A resilient, stable and **disciplined** business delivering outstanding quality, service and value

Virgin Wines UK plc
Annual Report and Accounts 2022

Virgin Wines UK plc uses a data driven, open source buying model to deliver outstanding quality, value and service to both its direct-to-consumer and commercial channels.

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> **Our resilient business model and talented people continue to perform well in a period of rapid change.**

Jay Wright
Chief Executive Officer

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

Group at a glance

Financial highlights

Revenue

£69.2m

FY22	£69.2m
FY21	£73.6m
FY20[2]	£56.6m

Adjusted EBITDA[1]

£6.2m

FY22	£6.2m
FY21	£7.0m
FY20[2]	£4.8m

Profit Before Tax (and exceptional items)

£5.1m

FY22	£5.1m
FY21	£5.2m
FY20[2]	£2.8m

% Gross Profit

31.4%

FY22	31.4%
FY21	31.6%
FY20[2]	30.3%

Adjusted EBITDA as % of Revenue

9.0%

FY22	9.0%
FY21	9.5%
FY20[2]	8.5%

Case Volumes

981

FY22	981
FY21	1,039
FY20[2]	786

1 EBITDA adjusted for exceptional items.
2 Comparative numbers for FY20 are unaudited.

Strong balance sheet

The balance sheet remains resilient with

£15.1m
Gross cash[3]

£7.7m
Net cash[4]

3 Gross cash includes all cash balances.
4 Net cash is Gross cash less ring fenced WineBank deposits. WineBank deposits not used as working capital.

Business and operational overview

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 locations

We have around 196 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.

Group at a glance continued

Key statistics and **highlights** from the past year

1,080
products in our portfolio

We are proud to boast a comprehensive range of over 700 wines, 245 spirits and 115 beers.

186,000
active customers

Our active customer base has over 186,000 customers who have bought at least an introductory offer and a further case in the last 12 months.

4.2
is our average customer wine rating

Our customers rate thousands of wines every year and the average rating across all products was 4.2 out of 5.

93%
of wines sold by volume exclusive to Virgin Wines

Our wine buying team are an integral part of the wine-making process ensuring 93% of our range by volume is exclusive to Virgin Wines.

40+
trusted winemaking partners

We have a large and trusted network of over 40 wine-making partners that we work with across the globe.

Voted ‘Online Retailer of the Year’
at the Drinks Retailing Awards

We were proud to be voted ‘Online Retailer of the Year’ in 2022. This was the third time in the last 6 years we were awarded this prestigious title.

15,800+
five star ratings on Trustpilot

We are delighted to be rated excellent on Trustpilot with over 15,800 5 star ratings.

196
employees

We have 196 employees across three locations in Norwich, Preston and Bolton.

Group at a glance continued

Key performance highlights and trends

A disciplined business model delivering **predictable outcomes**

Definitions

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

Payback
Number of times repeat contribution payback compared to net investment cost per new recruit at 5 years and 10 years.

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

Active customers
Repeat customers ordering within the last 12 months.

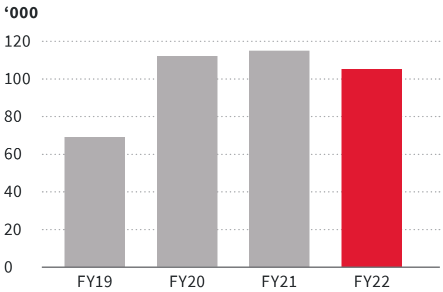
Sales retention rate
Percentage of sales from historical cohorts in the current year divided by their sales from the prior year.

Customer retention rate
Percentage of repeat customers from historical cohorts active in the current year divided by the active number from the prior year.

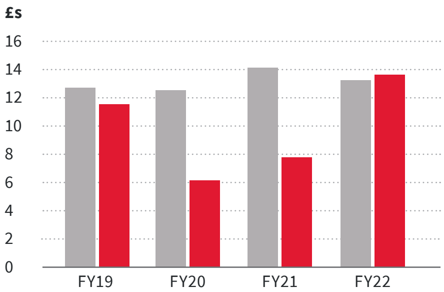
Trade rate
Percentage of customers in the opening active base reordering within 12 months.

Customer acquisition

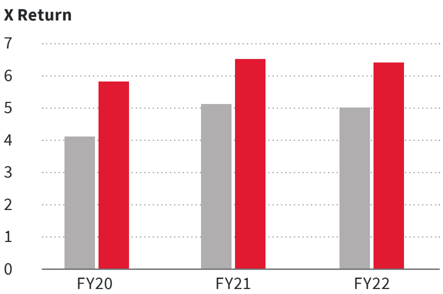
Number of new customers acquired



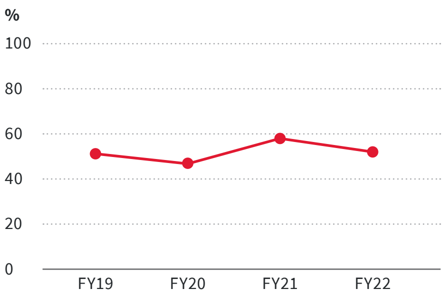
Cost per recruit (■) and net investment per new recruit (■)



Payback
5 years (■) 10 years (■)

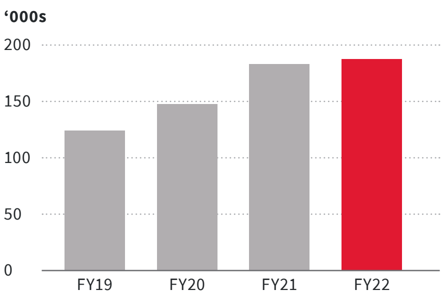


Conversion rate of new customers onto subscription schemes

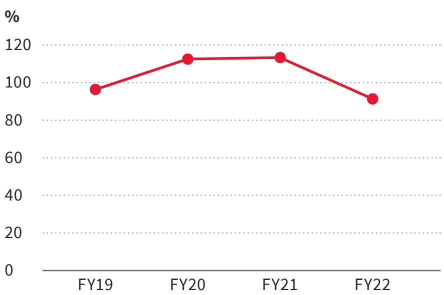


Customers

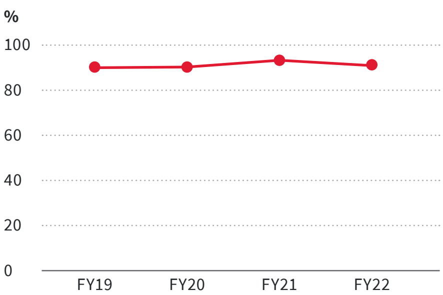
Active customers



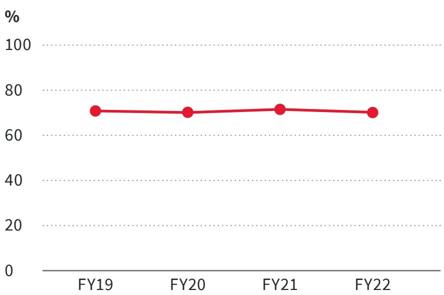
Sales retention rate



Customer retention rate

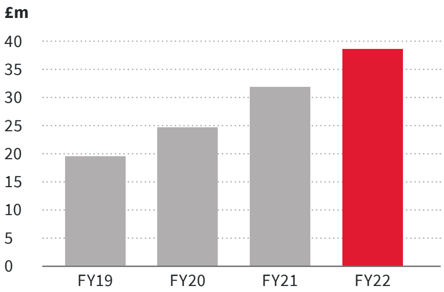


Trade rate

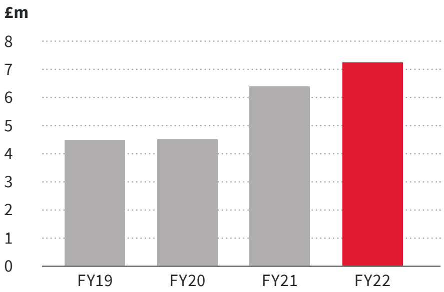


WineBank

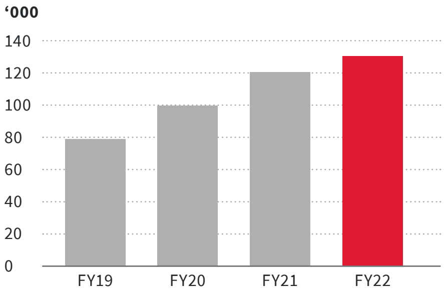
WineBank revenue



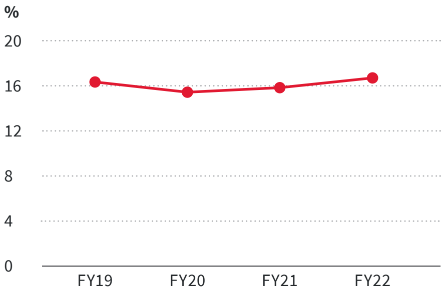
WineBank deposits



Membership total

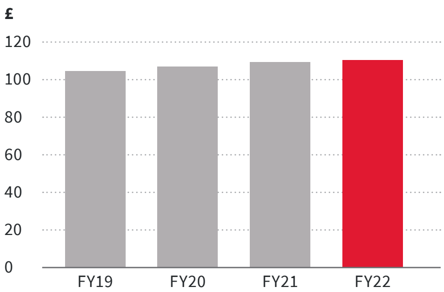


Membership cancellation rate

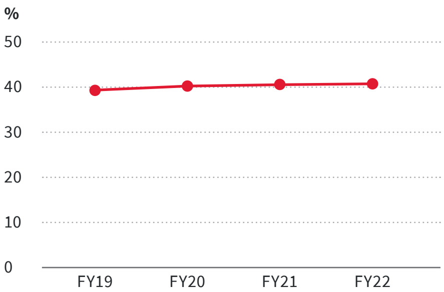


Wine Advisors

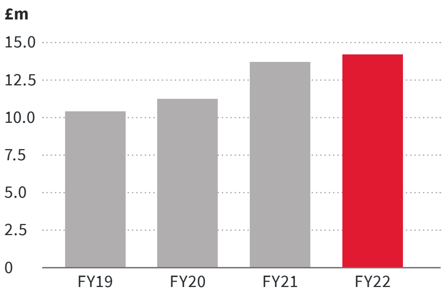
Average order value



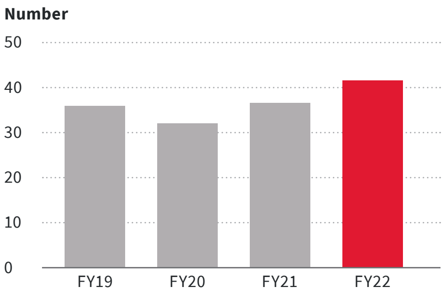
Average gross profit



Revenue



Active Advisors



Definitions

WineBank revenue
Repeat sales from WineBank customers.

WineBank deposits
Value of WineBank customer deposits held at the year end.

Membership total
Total customers with a subscription membership.

Membership cancellation rates
Membership cancels from active customers.

Average order value
Wine advisor service.

Average gross profit
Wine advisor service.

Revenue
Annual revenue Wine advisor service.

Active Advisors
Number of Wine advisors.

How we do business

Making lives more **enjoyable**

1. 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 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.

Our values

- Passionate
- Heartfelt Service
- Straight Up
- Insatiable Curiosity
- Smart Disruption
- Delightfully Surprising
- We are Family

Our purpose defines the reason we exist, and our culture describes how we do business.

See how we lived our values during the year **on page 10**

2. 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 strategy

We have a clear and bold strategy for future growth. Our strategic objectives:

- Maximising Quality and Value Through Unique Buying Model
- Acquire Large Numbers of Low Cost, High Quality Customers
- Maximise LTV Through High Conversion and Retention Rates
- Drive Growth in our Commercial Channel

Our vision lays out where we want to get to, and our strategy describes how we plan to achieve that vision.

See how we're delivering on our strategy on **pages 14 to 19**

3. Our ESG ambition

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

Our sustainable approach

We work hard to implement sustainable business practices and believe in ensuring a positive impact from grape to glass.

Our ESG ambition states our sustainability goals, and our approach will take us on that journey.

See how we're delivering on this ambition on **page 28**

4. Positive stakeholder outcomes

Building and maintaining strong relationships with and generating long-term, sustainable value for:

- Customers
- Employees
- Investors
- Partners and suppliers
- Communities

All of these aligned elements will enable us to deliver our purpose for our stakeholders.

Making people's lives more enjoyable

Living our values

How we deliver is as important as what we deliver

Our core values ensure that everyone understands, and is aligned behind, what we stand for alongside the culture and environment we have created.

Passionate

What it means

This is our energy. We are passionate about wine, our customers, our people and the business we have created.

How we lived it during the year

We are proud to have close relationships with our winemakers, and to be back at source, working hand-in-hand with them, creating the perfect bespoke blends of wines for our customers.

For more information see our case study on **page 20**

Heartfelt service

What it means

Our service is warm, friendly and effective. We love to solve problems and we treat customers like family.

How we lived it during the year

We were proud to have been named Specialist Online Drinks Retailer 2022 at the Drinks Retailing Awards, as well as winning Bronze in the Contact Centre of the Year category at the UK National Contact Centre Awards.

Straight up

What it means

We are fair, transparent, honest and ethical in all that we do.

How we lived it during the year

We are committed to ensuring all the products we sell are created through the operation of an ethical supply chain, which is why we strengthened our supply chain due diligence, including the creation of a Supplier Code of Conduct.

Insatiable curiosity

What it means

We are interested in what people love and how to evolve and do things better in a rapidly changing world.

How we lived it during the year

The number of vegans in Great Britain quadrupled between 2014 and 2019, which is why we are proud to be leading the way in sourcing quality vegan wines. Currently over 60% of our wine range is suitable for vegans.

Smart disruption

What it means

We challenge conventions to come up with different and better ways of doing business.

How we lived it during the year

For us, better business means being a sustainable business, which is why we are proud to be in the process of becoming a Carbon Neutral business, as a step on our journey to becoming Net Zero.

For more information see our sustainability section on **page 28**

Delightfully surprising

What it means

We always deliver the basics brilliantly but love to go the extra mile with unexpected touches that make people smile.

How we lived it during the year

In celebration of the Platinum Jubilee, the Virgin Wines team collaborated with East Sussex vineyard, Henners, to create 500 bottles of exclusive, small batch, commemorative sparkling wine. The label artwork was also designed by our in-house team.

We are family

What it means

A sense of belonging, where everyone feels welcome. Each person feels recognised, understood and rewarded; a part of the bigger Virgin family.

How we lived it during the year

We started working with the Norfolk LGBT Project to support our mission of being an inclusive employer. This included surveying our employees to see how inclusive they felt their workplace was.

For more information see our case study on **page 32**

Market overview

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. In the twelve months up to the end of June 2022, 70% of the total UK wine volume was sold through the off-trade compared to 30% consumed in the on-trade.

Our markets

Off-trade wine market

Off-trade wine sales were down 8.34% YOY (year-on-year), however this was ahead of pre-pandemic sales for value (+13%) and volume (+4%).

There is a widening gap between volume and value, most likely down to the impact of premiumisation and a variety of increased costs.

Pricing

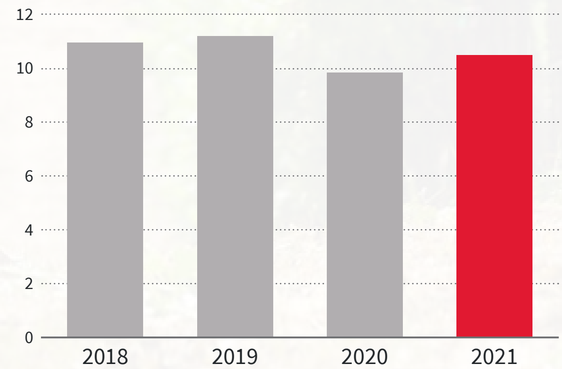
There was continued growth in wines priced between £8–£11 and £12+. Most sales by volume were priced under £8 a bottle (87% of sales).

Trends

- Australia continues to dominate the top spot for sales by country and is the only country to have sales over £1 billion (£1.3bn). This is followed by Italy, Chile, France and Spain.
- White wines continue to show popularity over red or rose. Amongst the white wine varieties, Sauvignon Blanc, took top spot followed by Pinot Grigio and Chardonnay (for both volume and value).
- Amongst the red wine varieties, Merlot continued as the most popular red wine varietal by volume, followed by Shiraz and Malbec.

