Virgin Wine Online Limited

Report and Financial Statements

Year Ended

28 June 2019

Company Number 03800762

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Directors

Jeremy Simon Wright
Graeme David Weir

Secretary

Graeme David Weir

Registered office

Fourth Floor, St. James' Mill, Whitefriars, Norwich, Norfolk NR3 1TN

Bankers

Barclays Bank plc, Fourth Floor, Apex Plaza, Forbury Road, Reading RG1 1AX

Independent auditors

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 1 Hardman Square, Manchester M3 3EB

The Directors submit their strategic report and audited financial statements for the year ended 28 June 2019.

Review of the business and position at the year-end

The profit and loss account for the year is set out on page 8.

Business review

Following the additional investment in FY18 the main theme for FY19 was to increase the rate of revenue growth and improve profitability. Sales increased by £2.6m (6.4%) to £42.5m compared to growth in the previous year of £1.7m (4.5%). As a result profitability grew strongly with EBITDA increasing by £0.6m (39%) to £2.3m. The performance was underpinned by continuing improvements across all sectors of the business. New customer acquisition, average revenue per customer, Corporate and Gift revenue all improved. Wine Bank membership and spend per Wine Bank customer achieved new all-time highs for the second year in a row. Meanwhile attrition rates fell to a new low reflecting strong customer loyalty. The business is well positioned to continue these trends into FY20.

Key Performance indicators

Revenue

Sales grew by £2.6m to £42.5m, an increase of 6.4%. The newer sales channels Gift and Corporate continue to grow strongly up 32% compared to 21% last year.

Margins

The average margins improved by 0.6% compared to a fall of 2.2% in 2018. A more stable FX environment and growth in the major repeat sales channels contributing to this improvement.

Operating Profit

Operating Profit increased by £0.8m to £1.7m (2018: £0.9m). The increase in profitability reflects the outflow from the additional investment in FY18, the resulting underlying sales growth and administrative expenses remaining under tight control.

Exceptional Items

During the year the Company incurred no exceptional costs (2018: £117k).

Customer Satisfaction

The number of active customers grew by 5.1% in the year, with average spend per customer increasing. The attrition rate of all existing customers fell by 11.5% to a new all time low for the second year in a row. During the year we introduced a nominated day service to increase the delivery options available to customers at no extra cost.

Brexit

Since the referendum outcome our working assumption has been to plan for a no deal Brexit. Our original planning for leaving on 29th March 2019 has been rolled forward to the current deadline date of the 31st October 2019. We continue to use our FX hedging policy to minimise the short term impact of major currency movements. Throughout this period we have increased our UK stockholding levels above historical norms to ensure we have a buffer at hand if there are delays at the ports in the immediate aftermath of the exit date. This buffer stockholding has cost an additional £35k in storage costs.

Principal risks and uncertainties

The Company's operations expose it to a variety of risks as discussed below. The Company has in place a risk management programme that seeks to limit the adverse effect of movements in interest rates and foreign exchange on the financial performance of the Company.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the Company's finance department.

Interest rate cash flow risk

The Company's interest bearing liabilities include variable financing secured on inventory. Interest rate and cash flow risk are mitigated through the diversity of the Company's financing arrangements.

Foreign currency risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company has a policy for acquiring foreign exchange forward contracts to mitigate this exposure.

Fraud risk

The Company's online presence exposes it to increased risk of credit card fraud. The Company minimises this risk through the use of internal and external fraud monitoring tools.

Credit risk

Exposure to credit risk is minimised as the majority of customers are not offered credit. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the finance department.

Liquidity risk

The Company actively maintains a mixture of debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Minimum Pricing and Legislation

The drinks industry is highly regulated and taxed. We are aware that the industry may be impacted by further legislation from UK governments concerned about the social and health issues resulting from the misuse of alcohol. The minimum unit pricing introduced in Scotland has not impacted our business, we will continue to monitor developments across the rest of the UK. At Virgin Wines we strongly support responsible drinking and work with our trade organlsatlon WSTA.

