

## Virgin Wines UK plc

("Virgin Wines", the "Company" or the "Group")

### Unaudited interim results for the six months ended 31 December 2022

*Strong performance from flagship WineBank scheme despite tough trading conditions*

Virgin Wines UK plc (AIM: VINO), one of the UK's largest direct to consumer online wine retailers, today announces its interim results for the six months ended 31 December 2022 ("H1 2023").

#### Financial highlights

- Total revenue of £33.6m (H1 2022: £40.6m; H1 2020<sup>1</sup>: £26.2m)
- Underlying EBITDA of £1.4m (H1 2022: £3.9m; H1 2020: £1.5m)
- Profit before tax of £0.1m (H1 2022: £3.2m; H1 2020: £0.5m)
- Earnings per share of 0.1p (H1 2022: 4.6p; H1 2020: 1.1p)
- Net cash<sup>2</sup> of £7.6m (1 July 2022: £7.8m)

#### Strategic highlights

- Customer base remains strong:
  - Over 60k new customers acquired in H1 (+4% since H1 2022 and a 24% LFL increase during Q2)
  - Recruitment onto WineBank was particularly strong (+21% year-on-year), achieving record number of members (142k), and deposits at end of December of £6.5m (+25% year-on-year)
  - Cost per recruit remained low, and was ahead of our expectations, at £11.82 (H1 2022: £13.62)
  - Continued stable, low cancellation rates
- New strategic partnerships continued to perform well
  - Saga launched in November, generating over 2k new members in the lead-up to Christmas
  - Partnerships with Moonpig, Avanti West Coast, LNER, Great Western Railway and Virgin Red have been pivotal in driving revenue through the B2B channel. Revenue through Moonpig up 283% year-on-year, whilst growth in the Virgin Red loyalty programme delivered 77% year-on-year growth
  - Commercial continues to accelerate year-on-year, with growth of +25% vs H1 2021 and 71% ahead of H1 2020 levels
- Record product gross margin achieved through DTC repeat sales channels, despite inflationary pressures, at 41.1% (H1 2022: 40.4%; H1 2020: 38.9%)

#### Current trading and outlook

- January and February trading broadly in line with expectations with consistently resilient demand among loyal customers
- Issues identified with new Warehouse Management System (WMS) being rectified and supporting more normalised trading into H2
- As the landscape remains challenging, we continue to be disciplined with our marketing investment, focusing on low cost recruitment and maximising value from the existing customer base
- Business review underway to identify new initiatives for future growth and profitability
- As previously announced, the Board expects revenue for FY23 to be around £63m, full year EBITDA margin to be between 4% and 5%, and EBITDA margin excluding exceptional factors to be 2% higher, in the range of 6-7%

(1) All references to H1 2020 in this document are to show the comparative position to the Pre-Covid performance

(2) Net cash of £7.6m is total cash of £14.1m less Wine Bank customer deposits of £6.5m

**Jay Wright, Chief Executive Officer at Virgin Wines, said:**

*"As previously announced in our year-end trading update, profitability was impacted during the first half, with a number of macroeconomic headwinds exacerbating certain internal and operational challenges which we encountered particularly over our peak Christmas trading period.*

*"However, we continue to make progress on addressing the challenges where we can, and we remain confident in the future growth prospects of Virgin Wines. This is underpinned by the fundamental strength of our business model and consumer proposition, with our customers remaining loyal and ever-increasing numbers signing up to our WineBank subscription scheme. Furthermore, our exciting new strategic partnerships continue to be a key focus in helping to introduce our brand's unique, high-quality products and service to new customers every day. The growth in our WineBank membership and continued focus on low cost customer acquisition, disciplined cost control, maximising gross margins and optimising working capital to maximise free cash flow, places us in an advantageous position to capitalise on opportunities as the cost of living crisis eases."*

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**Notes to editors:**

Virgin Wines is one of the UK's largest direct-to-consumer online wine retailers. It is an award-winning business which has a reputation for supplying and curating high quality products, excellent levels of customer service and innovative ways of retailing.