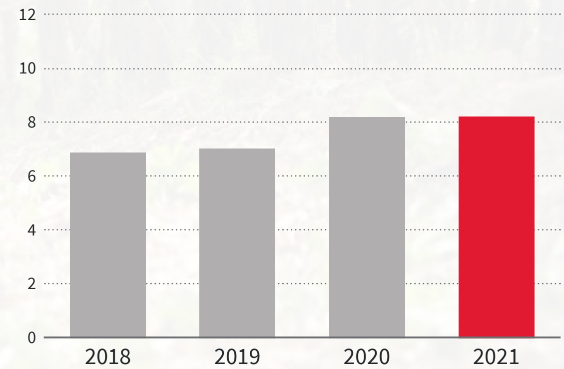
UK Wine Market

£bn



UK Off-trade Market

£bn



* Sales include still wines, fortified wine, sparkling and champagne. Data refers to the 12 months up to 18 June 2022. Source: WSTA

Virgin Wines has increased market share from 6.1% to 8.4% in the last year, according to industry benchmark IBISWorld.

Macroeconomic trends

- Increased cost of living has left consumers with lower disposable income, driven by high inflation rates, increased costs across all goods and services, plus rapidly rising energy prices.
- The Russia-Ukraine war has put pressure on both commodity prices and supply chains.
- The war has also impacted the supply of glass, and there are concerns there will be further glass shortages in Europe due to the rising energy costs.

Market trends

1. The rise of low and no alcohol

The UK is the 5th largest no and low alcohol market by volume according to research from the IWSR, and the market will continue to grow, with an expected 6% CAGR between now and 2025.

Recent research has found that those that regularly drink alcohol also buy products from the low and no category:

- Research carried out in December by the Portman Group discovered that almost one in three (32%) UK drinkers now 'semi-regularly' consume low and no alcohol products compared to one in four (25%) in 2020.
- A 2022 report by Kam Research and Insight found that people who drink 11–20 units of alcohol per week on average are most frequently buying products in the low and no category. *"There's a common misconception that teetotallers are driving growth," Katy Moses, Kam MD.*

The low and no market is dominated by beers, with the spirits category enjoying a growth in popularity, however wine continues to lag within the category, mainly due to struggling to meet the benchmark of what wine should taste like *(Wine Intelligence and IWSR research).*

2. Changes to the ecommerce landscape

This financial year we saw the return of the high street as pandemic restrictions were removed, and with that came a fall in ecommerce sales. Whilst the percentage of sales online has declined YOY, they are still firmly up on pre-pandemic sales.

Gizem Günday, partner at McKinsey & Company, noted, "Our analysis shows that we're not going to see a full-scale return from online shopping back to bricks and mortar stores. In fact, 92% of consumers said they plan to continue spending online post-pandemic, internet retailing".

According to ONS data:

- Internet sales accounted for 22.73% of total retail sales during FY20 (July 2019 – June 2020), with sales in February 2019 accounting for 19.1% of sales.
- During the pandemic and our FY21 (July 2020 – June 2021) ecommerce retail sales hit an average of 31.23%.
- Whilst ecommerce sales have seen a drop post-pandemic, this financial year (July 2021 – June 2022) ecommerce sales still account for 28.14% of retail sales. This is 9pp above the pre-pandemic share.

3. Growth forecast for the UK alcohol ecommerce market

Whilst the UK alcohol ecommerce market has fallen post-pandemic, in line with the decline of the overall ecommerce market, it is predicted to return to growth in the coming years.

In the latest IBISWorld 'Online Alcohol Retailing in the UK' report, it predicts that over the five years through to 2027, the market is expected to grow in value at a CAGR of 8.4%.

This is supported by IWSR predictions that by 2024, the total value of online alcohol sales in the UK will be 50% higher than it was in 2019, reaching £2.8bn.

IWSR UK ecommerce market share forecast 2024

Wine 51%
Wine is the most developed ecommerce category. It is also expected to generate the highest incremental value, with a forecast value 8% CAGR, 2019 to 2024.

Beer/Cider/RTDs* 29%
Beer currently accounts for 25% of value sales online, but is expected to gain share slightly over the next five years.

Spirits 20%
A fifth of ecommerce alcohol sales are made up of spirits.

*RDTs – Ready to drink

Our business model

From grape to glass

We operate a unique business model that delivers large numbers of quality customers, high levels of sales and customer retention whilst generating industry leading levels of profit.

Four key pillars of the model

1 Wine Buying

Our open-source buying model allows us to maximise global wine buying opportunities.

2 Customer Acquisition

We acquire large numbers of new customers, at low cost, to deliver high levels of payback and return on investment.

3 A Loyal Customer Base

We retain customers through a number of consumer propositions and subscription schemes delivering sales and customer retention rates in excess of 90%.

4 Operational Excellence

Our award-winning customer service team manage every point of contact with our customers and our in-house fulfilment centres ensure the highest levels of efficiency, speed and care within our warehouse and distribution functions.

1 – Wine Buying

We operate **a unique, open source buying model,** that allows us to focus on making our wines where we can find the best quality Grapes, at the best value prices, and stylistically blending them to match the tastes of our customers.

Open-source buying

Finding the best quality grapes every vintage, that deliver the best value, is fundamental to the buying model. Grapes are an agricultural product, and as such vary in yield, quality and cost from vintage to vintage and region to region. Having a wide network of trusted and loyal winemaking partners across the globe, gives us the flexibility to focus our winemaking on wherever we can find the best value, every year in both the northern and southern hemispheres.

Driven by data

Our highly engaged customers rate and review our wines in their thousands every week. This data is continuously analysed and referenced to understand themes and trends in customer preferences which can then be utilised in the stylistic profiling of each wine made. This continual focus on marginal stylistic improvements helps to ensure we can refine and improve the taste profile of our wines, year after year.

Exclusive wines

93% of wines sold by volume are exclusive to Virgin Wines. Due to the fact we are blending the wines at source to match our customers' taste profiles means they are being exclusively made in conjunction with our winemaking partners around the world, specifically for Virgin Wines. As well as this giving us a portfolio of unique wines that we believe deliver the very best quality/value ratios, it also delivers three other key benefits:

1 – Customers who love the wines they receive from Virgin Wines come back again and again to purchase those wines.

2 – We control the pricing of the wines based on the skill of the wine buyers and winemakers delivering the highest value ratios possible, rather than price matching brands.

3 – We are in complete control of the product architecture to ensure everything from the design of the label to the weight and shape of the bottle are exactly to our own specification.

Summary

This ability to materially influence the winemaking process gives us the flexibility to ensure we can build our range exactly to our requirements, delivering to customers the very highest quality/value ratios while ensuring we can maintain gross margins in conjunction with consistently improving the taste profiles of our wines to match the stylistic preferences of our customers through the use of data.

Our business model continued

2 – Customer Acquisition

The ability to **acquire large numbers of high-quality customers** at a low cost per recruit has been a fundamental element of our business model which delivers high levels of return on investment and 5-year payback rates of 5x.

Delivering New Customers Through a Variety of Channels

Partnerships

Virgin Wines partners with a wide variety of businesses to offer their customers a special offer on a selection of wines. These partnerships can range from relatively small businesses wishing to partake in a one-off opportunity to deliver added value to their customers, through to large scale partners where a full annual marketing and promotional plan is agreed.

We are delighted to have partnered with over 350 different organisations over the past 12 months.

Digital and social

We use a variety of digital and social activity to deliver new customers into the business. These include SEO, Google Shopping, paid search (both branded and non-brand) alongside programmatic, Facebook and native advertising.

Web

Our brand visibility and PR delivers a significant volume of organic traffic that then converts those potential customers through a variety of mechanics onto one of our consumer propositions.

Telemarketing

We use an outsourced telemarketing agency to re-engage with customers who have lapsed from being an active customer with Virgin Wines to bring them back into the fold.

CRM

Our comprehensive CRM programme includes the targeting of previous customers who have failed to purchase for over 24 months.

3 – A Loyal Customer Base

We have developed **a unique suite of different consumer propositions** and subscription services that attract a wide variety of different customers. These have been devised to keep customers loyal and to offer the ideal service no matter where the customer is in their wine buying journey.

Subscription Schemes

WineBank

Our most popular service with 130k members, that allows customers to spread the cost of buying wine by saving an amount of their choice each month (between £15–£100) and in turn they receive 20% 'interest' to then spend on wine in the future, as well as free express delivery to their door.

Wine Plan

A service that delivers a selection of our wine buyers favourite picks, delivered to the customer every quarter and at Christmas, as a perfect, hassle-free way to keep a customer's wine rack topped up with quality wine.

Other Retention Services

Wine Advisor

We have a 45 strong team of qualified Wine Advisors who offer a one-to-one, personal service to approximately 45k customers. This is a free service and customers enjoy the attention of a single person who finds out the styles of wines they like so they can recommend specific wines from across our full portfolio, as well as dealing with any advice or service issues the customer may have.

Pay As You Go

This service has been designed for customers who wish to use Virgin Wines as and when they like without being part of any subscription service or having the interaction of a personal Wine Advisor. Customers have full access to all the products offered but don't receive the other benefits that customers on the subscription or Wine Advisor services enjoy.

4 – 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.

Customer care

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.

Delivering an exceptional customer experience is at the heart of our brand proposition, ensuring every conversation or touchpoint that our team have with customers results in an outstanding experience, in line with our purpose and values.

We were delighted this year when our customer service team were recognised as one of the finest in the UK when they were awarded the bronze award for 'Contact Centre of the Year' at the National Contact Centre Awards.

Warehouse and fulfilment

We have over 100k sq ft of fully bonded warehousing space from which all our cases are picked, packed and distributed. The ability to have this function under our own control increases operational flexibility, cost efficiency and productivity.

Our strategy

We have clear strategic objectives to drive growth in both our core proposition and our Commercial business.

Strategic objectives

Drive customer acquisition through increased strategic partnerships

Delivering high quality customers at low cost is at the heart of our business model. The most productive way to achieve that dual aim is to work with business partners who have a customer base that is well aligned demographically to our own. We have been delighted to have made significant progress during the second half of FY22 in this regard and we aim to continue to grow this area of our acquisition strategy, particularly focusing on a handful of new partnerships with significant scale and tenure.

Maximise gross margin through our Open Source Buying Model

With cost pressures continuing to increase on dry goods and freight, it is more important than ever that our focus on maximising the value we can derive from our wine buying, is higher than ever. Our ability to increase the percentage of wines we source from areas where there are the best quality/value ratios is fundamental to our business model, and we are optimistic that over the coming year there will be opportunities to drive margins in Australia, South Africa and Spain, amongst others.

See our case study on wine buying in South Africa on **page 20**

Grow the WineBank membership through conversion and retention

Our flagship WineBank scheme currently has 130k members and these loyal customers are key to the growth of the core business. Our customer acquisition is largely focused on attracting new customers to this main subscription service and our partnership programme is the main driver of these recruits. However, we continue to focus on conversion and retention, refining the customer welcome journey to minimise early ‘drop out’ rates and maximise customers joining the active base. The rolling 12-month cancellation rate on WineBank stands at just 16.7% and it is our aim to minimise any increase in this, even in a more challenging economic climate.

Growth of our Commercial channel

We have been greatly encouraged by the opportunities we have identified in the Commercial area of our business. Over the past year we have seen the launch of our partnership with Moonpig and both businesses see substantial scope to increase both the existing business as well as having identified a number of incremental opportunities. Similarly, we have continued to increase our footprint within the travel sector. Successful long-term partnerships with LNER and Avanti have led to a new relationship with Great Western Railway which we have been delighted to secure. We see exciting growth prospects in this channel and driving this further is a major strategic goal over the coming months.

See our case study on Commercial business on **page 22**

Adjacent product categories

We have refined our beer and spirit offering over the past year, concentrating on developing our exclusive range whilst giving our WineBank customers the opportunity to receive preferential pricing. This focus on driving beer and spirit sales as incremental add-ons for our existing customers to enjoy, as opposed to acquiring new ‘beer and spirit’ members is the favoured strategic direction given the cost of acquisition, the average order values and the cash margin within these two categories at the current time.

Following the high demand during the Covid lockdowns, it has been a tougher climate for our gift offering to thrive. Despite this we have continued to drive new product development and our advent calendars still prove to be extremely popular. We are also optimistic about the size of the opportunity for personalised labels following the recent launch of this service.

Our people

We believe that the best businesses are built from the inside out. We focus on developing the outstanding talent we have within our business and ensuring that the culture we have created is conducive to ensuring everyone has the opportunity to grow, learn and fulfil their professional ambitions in an enthusiastic, energetic, vibrant and inclusive environment.

We are also focused on the physical and mental wellbeing of our colleagues. Amongst several initiatives, we continue to invest in the Employee Assistance Service which gives a range of free services to all staff, from counselling to financial advice.

We are also committed to the development of our teams, and we are delighted that we have supported more employees than ever in gaining new qualifications or increased skills. It is core to our philosophy and our values that we support and develop our people in every way we can, and we will continue to do so over the coming financial year.

Prioritising our ESG Policy

Central to our environmental strategy is ensuring we are achieving our short- and longer-term goals. These include becoming the first online wine retailer to achieve Carbon Neutral status, which we aim to achieve by the end of 2022. Following on from this we will be setting near-term science-based targets and producing a carbon reduction roadmap as part of our application to the Science Based Target Initiative (SBTi). These milestones will take us on our journey towards our ultimate goal of becoming a Net Zero business by 2045.

Strategy in action

South Africa
2022 Vintage

Our Wine Buying Model

Our open source wine buying strategy allows us to curate our own exclusive ranges of wine brands. This means that we can find the best grapes, from the best regions each vintage and produce quality wines at prices that represent the finest value to our customers.

After years of not being able to travel due to Covid, this year saw the return of our wine buying team being able to get back to blending at source. This included a trip to South Africa where we have many longstanding relationships with trusted winemakers.

Wildeberg Winery

This is a long-time partnership that continues to thrive and grow with each vintage and the source of our top-rated Billy Bosch collection. Whilst there we also worked on a new project where we had highlighted three unique parcels of grapes, from specific sites with the winemakers Ryno and JD in the previous vintage – through a long distance tasting via Zoom rather than in person – which they'd harvested and vinified separately for us. We blended these wines up during our visit and we are excited to be launching these cuvées early in 2023.

Leeuwenkuil Family Vineyards

This is a well-known name in the Cape owned by Willie & Emma Dreyer, but a brand-new source for Virgin Wines. They recently built a new state-of-the-art winery with much greater capacity, and with that more opportunity to create exclusive blends in styles we know work. Whilst there we created some exclusive blends specifically for our Discovery Club that highlights how progressive the Cape is – a Rhone inspired white and a pure Grenache Noir from stunning Swartland dry farmed vines.

It was with great pleasure that I was able to meet our winemakers face-to-face to see first hand the opportunities that were open to us following the 2022 vintage. Due to travel restrictions, it was first time since the 2019 vintage that we had the opportunity to do this in person and it was fabulous to catch up with a whole host of old winemaking friends, as well as make some new ones, over the coming week or so.

The 2022 vintage wasn't without its challenges out in the Cape. Some periods of intense heat and long dry spells meant that fruit development was a little stunted, and berry sizes were small but concentrated in the lead up to harvest dates. The harvest itself was interspersed with some potentially disastrous periods of heavy rain, but careful and experienced vineyard management, meant that the overall result was a positive one and we were thrilled with what we discovered and were able to blend up.

Our trip included visits with known wineries and winemakers to discover and blend the best quality grapes we could find to create the best value wines. We did this armed with an immense amount of data that our customers had given to us over the previous 12 months, which helped us ensure we were delivering the perfect taste profiles. As we look to create an exciting and balanced portfolio we also established new sources of supply to build on our already extensive supply chain.

Being on the ground allowed us to unearth the wines of tomorrow that are more difficult to discover without getting out into the vineyards and cellars. Working hand in hand with winemakers at source allows us to have conversations that unearth precious barrels we would never have heard about or find unique parcels we would never have seen, that in turn have managed to supercharge some of the blends we are delighted to have created.

Dave Roberts
Senior Wine Buyer

Strategy in action continued

Delivering growth through our Commercial channels

The Commercial channel is a major focus for the business. Over the last year it has seen significant growth, with multiple major new partnerships, and this is set to further develop over the coming years.

We operate in the B2B space in a variety of ways, from delivering full strategic partnerships on an ongoing basis to a range of highly valued clients through to fulfilling a whole raft of different corporate gifting requirements.

Here we look at a cross section of the type of services we offer and the partnerships we have created.