Website and customer data

The Company is primarily a web based business and therefore the principal risks relate to the security, maintenance and development of the website and customer data. The business is committed to continually improving online security by adopting industry best practice for holding customer data and the prevention of fraud. The business is not reliant upon any individual customer or supplier to achieve future growth and development.

Approved by the board and signed on its behalf by

G D Weir
Director
18/12/2019

The Directors' submit their report and audited financial statements for the year ended 28 June 2019.

Virgin Wine Online Limited (03800762) is a private limited company incorporated in England and Wales. Its registered office is Fourth Floor, St James' Mill, Whitefriars, Norwich NR3 1TN.

Principal activities

The principal activity of the Company during the year was the importing and distribution of wines.

Results and dividends

The profit before taxation was £1.7m (2018: £0.9m).

The Directors have not approved a dividend in the year (2018: £nil). No further dividends have been proposed.

Future Developments of the Company

The company will continue to focus on organic growth by increasing the investment in new customer acquisition and digital marketing. The company is also launching a comprehensive range of craft beers and spirits to compliment the extensive wine range. This along with the gift range will create a one stop shop for our loyal customer base.

Directors and their interests

The Directors who held office during the period and up to the date of approving the financial statements are given below:

J S Wright
G D Weir

Going concern

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Matters disclosed elsewhere within the financial statements

Required disclosures in relation to the Company's business performance and results, key performance indicators, financial risk management and principal risks and uncertainties have been included within the strategic report on pages 2 and 3.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and all steps have been taken to ensure that each Director is aware of any relevant information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

Post balance sheet events

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

Approved by the Board and signed on its behalf by

G D Weir
Director
18/12/2019

Report on the audit of the financial statements

Opinion
In our opinion, Virgin Wine Online Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 28 June 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes forming part of the financial statements, which include a description of the significant accounting policies.

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

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 28 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kate Finn

Kate Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
18 December 2019

Virgin Wine Online Limited
Profit and loss account
for the year ended 28 June 2019

	Note	28 June 2019 £'000	29 June 2018 £'000
Turnover	3	**42,456**	39,888
Cost of sales		**(30,099)**	(28,492)
Gross profit		12,357	11,396
Administrative expenses		**(10,681)**	(10,473)
Operating profit before exceptional items		**1,676**	1,040
Exceptional items	4	-	(117)
Operating profit	5	**1,676**	923
Interest receivable and similar income	8	**6**	10
Interest payable and similar expenses	9	**(34)**	(53)
Profit before taxation		**1,648**	880
Tax on profit	10	**(344)**	(231)
Profit for the financial year		**1,304**	649

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

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

The notes on pages 11 to 25 form part of these financial statements.

Virgin Wine Online Limited
Balance sheet
as at 28 June 2019

Company number 03800762	Note	28 June 2019	29 June 2018
		£'000	£'000
Fixed assets			
Intangible assets	11	3,742	4,022
Tangible assets	12	141	112
		3,883	**4,134**
Current assets			
Stocks	13	4,980	3,767
Debtors			
- amounts falling due within one year	14	5,771	5,722
- amounts falling due after one year	14	1,922	1,669
Cash and cash equivalents	15	5,788	4,941
		18,461	**16,099**
Creditors: amounts falling due within one year	16	(11,759)	(10,952)
Net current assets		**6,702**	**5,147**
Total assets less current liabilities and net assets		**10,585**	**9,281**
Capital and reserves			
Called up share capital	18	95	95
Profit and loss account		10,490	9,186
Total shareholders' funds		**10,585**	**9,281**

The financial statements on pages 8 to 25 of Virgin Wine Online Limited were approved by the board of directors and authorised for issue on 18/12/2019.

They were signed on its behalf by:

G D Weir
Director

The notes on pages 11 to 25 form part of these financial statements.

Statement of changes in equity
for the year ended 28 June 2019

	Called up share capital £'000	Profit and loss account £'000	Total Shareholders' funds £'000
1 July 2017	95	8,537	8,632
Profit for the financial year	-	649	649
Total comprehensive income for the year	**-**	**649**	**649**
29 June 2018	**95**	**9,186**	**9,281**

30 June 2018	**95**	**9,186**	**9,281**
Profit for the financial year	-	1,304	1,304
Total comprehensive income for the year	**-**	**1,304**	**1,304**
28 June 2019	**95**	**10,490**	**10,585**

The notes on pages 11 to 25 form part of these financial statements.

