





Virgin Wines UK plc continues to focus on the key pillars of its business model:

- Low-cost customer acquisition
- Driving growth in its WineBank subscription scheme
- Maximising DTC gross margins
- Maintaining a healthy balance sheet

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Group at a Glance

Financial highlights

Revenue

£59m

FY22: £69.2m

Adjusted EBITDA¹

£1.8m

FY22: £6.2m

(Loss)/profit before tax

(£0.7m)

FY22: £5.1m

Adjusted profit before tax²

£0.6m

FY22: £5.2m

Gross margin

29.6%

FY22: 31.4%

Subscription scheme membership

151k

FY22: 152k

Cost per recruit

£11.99

FY22: £13.22

A debt-free business with strong cash reserves

£13.5m

Gross cash³

£5.5m

Net cash⁴

¹ Adjusted EBITDA is before exceptional items and share based payments.

² Adjusted profit before tax is before exceptional items and share based payments.

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.



Our locations

We have 200 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 when required.



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

Despite a challenging trading environment and significant macro headwinds over recent times, the Group has maintained much of the growth it experienced since FY19, the last pre-pandemic period.

Group revenue

+£16.6m **+39%**

FY23	£59m
FY19	£42.3m

WineBank revenue

+£15.9m **+82%**

FY23	£35.3m
FY19	£19.4m

Commercial revenue

+£3.5m **+105%**

FY23	£6.8m
FY19	£3.3m

WineBank deposits

+£3.5m **+78%**

FY23	£8m
FY19	£4.5m

Subscription membership

+51.5k **+52%**

FY23	151k
FY19	99.4k

New customers acquired

+22.7k **+33%**

FY23	91.4k
FY19	68.7k



★ Trustpilot

★ **16,850+**
five-star reviews

Rated Excellent on Trustpilot, with more than 1,000 five-star reviews in the past 12 months.



Over 800 products

690 wines and 122 spirits make for a comprehensive and varied range.



A compressive range of exclusive wines

96% of wines sold by volume are exclusively blended for Virgin Wines.



Winemakers from across the globe

We work with a large and trusted network of winemakers globally that ensure the success of our open-source buying model.



200 employees

We have 200 members of the Virgin Wines team who work across three locations in Norwich, Preston and Bolton.

Group at a Glance *continued*

Key performance highlights and trends

Definitions

New recruits

Customers making their first purchase in the year.

Cost per recruit

Customer acquisition cost divided by number of new recruits.

Active customers

Repeat customers ordering within the last 12 months.

Customer on subscription schemes

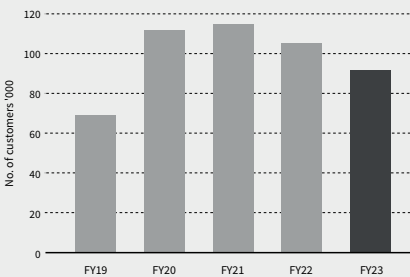
Any customer with either a WineBank or Wine Plan membership.

Conversion rate

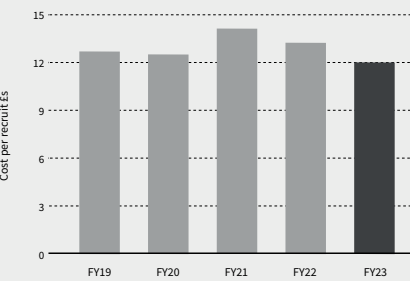
New customers ordering a second case divided by the number of new recruits.

Customer acquisition

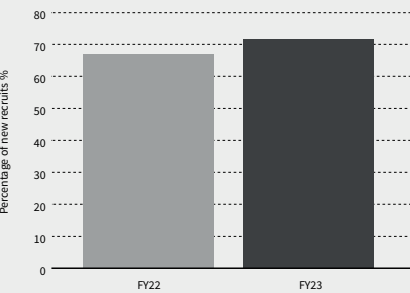
Number of new customers acquired



Cost per recruit

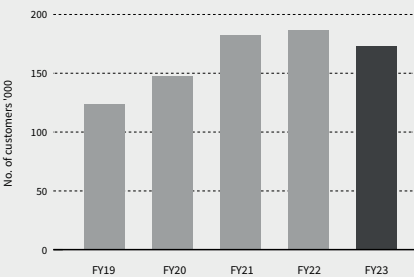


Customers acquired through partnership channel

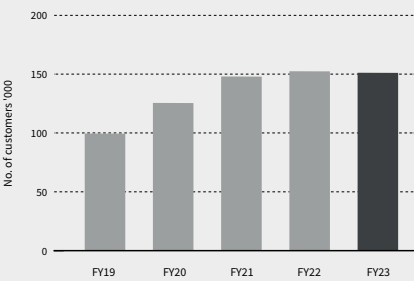


Customers

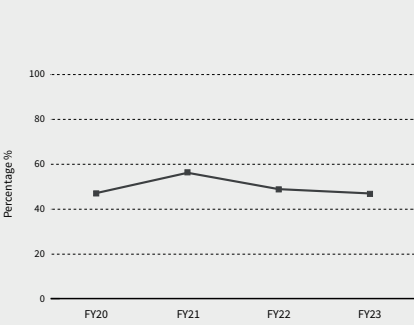
Active customers



Customers on subscription schemes



Conversion rate



Definitions

Membership total

Total customers with a WineBank subscription membership.

WineBank deposits

Value of WineBank customer deposits held at the year end.

Membership cancellation rates

Membership cancels from active customers.

Average order value

Wine Advisor service.

Average gross profit

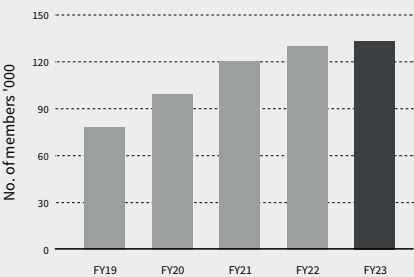
Wine Advisor service.

Active Advisors

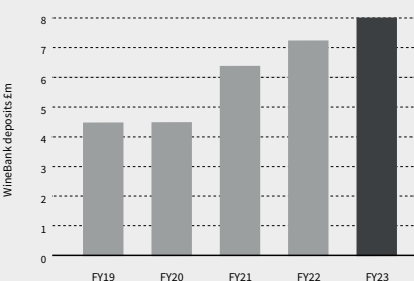
Number of Wine Advisors.

WineBank

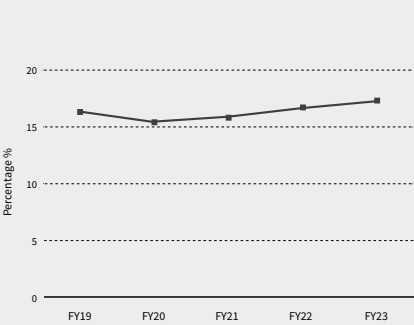
Membership total



WineBank deposits

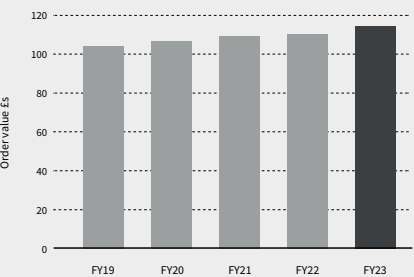


Membership cancellation rate

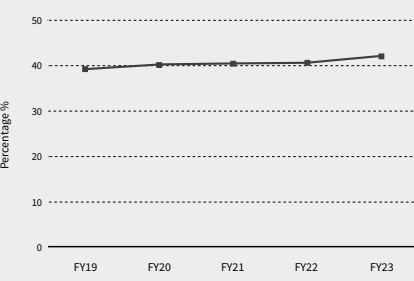


Wine Advisors

Average order value



Average gross profit



Active advisors



Finding Our Purpose

Creating joy from grape to glass

Virgin Wines has always been strongly focused on its culture and embedding its brand DNA throughout the business. A key priority over this financial year has been the development and refocusing of our brand.



The Virgin Group has 50 years of brand equity that Virgin companies draw from. We enjoy the benefit of being part of a global family whilst having the creative freedom to establish our own purpose, proposition and personality.

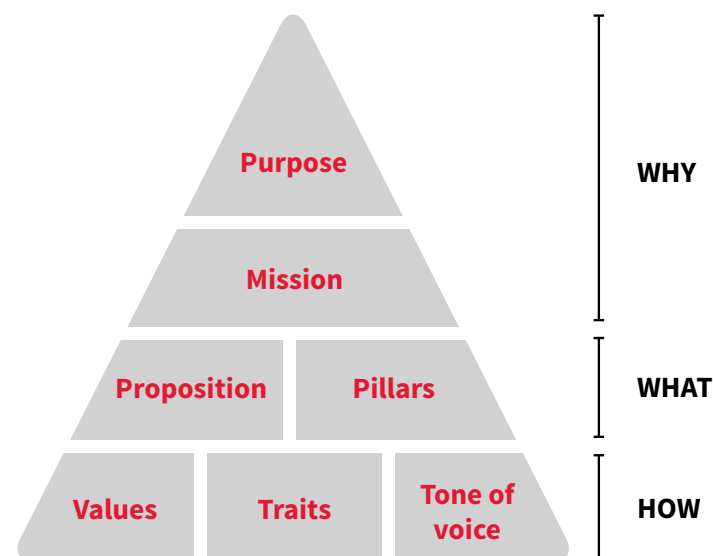
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We use our purpose to lean into the future, drive change and lift experiences out of the ordinary

The Virgin Group

Our framework

Holistic analysis, involving independent audits and the exploration of consumer perceptions of wine retailers in the UK, was carried out throughout the second half of 2022. This insight set the foundations on which to build and shape a revised brand direction. This important work has been completed, with our new brand framework ensuring we build a business that is purpose driven, promotes an inclusive and informal working environment while driving the highest standards, and puts the customer at the heart of our decision making process.



Why

Our purpose

Creating joy from grape to glass

This is why we come to work every day and acts as a North Star for everyone in the business to follow.

This statement is simple, inclusive, and endlessly optimistic. It captures the core benefit of Virgin Wines' products, services and culture, and defines an emotive aspiration to actively make the world a better place to be, wherever the business touches.

Our mission

The UK's most rewarding wine retailer

This is our ambition as a business, which places our customers at the heart of everything we do. Rewarding is twofold – both from an experiential and enjoyment perspective, as well as the tangible rewards our business provides, be it financial earnings on WineBank or discounts across the Virgin Group.

Exploring Our Framework

What

Our proposition

The feel-good way to enjoy great wine

This is what we want our customers and consumers across the UK to feel when thinking about or buying from Virgin Wines. It is the feeling we seek to create in the delivery of our services, and intrinsically linked to our internal purpose and mission statements.



Our four pillars

These are the consistent focus areas that underpin our purpose. They are the tangible reasons our customers believe in our proposition, and provide us focus for the business on shorter-term activities and decisions to achieve our longer-term objectives.



It's personal

Everything we do is focused on the individual, be it relationships with our stakeholders or the way we source wine.



Cheers all round

Aspiring to bring happiness to our customers, people, and planet, at every stage of the journey.



Effortless expertise

We're generous with our knowledge and wear it lightly, making the complicated simple.



Dream big

Encouraging everyone to think of the next great idea, with a constant drive to improve the experience for all.

How



The following values, traits and tone of voice guidance provide guardrails and focus for internal teams to harness the full value of the Virgin brand.

Our values

Our values direct the experiences we create and how we behave. They are what makes Virgin, Virgin.

Our traits

These are what we expect and encourage from our people, which are key in nurturing a business environment and culture driven to succeed.

Tone of voice

The way we communicate is intrinsically Virgin, whilst being tailored to suit our purpose, proposition, and identity within our sector.

Insatiable curiosity	Visionary	Straightforward and credible
Heartfelt service	Human	Optimistic with a touch of wit
Red hot relevance	Brave	
Smart disruption		
We are family		
Straight up		
Delightfully surprising		

Market Overview

Our markets

The UK is the world’s sixth largest wine market. Wine consumption in the UK is heavily weighted towards off-trade channels such as supermarkets, off licenses and wine specialists like Virgin Wines. In the 12 months up to the end of June 2023, 87.81% of the total UK wine volume was sold through the off-trade.

Off-trade wine market

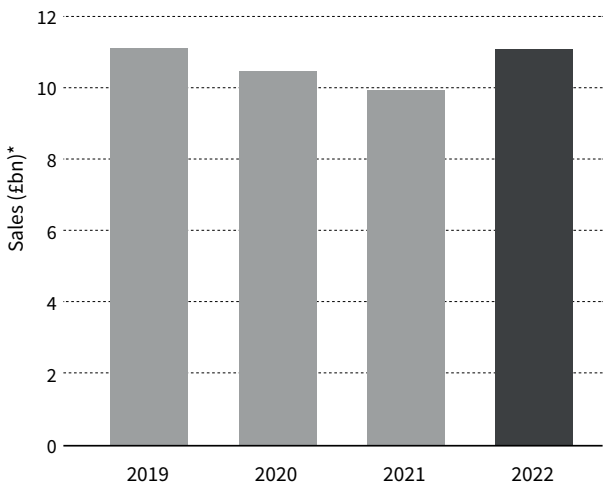
Wine sales totalled £7.6bn in the 12 months up to 25 March 2023, equating to 8.25m hectolitres. However, wine categories have shown a small decline in sales due to continued environmental pressures, namely a high inflationary climate and consequent impacts on consumer confidence spending.

Despite this, off-trade alcohol sales continue to remain ahead of pre-Covid levels.

Pricing in the off-trade market

Wine continues to increase in price as premiumisation, alongside inflationary factors, drives selling prices ever higher. In contrast, consumers search for best value as the cost-of-living crisis has an effect on discretionary spend. As such, the UK off-trade market has seen a 13% reduction in volume of wines priced over £12 and an 11% reduction in wines priced between £11 and £12. However, volume growth for wines priced between £10 and £11 was 13% ahead compared to the preceding 12 months.

UK wine market

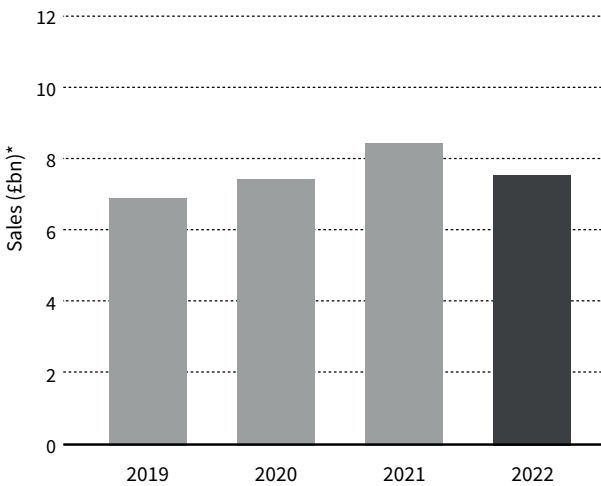


* Sales include still wines, fortified wine, sparkling and champagne. Data refers to the 12 months up to 23 March 2023. Source: WSTA

Wine trends

- Wines from Australia, Italy and Chile continue to be the top three products dominating sales throughout the UK.
- However, Chilean wines were among the countries seeing the most notable drops in volume compared to three years ago.
- South African wines saw the biggest percentage gain (+3%) in volume.
- White wines continue to dominate consumer popularity in the off-trade market with Pinot Grigio the leading grape variety, seeing 7% volume growth in comparison to three years ago.
- Rosé also experienced a strong volume growth of 7% over the past three years.
- Malbec had the biggest gain compared to any other grape variety with a 23% increase in volume sales.

UK off-trade market



Macroeconomic trends

Businesses in the UK continue to face a number of macroeconomic trends which have notable and direct impacts on business performance. The wine sector is no different with the following key challenges still very present and influential in our business environments:

- In October 2022, consumer goods and energy prices pushed inflation to its highest level in 40 years before easing back to 7.9% as of June 2023.
- The war between Russia and Ukraine has continued to impact the supply and cost of glass due to rising energy costs.
- Following continued increases in freight rates over recent years, there has been an easing of costs over the past 12 months which we expect to continue.

Market trends

1 | Changes to the ecommerce landscape

Whilst the shift to online shopping hasn't continued at the rate seen during the height of Covid, the UK ecommerce market is still forecast to grow at CAGR of 21.76% over the next five years. Post-Covid online buying is still far ahead of pre-Covid levels, with online sales accounting for 24.9% of total sales as of June 2023, compared to 18.3% in June 2019. ONS data also reports 7.1% growth in online sales compared to June 2022.