The Company, which is headquartered in Norwich, UK, was established in 2000 by the Virgin Group and was subsequently acquired by Direct Wines in 2005 before being bought out by the Virgin Wines management team, led by CEO Jay Wright and CFO Graeme Weir, in 2013. It listed on the London Stock Exchange's Alternative Investment Market (AIM) in 2021.

Virgin Wines has more than 500 wines, 250 spirits and 100 beers in its portfolio, which it sells to an active customer base of 187,000 members. It has approximately 200 employees and more than 40 trusted winemaking partners and suppliers around the world.

The Company drives the majority of revenue through its fast-growing WineBank subscription scheme, using a variety of marketing channels, as well as through its Wine Advisor team, Wine Plan channel and Pay As You Go service.

Along with its extensive range of award-winning products, Virgin Wines was delighted to be named Online Drinks Retailer of the Year for 2022 at this year's Drinks Retailing Awards, as well as receiving the bronze award for Contact Centre of the Year at the 2022 UK National Contact Centre Awards.

<https://www.virginwinesplc.co.uk/>

RESULTS	Unaudited	Unaudited
	31-Dec	31-Dec
£000's	2022	2021
Revenue	33,627	40,609
Gross Profit	9,774	12,630
Underlying operation expenses	(8,368)	(8,760)

Underlying EBITDA	1,406 <sup>3</sup>	3,870
Profit before tax	90	3,159
Net Assets	22,235	20,355

(3) After adding back £616k for exceptional one off costs relating to the WMS implementation

## CHIEF EXECUTIVE'S STATEMENT

### Business overview

We continue to see adverse trading conditions and challenges impacting the sector, with well-documented inflationary pressures and cost of living issues affecting consumer spend and frequency of order.

In addition, as previously reported, the Group was impacted during the period by a number of one-off factors, including over the two weeks of national mourning following the passing of Queen Elizabeth II in September and the peak Christmas trading period. Internally, this involved teething problems with the implementation of our new Warehouse Management System (WMS) to support the operation of our two warehouses, and externally we saw the negative effects on the courier network following the postal strikes and bad weather leading up to Christmas. The issues surrounding the WMS implementation, in particular, resulted in significant exceptional one-off costs to the business, and necessitated an early sales cut-off one week prior to Christmas, leading to approximately £1.5m in lost revenue.

In the face of these challenges, the Group has remained strongly focused on the implementation of its strategy, including the acquisition of new customers through a number of channels onto our subscription schemes at a consistently low cost per recruit. Price increases have also been implemented where appropriate, to help mitigate inflationary pressures whilst being mindful of minimising any impact on competitiveness and value.

Despite the challenging environment, the underlying mechanics of the business are in good health, demonstrating the resilience of the core business model. This includes the Group's consistent focus on acquiring high numbers of new customers at low cost, increasing our loyal WineBank membership base, growing our B2B business channel, margin expansion in the repeat DTC channels (despite significant cost pressures) and the Group remaining debt free whilst maintaining significant cash reserves and a high-quality, appropriate level of inventory on the balance sheet.

### Trading overview

Revenue for H1 2023 was £33.6m (H1 2022: £40.6m). The Company delivered an underlying EBITDA of £1.4m (H1 2022: £3.9m). As previously announced, the reduction in sales over H1 coupled with the exceptional costs associated with the WMS implementation had a material impact on the profitability of the business. We estimate that, together, the one-off issues associated with the reduction in September trading and the early cut-off for Christmas impacted H1 revenue by circa £3.26m, whilst the profit lost from those sales negatively affected EBITDA by a further £1m.

Despite this challenging backdrop, the business acquired over 60k new customers over the first six months of the year with recruitment onto the flagship WineBank subscription scheme particularly strong (+21% year-on-year) leading to a total membership number of 142k, +9%. Cost per recruit was also well controlled, and ahead of expectations, at just £11.82 (H1 2022: £13.62).