Moonpig: Virgin Wines launched a strategic partnership with Moonpig in August 2021 with a bespoke selection of 20 gifts, ranging from single bottles through to full cases. Over the last 12 months we have developed the partnership to be a ‘store in store’ concept – ‘Virgin Wines at Moonpig’ – and extended the range to over 70 SKUs, including Prosecco which is also utilised across their hugely popular flower and gift sets. The partnership has been extremely popular with the Moonpig customer base, and we are on target to achieve growth in excess of 100% YOY for FY23. We are working closely with the Moonpig team to continually innovate, grow and develop their wine and alcohol category and have exciting plans to significantly develop the relationship over the coming months.

Very: We started working with Very (Shop Direct Group) over six years ago and they were one of our first major strategic retail partnerships. We developed and curated a range which we believed would work well for their customer base and demographic profile. They already had an alcohol category which included a range of wine cases and alcohol gifts, so we worked hard to significantly improve upon that with a great selection of choice and price points. Over time the range developed from a handful of SKUs to over 60 lines, including a selection of premium champagnes. We have driven continual growth over the time we have been working in partnership and are now considered one of their key partners across the alcohol category.

Great Western Railway: Through our experience in 'travel retail' and in particular the rail sector, in January 2022 we entered into an exclusive partnership with Great Western Railway to act as its sole supplier of wine across the train operator's network, with trains operating across almost ten counties and South Wales. This was the first time they had changed suppliers for this category in over 20 years, representing the confidence they had in Virgin Wines, its product offering and the value in the brand alignment. We were tasked with developing a bespoke range including a selection of exclusive products for them to retail to their customers. By using our experience of working in the travel retail sector, and more specifically rail, we were able to develop a portfolio that would not only be popular with their customers but also provide great quality and value to GWR. We currently supply the wines for their First Class and Retail propositions and for their famous Pullman Dining service. We were delighted to add GWR to our portfolio of successful rail partnerships, joining Avanti WestCoast and LNER.

Gifting: Corporate gifting continues to be a key channel within our commercial offering, and we are continually developing our range of exclusive and beautifully packaged gifts for this growing sector. It's extremely important to have the depth of range to meet the wide-ranging budgetary requirements across a very diverse client base. We cater from ten cases to tens of thousands across our wine, beer, spirit and hamper portfolios. We have also introduced a full personalisation service from labels through to packaging.

Some key stats across the last 12 months:

Corporate gift sales **increased 16% YOY** (largest contributing sector was automotive)

Average gift value **increased by 8%**

Average account spends across corporate gifts **increased by 19%**

Average cases per account across corporate gifts **increased by 35%**

Chief Executive's Review

Our resilient business model and outstanding people continue to perform well in a period of rapid change

Jay Wright
Chief Executive Officer

"We are pleased that we have retained the vast majority of the exceptional growth we enjoyed during the previous two years, showing that demand for our high-quality, exclusive wines remains strong and loyalty from our customers remains high."

Introduction

It's fair to say the last two and a half years have brought more rapid change and differing challenges within a short period of time than any other period in recent history. It gives me great pride to have witnessed close up the way our people have adapted, and continually risen, to these challenges and how robustly our business model has performed in the face of these vastly differing economic climates and swings in consumer behaviour.

Through the rapid growth and unprecedented shift to online purchasing that was the hallmark of the Covid period, through to a return to more normal consumer behaviour and then on to the economic challenges of steep inflation, rising costs, supply chain disruption and war in Ukraine, we have continued to adapt quickly and decisively.

We are pleased that our business remains robust and resilient, and we continue to drive forward on our strategic growth ambitions, making good progress on a number of important initiatives and performing well on many key metrics.

Business overview

During the year we delivered revenues of £69.2m, a 6% decrease on the prior year but a 63% increase on a three-year basis (FY21: £73.6m, FY19[1]: £42.4m). We also achieved an EBITDA of £6.2m, a 11% decrease from the prior year but up 130% on a three-year basis (FY21: £7m, FY19[1]: £2.7m) which is a more meaningful comparison based on normalised pre-Covid trading patterns.

We are pleased that we have retained the vast majority of the exceptional growth we enjoyed over the previous two years, despite the aforementioned macroeconomic challenges, and we're proud of this robust performance which shows that demand for our high-quality, exclusive wines remains strong and loyalty from our customers remains high.

During FY22 we sold 980k cases and served more than 273k customers. In order to achieve this, we have continued with our focused and disciplined strategic approach to new customer acquisition, which has delivered strong results and a great number of high-quality, loyal recruits. During the year, 105,000 new customers were acquired across all schemes, 5% ahead of our previous expectations, and cost per recruit was just £13.22 against £13.49 a year ago. This is an industry-leading result, and we have achieved notable market share gains – from 6.1% in 2021 to 8.4% in 2022, according to industry benchmark IBISWorld – as a result.

We were also delighted to receive industry recognition winning the 'Online Retailer of the Year' award at the 2022 Drinks Retailing Awards for the third time in recent years. In addition, our continued and unwavering focus on customer care was also recognised when we were the proud recipients of the bronze award for 'Contact Centre of the Year' at the National Contact Centre Awards.

1 Comparative numbers for FY19 are unaudited.

Group Revenue

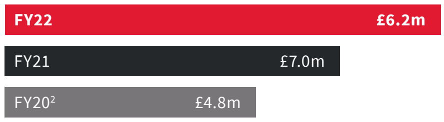
£69.2m

Customer Retention Rate

91%

Adjusted EBITDA[1]

£6.2m



1 EBITDA adjusted for exceptional items and share-based payments.
2 Comparative numbers for FY20 are unaudited.

Wine sourcing model

Uniquely, we source our wines from a large network of trusted long-term winemaking partners and suppliers across the globe using a data driven, customer focused, open-source supply model. This means that we can source the best quality Grapes from every region of every country for every vintage, while maintaining the flexibility to ensure we can make, and deliver, the very best value wines to our customers.

93% of the wines we sell by volume are exclusive and this absolute control of the winemaking process ensures we have the ability to blend our wines ourselves, match the precise stylistic qualities and taste profiles that we know our loyal customers are looking for, through the constant use of extensive data and clever analytics from tens of thousands of customer reviews, to curate our range of the most premium quality, exclusive wines.

We believe that our unique model differentiates Virgin Wines for both our customers and investors, ensuring working capital can be minimised, quality/value ratios can be maximised whilst delivering the most advantageous gross margins. This sourcing model is key in supporting the resilience of our business and the strength of our investment case.

Subscription schemes

The success of our business continues to be strongly supported by the popularity of our wide range of subscription schemes on offer, which give our loyal customers a number of ways to purchase their favourite wines from us, as well as continuing to attract new customers. The ever-growing demand for both our WineBank and Wine Plan subscription schemes is shown through the revenue contribution of 81% of DTC sales achieved in FY22, compared to 67% in FY21, and our conversion rate of new customers onto our subscription schemes remains high at 53%.

Meanwhile, our overall sales retention rate and customer retention rate both achieved an impressive 91%.

The WineBank membership, our main subscription scheme, which allows customers to spread the cost of buying wine by saving money each month and in turn earning 20% 'interest' on the money they save to then spend on wine, grew by 8% from the prior year, with revenues increasing by 21% during the period. We also managed to maintain a consistent and low cancellation rate in WineBank, at just 16.7% (FY21: 15.8%).

We doubled down on our efforts to prioritise WineBank over the year, given its 'recession proof' nature and gave less emphasis to our quarterly Wine Plan scheme. Despite this total revenue from Wine Plan customers decreased just 2.3% and monthly yields from the membership remained strong at an average of 65%.

Our Wine Advisor team continue to offer a personal and highly valued one-to-one service to over 45k customers, delivering the highest levels of customer retention alongside the highest average spend per annum of any group of customers. This focus on delivering an unbeatable customer experience is core to our proposition and we continue to expand the service to be able to offer even more customers this experience.

Strategic partnerships driving new customer acquisition

Central to our growth strategy is our focus on developing partnerships with other brands and businesses to increase our exposure across additional consumer audiences and be more visible and accessible to new potential customers. Over the past year we have partnered with over 350 other trusted brands to drive over 65% of our new customer acquisition.

186,000
active customers

1,080
products in our portfolio

91%
sales retention rate

152,000
total number of customers in a subscription scheme

9.0%
EBITDA as percentage of revenue

In particular we have seen encouraging growth over the second half of FY22 with a number of new partnerships agreed including exciting new relationships with organisations and businesses such as the i newspaper, Priority from O2, Currys and The Rail Delivery Group. These new initiatives have helped customer acquisition numbers increase 37% YOY over Q4 of FY22 and with a strong pipeline of further partnerships to come in 2023 we are confident about our ability to continue to grow this key area of our business.

Chief Executive's Review continued

Commercial opportunities

One of the most exciting growth opportunities within our business is the scope to deliver increased scale through our Commercial and wholesale operations. We have been delighted to be able to trade with our travel partners again following on from the enforced suspension of our activities with them during the Covid affected period. Both LNER and Avanti are key partners and we are therefore pleased that this year has gradually seen a return to wine being served on the train networks. We are also delighted to have added Great Western Railway to our portfolio of travel partners and look forward to a long and successful relationship with them.

FY22 has also seen the launch of our partnership with Moonpig, which has developed substantially over the year. We are proud to be partnering with such an innovative and like-minded business and our 'Virgin Wines at Moonpig' initiative has proved extremely successful. The relationship is one of the most exciting that we have developed for a number of years and both businesses see substantial growth opportunities in a whole variety of areas moving forwards.

Events

We were delighted to be able to take Virgin Wines back out on the road again this year, after a 16-month gap, with the return of our hugely popular 'live' events. As a customer-focused business, where connecting with our customers is key, we were delighted to see a return to our popular tasting events across the UK, which had been cancelled during the lockdowns of 2021–22. Our events in London, Edinburgh, Manchester and Leeds were all sold out and hugely successful, introducing those in attendance to exciting new ranges, allowing them to meet the winemakers behind the wines they love and educating them on our exclusive products in a fun and engaging way.

This ability to bring both our wines and our business to life in a physical setting is one we have truly missed, so to see hundreds of happy customers at each event having such a good time was a highlight of the year and we look forward to doing more of the same over the next 12 months.

> "I continue to be confident in our long-term prospects and that our business model and growth strategy leaves us well positioned to withstand current macro-economic challenges."

Operations

Despite well documented headwinds within the supply chain, alongside significant cost pressures driving up the price of dry goods and freight, we have worked hard to keep costs under control and our operational efficiency high.

Across the Group, we have been focused on implementing the necessary mitigating measures to limit the impact of these headwinds, including the early ordering of stock. We have continued to keep our stock at a higher level as supply issues continue with our focus on ensuring we have a full portfolio of products available to offer customers and the most comprehensive portfolio of wine to ensure we are maximising margins through the configuration of our pre-mixed cases.

We have increased the amount of wines we bottle at Greencroft in Durham to maintain lower costs of dry goods, lower costs of energy and better continuity of supply.

Whilst the Group has been proactive in taking a variety of mitigating actions, there continues to be inflationary pressure in multiple areas of the supply chain, such as shipping, packaging, glass and courier charges, and we are subsequently keeping our pricing and case configurations under constant review, in order to protect margins.

Our culture, values and people

At Virgin Wines, we are committed to making people's lives more enjoyable and this mantra very much underpins our culture and values as a business. We understand the importance of our customers enjoying alcohol in moderation and continue to drive the messaging that 'Drinking is only fun when you don't overdo it'.

Elsewhere, we have been active in developing a number of initiatives aimed at supporting those most in need. In particular, we have been delighted to maintain our support for The Drinks Trust and Growing Well charities as well as adding Leeway, a charity based locally to our Head Office in Norwich, as our employee voted 'Charity of the Year' which supports women, men and children that have been subject to domestic abuse. Given the atrocities seen following the outbreak of the war in Ukraine, we also added the Red Cross Ukraine Crisis Appeal to charities supported this year.

To help with raising funds for these excellent causes we have created and launched a charity range of wines named our ‘Benevolent’ range, and we are delighted that we are able to help raise money to support our various charity initiatives through the sale of these wines.

Across the business, our teams continue to rise to everyday challenges, and their continued dedication and resilience continues to drive our business forward. I would like to take the opportunity to thank everyone across the business for their continued commitment and support in our second year as a listed business. In particular, our values and purpose keep us focused and united on common goals and beliefs and this clear framework is fundamental in driving the unity, support and culture that we work so hard to maintain.

A focus on sustainability

In addition to providing our customers with quality wines, and creating a high performing business, we understand that it is our responsibility to have a positive impact on our planet. Both the Board of Directors and our Senior Management are committed to achieving our ESG ambition of being a leader in creating a positive impact on the environment and our communities within the drinks industry.

We have taken a significant stride forward this year, completing our first Scope 3 emission report. This insight allows us to identify where we can make positive steps towards lowering our carbon emissions and we have also started the path towards achieving Carbon Neutral status via the PAS 2060 certification. It gives the business confidence knowing that our emission reporting will have passed a full external audit. More importantly, to continue achieving the PAS 2060 certification, the focus will be on achieving carbon reduction targets we have set out, and not just purely offsetting emissions. We also understand the importance of setting science-based targets aligned to the 1.5°C scenario as promoted by the Paris Agreement. During the new financial year, we will be submitting our application to the Science Based Target Initiative (SBTi), and in doing so we will be one step closer to achieving our goal of becoming a Net Zero business by 2045.

In addition to our environmental impact efforts, we have also reviewed and improved our supplier due diligence process. We are committed to ensuring all products we sell are created through the operation of an ethical supply chain, and we take a zero-tolerance approach to slavery and trafficking. Our newly created Supplier Code of Conduct ensures that the businesses we deal with reflect our approach in how they operate, but also take steps in reviewing and demanding zero-tolerance from their own supply chains.

Outlook

Looking ahead, we expect many of the challenges seen through 2022 to continue into 2023 as cost inflation holds at significantly high levels whilst supply chain disruption is still yet to normalise. We understand that there will continue to be pressure on consumers’ disposable income and as such are mindful of the potential impact on frequency of order and average order values. However, as consumer spending comes under pressure, we are also aware people are more likely to stay in and socialise at home rather than taking the more expensive option of going out.

Despite these macro challenges, we remain confident in the robust nature of our business model. Our subscription schemes offer our customers fantastic value for money, as well as the useful budgeting mechanic of spreading the cost of buying wine through WineBank, whilst our focus on disciplined customer acquisition will continue to deliver a good quality and loyal customer base.

We will continue to focus on profit, generating cash and driving efficiencies throughout our business. These key pillars have been consistent elements of our strategy for many years and will remain key in driving our success.

We will also continue to progress our strategy of developing long term partnerships and are delighted to be working with Saga plc to exclusively launch and operate a co-branded wine proposition for all Saga members. With such strong brand affinity, a perfect demographic profile and ambitious expectations around the scale of the partnership, we are confident surrounding its potential.

We also continue to engage in new and enhanced partnerships with a number of leading brands, which will help drive our customer acquisition strategy. We look forward to providing updates as these exciting new partnerships are signed and finalised over the coming months and years.

Given the macro environment and the cost pressures in numerous areas, we have engaged in careful planning to be well prepared for Christmas, driven by the strength of our product range including our stand out collection of advent calendars. However, whilst we are confident in our ability to mitigate against a number of the margin pressures we face, we believe it is correct to be prudent in our forecasting whilst living in such a volatile and challenging environment.

Jay Wright
Chief Executive Officer

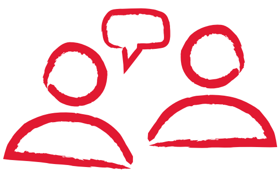
Sustainability

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

Our ESG ambition
To be a leader in creating a positive impact on the environment and our communities within the drinks industry.

Environmental ambition
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

Both the Board of Directors and Senior Management are committed to achieving our ESG ambition, and we believe that in doing so we can create a company that:

- Minimises the Group's environmental impact through further product innovation, targeted operational initiatives and collaboration with our stakeholders
- Maintains an inclusive workplace that respects and values each employee's individuality, background and experience
- Supports our employee's wellbeing and creating an environment where they can thrive personally and professionally
- Operates in an open and ethically transparent manner
- Ensures all products we sell are created through the operation of an ethical supply chain, with a zero-tolerance approach to slavery and trafficking

This year we have made great progress in each of these core areas, however we are committed to continuously developing our plans and engaging with key stakeholders at each point, ensuring we are a leader within our industry.