Future trends

Social commerce

Global social commerce sales reached \$492bn in 2021 and is expected to nearly triple by 2025 to \$1.2tn. Social platforms are increasingly creating new opportunities for businesses to drive direct sales, fundamentally through removing barriers for consumers to transact whilst in platform.

“

The largest and most important macro trend that we are experiencing in the industry is real-time payments

Ruben Salazar

Global Head, Visa Direct

Real-time payments and open banking

Technological innovation continues to accelerate to meet the pace of evolving consumer expectations as they move between physical, digital, and virtual spaces. Real-time payments remove the traditional processes of batched transactions and scheduled processing, and in many cases settle payments instantly. Equally, open banking removes many traditional barriers and involves the opening up of consumers’ financial data, which is already beginning to influence how banks innovate and provide services to their customers.

2 | Growth forecast for the UK and global alcohol ecommerce market

Online alcohol retailing in the UK

According to the latest IBISWorld ‘Online Alcohol Retailing in the UK’ report, the industry is predicted to see a CAGR of 5.2% over the next five years to reach over £1.1bn by 2027-28. With a limited, albeit growing, amount of online alcohol retailers, the report suggests that established retailers will expand their market share in the coming years by attracting a broader demographic and improving their delivery services. Increased innovation in internet security and use of broader payment methods such as PayPal has also increased consumer confidence, which supports revenue growth.

Global alcohol market

- The IWSR predicts over the next five years that total ecommerce sales of alcohol across 16 key markets is expected to contribute an additional \$10bn+ to the beverage alcohol market and reach nearly \$40bn by 2026.
- Despite a weaker macroeconomic outlook and return to pre-pandemic purchasing habits dampening the previously expected trajectory, alcohol ecommerce sales will still grow by 34% (2021-2026) across 16 focus markets (Australia, Brazil, Canada, China, Colombia, France, Germany, Italy, Japan, Mexico, Netherlands, Nigeria, South Africa, Spain, the UK, and the United States). This follows value growth of 12% in 2019 and 43% in 2020 during the height of the pandemic.

3 | Premiumisation is long-term

Although wine volumes are in slight decline, value is predicted to continue growing. IWSR has highlighted that despite global consumption of wine falling in 2022, there is an increasing and long-term trend for drinkers trading up. IWSR notes that while the global market for wine is set to contract by 1% in volume between 2018 and 2023, it will be worth 4% more in value due to the effect of premiumisation.

Our Business Model

Delivering exceptional experiences

From its unique wine sourcing model that is driven by customer reviews, through to developing the most diverse range of schemes designed to maximise customer loyalty, Virgin Wines places the customer at the heart of its business model to deliver an exceptional experience through every step of the customer journey.



Customer-informed wine buying

The feedback and reviews from our customers delivers the information our Buying Team need to stylistically blend an exclusive range of wines that we know our members will love.



Customer acquisition

Through a range of acquisition methods and channels we recruit large numbers of new customers, at a low cost per acquisition.



A range of consumer propositions

We have developed a wide range of different consumer propositions so we can offer the perfect service for every type of wine enthusiast, from those just starting out on their wine journey to customers with significant levels of experience.



Outstanding service

Whether it be through our award winning customer service team or by enjoying a one-to-one relationship with one of our 43-strong team of personal Wine Advisors, we are there to look after all of our customers' needs.

Creating joy from grape to glass

Our unique wine buying model maximises the skills of our global network of winemakers, the flexibility of our open-source structure to drive quality and value, the invaluable input from our customers, and the creative flair of our internal designers, all expertly managed and delivered through the knowledge, expertise and talent of our Buying Team.



Our Business Model *continued*

Delivering new customers

The business uses a highly disciplined approach to customer acquisition, coupled with the ability to utilise a range of channels and mechanics, to deliver large numbers of high-quality customers - all at a low cost per recruit that delivers a positive return on investment. These new customers then flow into one of our consumer propositions with the aim of maximising the lifetime value of each customer acquired.

Partnerships

This is the key customer acquisition channel where Virgin Wines partners with a wide variety of businesses to offer their customers a special offer on a selection of wines. Over the last year the business partnered with over 250 partners, 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.

Digital and social

The business continues to grow the scale of its customer acquisition through its digital and social channels. The optimisation of digital campaigns to allow maximum acquisitions within an allowable cost per recruit has been central to the development of the channel over the past year and continues to be an ongoing priority.

Web

There continues to be substantial numbers of new visitors driven to the website through brand visibility, PR activity and SEO, amongst others. The website is well placed to convert that traffic through the ongoing focus on conversion rate optimisation and use of a variety of digital tools that allow us to analyse and implement rapid change. These new visitors are then converted 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 active base.

CRM

Our comprehensive CRM programme includes the targeting of previous customers who haven't purchased for over 24 months.

Driving loyalty through varied consumer propositions

We know wine enthusiasts are looking for different experiences with their chosen wine supplier depending on their knowledge, their level of engagement or their individual preferences. Over the years we have developed three key propositions that customers can enjoy as they make the most out of their relationship with Virgin Wines. Each of these is targeted at a different type of consumer and often members move between schemes as their wine journey develops.

WineBank

 Most popular service with
133k members

Key benefits:

- Allows customers to spread the cost of buying wine by saving a chosen amount each month.
- Members receive 20% ‘interest’ that they can spend on wine in the future, giving an equivalent 16.67% discount on all purchases.
- Free express delivery on every case.

Perfect for:

- Customers who want to choose their own wines as and when it suits them.
- Those with an understanding of what style of wines they prefer but also suits the adventurous palate.
- Those wanting the very best value, delivered in the form of 20% interest and free P&P.

Contribution to our total
Direct To Consumer Revenue:

74.3%

Wine Plan

Key benefits:

- The hassle-free way for a customer to keep their wine rack topped up with top quality wines.
- Cases despatched every quarter and at Christmas – equivalent to a bottle a week with a little more over the festive period.
- Our buyers choose a perfect mixture of established favourites and new discoveries to introduce customers to exciting new styles.

Perfect for:

- Customers who are time poor but want to ensure their wine rack is regularly stocked with outstanding wines.
- Those early on in their wine journey who are looking to try a varied selection of wines to understand their own stylistic preferences.
- Those looking to increase their knowledge as we take customers on a journey of discovery with accompanying information included in the case.

Contribution to our total
Direct To Consumer Revenue:

12.3%

Pay As You Go

Key benefits:

- Access to Virgin Wines’ full range of wines, spirits and gifts.
- Regular offers and discounts to ensure customers always receive great value.
- No subscription or regular payment plan if not desired by the customer.

Perfect for:

- Customers confident in choosing whatever they want, whenever they want.
- Those who prefer not to be on any kind of subscription or regular payment programme.
- Those who would prefer to try the Virgin Wines service and quality of wines first without feeling they have any ongoing commitment.

Contribution to our total
Direct To Consumer Revenue:

13.4%



Our Business Model *continued*

Delivering outstanding customer service alongside operational development

Virgin Wines has always prided itself on delivering the highest levels of customer service whilst being the lowest cost to serve in the sector. Our in-house, award winning customer service team constantly strive to deliver the finest customer experience whilst our team of 43 Wine Advisors offer an unsurpassed personal service to around 50k customers.

This year we invested substantially in a new 'Tier 1' Warehouse Management System (WMS), from which we experienced considerable teething problems during H123 on implementation. However, the system is now operating successfully, and we are starting to see the potential for further efficiencies and increased productivity, safe in the knowledge that we have futureproofed our growth plans operationally.

The Wine Advisor service

Our team of 43 Wine Advisors offer a one-to-one, personal service to approximately 50k customers. This is a free service available to any customer who can then enjoy an ongoing relationship with a single point of contact who will look after all their needs, whether that be choosing and ordering specific wines, information on food pairing for a dinner party or just a simple service enquiry. All our Wine Advisors become WSET (Wine and Spirit Education Trust) qualified with some achieving diploma standard, just one tier below Master of Wine. This highly valued service delivers the highest levels of customer retention and our highest average order values, proving a valuable channel to both the business and our customers.

Customer service

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 of creating joy from grape to glass.

Our team of 26 permanent staff is based at our offices in Norwich and use a mixture of phone, email and live chat to give customers the option of the most convenient way for them to contact us.



Warehouse and fulfilment

We operate our own in-house fulfilment centres with over 100k sq ft of fully bonded warehousing split equally across two locations in Preston and Bolton. It is from these distribution centres that all our cases are picked, packed, and distributed. The introduction of a new Warehouse Management System in September 2022 caused disruption to our normally highly efficient and low-cost operation, but we are confident those early implementation issues are resolved. We now have a modern, efficient 'Tier 1' WMS that can deliver operational savings and increased efficiency, as well as give the business the IT infrastructure to allow substantial levels of growth.

“

Being rated 'Excellent' on Trustpilot with over 16,850 five-star ratings demonstrates the continual focus on delivering an exceptional experience to all our customers

Jay Wright, CEO



Our Strategy



A clear and proven strategy to deliver long-term sustainable growth

Low-cost customer acquisition

A disciplined approach to delivering low-cost, high-quality customers.

Creating loyalty through wine

Offering exclusive wines that entice customers to come back to purchase them again and again.

A growing B2B/commercial channel

A full service B2B operation that delivers bespoke solutions to a variety of trade clients.

Invest in new opportunities

Continue to examine potential growth opportunities in areas of high consumer demand either through market positioning or geography.

Differentiated consumer propositions

Delivering the appropriate service for different consumer requirements.

Leveraging the power of data

Utilising technology to deliver an increasingly personalised, individually tailored service.

Minimising product costs

Our open-source buying model allows us to maximise quality while minimising costs.

Maximise free cash flow

Our flexible merchandising model and focus on inventory help us to optimise working capital.

Outstanding personal service

An unwavering focus on exceptional customer service through every step of the customer journey.

Our culture and environment

Our people are our greatest asset and we prioritise creating an inclusive and positive environment for them to thrive.

Strategy in Action

It's got to be Five O'clock Somewhere

Showcasing our most exciting winemakers

We love working with talented, innovative winemakers who dream big and feel passionate about what they do, and there is no-one who sums up this ethos better than Steve Grimley and his team in McLaren Vale in Australia.

We have been working with Steve for over 17 years and he has been instrumental in creating some of the most loved wines in our range. As he says himself, his overriding aim is to be “pushing the boundaries of what Aussie wine can be” and that shines through loud and clear to anyone who's familiar with his adventurous winemaking style.

Our fruitful partnership has seen us create a number of successful wine ranges together, including The Black Pig collection. This range incorporates a popular line-up of red, white and rosé wines that run from a quaffable, everyday drinking style (16 Little Black Pigs) right through to special occasion wines (Black Pig - The Prize). The range has become one of our best known, most re-ordered and highest-rated, receiving rave reviews in their thousands from our customers.

Other customer favourites include the Albacore range, which was the very first wine Steve produced for us and one we celebrate with an Anniversary edition (A10A was the first a number of years ago to celebrate ten years of Albacore) and the Beneficio range of top sellers.

However, Steve's absolute passion is his Five O'clock Somewhere (5OS) brand of wines. These are wines that break the rules, that often utilise grape varieties that most consumers wouldn't associate with Australia (think Rousanne, Marsanne, Gruner Veltliner etc.) and are all hand-crafted in tiny quantities by Steve and his team of renegade winemakers.

They are also wines that incorporate unique label designs, often from original pieces of artwork with all bottles looking contemporary, aspirational and boutique.

We have been supplying our customers with 5OS wines for many years now and they have grown in reputation so much that we are on the cusp of launching our very own 5OS Wine Club. Given the limited supply of each wine, we will be offering 5OS Wine Club members exclusive access to pre-order these wines as they leave the port in Adelaide to ensure they don't miss out. We believe demand will out-strip supply and are currently engaging in plans with Steve to ensure we can ramp up production, without compromising on the small batch proposition or the unique look and feel of these outstanding Aussie wines. It is likely customers who aren't members of the 5OS Wine Club will have limited access to these exclusive wines, leading to our belief the Club will be extremely popular.

Whilst Steve is rightly proud of developing some of the most successful brands in the Virgin Wines portfolio, it is the Five O'clock Somewhere range where his real passion lies and that can be tasted in every luscious drop.



“

We just love pushing the boundaries and creating something magical that has never been done before. Certainly not in Australia

Steve Grimley

Winemaker and Owner of Five O'clock Somewhere



Strategy in Action *continued*

Painting the town red

The feel-good factor of our wine tasting events



For us, finding joy in every step of the journey from grape to glass is so important, and one of the ways we aim to maximise enjoyment is through creating memorable wine tasting experiences for our customers and beyond.

Our hugely popular 'Live' events bring members of our community together all under one roof, from customers new and old, to winemakers, suppliers, and Virgin Wines staff from every department. In the last financial year, we held five of these events in major UK cities including London, Manchester and Edinburgh, selling hundreds of tickets per tasting. The venues may be grand, but the experience is always personal, with a friendly welcome at every table and opportunities for customers and staff who have spoken via email, phone and our social media channels to put a face to a name.

“

Very relaxed atmosphere and welcoming hosts. Good discussion and advice from staff

Virgin Wines customer

Edinburgh 'Live' event in June 2023

Connecting with wine lovers

Each tasting features a diverse range of wine styles that represent the world's key wine-producing countries and regions to showcase different approaches to winemaking. From Champagne and Prosecco on one table to vegan and organic red and white wines from Australia on the next, there's an eclectic mix of over 100 wines to try at each event, and over 250 at our largest tastings in London. Ticketholders also have the chance to place an order before they leave, making these events an effective way to "try before you buy".

For important Wine Boards (marketing councils for regions like Bordeaux, Rioja or California) and winemakers we've built strong partnerships with, such as Finca Manzanos in Rioja, Perez Cruz in Chile and Château du Seuil in Bordeaux, we provide opportunities to have an entire table dedicated to their wines, helping to further strengthen our relationships. We also work closely with our friends at Virgin Red, Virgin's global loyalty scheme, to ensure that they have presence at our events too, be it through a special Virgin Red stand, adverts in our brochure or collaborating with them on social media posts during the event.

We have hosted well over 100 'Live' wine tasting events since launching back in 2005. Being an online retailer, these opportunities to bring our wines and business to life in a physical setting mean so much, especially after having to hit the 'pause' button on them throughout the lockdowns and Covid restrictions of 2020 and 2021. We're delighted to report that not only are they back in full swing, but that we've also been able to explore exciting new ways to connect with wine lovers face-to-face this year.



Norwich Wine Week

One of our new initiatives has been to branch out into the world of outdoor food and drink festivals. In June we hosted a marquee at Norwich Wine Week to reach a new audience of wine drinkers who don't already shop with us but like to shop locally. Our lively, spacious stand brought an unmissable splash of Virgin red to a sea of cream tents, drawing in festival-goers to sample some of our most popular wines. Over the two-day event, we met hundreds of new faces who hadn't shopped with us before, resulting in a number of orders placed by new customers via the QR code in our festival brochure. In addition to this, we received universally positive feedback from people at the event on the day regarding our impressive wines and the enjoyable atmosphere.

Chief Executive’s Review

A challenging year but many reasons to be optimistic for the future



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Demand for our uniquely sourced, high-quality wines and market-leading expertise remains strong, our customers remain loyal, whilst we look forward to realising the benefits from the implementation of several new initiatives

Jay Wright
Chief Executive Officer

Introduction

It is well-known that our sector experienced a year of persistent macroeconomic challenges and inflationary pressures. At Virgin Wines, our financial year 2023 also saw us overcome a number of internal issues which impacted our performance particularly in the first half. This included the previously reported operational difficulties which took place during the early implementation of our new Warehouse Management System (WMS) during our peak Christmas trading period in 2022. Following further investment and rigorous testing, we are pleased to have resolved these issues, and our systems are now better placed to support trading in line with our growth ambitions.

Despite these headwinds, the Group delivered results for the year in line with expectations. We also continued to see positive momentum on a number of our core strategic initiatives, including an ongoing focus on low-cost, disciplined new customer acquisition, driving the strength and loyalty of our key WineBank customer base and delivering a number of new strategic partnerships in both our acquisition and Commercial channels.

Meanwhile, the fundamental Virgin Wines business model remains highly relevant, and we continue to be well positioned in the sector, expecting to benefit considerably as trading conditions start to improve. Demand for our uniquely sourced, high-quality offering and market-leading expertise remains strong, our customers remain loyal, and we look forward to realising the benefits from the implementation of several new initiatives over the coming months following our recent Business Review.