The Commercial arm of the business continues to accelerate year-on-year, generating growth of +25% vs H1 2021 and 71% ahead of H1 2020 levels. In particular, our partnerships with Moonpig (+283% year-on-year) and Virgin Red (+77% year-on-year) performed strongly.

Gross margin achieved record levels through the DTC repeat sales channels despite the pressures on the dry goods element of a bottle of wine (eg glass, packaging, capsule, freight and filling). Margin increased through the core repeat channels to 41.1% from 40.4% in H1 2022 and from 38.9% in H1 2020. The flexibility of our open source buying model enables us to focus globally on the best quality/value ratios and we can configure the contents of our pre-mixed cases to achieve this.

The Group has maintained its very strong cash position, remaining debt free and providing the scope to assess new opportunities to invest in growth in what has become a significantly different consumer environment to that of 18 months ago.

## **Customer acquisition**

Through its disciplined, focused and robust customer acquisition strategy, the Group has made great progress in attracting thousands of new recruits and in a consistent manner year after year. Over 60k new customers were recruited during the period, which was 4% ahead of the comparable period last year and a 24% LFL increase during Q2 (Q2 2023: 44,000; Q2 2022: 35,600).

Cost per recruit was also ahead of expectations, remaining low at £11.82 (H1 2022: £13.62). However, the competitive landscape and pressure on pricing has led to more competitive offers in the market, including a proportion of 6 bottle deals. This, alongside the rise in wine costs, has led to an increase in the fully costed cost per recruit to £20.51 (H1 2022: £11.75).

The business was delighted to launch its partnership with Saga in mid-November and was encouraged to see over 2k members taking advantage of the service over the lead-up to Christmas. This was ahead of expectations and a positive result in a short period of time.

## **WineBank subscription scheme and customer behaviour**

The key driver of repeat sales for the business is our WineBank subscription scheme. The total membership of the scheme hit record levels in the period, at 142k customers (up 9% from 130k in June 2022). WineBank customer deposits are also at a record level for the end of December at £6.5m, up 25% from the same point last year.

Customers have remained loyal to the WineBank scheme but have lengthened the average period of time between orders in light of recent macroeconomic challenges. This trend in customer frequency of order has been a key factor in the year-on-year fall in revenue through the main repeat sales channels, resulting in total H1 revenue from WineBank customers declining by 10.8% year-on-year, albeit still 65% ahead of H1 2020 levels.

The cancellation rate remains relatively stable and in line with long-term rates, at 17.8%. Whilst this has ticked up from 16.7% at the same point last year, this is a relatively small movement considering the dramatic change in consumer confidence and the trading environment. This also bodes well for when the cost of living crisis eases as it highlights our customers' loyalty to the scheme, despite them currently scaling back on their average spend per annum.

The trade rate for the full active customer base shows a similar trend, falling from 69.6% in H1 2022 to 68.4% in H1 2023, whilst the lapsed rate increased from 32.7% in H1 2022 to 34.7% in H1 2023. Given the significantly different consumer landscape these are relatively minor movements, and show the resilience of the customer base as a whole.

Given the shortfall in sales in H1 2023, there was a fall in the sales retention rate from 91% in FY 2022 to 80% in H1 2023, driven primarily by a reduction in order frequency as the customer retention rate fell less substantially, from 88% in H1 2022 to 84% in H1 2023.

## **Strategic partnerships**

The Group continues to focus its efforts on forging strategic partnerships to help drive both its customer acquisition and its commercial channels. Partnerships with Moonpig, Avanti West Coast, LNER, Great Western Railway and Virgin Red have all been pivotal in driving revenue through the B2B channel and continuing its steady year-on-year growth.

