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Virgin Wines UK PLC
22 October 2024

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

Audited Annual Results

Robust FY outturn with significant rise in profitability

Virgin Wines UK plc (AIM: VINO), one of the UK's largest direct-to-consumer online wine retailers, announces its audited Annual Results for the year ended 28 June 2024 ("FY24" or the "Period").

Financial highlights

- Total revenue remained firm at £59 million (FY23: £59 million)
- Adjusted EBITDA(1) up 59% to £2.8 million (FY23: £1.8 million) as a result of enhanced margins and operational efficiencies
- Gross profit up 8% to £18.8 million (FY23: £17.4 million)
- PBT increased by £2.4m to £1.7m (FY23: loss £0.7m)
- Gross Margins(2) increased by 230 bps to 31.9% (FY23: 29.6%)
    - Reflecting our unique sourcing model
    - Strong cost control and favourable sales channel mix
- Cash balances up £4.9m to £18.4 million (FY23: 13.5 million), with net cash of £10.3m (FY23: £5.5 million) and debt free

Results summary	FY24	FY23
	£'m	£'m
Revenue	59.0	59.0
Gross profit	18.8	17.4
Gross profit %	31.9%	29.6%
Adjusted EBITDA pre-exceptional costs and share based payments	**2.8**	**1.8**
Adjusted EBITDA post exceptional costs and pre share based payments	**2.8**	**0.8**
Profit/(Loss) before tax	**1.7**	**-0.7**
Diluted earnings per share	2.4	-1.1
Net assets	**23.3**	**21.8**
Cash and cash equivalents	**18.4**	**13.5**

(1) EBITDA is pre exceptional costs (FY24 £nil, FY23 £1m) and pre-share based payments (FY24 £0.3m, FY23 £0.3m).
(2) Gross margins include packaging and delivery costs.

Strategic highlights

- Disciplined focus on driving new customer acquisition at a low cost per recruit
    - Fully costed cost per acquisition fell to £19.62 (FY23: £19.91), driven by increased level of high

- Fully costed cost per acquisition fell to £19.62 (FY23: £19.91), driven by increased level of high-quality customers
    - Committed to increasing the volume of new customers, a key priority as we move into FY25

- A number of strategic initiatives have been implemented
    - Warehouse Wines has been launched with encouraging results, and a particularly strong Q4
    - Full creative brand refresh complete and being rolled out across channels
    - The bespoke Vineyard Collection and premium Australian Five O'clock Somewhere Wine Club have been launched, with positive customer feedback
    - The Wine Advisor team continues to excel, achieving the highest average order value among our main repeat channels
    - Our gift service continues to grow at double digit rate

- Active and loyal customer base with sales through existing customers up 1.5% despite a difficult market environment
    - New customer conversion rates for subscription schemes rose to 55.5% (FY23: 49.2%)
    - Customer deposits through the Company's flagship membership service, WineBank, hit a record level of over £9 million pre-Christmas, with a seasonal high of £8 million by year-end (FY19: £4.5 million)
    - WineBank cancellation rates improved to 16.1% (FY23: 17.3%)

- Operational efficiency continues to drive performance and enhance margins
    - Fulfilment costs decreased to 11.8% of revenue (FY23: 14%), despite a 10% increase in the national living wage and ongoing cost pressures
    - Improved warehouse accuracy resulted in a 50% reduction in costs associated with customer returns and refunds
    - Cost optimisation programme implemented with £1.4m annualised savings

- Strong strategic focus on commercial partnerships delivered 5% YOY growth in revenue from B2B activity -
    - Partnership with Moonpig continues to develop with potential for considerable future growth
    - Agreements with all key rail partners extended, including LNER, Avanti and GWR

Current trading and outlook

- Trading through the last 4 months remains in line with market expectations
- We are encouraged by the progress of our strategic initiatives launched this year, particularly the strong growth of Warehouse Wines that now has over 8k customers, and expect this channel will significantly contribute to our growth over the next year and beyond
- Post-year end, we agreed to a new partnership with Ocado.com, providing the Company with access to Ocado's considerable customer-base as the world's largest dedicated online supermarket
- With a healthy balance sheet, the Board remains confident in current market expectations for FY25 underpinned by our resilient business model, loyal customer base and new strategic initiatives to drive growth.

Jay Wright, Chief Executive Officer, said:

"In July 2024 we announced our FY24 Trading Update with both EBITDA and PBT ahead of expectations. Today we are delighted to reiterate a positive full year performance, with strong profitability. Despite a tough consumer backdrop, we are pleased to have increased new customer conversion rates, lowered cancellation rates and delivered a competitive cost per acquisition. We have also introduced several strategic initiatives to enhance our growth and are particularly encouraged by the initial results of our Warehouse Wines offering as well as the Vineyard Collection and Five O'clock Somewhere Wine Club.

While the sector remains challenging, demand remains strong for our different subscription schemes and award-winning range of wines. This differentiated offering, underpinned by our unique open-source buying model and loyal customer base, positions us well to continue delivering growth.

Looking ahead, and with Q1 trading being in line with our expectations, we remain confident of delivering a strong outturn in 2025 and beyond."

- Ends -

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Notes to editors:

About Virgin Wines

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 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 is headquartered in Norwich, with two fully bonded, national distribution centres in Preston and Bolton. It stocks over 650 wines sourced from more than 40 trusted winemaking partners and suppliers around the world which it sells to a large active customer base, the majority of whom are on one of the Group's subscription schemes.

The Company drives the majority of its revenue though its fast-growing WineBank service, that has over 126k members, using a variety of marketing channels, as well as through its 30 strong Wine Advisor team, its Wine Plan channel and its Pay As You Go service.

Along with its extensive range of award-winning products, Virgin Wines was delighted that its flagship WineBank service was awarded 'Wine Club of the Year' at the 2024 IWC Awards, was named Online Drinks Retailer of the Year for 2022 at the Drinks Retailing Awards, as well as receiving the bronze award for Contact Centre of the Year at the 2022 UK National Contact Centre Awards. In addition, in 2023 the Group's Head of Buying, Sophie Lord, was named Buyer of the Year by Decanter magazine.

https://www.virginwinesplc.co.uk

Chairman's Statement

Introduction

This financial year has seen an encouraging boost in profitability for Virgin Wines following a sustained period of challenging trading conditions. It is a testament to the team that this has been achieved despite some continued economic headwinds. Whilst inflation has eased and consumer confidence has improved slowly, this has yet to translate to greater levels of consumer expenditure. However, we are confident that the important operational work that was completed this year positions the business well to capitalise on a recovery.