I am always inspired by the talent and resilience of my colleagues who have remained unwaveringly positive throughout this challenging year. Despite the pressures that the current climate has placed on them both personally and professionally, the enthusiasm, dedication, and energy that they possess and the optimism they display day-in, day-out, is an inspiration to work alongside. I am hugely proud to work with such outstanding people and delighted that we have been able to retain our unique culture in such volatile and uncertain times.

This all supports our ongoing optimism in our opportunities for future growth into FY24 and beyond.

Revenue

£59m

FY23 £59m

FY22 £69.2m

Adjusted EBITDA¹

£1.8m

FY23 £1.8m

FY22 £6.2m

¹ EBITDA adjusted for exceptional items and share-based payments.

Business overview

During the year we delivered revenues of £59m, a 14.5% decrease on the prior year but still a 39% increase on the last pre-covid year. We also achieved an adjusted EBITDA of £1.8m, a decrease from £6.2m the previous year.

There were a number of contributory factors to the FY23 financial performance with significant cost increases across the supply chain, a Virgin brand directive to restrain from direct marketing activity during the mourning period following the passing of the Queen in September '22, as well as the well-documented issues we experienced with the implementation of the new Warehouse Management System.

In addition, the Consumer Confidence Index fell to record lows during the past 12 months, driven by an especially challenging macro-economic landscape following significant increases in interest rates, the spiralling costs of energy, generationally high levels of inflation and war in Ukraine.

Nonetheless, we are pleased to have been able to mitigate a number of these headwinds. Our disciplined approach to customer acquisition has ensured the marketing cost of recruiting new customers has decreased 9% YOY, our open-source buying model has allowed us to concentrate on sourcing wines with the best quality/value ratios, whilst utilising UK bottling has allowed us to minimise freight costs. Well executed margin discipline through the sales channels ensured our gross margins for repeat sales to existing customers achieved 40.5%*, just a slight dip from 41% the previous year.

In addition, our balance sheet remained strong during the year, ending with net cash of £5.5m, £8m of WineBank customer deposits and no debt.

Strategic progress

We continued to focus strongly on delivering against our core strategic pillars during FY23. These are:

- Acquiring large numbers of high-quality, new customers, at a low cost per recruit.
- Driving membership growth onto our WineBank scheme.
- Maximising gross margins through our DTC channels.
- Optimising working capital to maximise free cash flow.
- Maintaining strict control of costs in a highly inflationary environment.

These pillars have supported the Group’s growth and profitability for many years, and we continue to focus on these core pillars to deliver long-term, sustainable growth in both revenue and profitability.

New customer acquisition

During FY23 we were pleased to acquire more than 91k new customers, taking us to a total active customer base of 173k. Our marketing cost per recruit was just £11.99, a decrease on FY22 of 9% and one of the lowest levels we have reported outside the Covid affected years (FY22: £13.22). This remains industry-leading and is testament to our disciplined approach to new customer acquisition.



* Product margin excluding delivery and packaging costs.

173k

active customers

800+

products in our portfolio

87%

core revenue from customers on subscription schemes

151k

total number of customers on a subscription scheme

£11.99

customer acquisition cost

Strategic partnerships

We continued to focus on driving new partnerships with brands where we have complementary product categories, a similar demographic profile and where we believe our proposition and offers would be well suited. During the year, new partnerships developed included those with WHSmith Travel, Saga, Go Outdoors and On The Market amongst many others. These have supported both our new customer acquisition and the development of our Commercial business.

We have a strong pipeline of further partnerships into next year and look forward to continuing to introduce our exclusive high-quality wines to new customers around the UK over the coming months and years.

Chief Executive's Review *continued*

Subscription schemes

Our flagship subscription scheme, WineBank, continued to grow over the year, achieving a seasonal high of £8m in customer deposits by year-end. The scheme enables 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. This has been particularly popular as many consumers find the convenience of saving smaller amounts regularly an effective way of budgeting for their wine purchases.

Despite a challenging environment, the resilience of the scheme was highlighted by the membership growing 2.3% over the year to 133k (FY22: 130k) while cancellation rates only ticked up marginally to 17.3% (FY22: 16.7%).

It is also pleasing to see much of the growth realised during the Covid lockdown periods has been maintained with the WineBank membership 52% higher than prior to that period.

The cash from the WineBank scheme is ring-fenced, held in a separate account and is not used to help fund the business or for working capital, and therefore not included in the Group's stated net cash position.

The business also operates two quarterly wine plan schemes, Discovery Club and justREDS. This year has been particularly challenging for these types of service as the cost-of-living crisis has intensified and put more pressure on traditional continuity programmes. This has encouraged us to focus further on WineBank where customers have the ability to make smaller, regular payments and have the flexibility to purchase whatever they want, whenever they want with the benefit of free express delivery and their 20% 'interest'.

Wine Advisors

Our 43-strong Wine Advisor team continues to offer a personal and highly valued one-to-one service to over 50k customers, delivering the highest levels of customer engagement alongside the highest average order values and the highest average spend per annum of any group of customers. The team delivers an exceptional service, ensuring every wine purchased is perfectly suited to their customers' tastes and that their personal client base receives the 'inside track' on new wines and special discoveries that they may have otherwise missed. Our Wine Advisors also handle any service queries that may occur, meaning they handle customers' entire relationship with Virgin Wines. This focus on delivering an unbeatable customer experience remains core to our proposition.

Conversion and cancellation rates

As previously reported, the conversion and cancellation rates fluctuated over the course of the year. Given the pressure put on consumer spending over H123, alongside the system issues over the Christmas period, we saw a downturn in the conversion rate of new customers during the first half of the year which then largely recovered over the second half. The 12-month rolling conversion rate for FY22 was 48.8% and while we saw it bottom out in December '22, it has subsequently been on a consistent monthly upward trend, finishing the year at 46.8%.

Similarly, we had seen the 12-month rolling WineBank cancellation rate tick upwards over the first half of the year. It started in July '22 at 17.8% before peaking in December '22. By June '23 we had seen the rate reduce down to 17.3%, again showing a positive trend throughout H223.

Gross margins

We have seen substantial cost increases across the business over the past 12 months, several of which have placed direct pressure on gross margins. In particular, the rising cost of energy, coupled with the effects of the war in Ukraine, led to exceptional increases in the cost of glass and the bottling of wine. Freight costs, both over sea and land, increased at varying degrees of severity depending on the region globally, as did packaging. All these factors had the effect of increasing the cost price of a bottle of wine without positively influencing the quality in any way.

The business worked hard to mitigate the effects of these wherever possible, whether that be reducing bottle weights, shipping by tank into the UK or focusing more heavily than ever on countries and regions that were able to deliver the best quality/value ratios.

Our ability to curate our own case configurations also helped deliver the flexibility to couple great quality wines with value for money pricing, whilst managing the gross margins across the individual channels of the business.

The result of these factors was a reduction in statutory gross margin from 31.4% to 29.6%. Another contributory factor was the continued success of the Commercial channel, where gross margins are lower due to the wholesale element of a significant proportion of the revenue. With this being a larger proportion of the overall sales year-on-year, it has a negative effect on the overall gross margin of the business.

Working capital and free cash flow

At the start of our financial year, we took the decision to bring stock into the UK early for the peak Christmas trading period due to the continued issues within the supply chain and the sporadic, but extensive, delays we were still experiencing from shippers and transporters globally, along with blockages in UK ports. This increased our stock holding and, coupled with weaker than planned trading over the peak period, resulted in us carrying higher than desired levels of working capital into H2. We worked hard over H223 to positively effect this and stock reduced by 24% over the final six months of the year from £11m to £8.4m.

The introduction of the new Warehouse Management System increased our capital expenditure this year. However, the business still ended FY23 debt free and with £5.5m of cash on the balance sheet, in addition to £8m in WineBank deposits.

Cost control

In addition to the pressure on gross margins through the escalation of input costs, we have also seen the impact of the inflationary environment on several additional areas. Of particular note is the annual increase in the National Living Wage, more general wage inflation across the business, and increases in the cost of packaging and courier charges, all of which inflate our operational costs or our fixed overhead.

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96% of the wines we sell by volume are exclusive to Virgin Wines. This control of the winemaking process ensures we have the ability to blend our wines ourselves, matching the precise stylistic qualities and taste profiles that we know our loyal customers are looking for

Jay Wright, CEO



Chief Executive’s Review *continued*

In an increasingly heavily taxed environment, we have also seen dramatic increases over the last two years in the waste levy charged to businesses on all carboard and plastic packaging, glass and metal imported into the UK. Since FY21 this has increased by 211%, equating to £283k of additional cost in FY23.

Wine sourcing model

Uniquely, we continue to 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 focus our efforts on sourcing from countries and regions across the globe that deliver the best quality grapes for each individual vintage, while maintaining the flexibility to ensure we can blend, and deliver, the very best value wines to our customers.

96% of the wines we sell by volume are exclusive to Virgin Wines. This control of the winemaking process ensures we have the ability to blend our wines ourselves, matching the precise stylistic qualities and taste profiles that we know our loyal customers are looking for - this is achieved through the constant use of extensive data and clever analytics from tens of thousands of customer reviews.

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.

Our culture, values and people

At Virgin Wines, the welfare, support and development of our people is a priority. As a business that has always prided itself on placing its values and culture at its very centre, we continue to adapt how we achieve that in an ever-changing working environment.



Within our workplace we aim to create a fun and informal environment but combine that with the highest of standards and exemplary levels of professionalism. We also aim to be a supportive and inclusive business where our team members are proud to work.

Over the past year we have completed an externally managed employee engagement survey to understand what we are doing well and where we can improve. We have created an environment that encourages hybrid working and flexibility, however, with that the needs and expectations of our people have also changed, and it was helpful to understand the various thoughts of our team in detail through an anonymous, in-depth survey.

The introduction of our Employee Assistance Programme has been well received and used extensively. The service allows all employees to access a range of free services and support documents from one-to-one counselling to advice on finances, health, and personal welfare. We have also introduced a new HR system that that allows us to have a consistent and thorough onboarding service, instant access to policies and self-management of annual leave. It is also the central hub for access to the Employee Assistance Programme.

A welcoming and inclusive environment for all is paramount and we continue to deliver a range of initiatives to promote this. This year we have carried out an external inclusivity survey while a large number of employees have completed an LGBTQ+ Awareness Training course with a certificate awarded recognising the continued professional development of individuals on the topic.

We continue to support a range of charities, including Bright Start in South Africa that aims to give children from impoverished backgrounds a chance of a quality education, Growing Well, a specialist mental health charity that champions recovery through outdoor activity in two Cumbrian market gardens, and The Drinks Trust that aims to safeguard the drinks industry community as a whole.

We also understand the importance of responsible drinking and the dangers of alcohol abuse. As such we continue to actively promote to our customers the importance of enjoying alcohol in moderation and we continue to drive our unique messaging that ‘Drinking is only fun when you don’t overdo it’.

Progress on sustainability

As well as delivering on our commercial ambitions 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 minimising our environmental impact through product innovation, targeted operational initiatives and collaboration with our stakeholders. We are also committed to operating in a transparent manner and ensuring our products are sourced through a visibly ethical supply chain.

I am delighted to say this year has been one of positive progress for the business with several landmark achievements and new initiatives.

In particular, we were delighted to be officially certified as carbon neutral in October ’22 to the PAS 2060 standard for carbon neutrality. PAS 2060 is an internationally recognised standard and one of few officially verified routes to achieving this status. Whilst this is an excellent first step on our sustainability journey, we had also targeted



to reduce our Scope 1 and 2 emissions by 25% in FY23 and through a variety of initiatives, including the major project of installing LED lighting across our premises, we are pleased to have beaten that target.

One of the ways we have been able to drive down our greenhouse gas emissions in recent years has been the ever-increasing amount of wine that we bottle in the UK. This is one of the most significant ways we can positively affect our GHG emissions, and we achieve this by shipping in tank and then using Greencroft Bottling, itself a BRC Grade AA+ facility, to bottle the wine for us at its state-of-the-art bottling plant just outside Durham. This is a substantially more environmentally friendly way to import wine for several reasons, but specifically due to the lower weight involved, with no glass being shipped, and also because of the reduced amount of space it takes to ship bulk liquid compared to bottled product. In the last 12 months we used Greencroft to bottle 39.8% of our wines compared to 28% the year before, delivering a material benefit on our GHG emissions.

We have also become a member of the Sustainable Wine Roundtable, an industry-wide initiative that is committed to delivering best practice across the wine industry, including a commitment to reducing bottle weights to minimise the amount of glass used across the sector.

In addition to our environmental impact efforts, we have also reviewed and improved our supplier due diligence process. We have undertaken a supplier review to ensure all partners are acting in a sustainably responsible manner and with values that align with ours. We are also introducing a company-wide sustainable procurement policy.

Moving forwards our key initiatives include shifting our focus away from offsetting and towards insetting. By generating real change within our own value chain, we will lower our GHG emissions and contribute to the creation of carbon reduction solutions for the wine industry as a whole.

Our focus on insetting will go beyond carbon emissions, however, and we will pay attention to other areas that put our environmental future at risk. We’re in the process of conducting our first double-materiality assessment, so we can discover where our stakeholder priorities lie, and ensure we’re focusing on the environmental issues that are most important to all of us.

Business Review

We have completed our Business Review, which has identified several strategic initiatives that we are planning to start implementing over Q224. We believe these will either add further credibility to the existing Virgin Wines offering or allow growth into an area of the market where the business is currently under-represented.

These initiatives are aimed at enhancing our trading with a wider range of consumers, as well as refining and refreshing the appeal of the core business. We expect these to predominantly benefit trading from H224 onwards. This includes a new value proposition, Warehouse Wines, launching in late October, alongside a premium Australian Wine Club, Five O'clock Somewhere (5OS). In addition, the Board remains open to exploring future opportunities for growth, including strategic partnerships or geographical expansion.

Outlook

As previously announced, the Board expects double digit sales growth in FY24, alongside EBITDA margin of circa 4% - 5% as inflationary pressures, particularly on freight and glass, start to ease. This will be supported by the elimination of the previously reported one-off factors that negatively affected this year’s performance, alongside the development of the Group’s new strategic initiatives and a return to operational efficiency.

I am pleased to report that we have finished our Q1 period with year-on-year revenue growth of 12%, with the ongoing loyalty of our existing customer base particularly encouraging to see. In addition, both new customer conversion rates and WineBank cancellation rates continue to trend positively from our year-end position and revenue through our core repeat sales channels are up 15% up year-on-year. Customer acquisition continues to be the most challenging area of the business, however, we continue to see encouraging year-on-year growth through our Commercial channel.

We remain confident in the long-term prospects of the business given the strength of the customer proposition and proven business model. We look forward to pushing further forward in both our financial and operational progress in the months and years ahead.

Jay Wright

Chief Executive Officer

Sustainability

Ensuring the impact our business has is as joyful as our wines

Our purpose is to create joy from grape to glass and that extends to our ESG ambitions.



Environmental

We aim to ensure the journeys our wines go on, from grapes on the vines to the bottles' end of life cycles are as joyful to the environment, as they are to us!



Social

We want to bring joy to our people as well as communities around the globe.



Governance

Operating an ethically responsible business that's impact is as joyful as the moment a customer cracks open a bottle.

Both the Board of Directors and Senior Management are committed to achieving our ESG ambition to be a leader in creating positive impacts within our industry.

We continue to work on:

- Minimising our environmental impact through product innovation, targeted operational initiatives and collaboration with our stakeholders.
- Maintaining an inclusive workplace that respects and values each employee's individuality, background, and experience, while supporting them in ways that mean they can thrive both professionally and personally.
- Operating in a transparent manner and ensuring our products come through the operation of an ethical supply chain.

As well as the above, we have a number of additional objectives we plan to work on. These are detailed later on in the report.