1 Accounting policies

The Company is a private company limited by shares. Details of the Company registered office are included on contents page and its principal activity is disclosed in the report of the Directors. The Company is registered and incorporated in England.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. See additional details in note 2.

Statement of compliance and basis of preparation

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Disclosure exemptions

In preparing the financial statements FRS 102 allows certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. Advantage has been taken of the following disclosure exemptions available since the company is a qualifying entity under FRS 102:

- No cash flow statement has been presented for the company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel.

The following principal accounting policies have been applied consistently, unless otherwise stated:

Going concern

The Company'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 Report of the directors, which also describes the financial position of the Company, its financial risk management objectives and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through cash generated from operating activities and utilising its inventory discounting facility to fund peak seasonal demands. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should continue to be able to operate using cash generated from operations, and that no additional borrowing facilities will be required.

1 Accounting policies (continued)

Turnover

Turnover represents the value (excluding Value Added Tax) of goods and services supplied to customers during the period, net of rebates and discounts. Appropriate adjustments are made where invoices are raised either in advance or in arrears, to ensure that turnover is recognised in the period to which it relates. Turnover is recognised at the point of despatch of goods / provision of services to the buyer. The cost of loyalty initiatives is part of the fair value of the consideration received and is deferred and subsequently recognised over the period that the awards are redeemed. The deferral is treated as a deduction from revenue. Rebates are recognised at the time of the associated sale to the customer and calculated at the rate agreed with the customer under the terms of their contract.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Interest expense

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

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 and written off on a straight line basis over its useful economic life, which is 16 years.

In accordance with FRS 102, where indicators of impairment exist at the balance sheet date impairment reviews are performed to assess the carrying value of intangible assets and goodwill. Where the net realisable value is less than the carrying value impairment charges are recognised in the profit and loss account as part of administrative expenses.

Borrowing

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

1 Accounting policies (continued)

Foreign currencies

The Company's functional and presentational currency is Sterling and the financial statements have been rounded to thousands.

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.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated 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.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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.

Stock

Stocks 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. Stocks are regularly assessed for evidence of impairment. Where such evidence is identified, a provision is recognised to reduce the value of stock to its selling price after incurring any future costs to sell.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

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 Wine Bank customers which are not restricted and as such are presented as cash and cash equivalents.

1 Accounting policies (continued)

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and cash equivalents are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, Inventory financing liabilities, amounts owed to Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Derivatives

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement.

1 Accounting policies (continued)

Exceptional items

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

Employee benefits

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

(i) Short term benefits

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

(ii) Defined contribution pension plans

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

Dividends

Dividends are recognised in the financial statements once they have been declared and approved by the Directors and are treated as a deduction from shareholders equity.

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

In preparing these financial statements, the directors have made the following judgements and estimates:

Recognition of deferred tax asset

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

Impairment of assets

In determining whether there are indicators of impairment of the Company's tangible and intangible assets, including goodwill, various factors are taken into consideration in reaching such a decision. These include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

3 Turnover

The turnover of the Company is wholly attributable to the principal activity of the Company arising in the United Kingdom.

In the opinion of the Directors the Company has one main business segment which is the sale of wine and hence segmental disclosures are not considered to be required.

4 Exceptional items

	28 June 2019 £'000	29 June 2018 £'000
Restructuring costs	-	117
	-	117

The exceptional item relates to termination payments incurred in relation to department restructuring.