Virgin Wines has a loyal base of customers who recognise the value and quality of the product we offer and, as a consequence, continue to commit to their subscriptions and buy wine despite the difficult market environment. This reinforces the strength of our core business model. A tough market, however, is also characterised by new customers being less willing to commit to subscriptions, and this has affected our ability to acquire new customers at the same rate as we have in previous years. We are tackling this challenge with energy, determination and some innovative thinking which we are confident will underpin our recovery in the coming years.

Strategy and Operations

The success of our long-term strategy, by way of organic growth, is built upon our resilient business model and we are determined not to deviate away from our core proposition. We continue to make improvements across all areas and develop new initiatives, such as the Warehouse Wines brand which was launched during the year.

Customer acquisition remains a key focus for the Group, and we are pleased to have recruited some impressive new hires who are already breathing fresh energy into this part of the business. The Group's strategy is set out in more detail on page 7.

We have made good progress operationally this year, particularly with improvements in our warehouse management. The new system and processes we put in place over 18 months ago have helped to improve our overall delivery service and at a lower cost, all of which enhances the value of offering for our loyal customers.

In December, we also launched Warehouse Wines - a curated range of great wines at exceptional value. This new proposition is ideally positioned to capture incremental market share among customers who don't want a subscription and has made a great start.

Governance

We are committed to achieving and maintaining high standards of corporate governance and the Company has adopted the QCA Code.

The Board keeps its composition and performance under regular review to ensure we have the appropriate skills, experience and resources to fulfil our requirements and responsibilities. We undertake a regular formal board effectiveness review with balanced and practical contributions to strategy and operations.

Many businesses, particularly in the consumer sector, have experienced greater vulnerability from cyberattacks. Given this heightened threat, we have reviewed all our processes, increased investment, and allocated more resources to ensure all information and customer data are protected to the highest level.

We continue to push forward with our ESG strategy and report on this separately on pages 29 to 36.

Capital Allocation

We are mindful of the Company's strong capital position and the need to put this capital to use in the most effective way possible to maximise shareholder value. We initiated a share buyback during the year and will continue to explore further ways to invest capital in the near future.

Outlook

The Board and I are cautiously optimistic of continued growth, given an improvement in trading conditions and consumer confidence. The Company has strong customer loyalty, an excellent proposition and a resilient model which we believe positions us well to achieve our growth targets, both in the current financial year and in the medium to long term.

JOHN RISMAN

Chairman

Chief Executive's Review

Introduction

It was encouraging to see substantial progress made in a whole host of key areas over the last 12 months. We have prided ourselves for many years on being the lowest cost to serve in our sector and we were delighted to see a significant increase in operational efficiency and productivity this year, whilst reducing spend across our operating costs. This has contributed to the business delivering a 260% increase in EBITDA1 to £2.8m and a profit before tax of £1.7m.

Our customer base continues to show great resilience despite the subdued consumer environment, with several positive trends highlighting its health. These include an improvement in our WineBank cancellation rate, a material increase in our new customer conversion rate, and a reduction in our lapse rate. We believe our continued focus and 'no compromise' approach to delivering excellent quality wines, outstanding value for money and exceptional levels of service are fundamental in driving this customer loyalty.

We are vitally aware of the need for a strong balance sheet. As well as remaining debt free, the business increased its gross cash holding to £18.4m (FY23: £13.5m) and our net cash position (excluding customer WineBank deposits) to £10.3m (FY23: £5.5m). This has been achieved through excellent inventory management and the profits generated by the trading performance.

We have continued to be disciplined in our approach to customer acquisition and recruit excellent quality customers that will deliver a fast return on investment. This has been shown by a year-on-year improvement in our fully costed cost per recruit and the substantial increase in the new customer conversion rate. We are now committed to increasing the volume of new customers being acquired and that is a priority moving into FY25.

We went into the year with several new initiatives including the launch of our value brand, Warehouse Wines. We have been encouraged by the initial results and have committed to investing in the growth of the proposition over the coming year.

We have been pleased with the initial impact of the creative/brand review carried out during FY24. We have also launched the first seven wines under our Vineyard Collection banner, Virgin Wines' first foray into creating wines from our 'own' vines, as exclusively allocated by our winemaking partners around the world.

The last 12 months has, once again, seen substantial headwinds including significant increases in a variety of input costs, a consumer environment that continues to be challenging and the largest single increase in alcohol duty in recent times. Despite this, I am proud that the hard work and dedication of our team has maintained revenue whilst delivering significantly increased profitability.

The resilience, commitment and unwavering enthusiasm of the Virgin Wines team is an inspiration, and I would like to take this opportunity to highlight the energy and talent that they possess. It is a never-ending privilege to work with such a wonderful group of people.

The business has shown great resilience alongside the ability to drive increased levels of profit in a challenging environment, and we enter the coming financial year with a strong and loyal customer base, encouraging initial results on a number of new initiatives, continued growth in both our commercial and gift channels, as well as a healthy balance sheet that gives us numerous options for investing in growth.

Business overview

During the year we delivered revenues of £59m, like for like with the previous year. Enhanced margins and operational efficiencies drove an improvement in profitability, with EBITDA1 up 260% to £2.8m and Profit/ (Loss) before tax up to £1.7m (FY23: Loss £0.7m).

Growth in our repeat sales (+1.5%), our commercial revenues (+5%) and our gift service (+10.8%) all helped to negate a YOY decline in revenue through customer acquisition as we focused on the quality of our recruits and managing our cost per acquisition, rather than chasing unprofitable customers in a highly competitive environment.

Gross product margin increased to 37.6% from 36.5%, partially due to the strength of our open-source buying model that allowed us to maintain competitive pricing despite the inflationary environment and duty increase, while the higher proportion of repeat sales compared to lower margin acquisition revenue also had a positive effect.

Progress was made operationally with fulfilment costs reduced to just 11.8% of revenue from 14% the previous year. This was despite a 10% increase in the national living wage and a variety of increased input costs related to energy, transport and packaging. In addition, the increased accuracy in the pick and pack function within our warehouse operation, a change in packaging to reduce cost but strengthen the carton, and a close working relationship with our courier partners to minimise delivery issues, led to a 50% reduction in costs relating to customer returns or refunds.

As noted above, we have a strong balance sheet with no debt, gross cash of £18.4m and net cash of £10.3m, giving the business a variety of options to consider as part of its capital allocation plan.

New customer acquisition

It has been a challenging environment for acquiring new customers. The market has been extremely competitive, there has been subdued consumer demand and as such the cost of acquisition can escalate dramatically in those circumstances. We have focused our efforts, and our investment, on acquiring new customers of a high quality, that then convert at higher rates to become long-term customers of Virgin Wines, whilst delivering a lower fully costed cost per recruit at just £19.62 (FY23 £19.91).