Sustainability governance

All departments within the business work hard to implement sustainable business practices. Our ESG ambitions are currently being led by our PR, Purpose & Sustainability Manager who is responsible for the development, and managing of, our ESG strategy. Whilst day-to-day responsibility sits with the PR, Purpose & Sustainability Manager, 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)

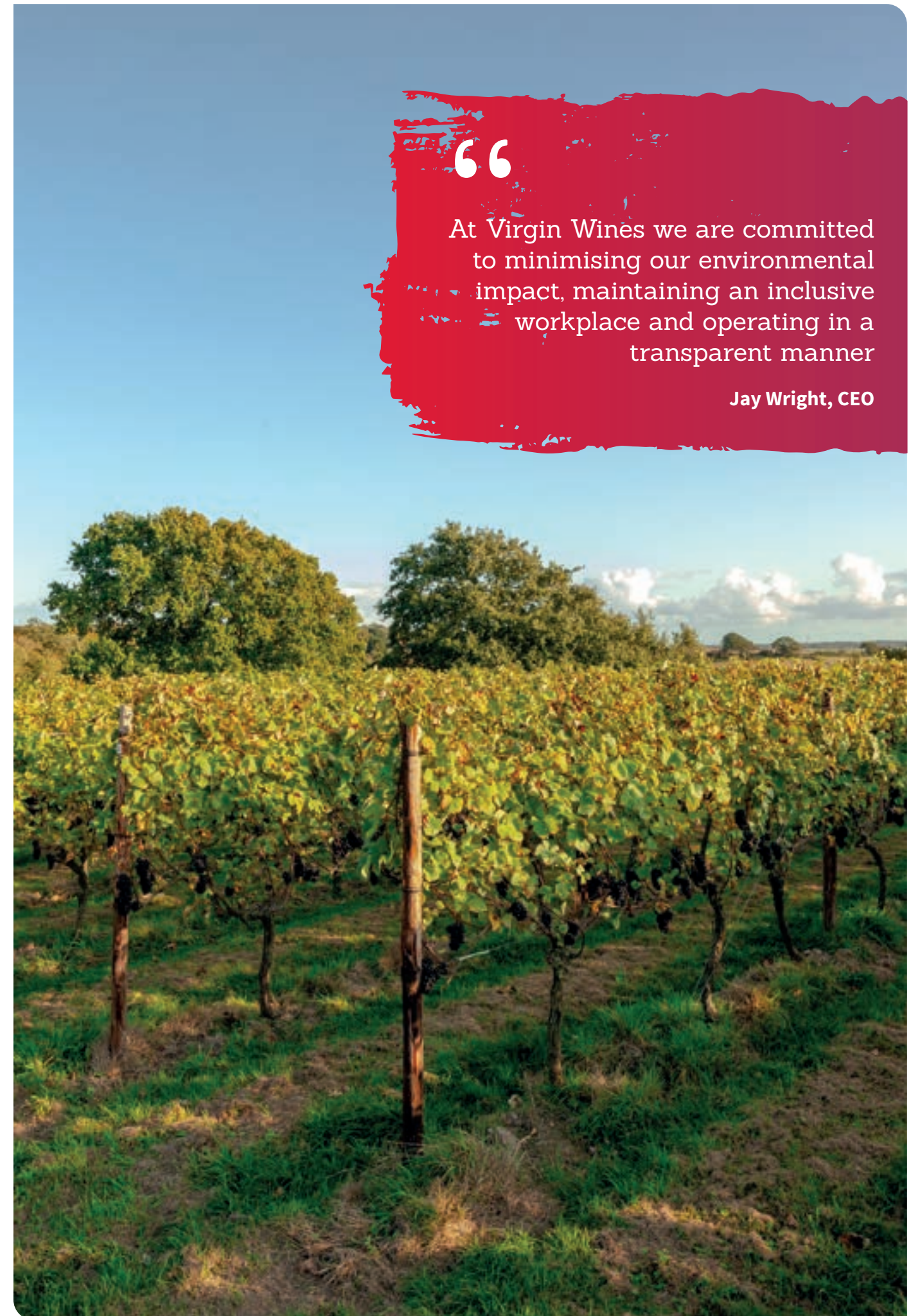
The key focus areas of our ESG ambitions align towards SDGs 3, 10, 13 and 16. We have noted throughout this report which individual areas contribute towards these SDGs.



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At Virgin Wines we are committed to minimising our environmental impact, maintaining an inclusive workplace and operating in a transparent manner

Jay Wright, CEO



Sustainability *continued*



Environmental Sustainability

Operating in a way that brings joy to the planet, not just our glasses

Virgin Wines takes sustainability seriously, but we’re aware we are on a progressive journey. Like everyone else within our industry, and across the world, we’re navigating an ever-changing and complex landscape that’s certainly not short of challenges. But we’re trying to do better than our best. This year we have made great strides on our sustainability journey.

Carbon journey



As a first step, we’re pleased to share that we achieved the PAS 2060 standard for carbon neutrality for FY22 in October and as a result are officially certified carbon neutral.

PAS 2060 is an internationally recognised standard and one of few officially verified routes to achieving the status. Acquiring the certification requires lengthy and detailed reporting as well as external auditing. This means we are not only being transparent about our operations but have a strong understanding of where our GHG emissions come from, allowing us to work on clear solutions to reduce them.

During the FY22 process we set a target to reduce Scope 1 and 2 emissions in absolute terms by 25% in FY23. We are just shy of that target having reduced them by 18.4% and 28.7% respectively, totalling a 24.1% reduction overall. We reduced emissions across all three scopes overall by an impressive 43% in FY23, as well as declaring 11.8% more wine imports in Category 4. This reduction is due to the installation of LED lighting across our premises and an increase in bulk shipping.

We’ve lowered our GHG emissions in FY23. The table (across right) shows a direct year-on-year comparison with FY22. For FY23 we bulk shipped 39.8% of our wines, up on 28% for FY22.

Where we are now

- Certified carbon neutral company via PAS 2060 for FY22. Currently in the process of being verified for FY23.
- Have met our target for a 25% reduction in Scope 1 and Scope 2 emissions for FY23, and seen reductions in Scope 3 due to an increase in bulk shipping.
- Committed to an SBTi (Science Based Target Initiative) to reduce our Scope 1 and Scope 2 GHG emissions by 42% by 2030 (from a 2021 base year). We also pledged to continue reducing Scope 3 emissions.
- Bulk shipping nearly 40% of our overall wines this year. We partner with Greencroft Bottling which is a BRC Grade AA+ rated and a pioneer in sustainable practices.
- Working on our strategic plan to move towards insetting and the ongoing development of short-, mid-, and long-term goals.
- Member of the Sustainable Wine Roundtable and Harpers Sustainability Charter.
- Rigorous recycling practices taking place across our sites, with 0% of our warehouse waste going to landfill. In FY23 377.4545 tonnes were recycled or redirected to 'an energy from waste' facility.
- Supplier review to ensure all partners are acting in a sustainably responsible manner and values align with ours. We are introducing a company-wide sustainable procurement policy.
- In the process of introducing a sustainability filter to badge wines on our site that meet our ‘sustainable threshold’. This includes wines that have an official certification.
- Our transit packaging is manufactured from 100% FSC certified paper, is 100% recyclable, 100% biodegradable and has up to 88% recycled content.

Methodology of our carbon neutral certification

- 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 (2022 and 2023). The operational control approach has been used, with the location-based method used for Scope 2 emissions.
- The corresponding emissions report has been submitted to NQA for the second year running. It has been appointed as an independent third-party to verify our GHG inventory as part of the PAS 2060 certification process.
- FY23 reporting covers all business and facility operations occurring in all three locations. It includes all applicable Scopes 1, 2 and 3 emissions with the exception of Scope 3, Category 4 where only 39.8% of wines transported from overseas vineyards to our warehouses in FY23 have been included. The remaining Category 4 emissions were excluded as it is not feasible for the full emissions to be offset, as per the PAS 2060 guidelines.
- 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.

Greenhouse gas (GHG) emissions information

	FY23*	FY22
Scope 1	42.70	52.10
Scope 2	48.10	67.50
Scope 3	1,403.29	2,502.47
Category 1 – Purchased good and services	1.10	1.41
Category 2 – Capital goods	10.53	79.67
Category 3 – Fuel and energy related emissions not included in Scope 1 and 2	21.57	30.32
Category 4 – Upstream transportation and distribution	574.12	1,464.89
Category 5 – Waste generated in operations	17.92	14.09
Category 6 – Business travel	31.00	14.22
Category 7 – Employee commuting	127.05	155.29
Category 9 – Downstream transportation and distribution	463.03	585.39
Category 11 – Use of sold products	116.64	127.35
Category 12 – End-of-life treatment of sold products	40.38	29.84
Total	1,494.13	2,622.07
Per employee	7.47	13.38
Per £m turnover	25.32	37.89
Total energy consumption (kWh) Scope 1 and Scope 2	457,977	589,527

* In the course of the FY23 NQA emissions verification audit it was noted Scope 3 Category 4 and Category 9 emissions for FY22 were overstated. These have been restated in the FY22 table reducing the FY22 Scope emissions by 739.85 to 2502.47.

Looking ahead

We understand that offsetting isn’t a permanent long-term solution to the climate crisis. We are currently only offsetting to recompense for the emissions we are yet to cut, while we work on doing just that. We only select carbon compensation projects that we feel are worthwhile and believe that this action is currently better than inaction in our particular set of circumstances. We’re aware that the steps we take over the next decade will impact centuries to come, and we want to find enduring solutions to reduce carbon emissions from grape to glass.

Long-term we plan to shift our strategic focus to insetting. By generating real change within our own value chain, we will lower our GHG emissions and hopefully contribute to the creation of carbon reduction solutions for the wine industry as a whole.

Our focus on insetting will go beyond carbon emissions, however, and we will pay attention to other areas that put our environmental future at risk. We’re in the process of conducting our first double-materiality assessment, so we can discover where our stakeholder priorities lie, and ensure we’re focusing on the environmental issues that are most important to them.

As an industry we are all facing the same global sustainability challenges. Climate change is threatening the world’s wine supply, and regardless of the work we do to prevent it, there’s still a likelihood viticulture could be adversely affected in the years ahead. From droughts that lead to wildfires to changes in biodiversity that threaten indigenous grapes, the breadth of the consequences we are facing is vast. These are the main challenges we are working to mitigate:

- High carbon emissions from shipping wines across the globe. Transporting wines in bulk and bottling in the UK is a greener logistics solution compared with shipping cases but comes with its own set of problems, such as consumer perception and feasibility.
- Human capital. Companies strive for competitive pricing and high margins, but this cannot be at the expense of appropriate working conditions, and we must ensure there is a sustainable workforce throughout our supply chain.
- Supply and quality issues due to climate change. We are facing loss of wine regions due to increased temperatures and water shortages, which makes it harder to ensure sustainable actions are being taken due to a risk of a monopoly in certain regions.
- Social sustainability of increased alcohol consumption. As we drive for growth, we need to be aware of the effect of increasing levels of alcohol consumption on consumers’ quality of life and educate people on those effects.

To ensure we’re tackling these areas head on, this year we have continued to work on the development and implementation of a long-term environmental sustainability strategy.

SDGs



Sustainability *continued*



Our People

Bringing joy to those around us

Virgin Wines strives to be a fun, supportive and inclusive place where people are proud to work. Outside of our doors, we aim to help the wider communities within which we operate through charitable support.



Our core principles

Diversity and inclusion

We are committed to creating and maintaining an inclusive workplace that values everyone.

Support to thrive

We support employees’ wellbeing and create an environment in which they can thrive both personally and professionally.

Community care

Prioritising having a positive impact on others within our industry and beyond.

The charities close to our hearts



GROWING WELL
A targeted and specialist mental health intervention charity that champions recovery through outdoor activity in two Cumbrian market gardens. Growing Well’s sites are based in the same locality as our warehouses in the North. We chose to support Growing Well due to its ties to the community in which our warehouse employees live, and ensure that opportunities for unique support, like that offered by Growing Well are always available.



BRIGHT START
Bright Start's mission is to give children from impoverished communities in South Africa the chance to the quality education they deserve, so they can dream of a better future – not just for themselves, but for the whole country. We work with winemakers and vineyards in South Africa and we’re proud to be supporting a charity whose purpose is to help improve the lives of the local communities within one of our most important wine regions.



THE DRINKS TRUST
Our decision to support The Drinks Trust comes from our desire to safeguard the drinks industry community as a whole. The charity is dedicated to the drinks and hospitality workforce, striving to empower people through services designed to assist financially, restore well-being and develop skills, and to do so with compassion and respect. The ultimate aim is to create an equitable industry where opportunities to thrive are open to all.

Where we are now

Internally

- Following on from our external inclusivity survey, employees have completed an LGBTQ+ Awareness Training course and were each awarded a certificate of continuing professional development on the topic.
- Our Employee Assistance Programme (EAP) offers access to fully funded counselling sessions, as well as a range of services offering help and support with personal and workplace matters. In the last year 13.5% of employees have used the service.
- We have successfully implemented a new HR system to allow employees instant access to policies and systems like our EAP. It also makes onboarding more consistent.
- We provide funded access to external courses relevant to employees’ career development as well as offering internal training. All employees are given the opportunity to complete Wine and Spirit Education Trust (WSET) qualifications.
- Each year we host a summer party and a Christmas party to bring all employees together and thank them for their hard work. We’ve also enjoyed charity bake sales, quiz nights and celebrations for historic events like the Coronation.
- This year a running club has been formed in our Norwich office and members completed and raised charitable funds for the Run Norwich 10k.

Externally

- We continue to support industry wellness charity The Drinks Trust, by donating funds towards its Restore services.
- We also offered £10k of support to mental health charity Growing Well.
- We continue to promote our Benevolent Wine Range that raises funds for British Red Cross Ukraine Crisis Appeal, Leeway Domestic Violence and Abuse Services, and Bright Start.

Looking ahead

- We took part in the Best Employers Eastern Region 2023 survey to better understand our employees’ thoughts and feelings toward working at Virgin Wines. We’ve reviewed the results and will implement relevant initiatives to enhance our employee satisfaction.
- Continue the roll out of the LGQBT+ Awareness Training.
- Increase the amount of employee social initiatives taking place with the introduction of charity days and other team building activities.
- Introduce Pennies to our checkout so that customers can donate what they can to the charities we support.

SDGs

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

3 GOOD HEALTH AND WELL-BEING

Sustainability *continued*



Governance

Operating an ethically responsible business, that's impact is as joyful as the moment a customer cracks open a bottle

Key principles

Fair and ethical conduct

Ensuring all products we sell are created through the operation of an ethical supply chain.

Responsible drinking

We understand the importance of promoting a culture of responsible drinking and the influence we can have.

Compliance

To operate in an open and ethically transparent manner.

Where we are now

Fair and ethical conduct

We continue to strengthen our supply chain due diligence with mandatory new supplier documentation packs, which include a Virgin Wines Supplier Code of Conduct. This code details the minimum standards we would expect from our suppliers within key areas such as workers' rights, and ensure that they have similar expectations throughout their own supply chain. We take a zero-tolerance approach to slavery and trafficking.

A Declaration of Compliance with Modern Slavery Legislation was also created, which asks our suppliers 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.

We also conduct site visits to vineyards to get on the ground ourselves and see how they are operating.

Responsible drinking

Our responsible drinking ethos, 'Drinking is only fun when you don't overdo it', is communicated across all customer touchpoints. Where possible we signpost to a resource page that contains practical information such as units within drinks, and where to access alcohol support services. This extends to our employees too, who all have access to alcohol support resources and services via The Drinks Trust. We also continue to offer a range of no and low alcohol options across our site.

Compliance

Our Group has several policies in place including:

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

We also comply with the QCA Governance Code (more information on page 55).

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.

Looking ahead

Fair and ethical conduct

We will continue to communicate our due diligence process to new and existing suppliers.

Responsible drinking

Promoting our drink responsibly ethos through customer communications and maintaining a range of no and low products is a continual priority.

Compliance

Our new HR system ensures employees are automatically asked to review key policy documents annually, and that they are always easily accessible. We will also maintain our membership of the Retail of Alcohol Standards Group.



“

We understand, and take seriously, our responsibilities to our team, our customers, our suppliers and our wider supply chain

Jay Wright, CEO

SDGs

8

DECENT WORK AND ECONOMIC GROWTH

10

REDUCED INEQUALITIES

16

PEACE, JUSTICE AND STRONG INSTITUTIONS

3

GOOD HEALTH AND WELL-BEING

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 between members of the Company.



Customers

Why we engage

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.

How we engage and action taken

- Collecting thousands of 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 22k reviews), and regular ad-hoc feedback requests focused on specific customer segments.
- One-on-one contact made by our Wine Advisor team with its customer base of over 50k 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 2k customers.

Their material topics

- Access to quality products at fair prices.
- Service levels.
- Customer propositions available.
- Company ethics.



Investors

Why we engage

As an AIM-listed business, we have a wide 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.

How we engage and action taken

- 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.

Their material topics

- Financial stability of the Company.
- Growth plans for the Company.
- Leadership and Board composition.
- Company ethics.



