**236**
Retained earnings		**(3,514)**
Total equity		**9,269**

As permitted by section 408(3) of the Companies Act 2006, a separate Statement of Comprehensive Income, dealing with the results of the Parent Company, has not been presented. The Parent Company loss for the period ended 30 June 2021 is £3.5m.

The Company does not hold cash. As such no cash flow statement has been prepared.

The financial statements of Virgin Wines UK plc were approved by the Board of Directors and authorised for issue on 28 October 2021. They were signed on its behalf by:

Graeme Weir
Chief Financial Officer
28 October 2021

Company Statement of Changes in Equity

for the year ended 30 June 2021

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'000	Total shareholders' funds £'000
On incorporation	50	–	–	–	50
Loss for the financial year	–	–	–	(3,514)	(3,514)
Total comprehensive expense for the year	**–**	**–**	**–**	**(3,514)**	**(3,514)**
Acquisition of subsidiary undertaking	443	–	236	–	679
Issue of shares	66	12,967	–	–	13,033
Share issue costs	–	(978)	–	–	(978)
Buy back of preference shares	(1)	–	–	–	(1)
Total transactions with owners recognised in equity	**508**	**11,989**	**236**	**–**	**12,733**
30 June 2021	**558**	**11,989**	**236**	**(3,514)**	**9,269**

Notes Forming Part of the Company Financial Statements
for the year ended 30 June 2021

1 General information
The principal activity of the Company is the provision of Group management services.

The Company was incorporated on 1 February 2021 in the United Kingdom and is a public company limited by shares registered in England and Wales. The registered office is 37-41 Roman Way Industrial Estate, Longridge Road, Ribbleton, Preston, Lancashire, United Kingdom, PR2 5BD. The registered company number is 13169238.

2 Accounting policies
To the extent that an accounting policy is relevant to both Virgin Wines UK plc Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy. The financial statements of Virgin Wines UK plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Going concern
The Company meets its day-to-day working capital requirements through cash generated from the Group in which it holds its investments. The Directors have prepared cash flow forecasts for the Group; see the going concern disclosure within the Group financial statements.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company financial statements.

Investments
Fixed asset investments comprise investments by the Company in the shares of subsidiary undertakings. At the end of each financial period, the Directors review the carrying amount of the Company's investments to determine whether there is any indication that those assets have suffered an impairment loss. They are stated at cost less provisions for diminution in value.

Statement of Cash Flows
The Company does not trade outside of the Group and does not have its own bank account. There are no cash flows and therefore no Statement of Cash Flows is presented in these financial statements.

Loss for the financial year
Fees payable to the Company's auditors for the audit of the Company's annual financial statements are disclosed in note 7 of the Group accounts.

The Company had no employees in the current financial year.

Fees paid to the Company's Directors for the current financial year are disclosed in note 9 of the Group accounts.

3 Investments

	Investment in subsidiary companies £'000
Cost and carrying amount	
On incorporation	–
Additions	**679**
At 30 June 2021	**679**

The Company has investments in the following subsidiary undertakings;

Name	Country of domicile	Registered office	Principal activity	Holding	%
Virgin Wines Holding Company Limited	England	Unit 37-41 Roman Way Industrial Estate, Preston, Lancashire PR2 5BD	Intermediate holding company	Ordinary Shares	100
Virgin Wine Online Limited[1]	England	Fourth Floor, St. James' Mill, Whitefriars, Norwich, Norfolk NR3 1TN	Wine import and distribution	Ordinary Shares	100
The Warehouse Wine Company Limited[2]	England	Unit 37-41 Roman Way Industrial Estate, Preston, Lancashire PR2 5BD	Non-trading	Ordinary Shares	100

1 Indirect holding.
2 Indirect holding and exempt from audit by virtue of section 394A of the Companies Act 2006.

On 2 March 2021 the Company acquired the share capital of Virgin Wines Holding Company Limited in a share for share exchange. The cost of investment is recorded at the carrying amount of the equity items in Virgin Wines Holding Company Limited at the date of the Group reorganisation.

The Company applied the mandatory merger relief under S612 of the Companies Act 2006, and as such, the difference between the cost of the investment and the shares issued was recognised within a merger reserve.

The Directors believe that the carrying value of the investments is supported by their underlying net assets and future trading forecasts.

4 Intangible assets

	Software £'000
Cost	
On incorporation	–
Additions	15
At 30 June 2021	15
Accumulated amortisation and impairment	
On incorporation	–
Charge for year	1
At 30 June 2021	1
Net book value	
At 30 June 2021	**14**

Amortisation is charged to administrative expenses in the profit and loss account.

Software is amortised over its estimated useful economic life.

5 Trade and other receivables

	30 June 2021 £'000 Audited
Amounts falling due within one year:	
Amounts due from Group undertakings	**9,498**
Prepayments	**39**
	9,537

The Directors consider the fair value of trade receivables to be equal to the book value given their short-term nature.

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

6 Trade and other payables

	30 June 2021 £'000 Audited
Amounts owed to Group undertakings	**64**
Accruals	**897**
	961

The Directors consider the fair value of trade payables to be equal to the book value given their short-term nature.

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

7 Share capital

Details of the Company share capital can be found in note 26 of the consolidated financial statements.

8 Related party transactions

Amounts owed by and to subsidiaries are disclosed in notes 5 and 6 respectively, of the Company financial statements.

Related party transactions are disclosed in note 28 of the Group financial statements.

9 Ultimate parent undertaking

In the opinion of the Directors, there is no single controlling party.

Notes

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