Similarly, the customer acquisition channel has used partnerships as the core method to attract significant numbers of new customers to Virgin Wines. In particular, relationships with Currys, On The Market, Go Outdoors, Rail Delivery Group, O2, The Daily Mail and Saga plc (amongst many others) have underpinned our ability to deliver a substantially increased number of new recruits into the business over H1 2023.

We believe the benefit we can drive from both new and existing strategic partnerships has significant headroom for further growth, which the Group continues to target.

## **Open source buying driving our exclusive wine range**

Given the pressure on the cost of producing wine, which has been driven by the escalation in dry goods such as glass, packaging and freight, it has become more important than ever that the business is able to work with its large, long-standing network of winemakers and wineries all around the world to deliver the very best quality and value wines possible.

It has been the ability to leverage this vital part of our unique model that has allowed the margin expansion that has been delivered to the repeat sales channels whilst managing price increases to remain attractive and competitive. It has also allowed the business to manage inventory levels to maximise the breadth and range of our portfolio without holding unnecessarily high levels of stock or having large ongoing commitments.

## **Operations**

Following a thorough review of the new Warehouse Management System, our teams have started to implement the necessary measures to resolve the issues experienced during the period. As a result, the Group is already seeing a return to more normal operations in H2, with over 97% of orders placed before 4pm being despatched the same day.

Whilst there is still work to do to deliver the operational costs we aim for, our initial focus has been on ensuring our customers receive the highest levels of service and quality possible. With that now in place, we will continue to drive the cost per case down, prove that the system is robust and delivers full stability while stress testing to prove the capability for operational efficiency at peak trading.

## **Outlook**

The consumer landscape remains challenging as customers continue to be prudent with their expenditure on discretionary purchases. We do not expect this trend to unwind in the near future, so we will continue to be disciplined with our marketing investment, focusing on low-cost recruitment and maximising value from the existing customer base.

We are confident that the one-off issues surrounding the WMS will continue to unwind over H2 and we can drive the business back to operational efficiency and with a platform in place that will allow significant future growth. Whilst we understand that there will continue to be pressure on revenue due to current levels of consumer confidence and on costs due to the inflationary climate, we believe that the core business model is robust, and the business can continue to trade resiliently in the short term and thrive in the longer term as the consumer landscape improves.

The business has traded broadly in line with expectations over January and February, continues to be profitable with consistently strong cash reserves and, as previously announced, the Board expects top-line performance in H2 to remain resilient. Full year revenue and profit will be impacted by the factors in H1 outlined above and, as a result, as previously announced, the Board expects revenue for FY23 to be around £63m, full year EBITDA margin to be between 4% and 5%, and EBITDA margin excluding exceptional factors to be 2% higher, in the range of 6-7%.

## **Business review**

Given the shift in consumer confidence over the past 15 months, the macro challenges that we are facing, and the changes experienced across our trading environment versus that experienced during the Covid period, the business is currently undertaking a full business review to ensure we are fully leveraging the opportunities available to us and that we are positioned as positively as possible for future growth and profitability.

Whilst the Group has been open-minded about potential strategic opportunities to date, the quality of potential acquisitions available that could deliver incremental value has been mixed and the desire to look at international expansion is limited in the short to medium term. The business is therefore focussing resources on delivering growth opportunities in the domestic market, utilising its core competencies and infrastructure to drive performance over the coming three years.

Further work is being done in this area and we look forward to providing more detail on these plans later in H2 2023.

## **FINANCIAL REVIEW**

### **Revenue**

Group revenue of £33.6m reflected a reduction of 17% year-on-year (H1 2022: £40.6m). Revenue performance was impacted by the one-off issues referenced earlier in the report. WineBank revenue was the least impacted by these issues, down 10.8% year-on-year, and remains 65% higher than H1 2020. Revenue from new customer acquisition activity was unchanged year-on-year.