Sustainability governance
All departments within the business have worked hard to implement sustainable business practices over the years, however to achieve our ESG ambitions our Head of Strategic Change and Governance has taken direct responsibility for the development, and managing of, our ESG strategy. Their responsibilities include providing a monthly update to the CEO on progress within all key ESG areas.

Whilst day-to-day responsibility sits with our Head of Strategic Change and Governance, the Board understands the importance of ESG within Virgin Wines, and our ESG progress and planning is routinely monitored by the Board. The Board also plays a key role surrounding our carbon emission targets and in approving the ESG roadmap.

Our contribution to the United Nations Sustainable Development Goals (SDGs)
The key areas we are focusing on as business contribute towards SDGs 3, 10, 13 and 16.

We have noted throughout this report which individual areas contribute towards a particular SDG.

> **We are proud to have made great strides this year when it comes to reviewing and implementing plans around our carbon emissions.**

Sustainability continued

Environmental ambition

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

We are proud to have made great strides this year when it comes to reviewing and implementing plans around our carbon emissions, as well as liaising with our supply chain to further our knowledge around where they are in their own sustainability journey. We believe that our plans for the coming year will take us one step closer to our ESG ambition of being a leader in creating a positive impact on the environment.

Carbon emissions

This year we compiled our first Scope 3 emissions report. All relevant categories were covered in the reporting and optional extras such as homeworking emissions were also included. The report was fully aligned with the GHG Protocol Standard.

Having access to this level of detail allows us to take an in-depth look at how our business is operating and identify areas and processes that we can change to achieve carbon reductions.

We also started the process for achieving the PAS 2060 standard for Carbon Neutrality. PAS 2060 is an internationally recognised standard and one of the few officially verified routes to achieving this status, which we feel is important to avoid any association with claims of 'greenwashing'.

The process takes a few months to complete and involves our GHG report being externally audited, site visits from auditors, as well as our carbon reduction targets being reviewed and approved. To maintain our carbon neutral status, we are audited annually to ensure that we have implemented our carbon reduction plans and cannot rely purely on offsetting. We are on course to achieve certification by the end of 2022.

Roadmap and key focus areas

Whilst being a carbon neutral business will be an achievement, we understand that this is only a step within our journey to reduce our carbon emissions. We will be aiming to cut our Scope 1 and 2 emissions by 25% in FY23.

Next year we will also be submitting our application for the Science Based Target initiative (SBTi) and will be setting our near-term reduction targets. These targets will be aligned to the 1.5°C scenario as promoted by the Paris Agreement.

Long-term, our goal will be for Virgin Wines to achieve Net Zero by 2045.

2022
Certified carbon neutral company via PAS 2060 certification

2023
Become a member of the SBTi

Achieve 25% direct emission reduction

Implement further reductions

2030
Achieve our near-term SBTi carbon reduction target*

2045
Net Zero target date

* *Date and target to be confirmed upon successful application to SBTi.*

Greenhouse gas (GHG) emissions information

	2021/2022 (baseline year*)
Scope 1	**52.10**
Scope 2	**67.49**
Scope 3	**3,242.32**
Category 1 – Purchased good and services	1.41
Category 2 – Capital goods	79.67
Category 3 – Fuel and energy related emissions not included in Scope 1 and 2	30.32
Category 4 – Upstream transportation and distribution – Wine Fusion only (28% of FY22 wines)	2,161.52
Category 5 – Waste generated in operations	14.09
Category 6 – Business travel	14.22
Category 7 – Employee commuting	155.29
Category 9 – Downstream transportation and distribution	628.61
Category 11 – Use of sold products	127.35
Category 12 – End-of-life treatment of sold products	29.84
Total	**3,361.91**
Per employee	17.15
Per £m turnover	48.72
Total Energy Consumption (kWH) Scope 1 and Scope 2	**589,527**

* *Previous data not included as there is a new baseline year that now includes Scope 3.*

Methodology

- We have reported on emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the Streamlined Energy and Carbon Reporting requirements.
- Emissions have been calculated following the GHG Protocol standard and using the UK Government GHG Conversion Factors for Company Reporting (2021 and 2022). The operational control approach has been used, with the location-based method used for Scope 2 emissions.
- The above 2021/2022 report reflects the base year emissions submitted to NQA who have been appointed as an independent third-party to verify our GHG inventory as part of the PAS 2060 certification process.
- FY22 reporting covers all business and facility operations occurring in all three locations. It includes all applicable Scopes 1, 2 and 3 emissions except for the inclusion of only a proportion of Scope 3, category 4 emissions. Scope 3, category 4 includes the transport of 28% of wines procured within FY22 from the overseas vineyards to our warehouses. The remaining category 4 emissions were excluded as it is not feasible for the full emissions to be offset, as allowed under the PAS 2060 guidelines.

TCFD

Virgin Wines is not currently required to report against the TCFD (Task Force on Climate Related Financial Disclosure), however during the new financial year we will identify our key risks and review which elements related to the TCFD recommendations we are able to implement as we develop our climate-related reporting.

Further environmental achievements this year:

- 28% of wine we bought this year was bottled in the UK, which saves approximately 40% of the carbon emissions. We partner with Greencroft Bottling which is BRC Grade AA+ rated (the highest rating you can achieve) and is a pioneer in sustainable practices, producing its own renewable energy.
- 0% of waste from our warehouses goes to landfills. Last year we diverted 389 tonnes from landfill which instead was used for recycling (355 tonnes) or directed to an energy waste facility (34 tonnes).
- Our transit packaging is manufactured from 100% FSC certified paper, is 100% recyclable, 100% biodegradable and has up to 88% recycled content.
- We have been engaging with our suppliers to capture information around their sustainability initiatives and practices they currently have in place, or plan to introduce. This enables us to share more information with our customers on individual wines, or winemakers' environmental credentials. It also identifies partners that we can pursue working with on potential projects. We will continue collecting this information throughout the next financial year.
- We have continued to promote hybrid working to allow our staff to cut down on emissions from commuting. Commuting and homeworking emissions have both been included within our Scope 3 reporting and will be offset as part of our Carbon Neutral certification in the coming year.

Sustainability continued

Social

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

Principles

Diversity and inclusion	Our people	Community
We are committed to creating and maintaining an inclusive workplace that respects and values each employee’s individuality, background and experience.	Supporting our employees’ wellbeing and creating an environment to thrive personally and professionally.	Having a positive impact on people within our industry and beyond.

A year in review

Diversity and inclusion	Our people	Community
Started working with the Norfolk LGBT Project to support our mission of being an inclusive employer (please see case study).	Our Employee Assistance Programme offers access to fully funded counselling sessions, in addition to a range of services offering advice on personal and workplace matters, including legal and debt management advice. In the last year 5% of employees used the services provided. We continue to run our ESG group that gives all employees a platform to input and feedback regarding all environment, social and governance issues. We want to ensure that our employees thrive in their current and future roles. We provide funded access to external courses relevant to employees’ career development as well as offering internal training, such as the Wine and Spirit Education Trust (WSET) qualifications run by an internal educator.	We are delighted to have continued to partner with industry wellness initiative The Drinks Trust and mental health charity Growing Well. In addition, we introduced a staff-voted charity of the year, which has led to us supporting Leeway, a Norwich based domestic violence charity. Supporting a charity that has been chosen by the staff has led to fantastic levels of engagement, including taking part in the Leeway Christmas Campaign providing presents for families in refuges. Plus, a team of people have taken part in various cycling events raising over £2500 so far. As part of our fundraising efforts, we have created a dedicated trio of wines called ‘The Benevolent Range’. With every bottle sold we will donate £1 to our various charity partners.

The future

Diversity and inclusion

- Complete tailored inclusivity training based on feedback from employees, alongside completing a set of recommended actions that will help us progress further as an inclusive business.
- Create a specific Gender Transition Leave policy.
- Commence collecting diversity data via our upcoming HR system which will allow us to further analyse diversity within our business.

Our people

- Our upcoming HR system will allow us to introduce a calendar of staff engagement surveys and easily track the results. It will also give employees instant access to policies and systems such as the EAP.
- Continue to ensure that our employees have access to training and development, both internally and externally run.

Community

Support charities within our community via donations and charitable initiatives.

SDGs

Diversity and Inclusion

Our People

Community

Case study

We started working with a local charity called The Norfolk LBGT Project to help us further incorporate inclusivity into our workplace, and support everyone in being their authentic selves at work. The starting point was a survey inviting all employees to anonymously feedback about how inclusive they felt Virgin Wines currently is. This feedback was handled and reviewed by the charity, maintaining the anonymity of our staff.

Key findings:

- Virgin Wines scored 76% when staff were asked their position on the statement "I consider Virgin Wines to be an inclusive employer".
- Overall, employees rated Virgin Wines as an LGBTQ+ inclusive employer, with several individuals writing that all employees are treated the same and accepted for who they are. It was also noted that several current employees openly identify as LGBTQ+.
- On average, 86% of respondents reported that they would feel confident in supporting a colleague who came out to them in the workplace.

Following on from this we are running open forums that give everyone the chance to feedback further, discuss the survey results and raise any ideas they have. Once all forums have been completed, the team at the Norfolk LGBT Project will put together an inclusivity training session tailored to the feedback we received, along with a set of recommended actions, both of which will help us progress further as an inclusive business.

Sustainability continued

Governance

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

Principles

Fair and ethical conduct	Responsible drinking	Compliance
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 trafficking.	As a retailer of alcohol, we understand the importance of promoting a culture of responsible drinking.	To operate in an open and ethically transparent manner.

A year in review

Fair and ethical conduct

We strengthened our supply chain due diligence by creating a new mandatory supplier documentation pack. This pack includes the creation of a Virgin Wines Supplier Code of Conduct.

This code details the minimum standards we expect from our suppliers within key areas such as workers' rights, but it also ensures that they have similar expectations throughout their own supply chain.

A Declaration of Compliance with Modern Slavery Legislation was also created, which asks our supplier to confirm they comply with the Modern Slavery Act 2015 and to explain what measures they have in place to mitigate the risks of slavery within not only their own Group, but throughout their supply chain. It also asks all companies that they are required under Section 54, to supply the latest copy of their slavery and human trafficking statement. A copy of our latest statement is included as part of the pack.

Responsible drinking

- Our focus continues to be around our responsible drinking ethos of 'drinking is only fun when you don't overdo it'. This is communicated across all customer touchpoints, and where possible we signpost to a resource page that contains practical information such as units within drinks, and where to access alcohol support services.
- We continue to offer a good range of no and low alcohol across our wine, beers and spirits. Currently we have over 20 low or no alcohol products.
- Our employees all have access to alcohol support resources and services via The Drinks Trust.

Compliance

Our Group has several policies in place 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 51).

Virgin Wines is proud to be a member of the Retail of Alcohol Standards Group, which works on preventing underage drinking, as well as promoting high standards among alcohol retailers.

The future

Fair and ethical conduct	Responsible drinking	Compliance
Continue communicating our new due diligence process to new and existing suppliers.	• Continue to promote our drink responsibly ethos throughout all customer communications. • Maintain a significant range of no and low alcohol products.	• Our upcoming HR system will ensure that all new employees have reviewed key policies during their on-boarding process, and employees will be automatically asked to review these documents annually. • Maintain membership of the Retail of Alcohol Standards Group.

SDGs

Diversity and inclusion	Our people	Community
8 Decent work and economic growth; 10 Reduced inequalities; 16 Peace, justice and strong institutions	3 Good health and well-being	16 Peace, justice and strong institutions

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.

Customers

Why we engage	How we engage and actions taken	Their material topics
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 customers' experience is vital so that we can monitor and react to any area that doesn't meet our high standards.	• Collecting 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, encouragement to review us on Trustpilot (currently rating 'excellent' from over 20k reviews), and regular ad-hoc feedback requests focused on specific customer segments. • One-on-one contact made by our Wine Advisor team with their customer base of over 45k customers. • Regular contact with our customers via digital platforms such as social media and our blog. • Reinstated our live tasting events, giving face-to-face access to over 2000 customers.	• Access to quality products at fair prices • Service levels • Customer propositions available • Company ethics

Employees

Why we engage	How we engage and actions taken	Their material topics
The Directors recognise that our people are integral to the success of our business, and we are proud to have many long-serving employees.	• Regular communications from the management team sharing key company information, such as end of year results. • Internal communications covering topics ranging from promoting access to employee wellbeing, updates on new initiatives across the business. • Employee ESG group that gives all employees a platform to input and feedback regarding all environment, social and governance issues. • Participation in LTIP schemes. • Provide access to learning and development, such as Wine and Spirit Education Trust (WSET) qualifications run by an internal educator. • Launched an inclusivity project to gather feedback upon how inclusive employees feel their workplace is, and any actions we should take to further this.	• Providing an inclusive and supportive workplace • Career opportunities • Fair pay • Company ethics • Financial stability of the Group

Investors

Why we engage	How we engage and actions taken	Their material topics
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.	• 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

Section 172 continued

Partners and suppliers

Why we engage	How we engage and actions taken	Their material topics
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 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 customer wants, including reinstating winery visits and in-person supplier meetings. • Introduction of a new ethical and environmental audit of all suppliers, including a supplier code of conduct.	• Company ethics • Fair pay • Environmental and responsible sourcing practices • Longevity of partnerships with the Group

Communities

Why we engage	How we engage and actions taken	Their material topics
We have a responsibility to be a force for good in our community.	• Continuous promotion of our responsible drinking campaign ‘Drinking is only fun when you don’t overdo it’, across all communication touchpoints. • Ensuring that all internal and external policies are regularly reviewed, updated and published. • Introduction of staff voted charity of the year, Leeway Domestic Abuse charity. Alongside, continued support of the drinks trade community by partnering with and donating to The Drinks Trust charity, and donations to Growing Well mental health charity. • Commitment to cutting our carbon emissions and being a more sustainable business.	• Company ethics • Environmental practices • Charitable giving

Considering stakeholders in action

Customers

What customers told us

Some customers had fed back to us that when dealing with a query they often spoke to different people within the department. This was due to having separate teams within the Customer Service department who each dealt with different functions, such as a separate delivery team for delivery issues.

What we did

After listening to the feedback, we decided to change the structure of the department, by removing the separate teams and making a multi-skilled department. This means that each member of the team can deal with every element of a customer query, and the customer will be deal with the same Customer Service advisor whilst we resolve their query. This also allowed us to change our system so that we can identify a customer with an open query when they call, so they can be routed through to the agent that has been dealing with them.

We also analysed two years' worth of call data to review our opening hour structure. We found that whilst we were open 8am – 8pm there were very few calls taken first and last thing during the day so we changed our opening hours to 9am – 7pm, which meant we had more staff during key opening hours and we increased our answer rate as a result.

Employees

What employees told us

We have an employee ESG group to give all employees 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 environmental and social issues.

One issue that we discussed is how to make sure that new and existing people understand that we are an inclusive and supportive business, but to also make sure that we are listening to people so that we can continuously improve how inclusive and diverse we are.

What we did

We started working with a local charity called The Norfolk LBGT Project to help us further incorporate inclusivity into our workplace, and support everyone in being their authentic selves at work. The starting point was a survey inviting all employees to anonymously feedback about how inclusive they felt Virgin Wines currently is. This feedback was handled and reviewed by the charity, maintaining the anonymity of our staff.

Following on from this, the team at the Norfolk LGBT Project will put together a bespoke inclusivity training session tailored to the feedback we received, along with a set of recommended actions, both of which will help us progress further as an inclusive business.

Financial Review

A strong Balance Sheet, cash reserves and no debt

Graeme Weir
Chief Financial Officer

> "A disciplined approach and a proven business model ensured the business continued to perform well in an increasingly challenging environment."

Overview

As a business that grew sharply during Covid it was always going to be difficult to forecast exactly how the impacts would play out. Our focus has remained on maintaining the core disciplines of our financial model. Investing in new customer acquisition by retaining competitive cost per acquisition to achieve a quick payback on each new customer, strong margin controls across all sales channels to ensure we optimise the return on repeat sales and effective cost controls to continue to deliver sector leading profit to revenue margins. In so doing the business has continued to invest for future growth and strategically deployed cash and working capital to offset supply and inflationary pressures common to all companies. As a result we have a business model fit to meet the challenges of difficult trading conditions as well as benefit from future opportunities.