Given the strength of our balance sheet, we know we are in a strong position to increase our investment in acquisition, but we are also determined to ensure that investment delivers future value to the business in terms of five-year payback and return on investment.

WineBank

Our flagship subscription scheme, WineBank, has continued to deliver outstanding value to wine enthusiasts across the UK by allowing them to spread the cost of buying wine, giving 20% 'interest' on their monthly deposits that can then be spent on our wines, while also giving all WineBank customers free express delivery.

The total amount of customer money held by the business hit a record level of over £9m pre-Christmas '23 and finished the financial year at a seasonal high of over £8m.

We should stress that WineBank deposits are held in a separate ring- fenced account and are not used to fund the day-to-day operations or working capital requirements of our business.

It has been particularly pleasing to see that our 12-month rolling WineBank membership cancellation rate has improved from 17.3% in FY23 to just 16.1% this year. In addition, the customer conversion rate for new WineBank recruits has increased materially to 55.5% from 49.2% in FY23. The loyalty of our existing customers and the attraction of the service for new customers speaks volumes for the value it delivers to them, new and old, particularly in the current consumer climate.

We were delighted that the substantial benefits customers receive were recognised when WineBank was awarded 'Wine Club of the Year' at the International Wine Challenge awards earlier this year.

Wine Advisors

Our team of Wine Advisors continue to offer customers an outstanding experience as well as delivering exceptional results. We have driven productivity through the team with revenue up 1% year-on-year despite streamlining the team from 44 advisors to 29 by year-end. Each active Wine Advisor delivered an average of 10% increased sales year-on-year to achieve this commendable result.

With around 1k customers each to look after, the team are able to offer an exceptionally personal, one-to-one service. This ensures every wine purchased is perfectly suited to the customers' tastes, and that they receive the 'inside track' on new wines and special discoveries that they may have otherwise missed. Wine Advisors also handle any rare service queries that may arise, meaning they oversee the entire customer relationship.

The team also delivers the highest average order value amongst our main repeat channels, 27% higher than those through the email channel and 11% higher than orders through the website.

Commercial and gift channels

It has been a positive year for two of our growth channels with a 5% increase in sales through our Commercial/B2B business and an 11% increase in sales through our gift service.

The Commercial team have continued to secure new opportunities while developing existing relationships. Our travel partners have continued to perform well, and we are pleased to have extended supply agreements with Avanti, LNER and Great Western Railways. Our partnership with Moonpig continues to go from strength to strength and we are optimistic about the potential for increased scale as both businesses focus on growth.

Our 2023 advent calendar campaign was a great success, and we were delighted to see 25% sales growth across our range of calendars over the 2023 festive period, despite this becoming an increasingly competitive market. We have also continued to develop our gift range with innovative new products that are beautifully packaged - this diligent approach to our gifting category has helped deliver double digit growth through the channel.

Open-source wine buying 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.

We saw first-hand the benefit of this approach over the past year as it has allowed us to mitigate, as much as possible, the effect of the 20% duty increase the industry was subjected to in August 2023. Our buyers have been able to work with their wide network of winemaking partners to secure increased volumes from areas where we can see the most attractive quality/value ratios and reduce volumes from areas where it was less beneficial. This helped contribute to us minimising the price increases we needed to pass on to customers in the short term, as well as enabling us to increase our gross product margins over the year.

The other benefit of not contracting volumes into the future is inventory management, not least because we are always ordering based on recent sales and market information and purchasing based on our expected sales volumes. This gives us much greater visibility than doing so months, or even years, in advance.

I am delighted that this unique approach to buying and the skill and expertise it requires has been independently recognised with Sophie Lord, our Head of Buying, being awarded 'Buyer of the Year' by Decanter magazine, an accolade richly deserved but also reflecting the outstanding work of our buying team as a whole.

New initiatives

Last year, we announced a number of new initiatives that we were looking to launch over FY24 with the most significant being the development of a new brand that would focus on the value end of the DTC market. Warehouse Wines soft-launched over the Christmas period and since then has delivered encouraging results. We have committed to investing in its growth and are excited about the potential of the opportunity.

The Virgin Wines brand went through a creative refresh and brand review during FY24, the results of which are being rolled out across the business during FY25. We are delighted with the results and, alongside a new logo, we have a more premium and aspirational identity being incorporated into our marketing materials and website.

The Vineyard Collection is our most ambitious venture into bespoke winemaking, where we are showcasing our credentials by creating a small number of wines from our 'own' vines. We have been lucky to team up with our winemaking friends at some of our best-loved wineries around the world, who have secured us a series of select vines and small plots to craft seven outstanding wines in strictly limited quantities. This is an ongoing project which will continue to deliver new wines made from our own vineyard locations annually.

Finally, our Five O'clock Somewhere Wine Club has launched, showcasing the talents of Steve Grimley and his winemaking team out in McLaren Vale, Australia. These are 'renegade' wines made in tiny quantities that show the variety and complexity of incredibly made boutique Aussie wine. Nearly 2,000 customers are now part of a limited community who receive early access to reserve these wines when they first leave Australia, and there is an ongoing schedule of new wines under the 5OS banner being created on a continuous basis.

Operational excellence

It has been a year of excellent progress regarding our operational performance. The warehouse management system that we implemented in late 2022 has delivered substantial efficiencies, not only in terms of productivity but also in the accuracy of the pick and pack. Despite increases in costs and wage inflation, the business improved fulfilment costs to represent just 11.8% of revenue from 14% the previous year.

In addition, our damage rate reduced by 32%, while mis-picks equated to just three cases per 1k. This contributed positively to a 50% reduction in the amount of returns or refunds the business was required to fund.

Our customer service team have also delivered an outstanding level of service to our members with a reduction in call waiting times of 54% and 77% of all customers having their query resolved within a single contact.

Our Trustpilot score has increased to 4.6 out 5 (rated 'Excellent') with over 18k 5-star reviews, of which over 1.2k have come in the past 12 months.

Our culture, values and people

Virgin Wines has always been a business where the people come first. The welfare, support and development of our team is a priority and this is supported by the tenure so many of our people have in the business and the incredible journeys they have been on to fulfil their professional ambitions here at Virgin Wines, all while adding immeasurably to the fun, informal environment that has been created.

We continue to listen to our people and act on the feedback we receive. Hybrid working has changed how our teams interact, and we must adapt to ensure we maintain the culture we have been so proud of developing. With that in mind, formalising communication has become more important than ever. Over the past year we have introduced quarterly business updates from myself that are held in person to all members of staff, Listening Groups hosted by Helen Jones, one our Non-Executive Directors, that allow members of our team to speak freely about any subjects that they may wish to raise, as well as having a more informal, regular staff newsletter 'Just the Juice'.