Employees

Why we engage

The Directors recognise that our people are integral to the success of our business, and we are proud to have many long-serving employees.

How we engage and action taken

- 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, and updates on new initiatives across the business.
- Employee ESG group that gives all employees a platform to input and feedback regarding all environmental, 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.

Their material topics

- Providing an inclusive and supportive workplace.
- Career opportunities.
- Fair pay.
- Company ethics.
- Financial stability of the Group.

Section 172 *continued*



Partners and suppliers

Why we engage

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.

How we engage and action taken

- We regularly review our supplier base and require our partners to comply with all relevant local legislation regarding working hours, wages and working conditions.
- Active partnerships with suppliers in order to supply the range our customers want, including 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.

Their material topics

- Company ethics.
- Fair pay.
- Environmental and responsible sourcing practices.
- Longevity of partnerships with the Group.

Communities

Why we engage

We have a responsibility to be a force for good in our community.

How we engage and action taken

- 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 Violence and Abuse Services. Alongside this, 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.

Their material topics

- Company ethics.
- Environmental practices.
- Charitable giving.

Considering stakeholders in action



Partners and suppliers

What suppliers told us

Over the course of the pandemic our Buying Team was unable to visit our winemakers and vineyards like they had previously. Part of our unique buying model is the active role our buyers play in creating the wines our customers want, and our winery visits and in-person supplier visits are key to this. During the last few years, our suppliers expressed the desire for us to visit again and work with them on creating our bespoke wines.

WHAT WE DID

Now that travel restrictions have lifted, our Buying Team prioritised vineyard visits. Over the course of the year, they took 17 trips to see suppliers that had not been visited for several years, with highlights being visits to Bordeaux, South America, and South Africa.

These trips gave us the opportunity to build on our long-standing relationships with these suppliers and allowed our buyers to get their hands dirty once again, as they collaborated with the winemakers to blend new wines they know our customers will love.

We were also able to confirm on these visits that our wine suppliers are acting in ways that comply with all relevant local legalisation on working rights and conditions, as well as our new supplier code of conduct.



Employees

What employees told us

We conducted an employee survey through Best Employers Eastern Region 2023. It was our first time taking part in the survey, and gave us a clear insight into what is important to our employees and highlighted areas we could improve upon.

Employees felt that there was a lack of internal communication across the business and that there was some disconnect between departments as a result of hybrid working when compared to pre-pandemic dynamics.

WHAT WE DID

Taking this feedback on board, our CEO hosted in-person talks for all Norwich employees covering a range of topics, including business performance and major initiatives. This offered employees the opportunity to ask questions and hear more around wider business activities. We’ve also relaunched our internal ‘Just the Juice’ newsletter, which is distributed to all employees on a quarterly basis via email and in print.

From a social perspective, we’ve worked on improving our inter-staff relations with in-office quiz nights and fundraising activities such as bake sales. A new roster of staff engagement activities are being planned throughout the next financial year.

Financial Review



“Despite a challenging period the business fundamentals are strong, the Group has cash reserves and no debt and is well positioned to benefit from improvements in consumer confidence

Graeme Weir
Chief Financial Officer

Business summary

The financial performance for FY23 was affected by several factors impacting both revenue and cost, the most significant being the disruption caused by the launch of the new Warehouse Management System in late Q1 FY23. This drove an additional £1m in operational costs which are categorised as exceptional in FY23 due their scale and one-off nature. The negative impact on revenue and net contribution is not included in exceptional costs. With the WMS now performing as expected the Group is in a position to start to deliver the planned benefits in efficiency and customer service.

High inflation driven by food and energy costs, hikes in interest rates particularly in 2023 calendar year and the unwinding of any remaining Covid impact resulted in much tougher underlying market conditions in FY23. Despite these headwinds many of the core fundamentals of the Virgin Wines model were unchanged. The disciplined approach to new customer acquisition delivering new recruits at a marketing cost of only £11.99 per recruit (FY22: £13.22), with 70% of the new recruits joining via the partnership model, up from 67% in FY22. The conversion of new recruits into active customers recovered strongly in H2, finishing the year at 46.8% (FY22: 48.6%). Despite a drop in order frequency WineBank customers continue to be the main source of repeat revenue. The scheme membership increased again in the year to 133k (FY22: 130k) with membership cancellation from the active base edging up only marginally from 16.7% to 17.3% and WineBank deposits grew to £8.0m from £7.4m in FY22 which should reflect pent up demand and future Group revenue.

The Group remains debt free and in a strong position to benefit from improvements in consumer confidence.

Loss/profit before tax

Loss before tax for FY23 was £0.6m compared to a profit of £4.4m in FY22. After adjusting for exceptional costs and share based payments profit before tax was £0.6m, (FY22: £5.2m). The Group does not propose to pay a dividend.

Adjusted EBITDA

Given the trading challenges in FY23, adjusted EBITDA was lower at £1.8m, down from £6.2m in FY22. As a percentage of revenue, the adjusted EBITDA margin was

3.0% compared to 9.0% in FY22. The adjusted EBITDA for FY23 is calculated after adding back exceptional costs of £1.0m (FY22: nil) and share based payments of £0.3m (FY22: £0.1m). Adjusted EBITDA is not a statutory reporting measure but is included as an additional performance measure consistent with previous reporting.

Exceptional costs

The reported results include £1m of exceptional items (FY22: nil). The exceptional items relate solely to additional costs

incurred as a result of operational issues following the implementation of a new Warehouse Management System. Impacts related to the loss of revenue due to early Christmas cut off have not been included in exceptional costs. The Board is satisfied that the additional costs incurred are non recurring in scale and nature. Significant progress has been made throughout the second half of FY23 to improve the system stability and performance. Along with enhanced staff training and experience the system is now operating as planned.

Revenue

Reported revenue for the 52-week period to 30 June 2023 fell by £10.2m (14.7%) to £59m (FY22: £69.2m). The revenue was impacted by the exceptional events referred to in the business summary and by the challenging trading environment throughout FY23. Commercial revenues were unchanged at £6.9m. The proportion of repeat revenue from subscription customers, WineBank and Wine Plan increased to 87% from 82% in FY22, with the revenue contribution from non subscription (PAYG) customers continuing to fall.

Gross margin

Reported gross margin for the 52-week period to 30 June 2023 declined by 186 basis points to 29.6%, (FY22: 31.4%). This reflected a full year of lower margins on recruitment activity that started back in H2 of FY22 and the impact of inflationary pressure on dry good input costs in what remains a highly competitive pricing landscape. 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. Direct to consumer (DTC) product margins on repeat sales held up well despite the cost pressures, achieving 40.5% compared to 41.0% in FY22. Product margins exclude packaging and delivery costs.

Operating expenses

Operating expenses excluding exceptional costs increased by £0.2m to £15.7m, (FY22: £15.5m). Selling and distribution expenses fell due to lower volumes in FY23. However, administration expenses increased, reflecting inflationary cost pressures and ongoing investment in future growth opportunities. Energy and waste levy costs increased sharply, and the business continued to invest in IT development and staff retention.

Finance income and expense

Finance income relates to interest received on company cash deposits and increased by £0.13m to £0.16m, (FY22: £0.03) as interest rates increased during FY23. Finance expenses increased slightly to £0.17m (FY22: £0.13m) due to the increased cost of borrowing on right of use assets. The charge in financial statements for both years relates solely to the interest charge on right of use assets and the adoption of IFRS 16 for leases.

Further details are available in notes 11 and 12 of the Financial Statements.

Amortisation and depreciation

Amortisation and depreciation increased to £1.2m in FY23 from £0.9m in FY22 as the Group continued to invest in IT developments and the new WMS which went live in the year.

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 credit in the Financial Statements for FY23 is £0.14m, tax charge (FY22: £0.7m). The tax credit relates to the loss for the period. This resulted in an increase in the deferred tax asset and has no cash impact. The deferred taxes have been measured using the tax rate of 25%, (FY22: 25%).

Earnings Per Share (EPS)

The Group reported loss for the year equates to a loss per share of 1.1p. This compares to earnings per share of 7.8p in FY22. The diluted loss per share is 1.1p, FY22 diluted earnings per share 7.8p. The weighted average number of shares in issue for FY23 was 55.8m, FY22 55.8m (see note 14 of the Financial Statements for more details).

Cash and working capital

The Group end of year cash balance for FY23 was £13.5m (FY22: £15.1m). These balances include cash deposits from WineBank customers of FY23 £8.0m, (FY22: £7.4m). The WineBank customer deposits are not used to fund working capital and are kept in a ring-

fenced client account separate from Group cash. Net of WineBank customer deposits and the deferred payments the net cash position was year end £5.5m, (FY22: £7.7m). The Group funded investment in capital projects of £0.9m in FY23, (FY22: £1.0m). As signposted in our Interim Report, as supply chain risks reduced, in H2 the Group commenced a programme to reduce inventory levels. As a result inventories fell from a peak of £11.0m by the year end in December 2022 by £2.6m to £8.4m, (FY22: £8.7m). Trade and other payables reduced in FY23 to £14.2m from £15.4m in FY22 reflecting the slowdown in purchasing activity in the latter part of H2 FY23.

The Group has cash reserves, no borrowing, ring-fenced client funds and can continue to deploy working capital to achieve future growth plans and manage any downside financial risk.

Key performance measures

Revenue

FY23	£59m (-14.7%)
FY22	£69.2m

Adjusted EBITDA*

FY23	£1.8m (-£4.4m)
FY22	£6.2m

Reported (loss)/profit before tax

FY23	-£0.6m (-£5.0m)
FY22	£4.4m

Cash

	Gross	Net**
FY23	£13.5m	£5.5m
FY22	£15.1m	£7.7m

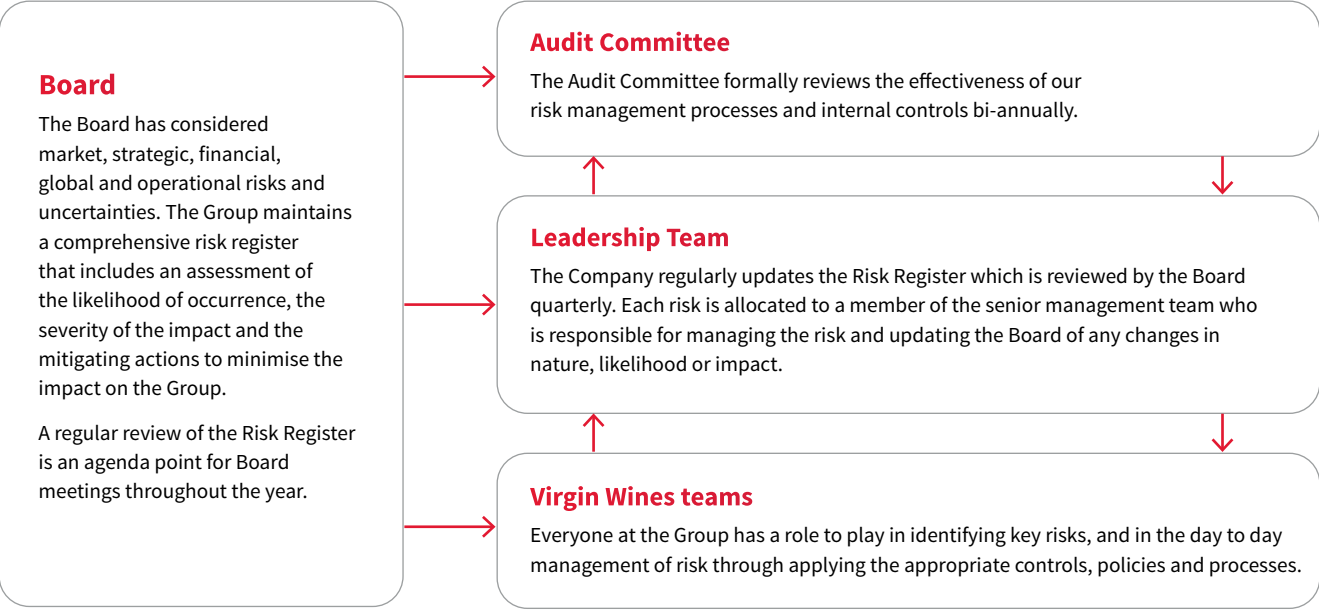
* Adjusted EBITDA is before exceptional costs and share based payments

** Net cash excludes WineBank customer deposits

Principal Risks and Uncertainties

The Board is responsible for identifying key risks, appraising the likelihood of occurrence, the potential impact on the business and the effectiveness of the Group’s risk management process to mitigate the impacts. 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



RISK CHANGE KEY: ▲ Increased ▼ Decreased ◀▶ No Change

1 | Changes in consumer preferences reducing demand for the Group’s products ◀▶

Potential causes
Consumer preferences and spending habits may change due to a number of factors outside our direct control. This may include lifestyle, health considerations and attitudes towards online shopping.

Potential impact
Reduce demand for the Group’s products and services or increase business complexity and operational costs.

Mitigating actions
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, and monitor new initiatives in the drinks sector and the actions of our key competitors.

2 | Macroeconomic conditions ▲

Potential causes
The Group’s financial performance is impacted by general economic conditions, particularly within our core UK market. A worsening of the economic outlook, sustained high inflation and a reduction in consumer confidence will have a negative impact on the Group’s performance.

Potential impact
Reduction in consumer spending and higher input costs impacting financial performance.

Mitigating actions
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.

3 | Climate change ◀▶

Potential causes
Wine is an agricultural product and the quality and yield of harvests may be materially impacted by changes in global temperatures and by regionalised extreme weather events. Extreme weather events may also interrupt supply chains and UK order fulfilment.

Potential impact
Limiting access to important wine regions and products. Reduction in the supply of key products pushing up costs. Operational disruption reducing consumer choice and impacting service levels.

Mitigating actions
The UK wine market is among the most diverse in the world. Our wine sourcing model allows the Group to move between countries and regions to find the highest quality, best value products. The Group manages inventory levels to ensure continuity of supply. 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 and conflicts ◀▶

Potential causes
The Group’s operations may be impacted by the ongoing impact of Covid-19, any new global pandemic or further geopolitical instability following the Russian invasion of the Ukraine.

Potential impact
Staff welfare and public health regulations impacting operations at business units. Supply chain disruption from the impact of global responses to pandemics or conflicts. Increases in energy and other input costs due to reduced availability of key supplies.

Mitigating actions
The Group is fully enabled for hybrid or complete home working for all managerial and administrative roles. Safe working protocols have been developed within the national distribution centres. Inventory levels are managed to allow headroom to implement contingency planning. Business continuity plans will continue to evolve and be tested to ensure the business maintains these capabilities.

5 | Foreign exchange exposure ▼

Potential causes
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.

Potential impact
Increases in the cost of wine driving up retail prices and the affordability of wine and impacting gross margins.

Mitigating actions
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
On 1 August 2023 the current UK Government introduced additional complexity and the largest tax increase in wine duty in decades. Further changes that add extra complexity have been delayed until 1 February 2025.

Potential impact
Increase operational and supply chain complexity pushing up the cost and the RRP of the Group’s products. This may impact affordability for some consumers and impact demand.

Mitigating actions
We continue to work with our industry trade body the WSTA to ensure any future changes to the duty regime do not disproportionately impact the specialist online wine retailers.

Continually review the product range to minimise the financial impact of the new regime.

Principal Risks and Uncertainties *continued*

7 | Government regulations ▲

Potential causes

Proposed new regulations currently subject to consultation and an increasing divergence of regulation with the UK single market. These regulations include the Deposit Return Scheme (DRS), new Extended Producer Responsibility (EPR), Minimum Unit Pricing (MUP), Age Verification for distance selling and Post Brexit customs regulations including Northern Ireland arrangements.

Potential impact

All increases in regulation add operational complexity, involve significant amounts of management resources and result in higher business costs and prices. Regulatory changes may also add more complexity for the consumer.

Mitigating actions

We continue to work with the WSTA and actively participate in UK Government consultations to ensure regulatory changes are fair and proportional. The Group continues to invest in technology and expertise to minimise operational impacts and costs.

8 | Cyber security threats ◀▶

Potential causes

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.

Potential impact

Disruption of operations, the impact on customer service and the associated financial costs including possible regulatory fines. Reputational damage and loss of stakeholder confidence.

Mitigating actions

Security measures are regularly reviewed and updated to prevent unauthorised access to systems. Increased focus on staff training and awareness. The use of third party expertise to supplement internal resource.

9 | Attraction and retention of key personnel ▲

Potential causes

Loss of key staff and business expertise or the inability to attract new staff to fill important roles. Hybrid or home working, high inflation, cost-of-living challenges alongside skills shortages in specialist sectors all contribute to a more challenging employment landscape.