	FY22 £m	FY21 £m
Revenue	**69.2**	73.6
Gross Profit	**21.7**	23.3
Operating Expenses[1]	**15.5**	16.3
Adjusted EBITDA	**6.2**	7.0
Exceptional Costs (IPO fees)	**0**	3.5
Share-based Payments	**0.1**	0
Amortisation and Depreciation	**0.9**	0.8
Operating Profit	**5.2**	2.7
Finance Income	**0**	0
Finance Expense	**0.1**	1.0
Profit before Tax	**5.1**	1.7
Tax	**0.7**	0.9
Profit for the Period	**4.4**	0.8

Profit before Tax

Profit before tax for FY22 increased by £3.4m to £5.1m (FY21: £1.7m). After adjusting for exceptional costs profit before tax was virtually unchanged at £5.1m (FY21: £5.2m). Given the considerable challenges in FY22, and the strong inflationary cost pressures in H2, we are pleased to have maintained the profit level. The Group does not propose to pay a final dividend for FY22 (FY21: £nil).

Revenue

Reported revenue for FY22 was £69.2m down £4.4m 6.1% (FY21: £73.6m). The WineBank customers continued to perform well with annual revenue from this base up 21%. After the sharp growth over FY20 and FY21 revenue from new customer acquisition and gifting, both dropped back in FY22 by £2.0m and £1.7m respectively. After posting an exceptionally strong performance in FY21, Commercial revenues were also down slightly by £0.5m. Total revenue remained 63% above FY19 levels, the last full year without a Covid impact. Core sales proved resilient down less than 1% on FY21 at £54m.

Gross Margin

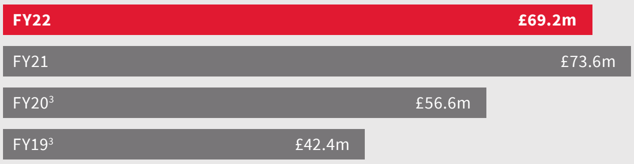
Despite the impact of inflation on inbound freight, packaging and delivery costs, average gross profit as a percentage of revenue held firm; FY22: 31.4%, FY21: 31.6% and FY20[2]: 30.3%. Good margin discipline in the repeat sales channels enabled the business to invest more in new customer acquisition margins without any material impact on the overall gross margin percentage. Gross profit in these financial statements is stated as revenue less wine cost, packaging and carrier delivery costs. UK Duty, inbound packaging and freight costs are included in the wine cost.

1 Operating Expenses before Share-based Payments, Amortisation and Depreciation.
2 Comparative numbers for FY20 are unaudited.

Key Performance Measures

Revenue

£69.2m +63% from FY19



Gross Profit

31.4% +2.3% from FY19

Profit before Tax and Exceptional Costs

£5.1m +86% from FY20

Adjusted EBITDA % Revenue

9.0% Adjusted EBITDA Margin

Operating Expenses

Operating expenses (comprising Administrative expenses and Selling and Distribution costs) fell by £0.6m to £16.5m (FY21: £17.1m). This reflects an important part of the business model where variable cost elements flex with sales volumes. The business continued to invest in people, skills and IT infrastructure to support increases in capacity, efficiency and deliver future growth.

Finance Expense and Income

Finance expenses fell by £0.9m, FY22: £0.1m (FY21: £0.1m), reflecting the repayment of all term loans in March 2021. The charge in financial statements for FY22 relates solely to the interest charge on right of use assets and the adoption of IFRS 16 for leases. Finance income relates to bank deposit interest received.

Further details are available in note 12 of the financial statements.

Adjusted EBITDA[4]

Adjusted EBITDA fell by £0.8m (11%) to £6.2m in FY22 reflecting an increase investment in new customer acquisition and the more challenging trading conditions. As a percentage of revenue, Adjusted EBITDA was 9.0% (FY21: 9.5%; FY20[3]: 8.5%). These numbers reflect the underlying strength of the business disciplines and model in all trading environments. Adjusted EBITDA is calculated after adding IPO transaction fees showing as exceptional costs in FY22 of £nil (FY21: £3.5m), and share-based payments of £0.1m in FY22 (FY21: £nil).

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 15.

Taxation

The tax charge in the financial statements for FY22 is £0.7m (FY21: £0.9m). This tax charge relates to a usage of the deferred tax asset and will have no cash impact. The Deferred taxes have been measured using the tax rate of 25% (FY21: 19%).

Earnings per Share (EPS)

The Group reported a basic earnings per share of 7.8p, FY21 loss per share of 0.5p. Diluted earnings per share for FY22 of 7.8p and loss per share of 0.5p in FY21. The weighted average number of shares in issue for FY22 was 55.8m (FY21: 50.6m) (see note 14 for more details).

Cash and Working Capital

The Group end of year cash balance for FY22 was £15.1m (FY21: £15.7m). These balances include cash deposits from WineBank customers of FY22 £7.4m (FY21: £7.3m). This cash is not used to fund working capital and is kept in a ring fenced client account separate from Group cash. Net of WineBank customer deposits and the deferred payments the adjusted cash position was FY22 £7.7m (FY21: £8.4m). Operations in FY22 generated £6.3m in cash. The Group has used its strong balance sheet and cash reserves to accelerate investment in capital projects £1m (FY21: £0.2m) and in working capital to de-risk the potential impacts of supply chain disruption. Trade receivables are up £0.5m due to the commercial channel. To offset the impact of ongoing supply uncertainties the Group continued the policy of holding higher inventory levels, up £1.4m from 2 July 2021. The earlier procurement of all key lines to ensure uninterrupted availability and the reversal of accelerated cashflows in Q4 FY21 has resulted in a reduction of Trade and other payables of £2.9m. This strategic deployment of working capital has allowed the Group to avoid any significant supply issues and counter inflationary pressures to gross margins. As supply pressures ease working capital requirements will return to the normal run rate.

The Group is cash generative with no net borrowing and can continue to deploy working capital to achieve future growth plans and manage any downside financial risk. Given the Group's strong balance sheet and cash reserves, the Board is mindful of the importance of effective capital allocation.

3 Comparative numbers for FY19 and FY20 are unaudited.

4 Adjusted EBITDA is EBITDA after adding back exceptional costs and share-based payments.

Principal risks and uncertainties

The Board is ultimately responsible for identifying key risks, appraising the likelihood of occurrence and the potential impact on the business. In so doing the Board continually reviews and evolves the framework for appraising risk and the mitigating actions in place to minimise the impact.

Risk management and internal control framework

Board

The Board has considered market, strategic, financial and operational risks and uncertainties. Review of the Group's risk register is a continual process as well as a regular agenda point for Board meetings throughout the year.

Audit Committee

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

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 Teams

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

1 Changes in consumer preferences and increased competition ◀▶

Potential causes	Potential impact	Mitigating actions
Consumer behaviours and spending habits may change due to a number of factors including lifestyle, health considerations, attitude towards online shopping and the actions of competitors.	Reduce demand for the Group's products and services or increase business complexity and operational costs.	The Group has a robust and resilient business model that evolves in line with consumer feedback and changing trends. We listen to our customers from regular surveys, monitor new initiatives in the drinks sector and the actions of our key competitors.

2 Macroeconomic conditions ▲

Potential causes	Potential impact	Mitigating actions
Worsening economic outlook in the UK and global supply issues driving up inflationary pressures and impacting consumer discretionary spend.	Reduction in consumer spending, higher input costs and disruption to supply chains.	The Board manages credit risk to ensure the Group has adequate resources and liquidity to manage economic shocks beyond our control. The business model allows for a high level of variable and discretionary spend that can be flexed to reflect the underlying economic conditions.

Risk change

▲ Increased ▼ Decreased ◀▶ No change

3 Climate change

Potential causes	Potential impact	Mitigating actions
Wine is an agricultural product and the quality and yield of harvests may be materially impacted. Adverse weather conditions may also interrupt supply chains and order fulfilment.	Limiting access to important products, impacting availability and pushing up costs. Operational disruption reducing customer choice and impacting service levels.	The UK wine market is among the most diverse in the world with popularity for both New World and Old World wines. Our wine sourcing model allows the Group to move between countries and regions to find the highest quality, best value products. Our own initiatives to achieve net zero and work with our supply base to reduce the environmental impact of our operations is a key management focus. Business continuity plans ensure we can manage supply and operational disruption caused by severe weather conditions.

4 Global pandemic

Potential causes	Potential impact	Mitigating actions
The widespread rollout of vaccines has created a new 'living with Covid' approach. There remains the risk of new Covid variants or a new virus.	Staff welfare and public health regulations impacting operations at business units. Supply chain disruptions from the impact of global responses.	The business demonstrated the ability to operate successfully during periods of Covid lockdown by enabling all office based staff to work effectively from home and the adoption of new safe working regimes within the national distribution centres. Business continuity plans will continue to evolve and be tested to ensure the business maintains these capabilities.

5 Foreign exchange exposure

Potential causes	Potential impact	Mitigating actions
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 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.

6 Increases in taxation

Potential causes	Potential impact	Mitigating actions
UK Government proposals to introduce a new alcohol duty regime.	Increase operational complexity and red tape. Pushing up the cost and the RRP of higher ABV wines.	The consultation issued by UK Gov fails to meet their stated objectives to simplify the duty regime and level up the treatment of different alcoholic products. We continue to work with our industry trade body the WSTA to ensure any changes reflect the stated objectives. Changes will impact all wine retailers the same so will not create a competitive disadvantage.

Risk change

Increased Decreased No change

Principal risks and uncertainties continued

7 Government regulations ▲

Potential causes	Potential impact	Mitigating actions
Proposed new regulations subject to consultation, including online sales tax and deposit return schemes.	Increases in operational complexity resulting in higher costs.	The Group will continue to invest in technology and expertise to minimise the impact of extra red tape and support campaigns overseen by the WSTA to ensure new regulations are fair and proportional.

8 Cyber security threats ◀▶

Potential causes	Potential impact	Mitigating actions
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 stakeholder confidence.	Security measures are regularly reviewed and updated to prevent unauthorised access to systems. Focus on staff awareness and the engagement of third party expertise to supplement internal resource.

9 Attraction and retention of key personnel ▲

Potential causes	Potential impact	Mitigating actions
Post Covid challenges attracting new and the retention of existing staff impacting the ability to deliver our strategic plans.	Delay of key projects, shortage of expertise to deliver Group plans and increased personnel costs.	Ensure we continue to offer competitive salary packages including LTIPs for key management. Continue to put staff wellbeing at the centre of everything we do, making Virgin Wines an attractive and rewarding organisation to be part of.

10 Reliance on IT systems ◀▶

Potential causes	Potential impact	Mitigating actions
Failure of critical operational technology.	Reduction or loss of operational capabilities impacting customer service levels or increasing operating costs.	Continued focus on system resilience to minimise the number and severity of incidents. Investment in internal resource and external support to ensure systems are robust and scalable.

Risk change

▲ Increased ▼ Decreased ◀▶ No change

The Strategic Report was approved on behalf of the Board on 26 October 2022.

Graeme Weir

Graeme Weir

Chief Financial Officer

> Accelerated planned investment in growth opportunities in FY22.

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.

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

R

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.

Key

(A) Audit Committee (R) Remuneration Committee ● Chair of Committee

Sophie Tomkins
Non-Executive Director

A R

Sophie is a Non-Executive Director with extensive public markets experience gained through nearly two decades as a London-based stockbroker. She has been involved with a huge range of public markets transactions and is a qualified Chartered Accountant.

Sophie currently sits on the Board of several AIM-listed companies, and a sizeable private company. She is a Non-Executive Director and Audit Committee Chair of Hotel Chocolat Group plc, System1 Group plc and The Snowfox Group, and a member of all three Remuneration Committees.

Helen Jones
Non-Executive Director

A R

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 Caffè 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 at Premier Foods plc. She also serves on the Boards of Whittard Tea and Toast Ale.

Ed Wass
Non-Executive Director

A

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

The business has remained resilient, stable and profitable

John Risman
Chairman

Introduction

I am pleased to report the Group's second set of annual results as a public company, following our admission to AIM in March 2021.

The business has continued to perform well amidst a challenging backdrop. Like many others in the sector, we have faced numerous macroeconomic headwinds, including labour shortages arising from the continued effects of the Covid-19 pandemic, cost inflation and supply chain delays. Despite all of this, the business has remained resilient, stable and profitable.

While it is true that some of the excitement and expectations around the ways in which people use digital has been tempered, with consumer trends constantly ebbing and flowing both in light of Covid and beyond, it is clear that the long-term and underlying, structural growth drivers across the direct-to-consumer wine sector – on which we launched our IPO in early 2021 – remain fundamentally the same. Even post Covid, daily consumer habits have been formed and continue to evolve. For example, flexible working and working from home are here to stay, which means that people are more comfortable receiving deliveries during the day. The benefits of buying wine online – quality, price, range and service – are proven and enduring, and Virgin Wines remains best placed to deliver this for our customers.

FY22 summary

We are pleased to have reported revenues of £69.2m during the year, against a comparison of £73.6m in FY21, which was up 63% on a three-year, pre-Covid basis (FY19[1]: £42.4m). Lockdowns undoubtedly boosted our trade. However, the three-year comparison also shows that we have been able to consistently maintain much of our substantial growth, despite the lifting of restrictions and opening up of hospitality. EBITDA was £6.2m (FY21: £7m), which was up 130% on the same pre-Covid basis. We are very proud of the resilience of our profitability, which is industry-leading.

One of Virgin Wines' key strategic objectives, which we outlined at IPO, is new customer acquisition. The business has delivered on this at levels ahead of expectations, taking a disciplined approach to marketing and keeping cost per recruit low. This has been important in ensuring that the customer base remains loyal, something that the Group has clearly achieved, with subscription membership and demand for the WineBank scheme and Wine Advisor service demonstrably resilient and growing.

The signing of new commercial partnerships is another key priority against which the Group has performed strongly, and where we continue to expand. During the year, we signed significant deals with Great Western Railway, the i newspaper and Priority from O2, among others.

I would like to thank colleagues for their continued hard work and dedication, our customers for their ongoing enthusiasm and loyalty and our partners for their collaboration.

1 Comparative numbers from FY19 are unaudited.

Environment, social & governance

ESG is an important driver of our business. It informs our culture, our strategy and stakeholder engagement. We are committed to operating an ethical, transparent business, delivering value for all stakeholders in line with our long-term growth strategy.

During the year we introduced a number of important environmental initiatives as we make progress towards a net zero strategy.

We have made good progress in setting targets for reducing carbon emissions and are now putting appropriate goals in place for the coming years.

Our people are of the utmost importance to us and we invest in talent, training and wellbeing. We continue to promote diversity and inclusion throughout the Company as this is an essential part of our culture and identity.

Outlook

With the economic prognosis of high inflation squeezing disposable incomes and a worrying geopolitical outlook, the year ahead is likely to be tough for consumers. But Virgin Wines has a great business model, an excellent product offer focused on value for money and a strong balance sheet to leverage future growth.

The Group's strategic and disciplined focus on new customer acquisition is delivering encouraging results and we have numerous exciting new partnerships in the pipeline for 2023 as well as fantastic new products to be launched in both the busy Christmas period and beyond.

Therefore, the Board looks to the future with confidence.

John Risman
Chairman

> **The benefits of buying wine online – quality, price, range and service – are proven and enduring, and Virgin Wines remains best placed to deliver this for our customers.**

Corporate Governance Report

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 shareholders and wider stakeholders.

The Board considers the QCA Code to provide the most appropriate framework of governance for a public company of this size and complexity and supports the QCA Code's principles.

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.

The Board seeks to ensure they 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.

Commitment to providing robust leadership and oversight of the business by setting and monitoring the Company's culture to ensure that behaviours align with the purpose, vision and values. A strong corporate culture is paramount to the vitality and sustainability of the Company. The Board is satisfied that a culture of openness, honesty and integrity pervades the business and complements Virgin Wines' strategic goals.

During the year, there have been no corporate governance challenges nor adverse governance-related matters to report. 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.

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 is focused on delivering our strategy for the benefit of all stakeholders.

Board structure and composition

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.

During this financial year the Board comprised of 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 pages 46 and 47.

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 Group's 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.

The Board has met 11 times in this financial year. 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 twice 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. Maintaining 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.

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

Set out opposite 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.

Further information on our business model and strategy can be found at pages 14 to 17 and our Strategic Report commences on page 18.

2

Seek to understand and meet shareholder needs and expectations

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 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. It also includes information on the Audit Committee and Remunerations Committee terms of references.

Corporate Governance Report continued

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 engages with these stakeholders is through direct dialogue and relies on their feedback through meetings, conversations and formal feedback processes.