### **Gross profit**

Gross profit margin fell to 29.1% (H1 2022: 31.1%). Packaging and delivery costs increased as a percentage of revenue by 0.8% year-on-year, as a result of the sharp increase in fuel and energy costs. The new structure of introductory case offers, including the use of 6 bottle offers rolled out in H2 FY2022, led to lower new business margins in H1 this year compared to H1 2022. Product margins excluding packaging and delivery for D2C activity increased to 41.1% (H1 2022: 40.4%). The index of dry goods costs (glass, packaging, labels etc) has increased by 66% from a base in October 2021. The ability of the business to configure cases has enabled it to offset a large part of these inflationary pressures.

### **Exceptional one-off expenses**

Due to operational issues following the launch of the new WMS system, the business incurred additional one-off expenses relating to the requirement for extra temporary labour, third party IT support and additional storage costs of £616k (H1 2022: £0). These have been disclosed separately due to their scale and one-off nature.

**EBITDA**

## EBITDA

Underlying EBITDA before the exceptional expenses highlighted above was £1.4m, down from £3.9m in H1 2022.

## Profit before tax

Profit before tax was £0.1m (H1 2022: £3.2m).

## Share based payments

The Group provided for a share-based payment expense of £89k (H1 2022: £177k) relating to the share based long-term incentive plan for the leadership team.

## Finance income

Finance income of £52k (H1 2022: £0k) relates to bank interest earned on cash balances.

## Finance expenses

Finance expenses of £89k (H1 2022: £70k) relates to the interest charge for Right of Use Assets. The Group has no borrowings so there are no expenses relating to servicing overdrafts or loans.

## Earnings per share

Earnings per share decreased to 0.1p from 4.6p in H1 2022 due to the fall in operating profit.

## Dividend

The Board is not recommending the payment of an interim dividend, but it will keep the Group's dividend policy under review.

## Foreign currency

All group income is derived from UK activity and denominated in GBP. The Group purchases supplies, mainly wine, from the global market predominantly in Euros, US Dollars and Australian Dollars. The Group hedges its foreign currency purchases to provide clarity on future cost prices.

## Inventory

As a result of the lower than planned sales volumes in H1, inventory levels increased by £2.4m from June 2022 to £11m. By slowing down replenishment activity in H2, inventory levels will drop back to the normal range by the end of FY2023.

## Cash

The Group monitors net cash after deducting WineBank customer deposits. The cash in hand excluding WineBank deposits at 31 December 2022 was £7.6m, compared to £7.7m at the previous year end. The extra working capital invested in stock will reverse out during H2.

Jay Wright  
Chief Executive Officer  
14 March 2023

## Condensed consolidated statement of comprehensive income

for the period ended 31 December 2022

	<i>Unaudited</i> 31 December Note 2022 £'000	<i>Unaudited</i> 31 December 2021 £'000
<b>Revenue</b>	<b>33,627</b>	40,609
Cost of sales	(23,853)	(27,979)
<b>Gross profit</b>	<b>9,774</b>	12,630

Operating expenses		(9,647)	(9,401)
<b>Operating profit</b>	3	<b>127</b>	3,229
Finance income	5	<b>52</b>	-
Finance costs	6	<b>(89)</b>	(70)
<b>Profit before taxation</b>		<b>90</b>	3,159
Taxation		<b>(17)</b>	(608)
<b>Profit for the financial period and total comprehensive income</b>		<b>73</b>	2,551
<b>Basic earnings per share (pence)</b>	7	<b>0.1</b>	4.6
<b>Diluted earnings per share (pence)</b>	7	<b>0.1</b>	4.6