Potential impact

Delay of key projects, shortage of expertise to deliver the Group's strategic plans and increased employment costs.

Mitigating actions

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

Failure of critical operational technology.

Potential impact

Reduction or loss of operational capabilities impacting customer service levels or increasing operating costs.

Mitigating actions

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. Continued refinement of business continuity planning to minimise impacts.

The Strategic Report was approved on behalf of the Board on 25 October 2023.

Jay Wright

Jay Wright

Chief Executive Officer

“

The Board of Directors regularly review risks within the organisation and take the appropriate action to mitigate them wherever possible

Graeme Weir, CFO



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.

KEY



Audit Committee



Remuneration Committee



Denotes Chair of Committee



Jay Wright
Chief Executive Officer

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

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

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



John Risman
Chairman

John has held the position of Chairman of Virgin Wines UK plc since October 2018. He is also Chief Executive of Hillarys Group, the UK's largest window coverings group and responsible for the international direct to consumer businesses of Hunter Douglas - the worlds leading window coverings 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.



Sophie Tomkins
Non-Executive Director

Sophie is a Non-Executive Director with extensive public markets experience gained through nearly two decades as a London-based stockbroker. 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. She is a Non-Executive Director and Audit Committee Chair of Hotel Chocolat Group plc and is Senior Independent Director and Audit Committee Chair of System1 Group plc, and a member of both Remuneration Committees.



Helen Jones
Non-Executive Director

Helen is a Non-Executive Director and Chair of the Remuneration Committee. Helen 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.

In addition to her role at Virgin Wines UK plc, Helen is a non-executive director and Chair of the Remuneration Committee and workforce engagement director at Premier Foods plc and Fuller, Smith & Turner plc. She also recently joined the Board of THG plc as a Non-Executive Director and member of the Audit and Remuneration Committees.

Alongside these roles, Helen serves on the Board of Whittard and Toast Ale, a social enterprise.



Ed Wass
Non-Executive Director

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



Chairman's Statement

Significant strategic progress made despite challenging market conditions



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Virgin Wines has demonstrated a high level of resilience in 2023 that has been a testament to the Group's strategy and its people

John Risman
Chairman

Introduction

It has undoubtedly been a challenging year for the economy and as with many other consumer-facing businesses, the Group continued to experience a number of headwinds during the period, impacting the supply chain, costs and underlying consumer demand. Despite this, Virgin Wines has demonstrated a high level of resilience in 2023 that has been a testament to the Group's strategy and its people.

The business' underlying fundamentals remain strong and continues to perform robustly within the ecommerce segment of the drinks market. The shift in attitudes and behaviours towards working from home has supported underlying demand. Meanwhile, the quality and consistency of the product and one of the leading customer propositions in the marketplace leave Virgin Wines well positioned to overcome the current macroeconomic pressures.

Whilst our revenues and profits are down on the prior year, much of the growth has been retained when compared with pre-pandemic levels. Our brand personality and values are unchanged and remain critical to our success. I would like to thank all our customers, suppliers, partners and, above all, our colleagues for making this possible.

Strategy

During the year, the Board and senior leadership team held a comprehensive strategy review where we evaluated the business' fundamental proposition and considered various opportunities including consumer segmentation, product range and geographical expansion.

The Group has started to implement the outcomes of the session, and benefits will be realised from FY24. These include – but are not limited to – the introduction of new premium and value ranges of wines, alongside an exit from the over-supplied beer category. The Board is confident that these strategic developments will solidify and enhance the Group's offer in order to continue to capture wider demographics of customers.

Throughout the year more widely, the Group continued to make good strategic progress against its wider strategic pillars. More detail on this is included in the CEO Statement.

ESG

ESG remains an important driver of the business. It informs our culture, strategy and stakeholder engagement. We are conscious of our responsibility to the environment and the need to take this into account in all our business practices. The Group remains committed to operating an ethical, transparent business, delivering value for all stakeholders in line with its long-term growth strategy.

During the year, the business took a number of important steps to drive its sustainability, including obtaining respected accreditations as a Carbon Neutral business under PAS 2060. We maintain a stable, experienced Board with a shared vision for the Group's growth, and ambitions to realise meaningful shareholder value into the future.

Outlook

While macroeconomic headwinds are expected to persist into FY24, compounded by the additional alcohol duty increase implemented post period end, there are a number of reasons to be excited at Virgin Wines and its opportunities for further financial progress over coming years.

Looking ahead, the Board and I remain highly optimistic of Virgin Wines' future growth prospects. There is encouraging, underlying consumer demand for the Group's leading proposition. The business model remains robust with an excellent in-house team driven to help the business grow through meaningful strategic progress.

John Risman
Chairman



“

The business' underlying fundamentals remain strong and they continue to perform robustly within the ecommerce segment of the drinks market

John Risman, Chairman

Corporate Governance Report

66

I am pleased to present the Corporate Governance Report for the period ended 30 June 2023. 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 has adopted the QCA Code as it provides the most appropriate framework of governance for a public company of our size and complexity.

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 Group and to what extent it has changed during the year.

The Board seeks to ensure it has 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.

The Board is committed to providing robust leadership and oversight of the business by setting and monitoring the Group’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 Group. The Board is satisfied that a culture of openness, honesty and integrity pervades the business and compliments 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 Group.

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 Group’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 and recognises our governance framework will continue to evolve to reflect the future development of the Group.

The Board would like to thank all shareholders for their continued support in what has been a challenging 12 months for the Group.

John Risman
Chairman

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, Chair John Risman, supported by Ed Wass, Sophie Tomkins and Helen Jones. Further details and Board biographies can be found on pages 49 and 50.

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

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 will normally meet 11 times in a full 12-month cycle. Board members are expected to attend all meetings. At each meeting the members reconfirm they have no conflicts of interest relating to items on the meeting agenda. Procedures are in place for members to recuse themselves from a meeting should a conflict arise. 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.

The schedule of attendance at Board and Committee meetings is set out below:

	Board	Rumeration Committee	Audit Committee
Meetings held	11	3	3
John Risman	11	3	
Sophie Tomkins	11	3	3
Helen Jones	11	3	2
Ed Wass	11		3
Jay Wright	11		
Graeme Weir	11		

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. Since the IPO the Group has not established a separate Nominations Committee due to our size and lack of complexity. The Chair and Board will keep this matter under review.

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 incentives in line with share-based incentive plans operating within the Group.

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

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

Board evaluation

The Board undertakes a review each year of the effectiveness of the Board and Committees and the contributions of individual Board members. This is carried out through a self assessment review and is overseen by the Chair. The latest board review of performance was carried out in August 2023 using the same method of evaluation as in prior years. The evaluation highlighted overall and total improvements, particularly in key areas such as board engagement, contribution and stakeholder communication. It also pointed to areas to focus on such as succession planning and risk mitigation. This feedback and insight will help to guide board priorities of effort to underpin optimal decision making, governance and long-term Group performance.

Corporate Governance Report *continued*

The Group 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 below is a description of how the Group complies with the QCA Code. At this point the Board are not aware of any areas of non-compliance. The Directors of the Group (the Board) remain committed to evolving the Group’s corporate governance arrangements as the business develops.

1

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

The Group’s strategy is to create a platform for organic growth and potentially for acquisitions in the wine 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 Group.

Further information on our business model and strategy can be found at pages 13 to 20 and our Strategic Report commences on page 1.

2

Seek to understand and meet shareholder needs and expectations

The Group 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 Group’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 Group, during which the Board will be available to discuss matters affecting the Group. 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 Group’s website contains information on the Group, 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.

3

Take into account wider stakeholder and social responsibilities and their implications for longterm success

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

The Group 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 Group’s environmental impact through further product innovation, targeted operational initiatives and collaboration with its stakeholders. The Group 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 starting on page 31.

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 Group operates.

The Board is responsible for ensuring the Group 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 45 to 47.

The Board has established an Audit Committee, a summary of the terms of which is set out on page 59.

The Group 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 Group and considers that Helen Jones and Sophie Tomkins are independent in character and judgement – 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 Group and has committed to meet at least quarterly to discuss the strategy of the Group 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 Group. 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 Group. 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 Group has put in place an Audit Committee and a Remuneration Committee, summaries of the terms of reference for each are set out under pages 59 and 61.

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 49 and 50.

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 11 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 Group’s expense. In addition, the Board has direct access to the advice and services of the Group advisers, Group Secretary and Chief Financial Officer.

Corporate Governance Report *continued*

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.

The Board conducted their latest review of their performance in August 2023 using the same method of evaluation as in prior years.

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 have achieved our short-term goal of being recognised as carbon neutral, and have a longer term net zero goal. Virgin Wines' approach to ethical values within the Group is further set out in the Sustainability section on page 31.

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 Group. The Board reviews its strategy regularly and is responsible for determining the strategic focus of the Group.

As set out above, the Board meets 11 times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Group 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 Group 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 53.

10

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

The Group 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 Group's major existing or potential shareholders. The Group will communicate principally by way of the release of regulatory and other announcements as and when information is available to disclose.

The Group's website, www.virginwinesplc.co.uk, is regularly updated. The Group's Annual Report and Accounts are located under the 'Documents' section of the website. Notices of the general meetings of the Group 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



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On behalf of the Board I am pleased to present the report of the Audit Committee for the period ended 30 June 2023

Sophie Tomkins
Chair of the Audit Committee

Audit Committee meetings held – 3

Committee members	Attendance
Sophie Tomkins (Chair)	3/3
Helen Jones	2/3
Ed Wass	3/3

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

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 with 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 both Hotel Chocolat Group plc and System1 Group plc. The Committee meets formally at least three times a year and more frequently if required, and has unrestricted access to the Group’s auditor. Committee member Helen Jones was unable to attend one of the meetings in person due to a late scheduling clash. The meeting was recorded on Microsoft Teams and circulated along with the minutes. Attendance at Board and Committee meetings is set out in the Corporate Governance Report on page 54. Audit Committee meetings are minuted and made available to all Board members along with any formal reports from the Group auditor PricewaterhouseCoopersLLP (PwC).

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are summarised on page 54 and available on the Group’s website (www.virginwinesplc.co.uk).

The work carried out by the Audit Committee during FY23 comprised the following:

- ensuring the financial performance of the Company is being properly measured and reported on;
- review of the FY23 audit plan;
- consideration of key audit matters and how they are addressed;
- Going Concern Review;
- review of suitability of the external auditor;
- audit partner rotation;
- 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 30 July 2023 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 was satisfied the Financial Statements for the period ended 30 June 2023 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 undertakings and the parent company investment.

During the year, the Group responded to the FRC’s Request for Information regarding the FY22 Accounts. This was principally to clarify the treatment of material rights relating to WineBank transactions within the technical detail of IFRS15. This correspondence has been closed, with no matters to report. The Group’s Accounting Policies with regard to WineBank are detailed on page 82.

Auditor’s tenure

PwC was reappointed as auditor following an open tender process in 2021. Following consultation with the Audit Committee, a new partner, Simon White, has taken over as lead partner for the FY23 audit, replacing Jonathan Studholme who signed off the audit for the previous two periods. The Audit Committee will continue to observe best practice for AIM listed companies and make appropriate recommendations to re-tender in due course.

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. The Audit Committee will continue to assess this as the Group changes.

Risk management and internal controls

As described throughout the Annual Report and the Corporate Governance section, 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 whistleblowing process whereby an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing agenda item for the Audit Committee meetings. During the year, there were no reported incidents for consideration. 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 has opted to apply the audit exemption for subsidiary companies available under section 479c of the Companies Act 2006 for the FY23 reporting period.

On behalf of the Board
Sophie Tomkins
Chair, Audit Committee

Remuneration Committee Report



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On behalf of the Board, I am pleased to present the remuneration report for the financial period to 30 June 2023. 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

Helen Jones
Chair of the Remuneration Committee

Remuneration Committee meetings held – 3

Remuneration Committee members	Attendance
Helen Jones (Chair)	3/3
Sophie Tomkins	3/3
John Risman	3/3

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 on three occasions 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 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 cost of providing these benefits can vary in accordance with market conditions which will, therefore, determine the maximum value.	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 30 June 2023.

Name	2023					2022				
	Basic salary/ fee	Bonus	Pension	Benefits	Total	Basic salary/ fee	Bonus	Pension	Benefits	Total
Executive										
Jay Wright	275,000	–	13,749	5,838	294,587	275,000	–	20,667	6,273	301,940
Graeme Weir	210,000	–	10,500	7,413	227,913	210,000	–	10,500	7,800	228,300
Non-Executive										
John Risman	72,800	–	–	–	72,800	70,000	–	–	–	70,000
Edward Wass ¹	46,800	–	–	–	46,800	45,000	–	–	–	45,000
Helen Jones	52,000	–	–	–	52,000	50,000	–	–	–	50,000
Sophie Tomkins	52,000	–	–	–	52,000	50,000	–	–	–	50,000

¹ 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 or FY23.

Long-Term Incentive Awards granted

Executive Awards

Long-term incentive awards were granted to the CEO and CFO on 6 December 2021 and 6 December 2022.

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
	06 December 2022	FY25 Revenue and Earnings	346,233	£0.01	30 June 2025
Graeme Weir	06 December 2021	FY24 Revenue and Earnings	102,371	£0.01	30 June 2024
	06 December 2022	FY25 Revenue and Earnings	264,396	£0.01	30 June 2025

The vesting date for the awards is 1 November 2024 and 6 December 2025 respectively and both are subject to strict financial performance measures requiring the Group to outperform market expectations at the grant date.

There were no awards to the Executive Directors prior to 6 December 2021.

Non-Executive Awards

On 6 December 2022, a third LTIP share award was made to 24 staff with a vesting date of 6 December 2025, 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. Also on 6 December 2022 a Restricted Share Performance Award (RSA) was granted to nine key staff with personal performance conditions. Subject to meeting the performance criteria 50% of the award will vest on 6 December 2023 and 50% on 6 December 2024. 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
LTIP 1 24 Staff	23 June 2021	FY23 Revenue and Earnings	433,288	£0.01	30 June 2023
LTIP 2 25 Staff	06 December 2021	FY24 Revenue and Earnings	547,023	£0.01	30 June 2024
LTIP 3 24 Staff	06 December 2022	FY25 Revenue and Earnings	1,271,323	£0.01	30 June 2025
LTIP 3 9 Staff	06 December 2022	FY23 and FY24 Personal Performance	409,035	£0.01	30 June 2023 and 2024

LTIP 1 23 June 2021 the criteria for the Performance Share Award relating to 355,804 shares was not met and the awards duly lapsed in the period. If fully vested, all the remaining Staff and Executive awards would total 2,811,642 shares representing 4.79% of the shares in issue at 30 June 2023.

Director’s interest in shares

The interest of the Directors as at 30 June 2023 in the shares of the Company were:

Name	Number	% of issued
Jay Wright	4,631,260	8.29%
Graeme Weir	3,130,092	5.61%
John Risman	1,513,834	2.71%
Sophie Tomkins	20,000	0.04%
Helen Jones	5,000	0.01%
Ed Wass	Nil	Nil

As at 30 June 2023 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 41.46%.

Based on the share price at 30 June 2023, 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 1 July 2023

Executive Directors

Following no change last year there will be a 2% increase in Director salaries for FY24. The salaries for CEO and CFO will be £280,500 and £214,200 respectively.

The Executive Directors have waived any right to an annual bonus in FY24 in favour of a Group wide scheme to incentivise the wider workforce.

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

There will be no change to the annual fees payable to the Non-Executive Directors. John Risman’s fee 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 30 June 2023

The Directors present their report and audited consolidated and Company Financial Statements for the period ended 30 June 2023.

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 51 and the Strategic Report on pages 1 to 48.

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 £59.0m (2022: £69.2m) and loss after tax of £0.6m (2022: £4.4m profit). The financial performance was impacted by one off exceptional costs of £1m relating to the implementation of a new Warehouse Management System (WMS). The Group is confident these costs are exceptional in size and nature and are unlikely to reoccur.

No interim dividends have been paid in the period (2022: none).

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 (2022: £nil).

Share capital and voting

As at 30 June 2023 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 21 August 2023, 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	36.05%
Otus Capital Management	5,947,218	10.65%
Jay Wright	4,631,260	8.29%
Graeme Weir	3,130,092	5.61%
Gresham House Asset Management ¹	3,020,304	5.41%
Liontrust Asset Management	2,955,902	5.29%
Premier Milton Investors	1,873,446	3.36%

¹ Gresham House Asset Management manages the shareholding of Rapunzel Newco Limited (36.05%) in addition to its shareholding of 5.41%.