5 Operating profit

Operating profit is stated after charging/(crediting):

	28 June 2019 £'000	29 June 2018 £'000
Stock charged to cost of sales	**27,552**	26,491
Depreciation of owned tangible fixed assets (note 12)	**70**	82
Staff costs (note 6)	**5,496**	5,475
Operating lease rentals:		
- Land and buildings	**359**	367
Net exchange gains	**(72)**	(52)
Movement in debtor provision	**22**	1
Movement in inventory provision	**(8)**	(23)
Intangible asset amortisation (note 11)	**530**	517
Exceptional items (note 4)	**-**	117
Auditors' remuneration:		
- for the audit of the company financial statements	**23**	22

6 Employees

	28 June 2019 £'000	29 June 2018 £'000
Staff costs (including directors) consist of:		
Wages and salaries	**4,708**	4,751
Social security costs	**497**	488
Other pension costs (note 19)	**291**	236
	5,496	5,475

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

By function	28 June 2019 Number	29 June 2018 Number
Sales	**131**	132
Management and administrative	**27**	27
	158	159

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

7 Directors' remuneration

	28 June 2019 £'000	29 June 2018 £'000
Directors' emoluments	**334**	334
Pension contributions	**40**	40
	374	374

During the year, retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received total remuneration of £171,828 (2018: £171,752).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,667 (2018: £20,667).

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

8 Interest receivable and similar income

	28 June 2019 £'000	29 June 2018 £'000
Bank interest	**6**	10

9 Interest payable and similar expenses

	28 June 2019 £'000	29 June 2018 £'000
Stock financing facility	**23**	24
Amortisation of debt issue costs	**11**	29
	34	53

10 Tax on profit

	28 June 2019 £'000	29 June 2018 £'000
Analysis of charge for the year		
Current tax		
UK Corporation tax charge for the year	**276**	2
Adjustment in respect of previous periods	**316**	-
Total current tax	**592**	2
Deferred tax		
Origination and reversal of timing differences	**38**	166
Adjustment in respect of prior year	**(282)**	3
Effect of changes in tax rates	**(4)**	60
Total deferred tax	**(248)**	229
Tax charge on profit on ordinary activities	**344**	231

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

10 Tax on profit (continued)

The tax assessed for the year is different (2018: different) to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	28 June 2019 £'000	29 June 2018 £'000
Profit before tax	**1,648**	880
Profit at the standard rate of corporation tax in the UK of 19% (year ended 29 June 2018 – 19%)	**313**	167
Effects of:		
Expenses not deductible for tax purposes	**1**	1
Tax rate change	**(4)**	60
Adjustment in respect of prior year	**34**	3
Total tax charge for the year	**344**	231

For further information on deferred tax balances see note 14.

11 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 30 June 2018	5,389	1,648	**7,037**
Additions	-	250	**250**
At 28 June 2019	**5,389**	**1,898**	**7,287**
Accumulated amortisation			
At 30 June 2018	2,819	196	**3,015**
Charge for year	322	208	**530**
At 28 June 2019	**3,141**	**404**	**3,545**
Net book value			
At 28 June 2019	**2,248**	**1,494**	**3,742**
At 29 June 2018	2,570	1,452	4,022

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

Software is amortised over its estimated useful economic life.

12 Tangible assets

	Leasehold property £'000	Computer hardware & warehouse equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 30 June 2018	44	1,114	346	1,504
Additions	-	93	6	**99**
Disposals	-	(21)	(13)	**(34)**
At 28 June 2019	**44**	**1,186**	**339**	**1,569**
Accumulated depreciation				
At 30 June 2018	44	1,058	290	**1,392**
Charge for the year	-	39	31	**70**
Disposals	-	(21)	(13)	**(34)**
At 28 June 2019	**44**	**1,076**	**308**	**1,428**
Net book value				
At 28 June 2019	**-**	**110**	**31**	**141**
At 29 June 2018	-	56	56	112

There were no assets held under finance leases during the year (year ended 29 June 2018: £nil).

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

13 Stocks

	28 June 2019 £'000	29 June 2018 £'000
Finished goods for resale	**4,980**	3,767

There is no difference between the replacement cost of stocks and carrying value (29 June 2018: £nil). Inventories are stated after provision for impairment of £66,000 (2018: £74,000).

14 Debtors

	28 June 2019 £'000	29 June 2018 £'000
Amounts falling due within one year:		
Trade debtors	**600**	609
Amounts owed by Group undertakings	**3,929**	3,721
Derivative financial instruments	**42**	7
Deferred tax	**322**	327
Other debtors	**236**	503
Prepayments and accrued income	**642**	555
	5,771	5,722

Trade debtors are stated after immaterial provisions for impairment in both the current and prior year. The Directors consider the fair value of debtors to be equal to the book value given their short term nature.