## Condensed consolidated statement of financial position

as at 31 December 2022

	Note	Unaudited 31 December 2022 £'000	Unaudited 31 December 2021 £'000	Audited 1 July 2022 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	8	11,424	11,027	11,113
Property, plant and equipment	9	487	288	400
Right of use assets	10	3,007	2,656	3,262
Deferred tax asset		411	492	428
<b>Total Non-current assets</b>		<b>15,329</b>	14,463	15,203
<b>Current assets</b>				
Inventories		11,046	10,176	8,653
Trade and other receivables	11	2,484	1,930	2,477
Derivative financial instruments		26	16	16
Cash and cash equivalents		14,128	18,799	15,070
<b>Total current assets</b>		<b>27,684</b>	30,921	26,216
<b>Total assets</b>		<b>43,013</b>	45,384	41,419
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	12	(17,074)	(21,754)	(15,451)
Lease liability		(527)	(506)	(456)
<b>Total current liabilities</b>		<b>(17,601)</b>	(22,260)	(15,907)
<b>Non-current liabilities</b>				
Provisions		(313)	(267)	(290)
Lease liability		(2,864)	(2,502)	(3,149)
<b>Total non-current liabilities</b>		<b>(3,177)</b>	(2,769)	(3,439)
<b>Total liabilities</b>		<b>(20,778)</b>	(25,029)	(19,346)
<b>Net assets</b>		<b>22,235</b>	20,355	22,073
<b>Equity</b>				
Share capital	13	558	558	558
Share premium		11,989	11,989	11,989
Own share reserve		(36)	(36)	(36)
Merger reserve		65	65	65
Other reserve		184	177	95
Retained earnings		9,475	7,602	9,402

## Condensed consolidated statement of changes in equity

for the period ended 31 December 2022

	Called up share capital	Share premium	Own share reserve	Merger reserve	Other reserve	Retained earnings	Total Shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>3 July 2021</b>	<b>558</b>	<b>11,989</b>	<b>(36)</b>	<b>65</b>	<b>-</b>	<b>5,051</b>	<b>17,627</b>
Profit for the financial year	-	-	-	-	-	2,551	2,551
Share-based payments	-	-	-	-	177	-	177
<b>31 December 2021 unaudited</b>	<b>558</b>	<b>11,989</b>	<b>(36)</b>	<b>65</b>	<b>177</b>	<b>7,602</b>	<b>8,924</b>
<b>2 July 2022</b>	<b>558</b>	<b>11,989</b>	<b>(36)</b>	<b>65</b>	<b>95</b>	<b>9,402</b>	<b>17,627</b>
Profit for the financial year	-	-	-	-	-	73	73
Share-based payments	-	-	-	-	89	-	89
<b>31 December 2022 unaudited</b>	<b>558</b>	<b>11,989</b>	<b>(36)</b>	<b>65</b>	<b>184</b>	<b>9,475</b>	<b>22,235</b>

## Condensed consolidated statement of cash flows

for the period ended 31 December 2022

	<i>Unaudited</i> 31 December 2022 £'000	<i>Unaudited</i> 31 December 2021 £'000
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	<b>90</b>	<b>3,159</b>
Adjustments for:		
Depreciation and amortisation	573	464
Net finance costs	37	70
Share-based payment	89	177
Decrease/(increase) in trade and other receivables	(17)	(394)
Increase in inventories	(2,393)	(2,938)
(Decrease)/increase in trade and other payables	1,647	3,426
<b>Net cash (used in)/generated from operating activities</b>	<b>26</b>	<b>3,964</b>
<b>Cash flows from investing activities</b>		
Interest received	52	-
Purchase of intangible and tangible fixed assets	(716)	(561)
<b>Net cash used in investing activities</b>	<b>(664)</b>	<b>(561)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(215)	(194)
Payment of lease interest	(89)	(70)
<b>Net cash used in financing activities</b>	<b>(304)</b>	<b>(264)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>942</b>	<b>3,139</b>
Cash and cash equivalents at beginning of period	15,070	15,660
<b>Cash and cash equivalents at end of period<sup>(1)</sup></b>	<b>14,128</b>	<b>18,799</b>
	<b>942</b>	<b>3,139</b>

(1) Cash and cash equivalents include Group cash and Wine Bank customer deposits.