The Company is also aware of the impact its business and operations have on the wider community and places great importance on community and social responsibility. 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. The Company has expanded data capture and improved management systems and processes, including the implementation of full emission reporting for both tracking and transparency. Further details can be found in the Sustainability Section on page 28.

4

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

The Board conducts 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 covers all material controls, including financial, operational and compliance controls and risk management systems and incorporates 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 on pages 44 to 46.

The Board has established an Audit Committee, a summary of the terms of which is set out on page 54.

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 will 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 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 pages 54 and 56.

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 page 46.

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 have been held in person where possible, and where this has not been practically possible, via video conference.

During the course of the year, the Board continues 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 advisers, Company Secretary and Chief Financial Officer.

7

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

The Board undertakes 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.

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.

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. This involves ethical sourcing practices, creating a supportive and inclusive workplace, and having a positive impact on our environment. We are working towards a short-term Carbon Neutral goal, alongside a long-term Net Zero goal. Virgin Wines' approach to ethical values within the Group is further set out in the Sustainability Section on page 28.

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 reviews its strategy regularly and is responsible for determining the strategic focus of the Company.

As set out above, the Board met eleven times a year 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 50.

10

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

The Company communicates 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, is regularly updated. The Company's Annual Report and Accounts are located under the 'Documents' section of the website. Notices of the general meetings of the Company will be located under the 'Financial Calendar' section of the website.

The results of voting on all resolutions at general meetings are 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 of the Audit Committee

"FY22 has been a challenging year, but the Audit Committee is pleased with the stability and financial discipline of the Group."

Audit Committee Members

Sophie Tomkins – Chair
Helen Jones
Ed Wass

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 47 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 Auditors 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, System1 Group plc and The Snowfox Group. 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 page 50. During FY22, two formal meetings were held, with additional meetings for planning.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are summarised on page 50 and available on the Group's website (www.virginwinesplc.co.uk).

The work carried out by the Audit Committee during FY22 comprised the following:

- ensuring the financial performance of the Company is being properly measured and reported on;
- review of the FY22 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;
- review of anti-bribery policy and whistleblowing arrangements.

Auditor objectivity, independence, and performance

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 period to 1 July 2022 are disclosed in note 7. Non-audit fees relate primarily to tax matters, and are not significant to PwC as a firm.

The Audit Committee also assesses the auditor's performance. The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit engagement partner; planning and scope of the audit, with identification of particular areas of audit risk; the planned approach and execution of the audit; management of an effective audit process; communications by the auditors with the Committee; how the audit contributes insights and adds value; a review of independence and objectivity of the audit firm; and the quality of the formal audit report to shareholders. Having reviewed the auditor's independence and performance, the Audit Committee recommends that PwC be reappointed as the Group's auditor at the next AGM.

Significant issues considered in relation to the Annual Report and Financial Statements

The Audit Committee considered whether the Financial Statements are fair, balanced and provide the necessary information and disclosures for Shareholders to assess the Group's performance, strategy and business model. The Committee were satisfied the Financial Statements for the period ended 1 July 2022 are fair and achieved these stated objectives.

In so doing the Audit Committee assessed whether suitable accounting policies were adopted and the reasonableness of key estimates and judgement used in the preparation of the Financial Statements. In particular the Audit Committee assessed areas identified as key audit risks including the following:

- the carrying value of goodwill in the Group Financial Statements and judgements on impairment;
- the use of Alternative Performance Measures to provide additional clarity of the Group's financial performance; and
- the impairment assessment of the carrying value of amounts due from Group undertaking and the parent company investment.

Auditor's tenure

PwC were reappointed as auditor following an open tender process in 2021. The audit partner Jonathan Studholme is in the second year of signing off the audit. While there is no immediate plan to re-tender, the Audit Committee will continue to observe best practice for AIM listed companies and make appropriate recommendations to the Board.

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. The Committee supports the Board in its overall responsibility for risk management activities and implementing policies to ensure that risks are evaluated, measured and kept under review by way of appropriate KPIs. Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

The Group will continue to improve and evolve its risk management framework by developing and embedding the necessary capabilities within the organisation to support informed risk taking by the business. Management, together with the Board, periodically review and revise risk appetites setting out risks that should be avoided and those that can offer sustainable and positive returns.

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.

Section 479c Companies Act 2006 Audit exemption

The Group have opted to apply the audit exemption for subsidiary companies available under section 479c of the Companies Act 2006 for the FY22 reporting period.

Sophie Tomkins

Chair, Audit Committee

Remuneration Committee Report

Helen Jones
Chair of the Remuneration Committee

"On behalf of the Board, I am pleased to present the remuneration report for the financial period to 1 July 2022. It sets out our remuneration policy and the detailed remuneration for the Executive and Non-Executive Directors of the Group. The information is unaudited except where stated."

Remuneration Committee Members

Helen Jones – Chair
Sophie Tomkins
John Risman

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.

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 are Helen Jones (as 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 excluded from discussion on their own remuneration packages to ensure there is no possible conflict of interest.

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 met two times during the year and all Remuneration Committee members were in attendance. The Committee 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 Group objectives and shareholder interests;
- create an appropriate balance between fixed and performance related elements and between short term and long term performance;
- ensure variable pay elements are based on appropriate performance criteria;
- promote a high-performance culture;
- support the recruitment, motivation, development and retention of quality people;
- align with the expectations of shareholders; and
- ensure appropriate consideration is given to non-financial and sustainability objectives when setting remuneration packages.

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.

Remuneration Committee Report continued

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 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 Director's Remuneration (audited)

The following table sets out the total remuneration of the Directors who served during the financial period to 1 July 2022.

	2022					2021				
Name	**Basic Salary/Fee**	**Bonus**	**Pension**	**Benefits**	**Total**	Basic Salary/Fee	Bonus	Pension	Benefits	Total
Executive										
Jay Wright	**275,000**	**–**	**20,667**	**6,273**	**301,940**	209,576	–	19,559	3,814	232,949
Graeme Weir	**210,000**	**–**	**10,500**	**7,800**	**228,300**	173,703	–	24,295	4,672	202,670
Non-Executive										
John Risman	**70,000**	**–**	**–**	**–**	**70,000**	47,609	–	–	–	47,609
Edward Wass[2]	**45,000**	**–**	**–**	**–**	**45,000**	37,058	–	–	–	37,058
Helen Jones[1]	**50,000**	**–**	**–**	**–**	**50,000**	16,667	–	–	–	16,667
Sophie Tomkins[1]	**50,000**	**–**	**–**	**–**	**50,000**	16,667	–	–	–	16,667

1 Helen Jones and Sophie Tomkins were appointed to the Board on 11 February 2021 so the comparative fees for 2021 reflect the incomplete year of service.

2 Edward Wass is a Portfolio Partner at Gresham House Asset Management Limited and fees relating to his services on behalf of the Board are paid to Gresham House.

No performance related bonus was payable for FY22. There was no performance bonus in place for the Executive Directors for the FY21 financial period.

Annual Bonus

The FY22 bonus was 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.

Despite outperformance during the year on several key indicators, including an industry-leading EBITDA margin of 9.0%, the outturn against the stretching targets set under the plan resulted in no bonus being awarded and therefore the targets have not been disclosed.

Long-Term Incentive Awards granted during the year

Long term incentive awards were granted to the CEO and CFO on 6 December 2021.

Name	Date of Grant	Performance Criteria	Shares	Exercise Price	Performance Period ending
Jay Wright	06 December 2021	FY24 Revenue and Earnings	134,057	£0.01	30 June 2024
Graeme Weir	06 December 2021	FY24 Revenue and Earnings	102,371	£0.01	30 June 2024

The value at the grant was calculated on the closing share price of £1.795 and each award represented 75% of annual salary. The vesting date for the award is 1 November 2024.

There were no awards to the Executive Directors in the period to 2 July 2021.

Also on 6 December 2021, a second LTIP share award was made to 25 staff with a vesting date of 1 November 2024 with Group revenue and profit performance conditions attached to the majority of the award. For the award to fully vest, the Group would need to outperform market expectations at the grant date. A summary of the staff LTIP awards granted to date is set out below:

Number of staff	Date of Grant	Performance Criteria	Shares	Exercise Price	Performance Period ending
LTP 1 24 Staff	23 June 2021	FY23 Revenue and Earnings	433,288	£0.01	30 June 2023
LTIP 2 25 Staff	06 December 2021	FY23 Revenue and Earnings	980,311	£0.01	30 June 2024

If fully vested, all Staff and Executive awards would total 1,216,739 shares representing 2.18% of the shares in issue at 1 July 2022.

Director's interest in shares

The interest of the Directors as at 1 July 2022 in the shares of the Company were:

Name	Number	% of issued
Jay Wright	**4,631,260**	**8.3%**
Graeme Weir	**3,130,092**	**6%**
John Risman	**1,513,834**	**3%**
Edward Wass	**Nil**	**Nil**
Helen Jones	**Nil**	**Nil**
Sophie Tomkins	**Nil**	**Nil**

As at 1 July 2022 Rapunzel Newco Limited held the shareholding of four VCT funds managed by Gresham House Asset Management. Edward Wass is a Portfolio Partner at Gresham House Asset Management. The total number of shares held by Rapunzel Newco Limited were 20,131,610 representing 36.1% of the shares in issue. In addition to the shareholding of Rapunzel Newco Limited, Gresham House Asset Management held 3,020,304 shares representing 5.4% of shares in issue and taking the total shareholding managed by Gresham House to 41.5%.

Based on the share price at 1 July 2022, the Executive Directors have a shareholding in excess of the 200% of salary shareholding guideline.

Remuneration Committee Report continued

Directors' remuneration for the period commencing 2 July 2022

Executive Directors

There will be no increase in Director salaries for FY23. The salaries for CEO and CFO remain at £275,000 and £210,000 respectively.

The Committee has approved implementation of an annual bonus scheme for Executive Directors for 2023 which will operate as set out in the policy table above. The FY23 bonus will be measured against Group earnings and strategic 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.

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

Effective 2 July 2022, the annual fee payable to John Risman is £72,800. The base fee payable to the other Non-Executives is £46,800, with an additional annual fee of £5,200 payable to Helen Jones and Sophie Tomkins for chairing the Remuneration and Audit Committees.

Helen Jones

Chair of the Remuneration Committee

Directors' Report

for the period ended 1 July 2022

The Directors present their report and audited consolidated and Company financial statements for the period ended 1 July 2022.

Business review and future developments

A review of Group performance during the period including key performance indicators, business risks and comments on future developments is given in the Chairman's Statement on page 48 and the Strategic Report on pages 2 to 45.

Results and dividends

The Group has reported its consolidated financial statements and Company accounts in accordance with UK-adopted international accounting standards and the Companies Act 2006.

The Group's revenue in the period was £69.2m (2021: £73.6m) and profit after tax of £4.4m (2021: £0.7m).

The Board is not recommending a final dividend for the period (2021: nil).

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 period and up to the date of approving the Group financial statements were:

Executive

Jay Wright
Graeme Weir

Non-Executive

John Risman
Helen Jones
Sophie Tomkins
Ed Wass

The Directors who held office during the period 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 period (2021: £nil).

Share capital and voting

As at 1 July 2022 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 the general meeting.

Significant shareholdings

As at 23 August 2022, 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%
Otus Capital Management	4,850,610	8.7%
Jay Wright	4,631,260	8.3%
Graeme Weir	3,130,092	5.6%
Gresham House Asset Management[1]	3,020,304	5.4%
Unicorn Asset Management	2,288,834	4.1%
Liontrust Asset Management	2,219,522	4.0%
AXA Framlington Investment Manager	1,933,217	3.5%
Premier Miton Investors	1,873,446	3.4%

1 Gresham House Asset Management manages the shareholding of Rapunzel Newco Limited (36.1%) in addition to their shareholding of 5.4%.

Directors' Report continued

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. Second awards under the Group's Long Term Incentive Plan were made on 6 December 2021 to 25 senior staff.

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 46 to 63 of the report.

Statement of Engagement with stakeholders

Developing our stakeholder relationships is central to our culture and values. We believe in fostering positive relationships with our employees, suppliers, customers and shareholders. Further information on how we engage with our strategic partners are included in our Strategy Report on page 2 to 45 and also in our Section 172 statement on pages 36 to 39.

Streamlined Energy and Carbon Reporting (SECR)

The Group is committed to understanding the impact of our business on the environment and taking all reasonable steps to eliminate or reduce any harms caused by our economic activity. Our SECR reporting is included on pages 28 to 35 of this 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 period 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. The Group has no external borrowings and is not subject to any covenant measures.

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 24 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, in IT systems to improve customer experience and grow the Commercial Division.

Notice of Annual General Meeting (AGM)

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. It is the opinion of the Directors that the passing of AGM resolutions is in the best interest of all 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 26 October 2022.

Graeme Weir

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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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 26 October 2022.

Graeme Weir

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 1 July 2022 and of the group's profit and the group's cash flows for the period from 2 July 2021 to 1 July 2022;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 1 July 2022; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and 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

Overview

Audit scope

- The Group consists of three reporting components, which are its legal entities, all incorporated and operating within the UK. The Group financial statements are a consolidation of these three reporting 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.
- One further component, Virgin Wines UK plc, was also subject to audit procedures over accruals and administrative expenses due to their contribution to the Group. The remaining component, Virgin Wines Holding Company Limited, was deemed inconsequential to the Group.
- As a result of this scoping we obtained coverage over 100% of Group revenue and 99% of Group profit before tax.

Key audit matters

- Goodwill impairment assessment (group)
- Impairment assessment for investments in subsidiaries and amounts due from Group undertakings (parent)

Materiality

- Overall group materiality: £254,900 (2021: £260,000) based on 5% of profit before tax (2021: profit before tax and exceptional items). Overall company materiality: £94,920 (2021: £92,690) based on 1% of net assets.
- Performance materiality: £191,000 (2021: £195,000) (group) and £71,190 (2021: £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.

Goodwill impairment assessment (groupand Impairment assessment for investments in subsidiaries and amounts due from Group undertakings (parent) are new key audit matters this year. Impact of the Initial Public Offering ("IPO") (group and parent), which was a key audit matter last year, is no longer included because the IPO transaction was a one-off event in the previous year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (group)	
Refer to page 81 (Judgements in applying accounting policies and key sources of estimation uncertainty) and note 15. The Group holds goodwill of £9,623,000 (2021: £9,623,000). As required by UK-adopted international accounting standards, specifically IAS 36 'Impairment of assets', it is the responsibility of the directors to test goodwill for impairment at least annually, or more frequently if there are indicators of impairment. The Group has only one cash-generating unit ("CGU") which is Virgin Wine Online Limited. In performing their impairment assessment, the directors determine the recoverable amount of the CGU by estimating its value in use, using a discounted cash flow model based on the Board-approved budget. The model incorporates a number of assumptions, for example, revenue growth, earnings before interest, tax, depreciation and amortisation ("EBITDA") growth, the terminal growth rate and the discount rate.	Our work over management's goodwill impairment assessment included the following substantive procedures: • We evaluated the discounted cash flow model prepared by the directors, checking the relevant inputs to supporting documentation and challenging management on key assumptions within the calculations. Our challenge included assessing whether management had considered consumer trends and any associated climate change considerations within their model; • We obtained an external specialist report that management used for the discount rate and using our own valuation specialist, we challenged a number of the key inputs in the report and concluded that the methodologies adopted by the specialist in forming the valuation were consistent with industry practice and the discount rate used was within our acceptable range; • We recalculated management's own sensitivity analysis of key assumptions used in the value in use assessment and also challenged the appropriateness of management's sensitivity analysis. We also performed our own independent breakeven analysis on the discount rate to establish the point where an impairment existed; • We assessed the accuracy of management's historic forecasts against actual financial results to assess the reasonableness of growth assumptions used in the forecast; • We considered publicly available information and considered whether there were any views contrary to those of management; and • We checked the goodwill disclosures made in the financial statements back to supporting documentation. Based on our work performed, we concluded that no impairment was necessary to the carrying value of goodwill, and that appropriate disclosures have been made in the financial statements.