We have also introduced an enhanced holiday entitlement to reward the loyalty of our team by adding up to five additional days holiday each year to staff who have been with us from upwards of two years. We have also revamped our appraisal process this year, formalising the format across the business while adding a section that celebrates the contribution our team are making to embracing and 'living' our brand values.

The development of our people remains a priority, and we are expanding the learning and development we can offer in a number of ways, from helping explore development and training opportunities for individuals through to funding external courses, as we look to maximise the talent we have within the business.

We continue to offer an Employee Assistance programme that has been used extensively over the three years since we first introduced it. The programme allows all employees access to a range of free services and support documents, from one-to-one counselling to advice on finances, health, and personal welfare.

A welcoming and inclusive environment for all is paramount and we continue to deliver a range of initiatives to promote this. We are in the process of formalising our training programmes, with plans to continue offering additional courses such as LGBTQ+ awareness and sexual harassment prevention training to all staff. We've also taken part in Virgin's Dyslexic Thinking training.

We continue to support a range of charities. These include Bright Start, which aims to give children from impoverished backgrounds a chance of a quality education. Growing Well, meanwhile, is a specialist mental health charity that champions recovery through outdoor activity in two Cumbrian market gardens. Another charity we support is the Drinks Trust, which works to safeguard the drinks industry community, both those currently employed as well as others now retired. We are also a community partner for Virgin StartUp, something close to my heart as it supports entrepreneurs and small businesses as they launch and grow.

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

Progress on sustainability

Virgin Wines is fully committed to having a positive impact on our planet as well as delivering on our commercial objectives. 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.

Over the last 12 months, we have conducted our first double- materiality assessment, internally audited our ESG position and formed a new three-year sustainability strategy. The assessment helped us identify and prioritise the topics where we can have the greatest impact with those areas identified as people development, climate adaption and carbon emissions.

We have also carried out an internal audit to assess the current ESG position of the business which has led to a three-year sustainability strategy. We are proud of the progress we have made in recent years, particularly being officially certified carbon neutral for each of the past three years under the internationally recognised PAS 2060 standards. But we are keen to continue progressing. Whilst our new sustainability strategy is a helpful roadmap, it isn't a fixed plan and can adapt as new research and technologies come into play.

We continue to tackle greenhouse gas (GHG) emissions and are targeting to reduce our Scope 1 and Scope 2 GHG emissions by 42% by 2030, alongside lowering Scope 3 emissions. Reductions this year have been delivered through installing LED lighting across all our premises and increasing the amount of wine we ship in tank and bottle in the UK to over 45% (compared to 39.8% last year).

Looking ahead to the next year, we are committed to mapping our entire carbon footprint, including all downstream activity, which will help us finalise our carbon reduction roadmap.

Capital allocation

As highlighted earlier, we are in the fortunate position of having a healthy balance sheet with cash at our disposal to allocate where we believe it will deliver most value. Options include investment in organic growth, our new initiatives, and M&A, through to additional buybacks or the introduction of a dividend policy. I would reiterate that it is the preference of the Board to use our cash to drive growth and we continue to actively discuss the topic. A more detailed update will follow once we have delivered our H1 trading performance.

Outlook

The business has completed its first quarter and trading remains in line with current market guidance. We have been encouraged by the progress made with our new Warehouse Wines proposition and our expectation is that this will be a significant contributor to our growth over the next year and beyond.

We are pleased that our customers have remained so loyal to the business and that they continue to drive growth in our repeat core sales. The continued expansion of our B2B channel is exciting with a new, long-term partnership with Ocado recently launched that gives their customers the ability to buy from a selection of 52 different wines exclusively sourced from the Virgin Wines range.

The operational efficiency the business delivers gives us a solid platform from which to grow and we remain both hugely motivated and optimistic about the prospects for the business.

Jay Wright

Chief Executive Officer

Financial Review

Financial summary

At the onset of FY24 we identified three main financial priorities for the Group. Firstly, to demonstrate the continued robustness of the core business model by quickly returning the Group to profitability. Secondly, to reduce working capital, in particular lower Inventory levels and thereby improve cash balances. Thirdly, to ensure the cost structure is appropriate for the size of the Group and it is fit and lean to take advantage of future growth opportunities. These priorities were delivered across the financial year.

The business model

The robust nature of the business model is demonstrated in a number of ways, but fundamentally the focus is on acquiring quality new customers at a competitive cost per recruit to ensure a quick positive payback. The fully costed investment in new customers remained stable in FY24 at £19.62 per recruit, (FY23: £19.92). This is supported by a marketing strategy and operational efficiency to maximise the contribution from repeat loyal customers. Throughout FY24 the business delivered progress in a number of key performance measures. These included increases in the sales retention rate, new customer conversion rates, revenue per customer, gross margins, with this supported by a reduction in fulfilment expenses, lower membership cancellations and lapsed rates. Together these advances delivered a Profit before Tax of £1.7m compared to the prior year loss of £0.7m, a turnaround of £2.4m.

Working Capital and Cash

With no borrowing the Group retains a strong Balance Sheet, enabling it to manage risk and be agile to take advantage of growth opportunities. A particular focus for FY24 was to quickly reset inventory to a level suitable to both supply risk and business size. The net result was a £2.5m reduction in inventory and an increase in the cash balance. The net cash balance (excluding WineBank deposits) increased by £4.8m to £10.3m (FY23: £5.5m).

Cost structure

Inflationary cost pressure for supplies, services and salaries has not gone away, albeit the rate of increase declined during the course of FY24. The Group carried out a major review of the cost base, including IT services and the retendering of key supplies for good and services, to ensure value for money, resize the cost base for the size of the business and repurpose expenditure into growth channels. This contributed towards a drop in order fulfilment costs to 11.8% of revenue from 14.0% in FY23. These measures have ensured the business is now well positioned to take advantage of improving market conditions and growth opportunities.

Profit/Loss before tax

Profit before tax for the year was £1.7m compared to a prior year loss of £0.7m. This uplift in performance of £2.4m was the result of improved gross margin and the elimination of the exceptional operating expenses incurred in FY23. The Group does not propose to pay a dividend for FY24.

Adjusted EBITDA

Adjusted EBITDA for FY24 was £2.8m, up £1m (59%) on FY23 £1.8m. This equates to an adjusted EBITDA margin of 4.8% of revenue (FY23: 3.0%). The adjusted EBITDA for FY24 is calculated after adding back share based payment costs of £0.3m, FY23 add backs include exceptional costs of £1.0m and share based payments of £0.3m. Adjusted EBITDA is not a statutory reporting measure but is included as an additional performance measure consistent with previous reporting.