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.

Awards under the Group's Long-Term Incentive Plan were made on 6 December 2022 to 24 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. Opportunities for training, development and promotion are available to all staff.

Corporate Governance

The Group has signed up to the QCA Code of Conduct. Our Statement on Corporate Governance is included on pages 49 to 70 of the report.

Statement of engagement with stakeholders

Stakeholder relationships are central to our culture and values. We believe in fostering positive relationships with our staff, suppliers, customers and shareholders. Further information on how we engage with our strategic partners are included in our Strategic Report on pages 1 to 48 and also in our Section 172 statement on pages 39 to 42.

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 33 to 34 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 its trading 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 Group will continue to focus on the growth strategies outlined in the Strategic Review on pages 19 to 21 of this report.

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:

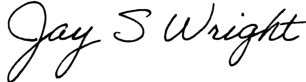
- so far as each Director is aware, there is no relevant audit information of which the Company's and Group's auditors are unaware; and
- each Director has taken all reasonable steps they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the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

Independent auditor

The auditor, PricewaterhouseCoopers LLP, has indicated its willingness to continue in office and a resolution that it be reappointed will be proposed at the Annual General Meeting.

Approval

The Directors' Report was approved on behalf of the Board on 25 October 2023.



Jay Wright

Chief Executive 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 behalf of the Board on the 25 October 2023.

Jay S Wright

Jay Wright
Chief Executive Officer



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

Report on the audit of the financial statements

Opinion

In our opinion, Virgin Wines UK plc’s group financial statements and company financial statements (the “financial statements”):

- give a true and fair view of the state of the group’s and of the company’s affairs as at 30 June 2023 and of the group’s loss and the group’s cash flows for the period from 2 July 2022 to 30 June 2023;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 30 June 2023; 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 all legal entities, 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 trade and other payables 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 loss before taxation.

Key audit matters

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

Materiality

- Overall group materiality: £290,000 (2022: £254,900) based on 0.5% of total revenue (2022: 5% of Profit before tax).
- Overall company materiality: £98,860 (2022: £94,920) based on 1% of net assets (2022: 1% of net assets).
- Performance materiality: £217,500 (2022: £191,000) (group) and £74,145 (2022: £71,190) (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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment (group)</p> <p>Refer to page 88 (Judgements in applying accounting policies and key sources of estimation uncertainty) and note 15.</p> <p>The Group holds goodwill of £9,623,000 (2022: £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.</p> <p>The Group has only one cash-generating unit (“CGU”) which is Virgin Wine Online Limited.</p> <p>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.</p>	<p>Our work over management’s goodwill impairment assessment included the following substantive procedures:</p> <ul style="list-style-type: none">• We confirmed that the approach used to determine the recoverable amount of the Group’s CGU, by estimating value in use using a discounted cash flow model was appropriate. We audited 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 industry trends and future implications related to climate change within their model;• We obtained management’s calculations supporting the discount rate used, and with input from our valuation experts, concluded that the discount rate was acceptable in the context of the overall model;• We recalculated management’s sensitivity analysis of key assumptions used in the model and challenged the appropriateness of management’s sensitivity analysis. We also performed independent sensitivity analysis over combinations of possible alternative assumptions and breakeven analysis on the discount rate (to establish the point where an impairment existed);• We checked the mathematical accuracy of the model;• We reviewed publicly available information and considered whether there were any views contrary to those of management in relation to assumptions used in the forecasts; and• We agreed the goodwill disclosures made in the financial statements back to supporting documentation. <p>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.</p>

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

Our audit approach *continued*

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment for investments in subsidiaries and amounts due from Group undertakings (parent)</p> <p>Refer to note 3 and note 6 to the Company financial statements. The Company has amounts due from Group undertakings of £9,463,000 (2022: £9,463,000) 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.</p> <p>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.</p> <p>The Company has an investment balance of £1,081,000 (2022: £774,000). 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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none">• 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. <p>Based on our work performed, we concluded that no impairment of investments in subsidiaries or amounts due from Group undertakings was necessary.</p>

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 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, based on its contribution to loss before tax.

One further component, Virgin Wines UK plc, was also subject to audit procedures over trade and other payables 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 100% of Group loss before tax.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group’s and company’s financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group’s and company’s financial statements.

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	£290,000 (2022: £254,900).	£98,860 (2022: £94,920).
How we determined it	0.5% of total revenue (2022: 5% of Profit before tax)	1% of net assets (2022: 1% of net assets)
Rationale for benchmark applied	Revenue is considered to be a primary measure used by shareholders in assessing performance of the Group. Moreover, Revenue has shown less volatility in recent periods than profit based benchmarks. Revenue is considered a generally acceptable 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 £250,000 to £280,000. 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% (2022: 75%) of overall materiality, amounting to £217,500 (2022: £191,000) for the group financial statements and £74,145 (2022: £71,190) 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 £14,500 (group audit) (2022: £12,700) and £4,742 (company audit) (2022: £4,746) 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 is expected to generate sufficient cash to meets its short and long 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 and inflationary pressures; assessing and challenging the key assumptions in the going concern model, including forecast sales, margins, capital expenditure and other costs assumptions over the period to December 2024;
- ensuring the mathematical accuracy of the model;
- evaluating the directors’ severe but plausible downside scenario and ensuring this is appropriately modelled;
- considering the adequacy of the disclosures in the financial statements.

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

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 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ Responsibilities, 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, results 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
- incorporating an element of unpredictability into our audit procedures
- identifying and testing journal entries, including those with unusual account combinations relating to the principal fraud risks set out above
- challenging assumptions and judgements made by management in their significant accounting estimates

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

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

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

Use of this report

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

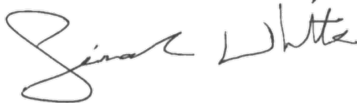
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Simon White

Senior Statutory Auditor

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

25 October 2023

Consolidated Statement of Comprehensive Income

for the 52-week period ended 30 June 2023

	Note	30 June 2023 £'000	1 July 2022 £'000
Revenue	5	58,998	69,152
Cost of sales		(41,560)	(47,429)
Gross profit		17,438	21,723
Administrative expenses before exceptional items		(5,981)	(4,356)
Exceptional items	6	(990)	-
Administrative expenses		(6,971)	(4,356)
Selling and distribution costs		(11,189)	(12,166)
Operating (loss)/profit	7	(722)	5,201
Finance income	11	159	31
Finance costs	12	(174)	(134)
(Loss)/profit before taxation		(737)	5,098
Taxation credit/(expense)	13	143	(747)
(Loss)/profit for the financial period and total comprehensive (expense)/income		(594)	4,351
Basic and diluted (loss)/earnings per share (pence)	14	(1.1)	7.8

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

The Group has no other comprehensive income or expense other than the (loss)/profit above and therefore no separate statement of other comprehensive income has been presented.

Consolidated Statement of Financial Position

as at 30 June 2023

	Note	30 June 2023 £'000	1 July 2022 £'000
Company number 13169238			
ASSETS			
Non-current assets			
Intangible assets	15	11,350	11,113
Property, plant and equipment	16	402	400
Right of use assets	17	2,870	3,262
Deferred tax asset	18	496	428
Total non-current assets		15,118	15,203
Current assets			
Inventories	19	8,367	8,653
Trade and other receivables	20	2,615	2,477
Derivative financial instruments	24	-	16
Cash and cash equivalents	21	13,514	15,070
Total current assets		24,496	26,216
Total assets		39,614	41,419
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	22	(14,206)	(15,451)
Derivative financial instruments	24	(12)	-
Lease liability	17	(521)	(456)
Total current liabilities		(14,739)	(15,907)
Non-current liabilities			
Provisions	23	(321)	(290)
Lease liability	17	(2,732)	(3,149)
Total non-current liabilities		(3,053)	(3,439)
Total liabilities		(17,792)	(19,346)
Net assets		21,822	22,073
Equity			
Share capital	25	558	558
Share premium		11,989	11,989
Own share reserve		-	(36)
Merger reserve		65	65
Share based payment reserve		402	95
Retained earnings		8,808	9,402
Total equity		21,822	22,073

The Financial Statements on pages 77 to 104 were approved by the Board of Directors and authorised for issue on 25 October 2023. They were signed on its behalf by:

Jay S Wright

Jay Wright

Chief Executive Officer

The notes on pages 81 to 104 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the 52-week period ended 30 June 2023

	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
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
2 July 2022	558	11,989	(36)	65	95	9,402	22,073
Loss for the financial period	–	–	–	–	–	(594)	(594)
Total comprehensive income for the period	–	–	–	–	–	(594)	(594)
Share-based payments (note 10)	–	–	–	–	307	–	307
Own shares distributed	–	–	36	–	–	–	36
Total transactions with owners recognised in equity	–	–	36	–	307	–	343
30 June 2023	558	11,989	–	65	402	8,808	21,822

The notes on pages 81 to 104 form part of these Financial Statements.

Consolidated Statement of Cash Flows

for the 52-week period ended 30 June 2023

	Note	30 June 2023 £'000	1 July 2022 £'000
Cash flows from operating activities			
(Loss)/profit before taxation		(737)	5,098
Adjustments for:			
Depreciation and amortisation	7	1,195	963
Share-based payment expense	10	307	95
Own shares distributed	25	36	–
Net finance costs	11, 12	15	103
Increase in trade and other receivables		(122)	(941)
Decrease/(increase) in inventories		286	(1,414)
Decrease in trade and other payables		(1,126)	(2,928)
Net cash (used in)/generated from operating activities		(146)	976
Cash flows from investing activities			
Interest received	11	159	31
Disposal of intangible fixed assets	15	35	–
Purchase of intangible and tangible fixed assets	15, 16	(968)	(969)
Net cash used in investing activities		(774)	(938)
Cash flows from financing activities			
Payment of lease liabilities	17	(462)	(494)
Payment of lease interest	12	(174)	(134)
Net cash used in financing activities		(636)	(628)
Net (decrease)/increase in cash and cash equivalents		(1,556)	(590)
Cash and cash equivalents at beginning of period		15,070	15,660
Cash and cash equivalents at end of period		13,514	15,070
Cash and cash equivalents comprise:			
Cash at bank and in hand		13,514	15,070

The notes on pages 81 to 104 form part of these Financial Statements.

Notes Forming Part of the Financial Statements

for the 52-week period ended 30 June 2023

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, Ribbleson, 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 on recognition, measurement or disclosure in the periods 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 30 June 2023 (2022: 1 July 2022).

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 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 period the Group met its day-to-day working capital requirements through its trading 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.

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.

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 when customers spend their WineBank cash balance but not the associated interest. The material right performance obligation is calculated on a portfolio basis taking into account inactive customers and expected future cash receipts which reduce the portfolio value of the material right. The material right provision is included within contract liabilities and 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 income statement 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 comprehensive income.

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 16.

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

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; and
- 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.

Notes Forming Part of the Financial Statements *continued*

2. Accounting policies *continued*

Exceptional items

The Company presents certain items as “exceptional” on the face of the Consolidated Statement of Comprehensive Income account 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 company has chosen to do so.

Merger reserve

The merger reserve was created during FY21 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.

Section 479c Companies Act 2006 Audit exemption

The subsidiaries Virgin Wine Online Limited (registered number 03800762) and Virgin Wines Holding Company Limited (registered number 07970057) are exempt from the requirements of the Act relating to the audit of accounts under section 479A of the Companies Act 2006.

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 and estimates:

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.

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 30 June 2023 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.

Sources of estimation uncertainty

The Group has considered other estimates and assumptions that, whilst not deemed to represent a significant risk of material adjustment, do represent important estimates at 30 June 2023 and are disclosed accordingly. The valuation of the material right provision is disclosed as an other estimate in the current year.

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 (2022: no customers).

Notes Forming Part of the Financial Statements *continued*

6. Exceptional items

Exceptional items relate to additional labour costs (£687k), goodwill compensation given to customers (£97k) and other incremental costs (£206k) due to operational issues following the implementation of the new Warehouse Management System. These costs are deemed exceptional due to their size and non recurring nature (2022: £nil).

7. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	30 June 2023 £'000	1 July 2022 £'000
Inventory charged to cost of sales	37,548	43,060
Depreciation (note 16)	232	139
Depreciation of right of use asset (note 17)	501	502
Staff costs (note 8)	8,192	7,660
Shared based payments (note 10)	307	89
Net exchange gains (including movements on fair value through profit and loss derivatives)	(11)	(33)
Movement in inventory provision	(98)	38
Intangible asset amortisation (note 15)	462	322
Low value and short-term rentals excluded from right of use asset	70	51
Auditors' remuneration:		
– for the audit of the group and parent company Financial Statements	219	187
– non audit fees (tax compliance services)	13	11

8. Staff costs

	30 June 2023 £'000	1 July 2022 £'000
Staff costs (including directors) consist of:		
Wages and salaries	6,948	6,477
Social security costs	790	707
Other pension costs	454	476
	8,192	7,660

The amount recognised in the Consolidated Statement of Comprehensive Income as an expense in relation to the Group's defined contribution schemes is £454,000 (2022: £476,000).

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

By function	30 June 2023 Number	1 July 2022 Number
Sales	164	164
Management and administrative	36	36
	200	200

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

9. Key management personnel

	30 June 2023 £'000	1 July 2022 £'000
Short-term employee benefits	675	669
Post employment benefits	24	31
	699	700

During the period, retirement benefits were accruing to two directors (2022: two) 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 30 June 2023 the Group operated an equity-settled share-based payment plan as described below.

The charge in the period attributed to the plan was £307,000 (2022: £89,000).

The total amount recognised in relation to share based payments is £402,000 (2022: £95,000).

Under the Virgin Wines UK plc Long-Term Incentive Plan, the Group gives performance share awards (PSA) and restricted share awards (RSA) to Directors and senior staff 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. These shares vest after the delivery of the audited revenue and profit figure for the relevant financial period 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'.

		30 June 2023		1 July 2022	
		Share price at grant	Number of share options	Share price at grant	Number of share options
Grant date	Vesting Date				
PSA Share Awards					
6 December 2021	1 November 2024			193p	696,393
6 December 2022	6 December 2025	70p	1,606,003		–
			1,606,003		696,393
RSA Share Awards					
6 December 2021	1 November 2024			193p	87,058
6 December 2022	6 December 2023	70p	204,654		–
6 December 2022	6 December 2024	70p	204,654		–
6 December 2022	6 December 2025	70p	275,949		–
			685,257		87,058

Notes Forming Part of the Financial Statements *continued*

10. Share-based payments *continued*

	Number of Shares 30 June 2023	Number of Shares 1 July 2022
Outstanding at start of period	1,204,217	433,288
Granted during the period	2,291,260	783,451
Lapsed during the period	(305,451)	–
Forfeitures in the period	(378,381)	(12,522)
Outstanding at end of period	2,811,645	1,204,217

The awards outstanding at 30 June 2023 have a weighted average remaining contractual life of 1.9 years (2022: 2.0 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

	30 June 2023 £'000	1 July 2022 £'000
Bank interest	159	31

12. Finance costs

	30 June 2023 £'000	1 July 2022 £'000
Interest payable for lease liabilities	174	134

13. Taxation

	30 June 2023 £'000	1 July 2022 £'000
Analysis of charge for the period		
Current tax		
Adjustment in respect of prior period	75	–
Charge for the year	–	75
Total current tax	75	75
Deferred tax		
Origination and reversal of timing differences	165	857
Adjustment in respect of prior period	(97)	(82)
Effect of changes in tax rates	–	(103)
Total deferred tax	68	672
Tax charge on profit on ordinary activities	143	747

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 higher (2022: lower) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

13. Taxation *continued*

	30 June 2023 £'000	1 July 2022 £'000
(Loss)/profit before tax	(737)	5,098
(Loss)/ profit before tax at the standard rate of corporation tax in the UK of 25% (period ended 1 July 2022 – 19%)	(184)	969
Effects of:		
Expenses not deductible for tax purposes	77	–
Tax rate change	–	(103)
Adjustment in respect of prior period	22	(82)
Other permanent differences	(58)	(37)
Total tax (credit)/charge for the period	(143)	747

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.

At 30 June the total number of potentially dilutive shares issued under the Virgin Wines UK plc long term incentive plan was 2,811,645 (2022: 1,204,217). Due to the contingent nature of options under the long-term incentive scheme, these share have no dilutive effect on the loss per share.