Independent auditors' report continued

Our audit approach continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for investments in subsidiaries and amounts due from Group undertakings (parent)	
Refer to page 81 (Judgements in applying accounting policies and key sources of estimation uncertainty) and note 5 to the company financial statements. The Company has amounts due from Group undertakings of £9,463,000 (2021: £9,498,000) which are unsecured, interest free and repayable on demand. The carrying amount of these intercompany loans is assessed for impairment in accordance with UK-adopted international accounting standards, specifically the IFRS 9 expected credit losses ("ECL") model. The directors have applied the ECL model to determine if any provision to reduce the carrying amount of these loans is required. For intercompany loans that are repayable on demand, the expected credit loss is based on the assumption that repayment of the loans is demanded at the reporting date. The directors have determined that the borrower has insufficient highly liquid resources at the reporting date, therefore the directors have considered the expected manner of recovery and recovery period of the intercompany loans (the Company's 'recovery scenarios'). The Company's recovery strategy would require the settlement via dividend distribution by Virgin Wine Online Limited. Considering a number of factors, the directors determined that the ECL impairment is inconsequential to the financial statements. The Company has an investment balance of £774,000 (2021: £679,000). The existence of impairment indicators was first considered. The carrying amount of the investment was also assessed for impairment in accordance with IAS 36, after amounts due from Group undertakings, using the same impairment model as for the Group's goodwill, as described above. In performing their impairment assessment, the directors determine the recoverable amount of the investment by estimating its value in use, using a discounted cash flow model based on the Board-approved budget. The model incorporates a number of assumptions, for example, revenue growth, earnings before interest, tax, depreciation and amortisation ("EBITDA") growth, the terminal growth rate and the discount rate.	Our work over management's impairment assessment relating to the Company's investment in subsidiaries and amounts due from Group undertakings included the following substantive procedures: • We evaluated management's recovery scenarios of the amounts due from Group undertakings, checking the relevant inputs to supporting documentation and challenging management on key assumptions within the calculations; • We checked that management's assessment of impairment for both balances used consistent assumptions of future cash flows as those used for the Group goodwill impairment assessment. Our procedures over these future cash flows are described in the separate Key Audit Matter above; and • We checked the disclosures made in the financial statements back to supporting documentation. Based on our work performed, we concluded that no impairment of investments in subsidiaries or amounts due from Group undertakings was necessary.

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.

One further component, Virgin Wines UK plc, was also subject to audit procedures over accruals and administrative expenses due to their contribution to the Group. The remaining component, Virgin Wines Holding Company Limited, was deemed inconsequential to the Group.

We also audited material consolidation journals. All audit work over the two in-scope 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.

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	£254,900 (2021: £260,000).	£94,920 (2021: £92,690).
How we determined it	5% of profit before tax (2021: profit before tax and exceptional items)	1% of net assets
Rationale for benchmark applied	Profit before tax is considered to be a key metric used to assess the performance of the Group, and is a generally accepted auditing benchmark.	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 £223,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2021: 75%) of overall materiality, amounting to £191,000 (2021: £195,000) for the group financial statements and £71,190 (2021: £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 £12,700 (group audit) (2021: £13,000) and £4,746 (company audit) (2021: £4,635) 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 climate change; 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 December 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; and
- considering the adequacy of the disclosures in the financial statements.

Independent auditors' report continued

Conclusions relating to going concern continued

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 period ended 1 July 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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, 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; and
- 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.

Jonathan Studholme

Jonathan Studholme

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

26 October 2022

Consolidated Statement of Comprehensive Income

for the 52 week period ended 1 July 2022

	Note	**1 July 2022 £'000**	2 July 2021 £'000
Revenue	5	**69,152**	73,634
Cost of sales		**(47,429)**	(50,353)
Gross profit		**21,723**	23,281
Administrative expenses before exceptional items		**(4,356)**	(5,381)
Exceptional items	6	**–**	(3,512)
Administrative expenses		**(4,356)**	(8,893)
Selling and distribution costs		**(12,166)**	(11,752)
Operating profit	7	**5,201**	2,636
Finance income	11	**31**	5
Finance costs	12	**(134)**	(963)
Profit before taxation		**5,098**	1,678
Taxation	13	**(747)**	(933)
Profit for the financial period and total comprehensive income		**4,351**	745
Basic and diluted earnings/(loss) per share (pence)	14	**7.8**	(0.5)

The results for the periods 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.

Consolidated Statement of Financial Position

as at 1 July 2022

Company number 13169238	Note	1 July 2022 £'000	2 July 2021 £'000
ASSETS			
Non-current assets			
Intangible assets	15	**11,113**	10,842
Property, plant and equipment	16	**400**	163
Right of use assets	17	**3,262**	2,867
Deferred tax asset	18	**428**	1,100
Total non-current assets		**15,203**	14,972
Current assets			
Inventories	19	**8,653**	7,239
Trade and other receivables	20	**2,477**	1,552
Derivative financial instruments	24	**16**	–
Cash and cash equivalents	21	**15,070**	15,660
Total current assets		**26,216**	24,451
Total assets		**41,419**	39,423
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	22	**(15,451)**	(18,314)
Derivative financial instruments	24	**–**	(5)
Lease liability	17	**(456)**	(489)
Total current liabilities		**(15,907)**	(18,808)
Non-current liabilities			
Provisions	23	**(290)**	(275)
Lease liability	17	**(3,149)**	(2,713)
Total non-current liabilities		**(3,439)**	(2,988)
Total liabilities		**(19,346)**	(21,796)
Net assets		**22,073**	17,627
Equity			
Share capital	25	**558**	558
Share premium		**11,989**	11,989
Own share reserve		**(36)**	(36)
Merger reserve		**65**	65
Share-based payment reserve		**95**	–
Retained earnings		**9,402**	5,051
Total equity		**22,073**	17,627

The financial statements on pages 70 to 97 were approved by the Board of Directors and authorised for issue on 26 October 2022. They were signed on its behalf by:

Graeme Weir

Graeme Weir

Chief Financial Officer

26 October 2022

The notes on pages 74 to 97 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the 52 week period ended 1 July 2022

	Called up share capital £'000	Share premium £'000	Own share reserve £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total Shareholders' funds £'000
4 July 2020	477	31	(36)	–	–	5,665	6,137
Profit for the financial period	–	–	–	–	–	745	745
Total comprehensive income for the period	–	–	–	–	–	745	745
Group restructuring	(477)	(31)	–	–	–	–	(508)
Issue of shares	559	12,967	–	65	–	–	13,591
Share issue costs	–	(978)	–	–	–	–	(978)
Purchase of own shares	(1)	–	–	–	–	–	(1)
Dividends paid	–	–	–	–	–	(1,359)	(1,359)
Total transactions with owners recognised in equity	81	11,958	–	65	–	(1,359)	10,745
2 July 2021	558	11,989	(36)	65	–	5,051	17,627
3 July 2021	**558**	**11,989**	**(36)**	**65**	**–**	**5,051**	**17,627**
Profit for the financial period	**–**	**–**	**–**	**–**	**–**	**4,351**	**4,351**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**4,351**	**4,351**
Share-based payments (Note 10)	**–**	**–**	**–**	**–**	**95**	**–**	**95**
Total transactions with owners recognised in equity	**–**	**–**	**–**	**–**	**95**	**–**	**95**
1 July 2022	**558**	**11,989**	**(36)**	**65**	**95**	**9,402**	**22,073**

The notes on pages 74 to 97 form part of these financial statements.

Consolidated Statement of Cash Flows

for the 52 week period ended 1 July 2022

	Note	**1 July 2022 £'000**	2 July 2021 £'000
Cash flows from operating activities			
Profit before taxation		**5,098**	1,678
Adjustments for:			
Depreciation and amortisation	7	**963**	832
Share-based payment expense	10	**95**	–
Net finance costs	11, 12	**103**	958
(Increase)/decrease in trade and other receivables		**(941)**	969
Increase in inventories		**(1,414)**	(2,243)
Decrease in trade and other payables		**(2,928)**	(3,567)
Net cash generated from/(used in) operating activities		**976**	(1,373)
Cash flows from investing activities			
Interest received	11	**31**	5
Purchase of intangible and tangible fixed assets	15, 16	**(969)**	(242)
Net cash used in investing activities		**(938)**	(237)
Cash flows from financing activities			
Dividend paid		**–**	(1,359)
Interest on loans and borrowings		**–**	(953)
Repayment of borrowings		**–**	(11,986)
Share issue		**–**	12,104
Payment of lease liabilities	17	**(494)**	(305)
Payment of lease interest	12	**(134)**	(135)
Net cash used in financing activities		**(628)**	(2,634)
Net (decrease)/increase in cash and cash equivalents		**(590)**	(4,244)
Cash and cash equivalents at beginning of period		**15,660**	19,904
Cash and cash equivalents at end of period		**15,070**	15,660
Cash and cash equivalents comprise:			
Cash at bank and in hand		**15,070**	15,660

The notes on pages 74 to 97 form part of these financial statements.

Notes Forming Part of the Financial Statements

for the 52 week period ended 1 July 2022

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

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in the Group financial statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards.

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 adopted an accounting period of 52 weeks, and as a result of this, the exact year-end was 1 July 2022 (2021: 2 July 2021).

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 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9, as amended in June 2020 – effective for the year ending 30 June 2024
- 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 24.

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. 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.

2 Accounting policies continued

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.

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.

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 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 financial statements 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 estimate 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.

2 Accounting policies continued

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.

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 re-categorised 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 five to ten 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.

Notes Forming Part of the Financial Statements continued

2 Accounting policies continued

Leases continued

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 payment 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.

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 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.

2 Accounting policies continued

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 transactions 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.

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 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

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.

Notes Forming Part of the Financial Statements continued

2 Accounting policies continued

Exceptional items

The Group presents certain items as 'exceptional' on the Statement of Comprehensive Income in arriving at operating profit. These are items which in management's judgement need to be disclosed separately by virtue of their size, nature and occurrence.

Employee benefits

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

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 Group has discretion to recover the employer's National Insurance liability from the employee. For the current active schemes the Group has chosen to do so.

Merger reserve

The merger reserve was created during the prior period as a result of the share for share exchange under which Virgin Wines UK plc became the Parent undertaking prior to the IPO. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

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 key judgements:

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.

Assessment of carrying values of plc company investments and amounts due from Group undertakings

In relation to the plc company's investments in subsidiaries, the Directors are required to assess whether there are any indicators of impairment at each reporting date. All relevant potential indicators are considered, including the performance of the underlying trading subsidiary and the results of the Group's impairment assessment performed as at the same date as described above. The Directors exercise their judgement in determining whether any such indicators exist. Where an indicator of impairment is identified in relation to the company's investments or intercompany receivable balances, a full impairment review is performed. The Directors performed their assessment and concluded that no impairment indicators existed at 1 July 2022 and, as such, a full impairment review over the company's investments in subsidiaries and intercompany receivables was not performed.

In relation to the amounts due from Group undertakings, the Directors are required to assess their carrying amount for any impairment using the expected credit losses ("ECL") model. As set out in note 5 to the company financial statements, the amounts owed by Group undertakings are unsecured, interest free and repayable on demand. Consistent with the ECL model, the Directors have assessed the carrying amount for impairment on the assumption that repayment of the amounts were demanded at the reporting date. The Directors, having determined that the borrower had insufficient highly liquid resources at the reporting date, considered the expected manner of recovery and recovery period of these loans (the company's 'recovery scenarios'). The Directors determined that the only non-trivial recovery scenario would be realised by way of a dividend distribution by the Group's trading subsidiary, Virgin Wine Online Limited. The Directors, amongst other factors, considered the ability and intent of the subsidiary to make such a distribution if required, and ultimately determined that any reduction in the carrying amount of these receivables would be inconsequential to the company's financial statements. On that basis, no ECL provision has been recognised.

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.

The level of aggregation of results reported to and assessed by the CODM supports that there are not operating segments smaller than the business as a whole, 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 regards 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 having similar recognition policies and whilst the Group provides services, Management do not believe such 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 (2021: no customers).

Notes Forming Part of the Financial Statements continued

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):

	1 July 2022 £'000	2 July 2021 £'000
Inventory charged to cost of sales	**43,060**	45,616
Depreciation (note 16)	**139**	91
Depreciation of right of use asset (note 17)	**502**	447
Employee benefit expenses	**7,660**	7,534
Net exchange gains (including movements on fair value through profit and loss derivatives)	**(33)**	(125)
Movement in inventory provision	**38**	118
Intangible asset amortisation (note 15)	**322**	294
Auditors' remuneration:		
– for the audit of the group financial statements	**187**	110
– for the audit of the subsidiary financial statements	**–**	65
– non audit fees (tax compliance services)	**11**	10
– non audit fees (tax advice)	**–**	59

8 Staff costs

	1 July 2022 £'000	2 July 2021 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	**6,477**	6,502
Social security costs	**707**	645
Other pension costs	**476**	387
	7,660	7,534

The amount recognised in the Consolidated Statement of Comprehensive Income as an expense in relation to the Group's defined contribution schemes is £476,000 (2021: £387,000).

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

By function	**1 July 2022 Number**	2 July 2021 Number
Sales	**164**	155
Management and administrative	**36**	32
	200	187

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

9 Key management personnel

	1 July 2022 £'000	2 July 2021 £'000
Short term employee benefits	**669**	510
Post employment benefits	**31**	44
	700	554

During the period, retirement benefits were accruing to 2 Directors (2021: 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.

Additional analysis can be found in the Remuneration Committee report.

10 Share-based payments

In the 52 week period ended 1 July 2022 the Group operated an equity-settled share-based payment plan as described below.

The charge in the period attributed to the plan was £89,000 (2021: £6,000).

Under the Virgin Wines UK plc Long-Term Incentive Plan, the Group gives awards to Directors and senior staff. Performance share awards (PSA) are granted subject to the achievement of a pre-agreed revenue and net profit figure for the financial year of the Group, three financial years subsequent to the date of the award. Restricted share awards (RSA) are subject to underpin conditions also based on pre-agreed revenue and net profit targets 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'.

	December 2021 Awards		June 2021 Awards	
	PSA	**RSA**	PSA	RSA
Share price at grant	**193p**	**193p**	237p	237p
Number of shares	**696,393**	**87,058**	355,804	77,484

	Number of Shares 1 July 2022	Number of Shares 2 July 2021
Outstanding at start of period	**433,288**	–
Granted during the period	**783,451**	433,288
Forfeitures in the period	**(12,522)**	–
Outstanding at end of period	**1,204,217**	433,288

The Company granted its first share options on 23 June 2021. The second share options were granted on 6 December 2021.

The awards outstanding at 1 July 2022 have a weighted average remaining contractual life of 2.0 years (2021: 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

	1 July 2022 £'000	2 July 2021 £'000
Bank interest	**31**	5

Notes Forming Part of the Financial Statements continued

12 Finance costs

	1 July 2022 £'000	2 July 2021 £'000
Investor loans	–	828
Interest payable for lease liabilities	134	135
	134	963

13 Taxation

	1 July 2022 £'000	2 July 2021 £'000
Analysis of charge for the period		
Current tax		
Total current tax	75	–
Deferred tax		
Origination and reversal of timing differences	857	933
Adjustment in respect of prior period	(82)	–
Effect of changes in tax rates	(103)	–
Total deferred tax	672	933
Tax charge on profit on ordinary activities	747	933

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.

Deferred taxes at the balance sheet date have therefore been measured using the effective tax rate (25%).

The tax assessed for the period is lower (2021: higher) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	1 July 2022 £'000	2 July 2021 £'000
Profit before tax	5,098	1,678
Profit before tax at the standard rate of corporation tax in the UK of 19% (year ended 2 July 2021 – 19%)	969	319
Effects of:		
Expenses not deductible for tax purposes	–	667
Tax rate change	(103)	–
Adjustment in respect of prior period	(82)	–
Other permanent differences	(37)	(53)
Total tax charge for the period	747	933

For further information on deferred tax balances see note 18.

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 period.

The calculation of basic profit per share is based on the following data:

Statutory EPS

	1 July 2022	2 July 2021
Earnings (£'000)		
Profit after tax	**4,351**	745
Dividend attributed to preference shareholders	**–**	(1,006)
Earnings/(loss) for the purpose of basic earnings per share	**4,351**	(261)
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**55,837,560**	50,634,884
Weighted average number of shares for the purposes of diluted earnings per share	**55,945,374**	50,643,194
Basic earnings/(loss) per ordinary share (pence)	**7.8**	(0.5)
Diluted earnings/(loss) per ordinary share (pence)	**7.8**	(0.5)

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 restructuring finance costs, all net of taxation, and are considered to show the underlying performance of the Group.

The 2021 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 4 July 2020 and the prior period metric has been restated to ensure that the adjusted earnings per share figures are comparable over the two periods.