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

At 28 June 2019 the stock financing balance was a debtor of £236,000 (2018: £492,000) which forms part of other debtors, as transfers to the lender exceeded the amount drawn down at that date.

	28 June 2019 £'000	29 June 2018 £'000
Amounts falling due after more than one year:		
Deferred tax asset	**1,922**	1,669

	£'000
At 30 June 2018	1,996
Utilisation though Profit and loss account	248
At 28 June 2019	**2,244**

14 Debtors (continued)

	Fixed asset differences £'000	Other timing Differences £'000	Tax losses £'000	Total £'000
Brought forward deferred tax asset	490	8	1,498	**1,996**
Recognised in the year through profit and loss	80	(1)	169	**248**
Carried forward deferred tax asset	570	7	1,667	**2,244**

There are no unrecognised deferred tax assets.

15 Cash and cash equivalents

Included in Cash and cash equivalents is a balance of £4.5m (2018: £4.1m) relating to advance payments received from customers. The corresponding creditor to customers is included in accruals and deferred income.

£2.0m of the cash balance is held on 95 day notice at a preferential interest rate of 1.05%.

16 Creditors: amounts falling due within one year

	28 June 2019 £'000	29 June 2018 £'000
Trade creditors	**2,732**	2,611
Amounts owed to Group undertakings	**1,800**	1,800
Taxation and social security	**984**	906
Other creditors	**165**	137
Accruals and deferred income	**6,078**	5,498
	11,759	10,952

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

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

17 Financial instruments

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

	28 June 2019 £'000	29 June 2018 £'000
Financial assets measured at amortised cost	**10,553**	9,774
Financial assets measured at fair value through profit and loss	**42**	7
Financial liabilities measured at amortised cost	**(11,759)**	(10,952)
	(1,164)	(1,171)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by Group undertakings, other debtors and cash and cash equivalents. Financial assets measured at fair value through profit and loss represent the Company's derivative financial instruments, being Foreign exchange forward contracts.

Financial liabilities measured at amortised cost comprise trade creditors, taxation and social security, other creditors, accruals and deferred income, amounts owed to Group undertakings and a loan secured on inventory.

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 28 June 2019, the outstanding contracts all mature within 6 months (2018: 6 months) of the year end. The Company is committed to buy Australian Dollars and Euros (2018: Australian Dollars and Euros) with a Sterling value of £1.88m (2018: £1.04m).

18 Called up share capital

	28 June 2019 £'000	29 June 2018 £'000
Authorised		
9,591,500,350 (2018: 9,591,500,350) ordinary shares of £0.00001 (2018: £0.00001)	**96**	96
Allotted, called up and fully paid		
9,553,706,996 (2018: 9,553,706,996) ordinary shares of £0.00001 (2018: £0.00001)	**95**	95

The Directors have approved no dividend in the year (2018: £nil). No further dividends have been proposed.

19 Pensions

Defined contribution scheme

The amount recognised in the profit and loss account as an expense in relation to the defined contribution schemes is £291,000 (2018: £236,000). Included within accruals and other creditors is £nil for outstanding contributions to the defined contribution plan (29 June 2018: £nil).

20 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	28 June 2019 £'000	29 June 2018 £'000
Not later than 1 year	**389**	388
Later than 1 year and not later than 5 years	**1,274**	1,403
Later than 5 years	**588**	832
Total	**2,252**	2,623

21 Ultimate parent undertaking

In the opinion of the directors, there is no single controlling party. The immediate parent undertaking is Virgin Wines Holding Company Limited.

22 Events after the end of the reporting year

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

23 Capital commitments

At 28 June 2019 there were no capital commitments not provided in the financial statements (2018: £Nil).

24 Subsidiary undertakings

The Company has investments in the following subsidiary undertakings;

Name	Country of domicile	Registered office	Principal activity	Holding	%
The Warehouse Wine Company Limited	England	Unit 39 Roman Way Industrial Estate, Preston PR2 5BD	Non- Trading	Ordinary Shares	100

The Company's investment in The Warehouse Wine Company Limited is stated in the financial statements at £nil (2018: £nil).