Exceptional costs

There are no exceptional items to report in the results for FY24:£0.0m (FY23: £1.0m). The prior year exceptional item related solely to additional costs incurred following the implementation of the new warehouse management system (WMS). As stated in our report last year the Board is satisfied the additional costs incurred are non-recurring in both scale and nature. The new WMS performed consistently well across the whole of FY24 in terms of costs and accuracy, reducing the rate of picking errors and service credits. The management expectations are for more productivity gains as the WMS system continues to be optimised. Exceptional items are added back in the adjusted EBITDA performance for FY23.

Revenue

Reported revenue for the 52-week period to 28 June 2024 was unchanged at £59m (FY23: £59m). Repeat D2C revenue increased by 1.5% to £48.2m (FY23: £47.5m). This increase was underpinned by the loyalty and stability of the customer base with a sales retention rate of 93% in FY24 compared to 76% in FY23. Key to this is the performance of the WineBank members with revenue up 1.6% from the prior year. Commercial revenues continued their progress up 5.1% to £7.2m (FY23 £6.8m), thanks to a combination of growth from existing B2B customers and the securing of new contracts. Revenue from new customer acquisition was down £1.1m, reflecting the lower volumes in FY24.

Gross margin

Both reported gross margin and product margin improved in FY24. Reported gross margin for the 52-week period to 28 June 2024 improved by 230 basis points to 31.9%, (FY23: 29.6%). 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. Inflationary pressures on wine input costs eased throughout FY24. These gains were to a large extent offset by the increase in excise duty imposed on 1 August 2023. The use of UK bottling and our wine sourcing model enabled the wine buying team to continue to find wines to achieve our margin expectations. Product margins which exclude packaging and delivery costs improved to 37.6% (FY23: 36.5%).

Operating expenses

Reported operating expenses fell by £0.6m in FY24 to £17.6m, (FY23: £18.2m). Focus on reducing order fulfilment costs and the cost reduction exercise in H2 FY24 helped to offset the ongoing impact of inflation on goods, services and salaries. Operating expenses adjusted for exceptional costs increased by £0.3m to £16.0m, (FY23: £15.7m).

Finance income and expense

Finance income increased as a result the improvement in cash balances and the higher interest rates available throughout most of FY24. Interest received on company cash deposits increased by £0.4m to £0.6m, (FY23: £0.2m). Finance expenses were unchanged at £0.2m (FY23: £0.2m). 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

The business continues to invest in IT development where we can demonstrate a business case that improves operational performance or enhances consumer propositions. Amortisation and depreciation for FY24 was £1.3m, up £0.1m from prior year (FY23: £1.2m). The increase was due to the amortisation of intangible assets, depreciation of tangible assets and right of use assets remaining unchanged.

Impairment review

At the reporting date the Directors tested goodwill for impairment in accordance with the requirements of IAS 36 Impairment of Assets. The total carrying amount of the Group's single cash-generating unit was compared to its estimated value in use. No impairment was identified. For further details see note 15.

Taxation

The tax charge in the Financial Statements for FY24 is £0.3m, compared to a tax credit of £0.14m in FY23, reflecting the return to profitability in the period. The tax charge relates to the movement in the deferred tax provision and measured using the tax rate of 25% (FY23: 25%).

Earnings Per Share (EPS)

The Group reported an improvement in earnings per share. The basic earnings per share for FY24 was 2.5p compared to a loss per share of 1.1p in FY23. The weighted average number of shares in issue for FY24 was 55.9m (FY23: 55.8m). Diluted earnings per share for FY24 was 2.4p, FY23 loss per share 1.1p with the weighted average number of shares FY24 58.3m (FY23: 58.7m), (see note 14 of the Financial Statements for more details).

Cash and working capital

Reflecting the reduced risk of supply chain disruption, the Group continued the programme of reducing inventory levels throughout FY24. As a result, year end Inventory decreased by £2.5m to £5.9m from £8.4m in FY23. We will continue to keep the inventory levels under review to manage supply risk and maintain the optimum inventory levels to achieve our business growth plans. Combined with cash generated from operations, this resulted in a significant improvement in the Group cash position.

The Group end of year gross cash balance for FY24 was £18.4m (FY23: £13.5m). These balances include cash deposits from WineBank customers of FY24 £8.1m, (FY23:£8.0m), leaving Group net cash at £10.3m FY24, (FY23: £5.5m). The WineBank customer deposits are not used to fund working capital and are kept in a ring-fenced client account separate from Group cash. The Group funded investment in capital projects of £0.45m in FY24 (FY23 £1.0m).

With no borrowing and cash reserves, the Group continues to be mindful of our Capital Allocation policy. Our clear priority is to utilise cash to fund growth opportunities through Capex, Opex or M&A opportunities. During FY24 the Group carried out a limited share buyback, spending £0.15m to hedge against future LTIP liabilities and shareholder dilution.

Consolidated Statement of Comprehensive Income

for the 52-week period ended 28 June 2024

	Note	**28 June 2024 £'000**	30 June 2023 £'000
Revenue	5	59,005	58,998
Cost of sales		(40,200)	(41,560)
Gross profit		18,805	17,438
Administrative expenses before	6		(5,981)
Exceptional items			(990)
Administrative expenses		(6,261)	(6,971)
Selling and distribution costs		(11,311)	(11,189)
Operating profit/(loss)	7	1,233	(722)
Finance income	11	602	159
Finance costs	12	(154)	(174)
Profit/(loss) before taxation		1,681	(737)
Taxation (expense)/credit	13	(302)	143
Profit/(loss) for the financial period and total comprehensive (expense)/income		1,379	(594)
Basic and diluted earnings/(loss) per share (pence)	14	2.5	(1.1)
Diluted earnings/(loss) per share (pence)	14	2.4	(1.1)

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 28 June 2024

Company number 13169238	Note	**28 June 2024 £'000**	30 June 2023 £'000
ASSETS			
Non-current assets			
Intangible assets	15	11,159	11,350
Property, plant and equipment	16	202	402
Right of use assets	17	2,370	2,870
Deferred tax asset	18	194	496
Total non-current assets		13,925	15,118
Current assets			
Inventories	19	5,868	8,367
Trade and other receivables	20	2,684	2,615
Cash and cash equivalents	21	18,370	13,514
Total current assets		26,922	24,496
Total assets		40,847	39,614
LIABILITIES AND EQUITY			