## 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 Significant accounting policies

### Basis of preparation

The consolidated unaudited interim financial information of the Virgin Wines UK Plc group have been prepared in accordance with the principal accounting policies used in the Group's consolidated financial statements for the 52 week period ended 1 July 2022. These interim financial statements should be read in conjunction with those consolidated financial statements, which have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006.

These interim financial statements do not fully comply with IAS 34 'Interim Financial Reporting', as is currently permissible under the rules of AIM.

### Historical cost convention

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

### New standards, interpretations and amendments issued not yet effective

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

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

### Amendments to

- IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9, as amended in June 2020 - effective for the year ending 30 June 2024
- IAS 1, 'Presentation of financial statements' on classification of liabilities - effective for the year ending 30 June 2024
- IAS 1, Practice statement 2 and IAS 8 (narrow scope) - effective for the year ending 30 June 2024
- IAS 12 - deferred tax related to assets and liabilities arising from a single transaction - effective for the year ending 30 June 2024
- IFRS 17, 'Insurance contracts' - effective for the year ending 30 June 2024

The Directors anticipate that the adoption of planned standards and interpretations in future periods will not have a material impact on the financial information 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 Chief Executives Statement, which also describes the financial position of the Group.

During the period the Group met its day to day working capital requirements through cash generated from operating activities. The Group's forecasts and projections, taking account of reasonably possible changes 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.

### Goodwill

Goodwill is not amortised but is reviewed annually for impairment. 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 the present value. The value in use is then compared to the total of the relevant assets and liabilities of the CGU.

## 3 Operating profit

Operating profit is stated after charging/(crediting):

	<i>Unaudited</i>	<i>Unaudited</i>
	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Inventory charged to cost of sales	21,416	25,419
Amortisation of intangible assets (note 7)	209	152
Depreciation of property, plant and equipment (note 8)	109	62
Depreciation of right of use asset (note 9)	255	250

Depreciation on right-of-use assets (note 6)	200	200
Net exchange gains (including movements on fair value through profit and loss derivatives)	8	(30)
Movement in inventory provision	(35)	(58)

#### 4 Share-based payments

In the period ended 31st December 2022 the Group operated an equity-settled share-based payment plan as described below.

The charge in the period attributed to the plan was £89k (2021: £177k).

Under the Virgin Wines UK Plc Long-Term Incentive Plan, the Group gives awards 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 year has been announced.

Awards are granted under the plan for no consideration and carry no dividend or voting rights. Awards are exercisable at the nominal share value of £0.01.

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

	<i>Unaudited</i>	<i>Unaudited</i>
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>Shares</b>	<b>Shares</b>
At 2 July	<b>1,216,739</b>	433,288
Granted during the period	<b>2,366,798</b>	783,451
<b>Outstanding at 31 December</b>	<b>3,583,537</b>	1,216,739

The Company granted its first share options on 23 June 2021. Further share options were granted on 6 December 2021 and 6 December 2022.

The awards outstanding at 31 December 2022 have a weighted average remaining contractual life of 2.2 years (2021: 2.5 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.

#### 5 Finance Income

	<i>Unaudited</i>	<i>Unaudited</i>
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	<b>52</b>	-

#### 6 Finance costs

	<i>Unaudited</i>	<i>Unaudited</i>
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable for lease liabilities	<b>89</b>	70
	<b>89</b>	70

#### 7 Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

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

##### Statutory EPS

<i>Unaudited</i>	<i>Unaudited</i>
<b>31 December</b>	<b>31 December</b>

	31 December 2022	31 December 2021
<b>Earnings (£'000)</b>		
Profit after tax	73	2,551
Earnings for the purpose of basic earnings per share	73	2,551
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic earnings per share	55,837,560	55,837,560
Weighted average number of shares for the purposes of diluted earnings per share	57,054,299	56,381,553
<b>Basic earnings per ordinary share (pence)</b>	0.1	4.6
<b>Diluted earnings per ordinary share (pence)</b>	0.1	4.5