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

Statutory EPS

	30 June 2023	1 July 2022
Earnings (£'000)		
(Loss)/profit after tax	(594)	4,351
Dividend attributed to preference shareholders	–	–
(Loss)/earnings for the purpose of basic earnings per share	(594)	4,351
Number of shares		
Adjusted average number of shares for the purposes of basic earnings per share	55,837,560	55,837,560
Adjusted average number of shares for the purposes of diluted earnings per share	55,837,560	55,945,374
Basic and diluted (loss)/earnings per ordinary share (pence)	(1.1)	7.8

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.

	30 June 2023	1 July 2022
Earnings (£'000)		
(Loss)/earnings for the purpose of basic earnings per share	(594)	4,351
Exceptional items	990	–
Tax effect of above	(248)	–
Earnings for the purpose of adjusted earnings per share	148	4,351
Number of shares		
Adjusted average number of shares for the purposes of basic earnings per share	55,837,560	55,837,560
Adjusted average number of shares for the purposes of diluted earnings per share	58,649,205	55,945,374
Basic earnings per ordinary share (pence)	0.3	7.8
Diluted earnings per ordinary share (pence)	0.25	7.8

Notes Forming Part of the Financial Statements *continued*

15. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<i>Cost</i>			
At 3 July 2021	9,623	2,188	11,811
Additions	–	593	593
At July 2022	9,623	2,781	12,404
Additions	–	734	734
Disposals	–	(35)	(35)
30 June 2023	9,623	3,480	13,103
<i>Accumulated amortisation and impairment</i>			
At 3 July 2021	–	969	969
Amortisation charge	–	322	322
At 1 July 2022	–	1,291	1,291
Amortisation charge	–	462	462
30 June 2023	–	1,753	1,753
<i>Net book value</i>			
30 June 2023	9,623	1,727	11,350
1 July 2022	9,623	1,490	11,113

Included within Software is £0.4m (2022: £0.6m) net book value in relation to development of the Mantiki core IT platform, which has a remaining amortisation period of two (2022: three) years and £0.6m (2022: £0.2m) in relation to development of the Korber Warehouse Management System, which has a remaining amortisation period of four years (2022: five years).

Included in Software is £0.7m (2022: £0.5m) of internally generated asset.

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 13.8% (2022: 11.5%)

The forecasts for the business are based over a five-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
<i>Cost</i>				
At 3 July 2021	20	631	277	928
Additions	–	268	108	376
At 1 July 2022	20	899	385	1,304
Additions	–	81	153	234
At 30 June 2023	20	980	538	1,538
<i>Accumulated depreciation</i>				
At 3 July 2021	20	516	229	765
Charge for the period	–	96	43	139
At 1 July 2022	20	612	272	904
Charge for the period	–	138	94	232
At 30 June 2023	20	750	366	1,136
<i>Net book value</i>				
At 30 June 2023	–	230	172	402
At 1 July 2022	–	287	113	400

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 24 September 2030.

The Group entered into a lease for a warehouse in Preston on 19 October 2016 under a ten-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 ten-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.

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

Notes Forming Part of the Financial Statements *continued*

17. Right of use assets *continued*

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
<i>Cost</i>			
At 3 July 2021	4,202	104	4,306
Additions	858	39	897
At 1 July 2022	5,060	143	5,203
Additions	–	109	109
At 30 June 2023	5,060	252	5,312
<i>Accumulated depreciation</i>			
At 3 July 2021	1,415	24	1,439
Charge for the period	476	26	502
At 1 July 2022	1,891	50	1,941
Charge for the period	466	35	501
At 30 June 2023	2,357	85	2,442
<i>Net book value</i>			
At 30 June 2023	2,703	167	2,870
At 1 July 2022	3,169	93	3,262

Lease liability

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
At 3 July 2021	3,120	82	3,202
Additions	858	39	897
Interest expense	130	4	134
Lease payments	(599)	(29)	(628)
At 2 July 2022	3,509	96	3,605
Additions	–	109	109
Interest expense	169	5	174
Lease payments	(596)	(39)	(635)
At 30 June 2023	3,082	171	3,253

18. Deferred tax

	30 June 2023 £'000	1 July 2022 £'000
Brought forward	428	1,100
Utilisation through income statement	68	(672)
Carried forward	496	428

The balance comprises temporary differences attributable to:

	Fixed asset differences £'000	Other timing differences £'000	Tax losses £'000	Total £'000
Deferred tax asset at 3 July 2021	593	15	492	1,100
Recognised in the period through income statement	(175)	(5)	(492)	(672)
Deferred tax asset at 2 July 2022	418	10	–	428
Recognised in the period through income statement	(323)	10	381	68
Deferred tax asset at 30 June 2023	95	20	381	496

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 and Virgin Wines UK plc.

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 (2022: £0.9m).

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% (2022: 25%).

19. Inventories

	30 June 2023 £'000	1 July 2022 £'000
Finished goods for resale	8,367	8,653

There is no difference between the replacement cost of stocks and carrying value (1 July 2022: £nil).

Inventories are stated after provision for impairment of £195,000 (2022: £293,000).

20. Trade and other receivables

	30 June 2023 £'000	1 July 2022 £'000
Amounts falling due within one year:		
Gross carrying amount - trade receivables	821	946
Loss allowance	(7)	(13)
Net carrying amount - trade receivables	814	933
Prepayments	1,582	1,331
Other receivables	219	213
	2,615	2,477

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 30 June 2023 there were two (1 July 2022: three) 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 relates 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:

	30 June 2023			1 July 2022		
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
Trade receivables and other debtors						
Not yet due	776	–	776	823	–	823
Overdue	45	(7)	38	123	(13)	110
	821	(7)	814	946	(13)	933

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

	30 June 2023 £'000	1 July 2022 £'000
Opening provision for impairment of trade receivables and contract assets	13	13
Recovered provided debt	5	–
Increase during the period	(10)	–
Write off of provided debt	(1)	–
Carried forward	7	13

21. Cash and cash equivalents

Included in Cash and cash equivalents is a balance of £8.0m (1 July 2022: £7.4m) relating to advance payments received from WineBank customers. The corresponding creditor to customers is included in contract liabilities.

£3.1m of the cash balance is held on 95 day notice (2022: £2.0m) at a preferential interest rate of 4.75% (1 July 2022: 1.45%).

22. Trade and other payables

	30 June 2023 £'000	1 July 2022 Restated £'000
Trade payables	2,227	2,810
Taxation and social security	1,581	2,928
Contract liabilities	8,721	8,091
Accruals and other creditors	1,677	1,622
	14,206	15,451

The Directors consider the fair value of creditors to be equal to the book value given their short-term nature. Contract liabilities includes a £0.5m material rights provision related to WineBank (FY22: £0.4m).

Trade and other payables at 1 July 2022 have been restated to reclassify the WineBank material right provision of £0.4m from accruals and other credtiors to contract liabilities. This balance was previously included in accruals and other creditors. However, the Directors have concluded its nature is more in line with contract liabilities. The overall balance on Trade and other payables has remained unchanged.

23. Provisions

Leasehold dilapidation provision

	30 June 2023 £'000	1 July 2022 £'000
Brought forward	290	275
Charged in income statement	31	15
Carried forward	321	290

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:

	30 June 2023 £'000	1 July 2022 £'000
October 2026	254	248
August 2030	67	42
	321	290

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:

	30 June 2023 £'000	1 July 2022 Restated £'000
Trade and other receivables	1,033	1,146
Cash and cash equivalents	13,514	15,070
Financial assets measured at amortised cost	14,547	16,216
Derivative financial assets measured at fair value through profit or loss	–	16
Financial assets measured at fair value through comprehensive income	–	16
Derivative financial liabilities measured at fair value through profit or loss	(12)	–
Financial liabilities measured at fair value through comprehensive income	(12)	–
Trade and other payables, excluding non-financial liabilities	(3,904)	(4,432)
Lease liabilities	(3,253)	(3,605)
Financial liabilities measured at amortised cost	(7,157)	(8,037)

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 comprehensive income 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.

Trade and other payables, excluding non-financial liabilities at 1 July 2022 has been restated to exclude £0.4m of material right provision (see note 22).

Credit risk

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

	30 June 2023 £'000	1 July 2022 £'000
Financial assets measured at amortised cost	14,547	16,216
Financial assets measured at fair value through comprehensive income	–	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 Group’s trade receivables. In order to manage credit risk the Directors set credit limits for corporate customers based on a combination of payment history, credit references and a financial review of the business. Credit limits are reviewed on a regular basis in conjunction with debtor ageing and payment history. Historic credit losses of the Group have been negligible as referenced in note 20.

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 30 June 2023:

	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	3,904	3,904	3,904	–	–
Lease liabilities	3,253	3,872	675	2,096	1,101
	7,157	7,776	4,579	2,096	1,101
Derivative financial liabilities:					
Foreign currency forwards					
(Inflow)		(1,376)	(1,376)	–	–
Outflow		1,364	1,364	–	–
	(12)	(12)	(12)	–	–
Total	7,145	7,764	4,567	2,096	1,101

Contractual maturities of financial liabilities as at 1 July 2022 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 - Restated	4,432	4,432	4,432	–	–
Lease liabilities	3,605	4,384	629	2,284	1,471
	8,037	8,816	5,061	2,284	1,471
Derivative financial liabilities:					
Foreign currency forwards					
(Inflow)		(1,463)	(1,463)	–	–
Outflow		1,447	1,447	–	–
	(16)	(16)	(16)	–	–
Total	8,021	8,800	5,045	2,284	1,471

Trade and other payables, excluding non-financial liabilities at 1 July 2022 has been restated to exclude £0.4m of material right provision (see note 22).

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 30 June 2023, the outstanding contracts all mature within 6 months (2022: 6 months) of the period end. The Group is committed to buy Euro and Australian Dollars (2022: Euro, Australian Dollars and US Dollars) with a Sterling value of £1.38m (2022: £1.44m).

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:

	30 June 2023 £'000	1 July 2022 £'000
AUS	128	197
EUR	–	–
USD	–	140
Total	128	337

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

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

	30 June 2023 £'000	1 July 2022 £'000
Loss on 10% strengthening of functional currency	(104)	(103)
Gain on 10% weakening of functional currency	128	126

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.

	30 June 2023 £'000	1 July 2022 £'000
Net cash	10,261	11,465
Equity	21,822	22,073

25. Share capital

	30 June 2023 £'000	1 July 2022 £'000
Authorised, Allotted, called up and fully paid		
55,837,560 (2022: 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.

Nil (2022: 3,660,100) Ordinary Shares of £0.01 are held within the Group by the Employee Benefit Trust.

The Directors have not approved and interim dividend and do not recommend the payment of a final dividend (2022: nil).

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.

	3 July 2021 £'000	New Leases £'000	Other non-cash changes £'000	Cashflow £'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

Notes Forming Part of the Financial Statements *continued*

26. Analysis and reconciliation of net cash *continued*

	2 July 2022 £'000	New Leases £'000	Other non-cash changes £'000	Cashflow £'000	30 June 2023 £'000
Cash at bank and in hand	15,070	–	–	(1,556)	13,514
Lease liabilities	(3,605)	(109)	(174)	635	(3,253)
Net cash	11,465	(109)	(174)	(921)	10,261
Decrease in cash in the period					(1,556)
New leases					(109)
Lease interest					(174)
Lease payments					635
Movement in net cash in the period					(1,204)
Net cash at 1 July 2022					11,465
At 30 June 2023					10,261

27. Related Party disclosures

During the period ended 30 June 2023, sales of £800,654 (2022: £618,367) 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.

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

During the period the Group paid £47,203 (2022: £41,397) in monitoring fees and expenses to Gresham House Asset Management Limited. At 30 June 2023 £3,900 (2022: £4,500) was due to Gresham House Asset management Limited. Gresham House Asset Management Limited has significant influence over the Group by virtue of their appointment of a board member.

During the period sales of £nil (2022: £1,221) were made to Gresham House Asset Management Limited.

During the period sales of £24,405 (2022: £20,499) were made to LKB Enterprises Limited. At 30 June 2023 £4,695 (2022: £3,440) remaining outstanding from LKB Enterprises Limited, a company in which Virgin Wines UK plc's CEO's wife has significant control.

28. Ultimate parent undertaking

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

29. Events after the end of the reporting period

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

There are no capital commitments and no contingent liabilities not provided in the Financial Statements for the period ended and as at 30 June 2023 (1 July 2022: £0.3m commitment for new Warehouse Management System).

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

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 30 June 2023

	Note	30 June 2023 £'000	1 July 2022 £'000
ASSETS			
Non-current assets			
Investment	3	1,081	774
Intangible assets	4	8	11
Deferred tax asset	5	4	–
Trade and other receivables	6	9,463	–
Total non-current assets		10,556	785
Current assets			
Trade and other receivables	6	14	9,479
Total current assets		14	9,479
Total assets		10,570	10,264
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	(684)	(772)
Total current liabilities		(684)	(772)
Total liabilities		(684)	(772)
Net assets		9,886	9,492
Equity			
Share capital	8	558	558
Share premium		11,989	11,989
Merger reserve		236	236
Share based payment reserve		402	95
Retained loss		(3,299)	(3,386)
Total equity		9,886	9,492

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 30 June 2023 is £0.1m (2022: 0.1m).

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

The Financial Statements on pages 105 to 110 were approved by the Board of Directors and authorised for issue on 25 October 2023. They were signed on its behalf by:

Jay S Wright

Jay Wright
Chief Executive Officer

Company Statement of Changes in Equity

for the 52-week period ended 30 June 2023

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Retained loss £'000	Total Shareholders' funds £'000
3 July 2021	558	11,989	236	–	(3,514)	9,269
Loss for the financial period	–	–	–	–	128	128
Total comprehensive expense 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
2 July 2022	558	11,989	236	95	(3,386)	9,492
Profit for the financial period	–	–	–	–	87	87
Total comprehensive income for the period	–	–	–	–	87	87
Share-based payments	–	–	–	307	–	307
Total transactions with owners recognised in equity	–	–	–	307	–	307
30 June 2023	558	11,989	236	402	(3,299)	9,886

Notes to the Company Financial Statements

for the 52-week period ended 30 June 2023

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.

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 Company 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 on recognition, measurement or disclosure in the periods reported as a result of the change in framework. The Company 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 30 June 2023 (2022: 1 July 2022).

Historical cost convention

The Financial Statements have been prepared on a historical cost basis.

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

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 Financial Statements.

3. Investment

	Investment in subsidiary companies £'000
Cost	
3 July 2021	679
Increase in investment	95
At 1 July 2022	774
Increase in investment	307
At 30 June 2023	1,081

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

3. Investment continued

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	
3 July 2021	15
Additions	–
At 1 July 2022	15
Additions	–
At 30 June 2023	15
Accumulated amortisation and impairment	
3 July 2021	1
Charge for the period	3
At 1 July 2022	4
Charge for the period	3
At 30 June 2023	7
Net book value	
30 June 2023	8
1 July 2022	11

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

Software is amortised over its estimated useful economic life.

Notes to the Company Financial Statements *continued*

5. Deferred tax

	30 June 2023 £'000	1 July 2022 £'000
Brought forward	–	–
Recognised in the period through income statement	4	–
Carried forward	4	–

The balance comprises temporary differences attributable to:

	Tax losses £'000
Deferred tax asset at 2 July 2022	–
Recognised in the period through income statement	4
Deferred tax asset at 30 June 2023	4

Deferred tax is calculated based on the expected tax rate in force when the timing differences reverse of 25%.

6. Trade and other receivables

	30 June 2023 £'000	1 July 2022 £'000
Non-current assets		
Amounts due from Group undertakings	9,463	–
	9,463	–
Current assets		
Amounts due from Group undertakings	–	9,463
Prepayments	14	16
	14	9,479

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

At 30 June 2023 Amounts due from Group undertakings are non-current. In determining this classification, the Group notes that no repayment plan is in place and and there is no reasonable prospect that all or part of amounts owing would need to be repaid with 12 months to achieve Group strategic objectives. At 1 July 2022 the Amounts due from Group undertakings were classified as current based on available cash as at that date and expected cash from FY23 trading.

7. Trade and other payables

	30 June 2023 £'000	1 July 2022 £'000
Amounts owed to Group undertakings	471	495
Accruals and deferred income	213	277
	684	772

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.

8. Share capital

Details of the Company share capital can be found in note 25 of the consolidated Financial Statements.

9. 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.

10. Ultimate parent undertaking

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

Notes



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Registered No.: 13169238

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