LIABILITIES AND EQUITY

Current liabilities			
Trade and other payables	22	(14,425)	(14,206)
Derivative financial instruments	24	(3)	(12)
Lease liability	17	(539)	(521)
Total current liabilities		(14,967)	(14,739)
Non-current liabilities			
Provisions	23	(367)	(321)
Lease liability	17	(2,193)	(2,732)
Total non-current liabilities		(2,560)	(3,053)
Total liabilities		(17,527)	(17,792)
Net assets		23,320	21,822
Equity			
Share capital	25	560	558
Share premium		11,989	11,989
Own share reserve		(3)	-
Merger reserve		65	65
Share based payment reserve		552	402
Retained earnings		10,157	8,808
Total equity		23,320	21,822

The Financial Statements on pages 81 to 108 were approved by the Board of Directors and authorised for issue on 21 October 2024. They were signed on its behalf by:

Graeme Weir

Chief Financial Officer

The notes on pages 85 to 108 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the 52-week period ended 28 June 2024

	Share capital	Share premium	Own share reserve	Merger reserve	Share based payment reserve	Retained earnings	Total Shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
1 July 2023	558	11,989	-	65	402	8,808	21,822
Profit for the financial period	-	-	-	-	-	1,379	1,379
Total comprehensive income for the period	-	-	-	-	-	1,379	1,379
Share-based payments (note 10)	-	-	-	-	266	-	266
Shares issued on exercise of share-based payment	2	-	-	-	(116)	116	2
Shares repurchased, held in treasury	-	-	(3)	-	-	(146)	(149)
Total transactions with owners recognised in equity	2	-	(3)	-	150	(30)	119
28 June 2024	560	11,989	(3)	65	552	10,157	23,320

The notes on pages 85 to 108 form part of these Financial Statements.

Consolidated Statement of Cash Flows
for the 52-week period ended 28 June 2024

	Note	**28 June 2024 £'000**	30 June 2023 £'000
Cash flows from operating activities			
Profit/(loss) before taxation		1,681	(737)
Adjustments for:			
Depreciation and amortisation	7	1,311	1,195
Loss on disposal of intangible asset	15	23	-
Share-based payment expense	10	266	307
Own shares distributed		-	36
Net finance costs	11, 12	(448)	15
Increase in trade and other receivables		(70)	(122)
Decrease in inventories		2,499	286
Increase/(decrease) in trade and other payables		257	(1,126)
Net cash generated from/(used in) operating activities		5,519	(146)
Cash flows from investing activities			
Interest received	11	602	159
Disposal of intangible fixed assets	15	-	35
Purchase of intangible and tangible fixed assets	15, 16	(443)	(968)
Net cash used in investing activities		159	(774)
Cash flows from financing activities			
Payment of lease liabilities	17	(521)	(462)
Payment of lease interest	12	(154)	(174)
Share issue	25	2	-
Purchase of own shares		(149)	-
Net cash used in financing activities		(822)	(636)
Net increase/(decrease) in cash and cash equivalents		4,856	(1,556)
Cash and cash equivalents at beginning of period		13,514	15,070
Cash and cash equivalents at end of period		18,370	13,514
Cash and cash equivalents comprise:			
Cash at bank and in hand			
		18,370	13,514

The notes on pages 85 to 108 form part of these Financial Statements.

Notes Forming Part of the Financial Statements

for the 52-week period ended 28 June 2024

1. General information

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

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

2. Accounting policies

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

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. The Group transitioned to the UK-adopted International Accounting Standards in the Group Financial Statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact 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.

The financial information set out in this announcement does not constitute the Group's financial statements for the period ended 28 June 2024 as defined by Section 434 of the Companies Act. This financial information should be read in conjunction with the financial statements of the Group for the period ended 30 June 2023 (the "Prior year financial statements"), which are available from the Registrar of Companies. The Prior year financial statements were prepared in accordance with UK adopted international accounting standards and the applicable legal requirements of the Companies Act 2006. The previous auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

Accounting reference date

UK company law permits a company to draw up Financial Statements to a date seven days either side of its accounting reference date. For operational reasons the Company has adopted an accounting period of 52 weeks, and as a result of this, the exact year-end was 28 June 2024 (2023: 30 June 2023).

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.

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 cash generated from operating activities. The Group's forecasts and projections, prepared to the period to June 2026, 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.

Climate change

The Group recognises the risks of climate change. The Group's current climate change strategy focuses on reducing its carbon footprint through carbon neutral certification and sustainability initiatives to reduce waste and Greenhouse gas emmissions. The impact of climate change has been considered in the preparation of these Financial Statements, including the risks identified as part on page 50. None of these risks had a material effect on the consolidated Financial Statements of the Group. In particular, the Directors have considered the impact of climate change in respect of the following areas:

- Going concern and viability of the Group over the next three years;
- Carrying value and useful economic lives of property, plant and equipment; and
- The discounted cash flows included in the value in use calculation used in the annual goodwill impairment testing.

Whilst there is currently no material impact expected from climate change, the Group is aware of the ever-changing risks related to climate change and will continue to developing its assessment of the impact on the Financial Statements.

Basis of consolidation

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

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.

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.

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.

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.

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.

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

Retained earnings

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

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

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

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 28 June 2024 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 6 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 28 June 2024 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 share based payments and any exceptional items, see table on page 46). 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 (2023: no customers).

6. Exceptional items

Prior year exceptional items relate to additional labour costs and goodwill compensation given to customers 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.

7. Operating profit/(loss)

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

	28 June 2024 £'000	30 June 2023 £'000
Inventory charged to cost of sales	37,063	37,548
Depreciation (note 16)	228	232
Depreciation of right of use asset (note 17)	500	501
Staff costs (note 8)	8,367	8,192
Shared-based payments (note 10)	266	307
Net exchange gains (including movements on fair value through profit and loss derivatives)	(75)	(11)
Movement in inventory provision	67	(98)
Intangible asset amortisation (note 15)	583	462
Low value and short-term rentals excluded from right of use asset	59	70
Auditors' remuneration:		
- for the audit of the Group and Parent Company Financial Statements	132	219
- non audit fees (tax compliance services)	-	13

8. Staff costs

	28 June 2024 £'000	30 June 2023 £'000
Staff costs (including directors) consist of:		
Wages and salaries	7,123	6,948
Social security costs	773	790
Other pension costs	471	454
	8,367	8,192

The amount recognised in the Consolidated Statement of Comprehensive Income as an expense in relation to the Group's defined contribution schemes is £471,000 (2023: £454,000).

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

By function	**28 June 2024 Number**	30 June 2023 Number
Sales	151	164
Management and administrative	40	36
	191	200

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

9. Key management personnel

	28 June 2024 £'000	30 June 2023 £'000
Short-term employee benefits	686	675
Post employment benefits	25	24
	711	699

During the period, retirement benefits were accruing to two directors (2023: 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 28 June 2024 the Group operated an equity-settled share-based payment plan as described below. The charge in the period attributed to the plan was £266,000 (2023: £307,000).