## 8 Intangible assets

	Goodwill £'000	Software £'000	Group Total £'000
<b>Cost</b>			
At 2 July 2021	9,623	2,188	11,811
Additions	-	337	337
31 December 2021 unaudited	9,623	2,525	12,148
At 1 July 2022	9,623	2,781	12,404
Additions	-	520	520
31 December 2022 unaudited	9,623	3,301	12,924
<b>Accumulated amortisation and impairment</b>			
At 2 July 2021	-	969	969
Amortisation charge	-	152	152
31 December 2020 unaudited	-	1,121	1,121
At 1 July 2022	-	1,291	1,291
Amortisation charge	-	209	209
31 December 2021 unaudited	-	1,500	1,500
<b>Net book value</b>			
At 31 December 2022 unaudited	<b>9,623</b>	<b>1,801</b>	<b>11,424</b>
At 1 July 2022 audited	9,623	1,490	11,113
At 31 December 2021 unaudited	9,623	1,404	11,027

## 9 Property, plant and equipment

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Fixtures & fittings £'000	Total £'000
<b>Cost</b>				
At 2 July 2021	20	631	277	928
Additions	-	117	70	187
31 December 2021 unaudited	20	748	347	1,115
At 1 July 2022	20	899	385	1,304
Additions	-	71	125	196
31 December 2021 unaudited	20	870	510	1,500

31 December 2021 unaudited	20	510	310	1,500
<i>Accumulated depreciation</i>				
At 2 July 2021	20	516	229	765
Charge for the year	-	45	17	62
31 December 2021 unaudited	20	561	246	827
At 1 July 2022	20	612	272	904
Charge for the period	-	63	46	109
31 December 2022 unaudited	20	675	318	1,013
<i>Net book value</i>				
At 31 December 2022 unaudited	-	295	192	487
At 1 July 2022 audited	-	287	113	400
At 31 December 2021 unaudited	-	187	101	288

Depreciation is charged to operating expenses in the profit and loss account.

## 10 Right of use assets

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Total £'000
<i>Cost</i>			
At 2 July 2021	4,202	104	4,306
Additions	-	39	39
31 December 2021 unaudited	4,202	143	4,345
At 1 July 2022	5,060	143	5,203
Additions	-	-	-
31 December 2021 unaudited	5,060	143	5,203
<i>Accumulated depreciation</i>			
At 2 July 2021	1,415	24	1,439
Charge for the period	238	12	250
31 December 2021 unaudited	1,653	36	1,689
At 1 July 2022	1,891	50	1,941
Charge for the period	241	14	255
31 December 2022 unaudited	2,132	64	2,196
<i>Net book value</i>			
At 31 December 2022 unaudited	2,928	79	3,007
At 1 July 2022 audited	3,169	93	3,262
At 31 December 2021 unaudited	2,549	107	2,656

## Notes to the interim financial information

for the period ended 31 December 2022

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## 11 Trade and other receivables

	<i>Unaudited</i>	<i>Unaudited</i>
	31 December	31 December
	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,562	1,105
Contract assets	922	915
	<u>2,484</u>	<u>1,930</u>

## 12 Trade and other payables

	<i>Unaudited</i>	<i>Unaudited</i>
	31 December	31 December
	2022	2021
	£'000	£'000
Trade payables	4,674	5,112
Taxation and social security	3,440	6,952
Contract liabilities	6,734	5,780
Accruals and other creditors	2,226	3,910
	<u>17,074</u>	<u>21,754</u>

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## 13 Share capital

	<i>Unaudited</i>	<i>Unaudited</i>
	31 December	31 December
	2022	2021
	£'000	£'000
<b>Authorised, Allotted, called up and fully paid</b>		
55,837,560 (2020: 15,687,291) ordinary shares of £0.01 each	558	558
	<u>558</u>	<u>558</u>

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