	1 July 2022	2 July 2021
Earnings (£'000)		
Earnings/(loss) for the purpose of basic earnings per share	**4,351**	(261)
Preference dividend	**–**	1,006
Exceptional items	**–**	3,512
Private equity finance cost	**–**	963
Tax effect of above	**–**	(183)
Earnings for the purpose of adjusted earnings per share	**4,351**	5,037
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**55,837,560**	55,837,560
Weighted average number of shares for the purposes of diluted earnings per share	**55,945,374**	55,845,869
Basic earnings per ordinary share (pence)	**7.8**	9.0
Diluted earnings per ordinary share (pence)	**7.8**	9.0

Notes Forming Part of the Financial Statements continued

15 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 4 July 2020	9,623	2,085	11,708
Additions	–	103	103
At 2 July 2021	9,623	2,188	11,811
Additions	–	593	593
1 July 2022	**9,623**	**2,781**	**12,404**
Accumulated amortisation and impairment			
At 4 July 2020	–	675	675
Amortisation charge	–	294	294
At 2 July 2021	–	969	969
Amortisation charge	–	322	322
1 July 2022	**–**	**1,291**	**1,291**
Net book value			
1 July 2022	**9,623**	**1,490**	**11,113**
2 July 2021	9,623	1,219	10,842

Included within Software is £0.6m (2021: £0.8m) net book value in relation to development of the Mantiki core IT platform, which has a remaining amortisation period of three (2021: 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 cashflow model which adjusts for risks associated with the assets. The discount rate applied is a pre-tax rate of 11.5% (2021: 9.1%).

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 discounting cashflow were the sales and EBITDA figures (based on board approved plans), the future growth rate (including 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.

16 Property, plant and equipment

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 4 July 2020	20	549	233	802
Additions	–	95	44	139
Disposals	–	(13)	–	(13)
At 2 July 2021	20	631	277	928
Additions	–	268	108	376
At 1 July 2022	**20**	**899**	**385**	**1,304**
Accumulated depreciation				
At 4 July 2020	20	460	206	686
Charge for the period	–	68	23	91
Disposals	–	(12)	–	(12)
At 2 July 2021	20	516	229	765
Charge for the period	–	96	43	139
At 1 July 2022	**20**	**612**	**272**	**904**
Net book value				
At 1 July 2022	**–**	**287**	**113**	**400**
At 2 July 2021	–	115	48	163

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.

On 14 June 2022 the Group extended the lease on its offices in Norwich to 24 September 2032. The lease has a break clause on 24 September 2026 and on the 24 September 2030.

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 in 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.

Notes Forming Part of the Financial Statements continued

17 Right of use assets continued

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

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
Cost			
At 4 July 2020	2,423	95	2,518
Additions	1,779	35	1,814
Disposals	–	(26)	(26)
At 2 July 2021	4,202	104	4,306
Additions	858	39	897
At 1 July 2022	**5,060**	**143**	**5,203**
Accumulated depreciation			
At 4 July 2020	983	35	1,018
Charge for the period	432	15	447
Disposals	–	(26)	(26)
At 2 July 2021	1,415	24	1,439
Charge for the period	476	26	502
At 1 July 2022	**1,891**	**50**	**1,941**
Net book value			
At 1 July 2022	**3,169**	**93**	**3,262**
At 2 July 2021	2,787	80	2,867

Lease liability

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
At 4 July 2020	1,630	61	1,691
Additions	1,779	35	1,814
Interest expense	132	3	135
Lease payments	(421)	(17)	(438)
At 3 July 2021	3,120	82	3,202
Additions	858	39	897
Interest expense	130	4	134
Lease payments	(599)	(29)	(628)
At 1 July 2022	**3,509**	**96**	**3,605**

18 Deferred tax

	1 July 2022 £'000	2 July 2021 £'000
Brought forward	**1,100**	2,033
Utilisation though Profit and loss account	**(672)**	(933)
Carried forward	**428**	1,100

The balance comprises temporary differences attributable to:

	Fixed asset differences £'000	Other timing differences £'000	Tax losses £'000	Total £'000
Deferred tax asset at 4 July 2020	703	11	1,319	2,033
Recognised in the period through profit and loss	(110)	4	(827)	(933)
Deferred tax asset at 3 July 2021	593	15	492	1,100
Recognised in the period through profit and loss	(175)	(5)	(492)	(672)
Deferred tax asset at 1 July 2022	**418**	**10**	**–**	**428**

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 £0.9m (2021: £0.7m).

The deferred tax asset is expected to be utilised in more than one year. Deferred tax is calculated based on the expected tax rate in force when the timing differences reverse of 25% (2021: 19%).

19 Inventories

	1 July 2022 £'000	2 July 2021 £'000
Finished goods for resale	**8,653**	7,239

There is no difference between the replacement cost of stocks and carrying value (2 July 2021: £nil).

Inventories are stated after provision for impairment of £293,000 (2021: £255,000).

20 Trade and other receivables

	1 July 2022 £'000	2 July 2021 £'000
Amounts falling due within one year:		
Gross carrying amount – trade receivables	**946**	458
Loss allowance	**(13)**	(13)
Net carrying amount – trade receivables	**933**	445
Taxation and social security	**–**	90
Prepayments	**1,331**	1,017
Other receivables	**213**	–
	2,477	1,552

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 aging. 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 three years prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Notes Forming Part of the Financial Statements continued

20 Trade and other receivables continued

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

At 1 July 2022 there were 3 (2 July 2021: 4) 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.

Other receivables relate to uncleared sales receipts from customers, processed in the normal course of business.

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

	1 July 2022			2 July 2021		
	Gross £'000	**Provision £'000**	**Net £'000**	Gross £'000	Provision £'000	Net £'000
Trade receivables and other debtors						
Not yet due	**823**	**–**	**823**	442	–	442
Overdue	**123**	**(13)**	**110**	16	(13)	3
	946	**(13)**	**933**	458	(13)	445

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

	1 July 2022 £'000	2 July 2021 £'000
Opening provision for impairment of trade receivables and contract assets	**13**	47
Receivables written off during the period as irrecoverable	**–**	(47)
Increase during the period	**–**	13
Carried forward	**13**	13

21 Cash and cash equivalents

Included in Cash and cash equivalents is a balance of £7.4m (2021: £7.3m) 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 1.45% (2021: £2.0m at 0.45%).

22 Trade and other payables

	1 July 2022 £'000	2 July 2021 £'000
Trade payables	**2,810**	4,174
Taxation and social security	**2,928**	2,594
Contract liabilities	**7,736**	8,168
Accruals and other creditors	**1,976**	3,378
	15,450	18,314

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

23 Provisions

Leasehold dilapidation provision

	1 July 2022 £'000	2 July 2021 £'000
Brought forward	**275**	238
Charged in income statement	**15**	37
Carried forward	**290**	275

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'. 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:

	1 July 2022 £'000	2 July 2021 £'000
2–5 years	**248**	–
Over 5 years	**42**	275
	290	275

24 Financial instruments 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 to the following financial risks:

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

Notes Forming Part of the Financial Statements continued

24 Financial instruments and financial risk management continued

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

	1 July 2022 £'000	2 July 2021 £'000
Trade and other receivables	**1,146**	445
Cash and cash equivalents	**15,070**	15,660
Financial assets measured at amortised cost	**16,216**	16,105
Derivative financial assets measured at fair value through profit or loss	**16**	–
Financial assets measured at fair value through profit and loss	**16**	–
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	**(4,787)**	(7,552)
Lease liabilities	**(3,605)**	(3,202)
Financial liabilities measured at amortised cost	**(8,392)**	(10,754)

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

Financial assets measured at fair value through profit and loss represent the Group'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:

	1 July 2022 £'000	2 July 2021 £'000
Financial assets measured at amortised cost	**16,216**	16,105
Financial assets measured at fair value through profit and loss	**16**	–

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 Groups 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.

Details of the trade receivables impairment policy can be found in note 20.

24 Financial instruments 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 as at 1 July 2022:

	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	**4,786**	**4,786**	**4,786**	**–**	**–**
Lease liabilities	**3,605**	**4,384**	**629**	**2,284**	**1,471**
	8,391	**9,170**	**5,415**	**2,284**	**1,471**
Derivative financial assets:					
Foreign currency forwards					
(Inflow)		**(1,463)**	**(1,463)**	**–**	**–**
Outflow		**1,447**	**1,447**	**–**	**–**
	(16)	**(16)**	**(16)**	**–**	**–**
	8,375	**9,154**	**5,399**	**2,284**	**1,471**

Contractual maturities of financial liabilities as at 2 July 2021 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	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

Notes Forming Part of the Financial Statements continued

24 Financial instruments and financial risk management continued

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 1 July 2022, the outstanding contracts all mature within 6 months (2021: 6 months) of the period end. The Group is committed to buy Euro, Australian Dollars and US Dollars (2021: Euro, Australian Dollars and US Dollars) with a Sterling value of £1.4m (2021: £5.1m).

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.

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

	1 July 2022 £'000	2 July 2021 £'000
AUS	**197**	15
EUR	**–**	1,493
USD	**140**	56
Total	**337**	1,564

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.

	1 July 2022 £'000	2 July 2021 £'000
Loss on 10% strengthening of functional currency	**(103)**	(320)
Gain on 10% weakening of functional currency	**126**	391

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.

	1 July 2022 £'000	2 July 2021 £'000
Net cash	**11,465**	12,458
Equity	**22,073**	17,627

25 Share capital

	1 July 2022 £'000	2 July 2021 £'000
Authorised, Allotted, called up and fully paid		
55,837,560 (2021: 55,837,560) Ordinary Shares of £0.01 each	**558**	558

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.

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 (2021: 3,660,100) Ordinary Shares of £0.01 are held within the Group by the Employee Benefit Trust.

The Directors have not approved an interim dividend and do not recommend the payment of a final dividend (2021: interim £1.36m).

26 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.

	4 July 2020 £'000	New Leases £'000	Other non-cash changes £'000	Cash flow £'000	2 July 2021 £'000
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

Decrease in cash in the period	(4,244)
New leases	(1,816)
Lease interest	(135)
Amortisation of capitalised deal fees	(10)
Lease payments	440
Repayment of loan notes	11,986
Movement in net cash in the period	6,221
Net cash at 3 July 2020	6,237
At 2 July 2021	12,458

Notes Forming Part of the Financial Statements continued

26 Analysis and reconciliation of net cash continued

	3 July 2021 £'000	New Leases £'000	Other non-cash changes £'000	Cash flow £'000	1 July 2022 £'000
Cash at bank and in hand	15,660	–	–	(590)	15,070
Lease liabilities	(3,202)	(897)	(134)	628	(3,605)
Net cash	12,458	(897)	(134)	38	11,465

Decrease in cash in the period	(590)
New Leases	(897)
Lease interest	(134)
Lease payments	628
Movement in net cash in the period	(993)
Net cash at 2 July 2021	12,458
At 1 July 2022	11,465

27 Related party disclosures

During the period ended 1 July 2022, sales of £618,367 (2021: £324,122) were made 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 no intercompany dividend in the period ended 1 July 2022 from Virgin Wine Online Limited (2021: £1,654,239).

Details of remuneration of key management personnel can be found in note 8.

As part of the Group restructuring 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. Interest of £538,238 was charged in the period ended 2 July 2021.

Connection Capital LLP £3,390,479 repaid. Interest of £250,338 was charged in the period ended 2 July 2021.

Management team £395,871 repaid. Interest of £29,229 was charged in the period ended 2 July 2021.

During the period the Group paid £41,397 (2021: £37,058) in monitoring fees and expenses to Gresham House Asset Management Limited (formerly Mobeus Equity Partners LLP) and £nil (2021: £19,688) to Connection Capital LLP. At 1 July 2022 £4,500 (2021: £4,500) was due to Gresham House Asset management Limited.

During the period sales of £1,221 (2021: £6,511) were made to Mobeus Equity Partners LLP and sales of £3,242 (2021: £2,173) were made to Connection Capital LLP. At 1 July £852 (2021: £164) was due from Connection Capital LLP.

During the period sales of £20,499 (2021: £15,904) were made to LKB Enterprises Limited. At 1 July 2022 £3,440 (2021: £4,076) remaining outstanding from LKB Enterprises Limited.

28 Ultimate parent undertaking

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

29 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.

30 Capital commitments and contingent liabilities

The Group has entered into an agreement for £0.3m for the new warehouse management system until 31 December 2024. There are no other capital commitments and no contingent liabilities not provided in the financial statements for the period ended and as at 1 July 2022.

31 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 Benefits Trust).

Merger reserve

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

Share-based payment reserve

The movements on share-based payments.

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 1 July 2022

	Note	1 July 2022 £'000	2 July 2021 £'000
ASSETS			
Non-current assets			
Investment	3	**774**	679
Intangible assets	4	**11**	14
Total non-current assets		**785**	693
Current assets			
Trade and other receivables	5	**9,479**	9,537
Total current assets		**9,479**	9,537
Total assets		**10,264**	10,230
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	**(772)**	(961)
Total current liabilities		**(772)**	(961)
Total liabilities		**(772)**	(961)
Net assets		**9,492**	9,269
Equity			
Share capital	7	**558**	558
Share premium		**11,989**	11,989
Merger reserve		**236**	236
Share-based payment reserve		**95**	–
Retained earnings		**(3,386)**	(3,514)
Total equity		**9,492**	9,269

As permitted by section 408 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 profit for the period ended 1 July 2022 is £0.1m (2021: loss £3.5m).

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

The financial statements on pages 98 to 102 of Virgin Wines UK plc were approved by the Board of Directors and authorised for issue on 26 October 2022. They were signed on its behalf by:

Graeme Weir

Graeme Weir

Chief Financial Officer

26 October 2022

Company Statement of Changes in Equity

for the 52 week period ended 1 July 2022

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve	Retained loss £'000	Total Shareholders' funds £'000
On incorporation	50	–	–	–	–	50
Loss for the financial period	–	–	–	–	(3,514)	(3,514)
Total comprehensive expense for the period	–	–	–	–	(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
2 July 2021	558	11,989	236	–	(3,514)	9,269
3 July 2021	**558**	**11,989**	**236**	**–**	**(3,514)**	**9,269**
Profit for the financial period	**–**	**–**	**–**	**–**	**128**	**128**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**128**	**128**
Share-based payments	**–**	**–**	**–**	**95**	**–**	**95**
Total transactions with owners recognised in equity	**–**	**–**	**–**	**95**	**–**	**95**
1 July 2022	**558**	**11,989**	**236**	**95**	**(3,386)**	**9,492**

Notes to the Company Financial Statements

for the 52 week period ended 1 July 2022

1 General information

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

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.

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.

Profit for the financial period

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 financial statements.

The Company had no employees in the current financial period.

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

3 Investment

	Investment in subsidiary companies £'000
At 2 July 2021	**679**
Increase in investment	**95**
At 1 July 2022	**774**

The increase in investment represents the cost in the current period of share-based payments granted to employees of Virgin Wine Online Limited.

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*	England	Fourth Floor, St. James' Mill, Whitefriars, Norwich, Norfolk NR3 1TN	Wine import and distribution	Ordinary Shares	100
The Warehouse Wine Company Limited**	England	Unit 37–41 Roman Way Industrial Estate, Preston, Lancashire PR2 5BD	Non-trading	Ordinary Shares	100

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 nominal value of the shares issued.

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

* Indirect holding.

** Indirect holding and exempt from audit by virtue of s394A of Companies Act 2006.

4 Intangible assets

	Software £'000
Cost	
On incorporation	–
Additions	15
At 2 July 2021	15
Additions	–
At 1 July 2022	**15**
Accumulated amortisation and impairment	
On incorporation	–
Charge for period	1
At 2 July 2021	1
Charge for period	3
At 1 July 2022	**4**
Net book value	
1 July 2022	**11**
2 July 2021	14

Amortisation is charged to administrative expenses in the Statement of Comprehensive Income.

Software is amortised over its estimated useful economic life.

5 Trade and other receivables

	1 July 2022 £'000	2 July 2021 £'000
Amounts due from Group undertakings	**9,463**	9,498
Prepayments	**16**	39
	9,479	9,537

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Notes to the Company Financial Statements continued

6 Trade and other payables

	1 July 2022 £'000	2 July 2021 £'000
Amounts owed to Group undertakings	**495**	64
Accruals and deferred income	**277**	897
	772	961

The Directors consider the fair value of creditors 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 25 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 27 of the Group financial statements.

9 Ultimate parent undertaking

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

Notes

www.**virginwines**.co.uk

Virgin Wines, St. James' Mill, Whitefriars, Norwich, NR3 1TN

Registered No.: 3800762