The total amount recognised in relation to share based payments is £668,000 (2023: £402,000).

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'.

			28 June 2024		30 June 2023	
			Share price at grant	**Number of share options issued**	Share price at grant	Number of share options issued
Grant date	Vesting date	Expiration date				
PSA Share Awards						
6 December 2022	6 December 2025	6 December 2032	-	-	70p	1,606,003
30 April 2024	30 April 2027	30 April 2034	48p	2,077,748	-	-
				2,077,748		1,606,003
RSA Share Awards						
6 December 2022	6 December 2023	6 December 2032	-	-	70p	204,654
6 December 2022	6 December 2024	6 December 2032	-	-	70p	204,654
6 December 2022	6 December 2025	6 December 2032	-	-	70p	275,949

6 December 2022	6 December 2025	6 December 2032	-	-	70p	275,949
				-		685,257

	Number of Shares	Number of Shares
	28 June	30 June
	2024	2023
Outstanding at start of period	2,811,645	1,204,217
Granted during the period	2,077,748	2,291,260
Lapsed during the period	(564,773)	(305,451)
Exercised during the period	(134,845)	-
Forfeitures in the period	-	(378,381)
Outstanding at end of period	4,189,775	2,811,645

The average remaining time for awards to vest is 2.0 years (2023: 1.9 years). The awards outstanding at 28 June 2024 have a weighted average remaining contractual life of 9.1 years (2023: 7.1 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

	28 June	30 June
	2024	2023
	£'000	£'000
Bank interest	602	159

12. Finance costs

	28 June	30 June
	2024	2023
	£'000	£'000
Interest payable for lease liabilities	154	174

13. Taxation

	28 June	30 June
	2024	2023
	£'000	£'000
Analysis of charge for the period		
Current tax		
Adjustment in respect of prior period	-	(75)
Charge for the year	-	-
Total current tax	-	(75)
Deferred tax		
Origination and reversal of timing differences	414	(165)
Adjustment in respect of prior period	(112)	97
Total deferred tax	302	(68)
Tax charge/(credit) on profit/(loss) on ordinary activities	302	(143)

Factors that may affect future tax charges:

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

The tax assessed for the period is lower (2023: higher) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	28 June 2024 £'000	30 June 2023 £'000
(Loss)/profit before tax	1,681	(737)
Profit before tax at the standard rate of corporation tax in the UK of 25% (period ended 30 June 2023 - 25%)	420	(184)
Effects of:		
Expenses not deductible for tax purposes	68	77
Adjustment in respect of prior period	(112)	22
Other permanent differences	(74)	(58)
Total tax (credit)/charge for the period	302	(143)

For further information on deferred tax balances see note 18.

13. 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 28 June 2024 the total number of potentially dilutive shares issued under the Virgin Wines UK plc long term incentive plan was 4,189,775

(2023: 2,811,645). 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

	28 June 2024	30 June 2023
Earnings (£'000)		
(Loss)/earnings for the purpose of basic earnings per share	1,379	(594)
Number of shares		
Adjusted average number of shares for the purposes of basic earnings per share	55,862,155	55,837,560
Adjusted average number of shares for the purposes of diluted earnings per share	58,310,962	55,837,560
Basic and diluted (loss)/earnings per ordinary share (pence)	2.5	(1.1)
	2.4	(1.1)

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.

	28 June 2024	30 June 2023
Earnings (£'000)		
(Loss)/earnings for the purpose of basic earnings per share	1,379	(594)
Exceptional items	-	990
Tax effect of above	-	(248)
Earnings for the purpose of adjusted earnings per share	1,379	148
Number of shares		
Adjusted average number of shares for the purposes of basic earnings per share	55,862,155	55,837,560
Adjusted average number of shares for the purposes of diluted earnings per share	58,310,962	58,649,205
Basic earnings per ordinary share (pence)	2.5	0.3
Diluted earnings per ordinary share (pence)	2.4	0.3

15. Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 2 July 2022	9,623	2,781	12,404
Additions	-	734	734
Disposals	-	(35)	(35)
At 30 June 2023	9,623	3,480	13,103
Additions	-	415	415
Disposals	-	(23)	(23)
28 June 2024	9,623	3,872	13,495
Accumulated amortisation and impairment			
At 2 July 2022	-	1,291	1,291
Amortisation charge	-	462	462
At 30 June 2023	-	1,753	1,753
Amortisation charge	-	583	583
28 June 2024	-	2,336	2,336
Net book value			
28 June 2024	9,623	1,536	11,159
30 June 2023	9,623	1,727	11,350

Included within Software is £0.2m (2023: £0.4m) net book value in relation to development of the Mantiki core IT platform, which has a remaining amortisation period of one (2023: two) years and £0.4m (2023: £0.6m) in relation to development of the Korber Warehouse Management System, which has a remaining amortisation period of three years (2023: four years).

Included in Software is £1.0m (2023: £0.7m) 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 15.2% (2023: 13.8%).

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

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

16. Property, plant and equipment

	Leasehold property	Computer hardware & warehouse equipment	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 2 July 2022	20	899	385	1,304
Additions	-	81	153	234
At 30 June 2023	20	980	538	1,538
Additions	-	14	14	28
At 28 June 2024	20	994	552	1,566
Accumulated depreciation				
At 2 July 2022	20	612	272	904
Charge for the period	-	138	94	232
At 30 June 2023	20	750	366	1,136
Charge for the period	-	132	96	228
At 28 June 2024	20	882	462	1,364

At 28 June 2024	20	882	462	1,364
Net book value				
At 28 June 2024	-	112	90	202
At 30 June 2023	-	230	172	402

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.

	Leasehold property	Computer hardware & warehouse equipment	Total
	£'000	£'000	£'000
Cost			
At 2 July 2022	5,060	143	5,203
Additions	-	109	109
At 30 June 2023	5,060	252	5,312
At 28 June 2024	5,060	252	5,312
Accumulated depreciation			
At 2 July 2022	1,891	50	1,941
Charge for the period	466	35	501
At 30 June 2023	2,357	85	2,442
Charge for the period	450	50	500
At 28 June 2024	2,807	135	2,942
Net book value			
At 28 June 2024	2,253	117	2,370
At 30 June 2023	2,703	167	2,870

Lease liability	**Leasehold property**	**Computer hardware & warehouse equipment**	**Total**
	£'000	**£'000**	**£'000**
At 2 July 2022	3,509	96	3,605
Additions	-	109	109
Interest expense	169	5	174
Lease payments	(596)	(39)	(635)
At 1 July 2023	3,082	171	3,253
Interest expense	148	6	154
Lease payments	(619)	(56)	(675)
At 28 June 2024	2,611	121	2,732

18. Deferred tax

	28 June 2024 £'000	30 June 2023 £'000
Brought forward	496	428
Utilisation through income statement	(302)	68
Carried forward	194	496

The balance comprises temporary differences attributable to:

	Fixed asset differences £'000	**Other timing differences £'000**	**Tax losses £'000**	**Total £'000**
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 1 July 2023	95	20	381	496
Recognised in the period through income statement	(22)	3	(283)	(302)
Deferred tax asset at 28 June 2024	73	23	98	19

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 (2023: £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% (2023: 25%).

19. Inventories

	28 June 2024 £'000	30 June 2023 £'000
Finished goods for resale	5,868	8,367

There is no difference between the replacement cost of stocks and carrying value (30 June 2023: £nil). Inventories are stated after provision for impairment of £262,000 (2023: £195,000).

20. Trade and other receivables

	28 June 2024 £'000	30 June 2023 £'000
Amounts falling due within one year:		
Gross carrying amount - trade receivables	1,040	821
Loss allowance	(6)	(7)
Net carrying amount - trade receivables	1,034	814
Prepayments	1,523	1,582
Other receivables	127	219
	2,684	2,615

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.

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

At 28 June 2024 there were two (30 June 2023: two) 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:

	28 June 2024			30 June 2023		
	Gross	**Provision**	**Net**	Gross	Provision	Net
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade receivables and other debtors						
Not yet due	941	-	941	776	-	776
Overdue	99	(6)	93	45	(7)	38
	1,040	(6)	1,034	821	(7)	814

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

	28 June 2024 £'000	30 June 2023 £'000
Opening provision for impairment of trade receivables and contract assets	7	13
Recovered provided debt	(4)	5
Increase during the period	5	(10)
Write off of provided debt	(2)	(1)
Carried forward	6	7

21. Cash and cash equivalents

Included in Cash and cash equivalents is a balance of £8.1m (30 June 2023: £8.0m) relating to advance payments received from WineBank customers. The corresponding creditor to customers is included in contract liabilities.

£5.1m of the cash balance is held on 95 day notice (2023: £3.1m) at a preferential interest rate of 5.4% (30 June 2023: 4.75%).

22. Trade and other payables

	28 June 2024 £'000	30 June 2023 £'000
Trade payables	2,398	2,227
Taxation and social security	1,675	1,581
Contract liabilities	8,703	8,721
Accruals and other creditors	1,649	1,677
	14,425	14,206

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

23. Provisions

Leasehold dilapidation provision

	28 June	30 June

	2024 £'000	2023 £'000
Brought forward	321	290
Charged in income statement	46	31
Carried forward	367	321

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:

	28 June 2024 £'000	30 June 2023 £'000
October 2026	271	254
August 2030	96	67
	367	321

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.

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

	28 June **2024** **£'000**	30 June 2023 £'000
Trade and other receivables	1,161	1,033
Cash and cash equivalents	18,370	13,514
Financial assets measured at amortised cost	19,531	14,547
Derivative financial liabilities measured at fair value through profit or loss	(3)	(12)
Financial liabilities measured at fair value through comprehensive income	(3)	(12)
Trade and other payables, excluding non-financial liabilities	(4,047)	(3,904)
Lease liabilities	(2,732)	(3,253)
Financial liabilities measured at amortised cost	(6,779)	(7,157)

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.

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:

	28 June **2024**	30 June 2023

	£'000	£'000
Financial assets measured at amortised cost	19,531	14,547

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.

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 28 June 2024:

Carrying amount £'000		Contractual cash flows £'000	<1 year £'000	1-5 years £'000	>5 years £'000
Non-derivative financial liabilities:					
Trade and other payables	4,047	4,047	4,047	-	-
Lease liabilities	2,732	3,197	667	1,804	726
	6,779	7,244	4,714	1,804	726
Derivative financial liabilities:					
Foreign currency forwards					
(Inflow)		(1,568)	(1,568)	-	-
Outflow		1,565	1,565	-	-
	(3)	(3)	(3)	-	-
Total	6,776	7,241	4,711	1,804	726

Contractual maturities of financial liabilities as at 30 June 2023 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					
	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

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 28 June 2024, the outstanding contracts all mature within 6 months (2023: 6 months) of the period end. The Group is committed to buy Euro and Australian Dollars (2023: Euro, Australian Dollars and US Dollars) with a Sterling value of £1.57m (2023: £1.38m).

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:

	28 June 2024 £'000	30 June 2023 £'000
AUS	-	128
Total	-	128

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.

	28 June 2024 £'000	30 June 2023 £'000
Loss on 10% strengthening of functional currency	(75)	(104)
Gain on 10% weakening of functional currency	91	128

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.

	28 June 2024 £'000	30 June 2023 £'000
Net cash	15,638	10,261
Equity	23,320	21,822

25. Share capital

	28 June 2024 £'000	30 June 2023 £'000
Authorised, allotted, called up and fully paid		
55,972,405 (2023: 55,837,560) ordinary shares of £0.01 each	560	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. During the year 134,845 (2023: nil) Ordinary Shares of £0.01 were issued by Virgin Wines UK plc.

During the year Virgin Wines UK plc acquired 310,735 (2023: nil) of its Ordinary Shares of £0.01 for £149,547. These shares are held in treasury within the Group.

The Directors have not approved an interim dividend and do not recommend the payment of a final dividend (2023: 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.

	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 2 July 2022					11,465
At 30 June 2023					10,261

	1 July 2023 £'000	**New leases £'000**	**Other non-cash changes £'000**	**Cashflow £'000**	**28 June 2024 £'000**
Cash at bank and in hand	13,514	-	-	4,856	18,370
Lease liabilities	(3,253)	-	(154)	675	(2,732)
Net cash	10,261	-	(154)	5,531	15,638
Decrease in cash in the period					4,856
New leases					-
Lease interest					(154)
Lease payments					675
Movement in net cash in the period					5,377
Net cash at 30 June 2023					10,261
At 28 June 2024					15,638

27. Related Party disclosures

During the period ended 28 June 2024, sales of £756,770 (2023: £800,654) 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 £46,948 (2023: £47,203) in monitoring fees and expenses to Gresham House Asset Management Limited. At 28 June 2024 £3,900 (2023: £3,900) 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 £22,803 (2023: £24,405) were made to LKB Enterprises Limited. At 28 June 2024 £3,715 (2023: £4,695) 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 28 June 2024 or 30 June 2023.

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

Nominal value of shares held in treasury.

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