

Virgin Wine Online Limited

Report and Financial Statements

Year Ended

30 June 2017

Company Number 03800762

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Virgin Wine Online Limited
Report and financial statements
for the year ended 30 June 2017

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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

Virgin Wine Online Limited
Strategic report
for the year ended 30 June 2017

The Directors submit their strategic report and audited financial statements for the year ended 30 June 2017.

Review of the business and position at the year-end

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

Key performance indicators

Business model

The business continues to focus on growing the membership of the Wine Bank scheme to improve the long term quality of the underlying earnings. This was supported by growth in the Corporate and Gift revenue channels. Wine Bank membership and revenue hit new record levels and the monthly Wine Bank customer subscriptions rose by 46% (2016: 19%). As a result Operating Profit increased by 15% to £1.995m. The sharp decline in GBP following the Brexit vote did push up underlying costs and put pressure on margins which finished the year slightly down. The currency hedging policy mitigated most of the impact and we were able to maintain pricing without impacting customers through the busy Christmas trading period. The new customer acquisition market remains highly competitive. We continue to focus on using our partnership model to find high quality customers.

Revenue

Revenue only increased marginally in the year but this hides a major underlying shift away from traditional continuity plans towards online revenue supported by Wine Bank customers. Wine Advisor and Online sales increased by 15.4% (2016: 9.7%). Corporate and Gift sales continue to grow rapidly driven by the introduction of innovative new products. Revenues are up 72%.

Operating Profit

Operating Profit increased by £0.260m to £1.995m (2016: £1.735m), as the company continues to focus on refining the business model and the underlying quality of earnings.

Customer Satisfaction

The rate of attrition continues to decline increasing their lifetime value of the customer base. The business was the winner for the first time of the Online Drinks Retailer of the Year award for 2017.

Brexit

The immediate fallout from the Brexit vote was the sharp depreciation in GBP impacting wine prices from all our core import regions. The position has stabilised and bounced back a little in some regions. Forward currency purchasing protected customers from the immediate impact of rising wine prices. There remains considerable uncertainty regarding the new arrangements will be in force during transition and post Brexit. The business has considerable expertise in importing from all over the world and we are confident we will be able to adapt to any new regime. The lack of clarity on what this may look like makes it difficult at this stage to assess the likely impact on costs and working capital.

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.

Virgin Wine Online Limited
Strategic report
for the year ended 30 June 2017 (continued)

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 new minimum pricing to be introduced in Scotland will not impact our business operations. At Virgin Wines we strongly support responsible drinking and work with our trade organisation 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
28 March 2018

Virgin Wine Online Limited
Report of the directors
for the year ended 30 June 2017

The Directors' submit their report and audited financial statements for the year ended 30 June 2017.

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 activity

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

Results and dividends

The profit on ordinary activities before taxation was £1,950,000 (2016: £1,704,000).

The Directors have not approved a dividend in the year (2016: £4,416,000). No further dividends have been proposed.

During the prior year the Company carried out a capital reduction, by reducing the nominal value of its ordinary share capital by £9,439,000 and the cancellation, in its entirety, of the share premium account standing at £20,342,000.

Future Developments of the Company

The new Web Platform was successfully launched in July 2017. Further enhancements to the customer experience are in the development stage and will go-live throughout 2018.

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 Group is funded through investor loan notes which have a repayment date of November 2018. The amount outstanding in the immediate parent company, Virgin Wines Holding Company Limited, on 30 June 2017 is £11,524,000 (1 July 2016: £11,455,000). The Directors are currently in discussions with the investors to renew the facility. The immediate parent company, Virgin Wines Holding Company Limited, has received a letter of support from the investors which confirms that it is not their present intention to recommend to the Venture Capital Trusts to enforce payment of any of the Loan Stock for a period of at least 12 months following the signing off of the audited accounts of the Company for the year ended 30 June 2017.

The directors therefore 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

Require disclosures in relation to the Company's business performance and results, key performance indicators, financial risk management and principle risks and uncertainties have been included within the strategic report on pages 2 and 3 and are incorporated into the Report of the directors on pages 4 and 5.

Virgin Wine Online Limited
Report of the directors
for the year ended 30 June 2017 (continued)

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 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.

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.

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.

Approved by the Board and signed on its behalf by



G D Weir
Director
28 March 2018

Virgin Wine Online Limited
Independent auditors' report to the members of Virgin Wine Online Limited

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 30 June 2017 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 30 June 2017; the profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

Virgin Wine Online Limited
Independent auditors' report (*continued*)

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 30 June 2017 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, 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.

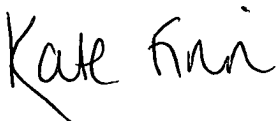
Other required reporting

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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 March 2018

Virgin Wine Online Limited
Profit and loss account
for the year ended 30 June 2017

	Note	30 June 2017 £'000	1 July 2016 Restated £'000
Turnover	3	38,179	38,051
Cost of sales		(26,447)	(26,102)
Gross profit		11,732	11,949
Administrative expenses		(9,737)	(10,214)
Operating profit before exceptional items		1,995	1,873
Exceptional items	4	-	(138)
Operating profit	5	1,995	1,735
Interest receivable and similar income	8	23	11
Interest payable and similar charges	9	(68)	(42)
Profit on ordinary activities before taxation		1,950	1,704
Tax on profit on ordinary activities	10	(397)	1,902
Profit for the financial year		1,553	3,606

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 26 form part of these financial statements.

Virgin Wine Online Limited

Balance sheet
as at 30 June 2017

Company number 03800762	Note	30 June 2017	1 July 2016
		£'000	Restated £'000
Fixed assets			
Intangible assets	11	4,228	4,056
Tangible assets	12	105	132
		4,333	4,188
 Current assets			
Stocks	13	4,714	3,860
Debtors			
- due within one year	14	3,922	3,400
- due more than one year	14	1,845	1,904
Cash and cash equivalents	15	4,484	4,443
		14,965	13,607
 Creditors: amounts falling due within one year	16	(10,666)	(10,716)
 Net current assets		4,299	2,891
 Total assets less current liabilities and net assets		8,632	7,079
 Capital and reserves			
Called up share capital	18	95	95
Share premium account		-	-
Profit and loss account		8,537	6,984
 Total shareholders' funds		8,632	7,079

The financial statements on pages 8 to 26 of Virgin Wine Online Limited were approved by the board of directors and authorised for issue on 28 March 2018.

They were signed on its behalf by:

G D Weir
Director



The notes on pages 11 to 26 form part of these financial statements.

Virgin Wine Online Limited
Statement of changes in equity
for the year ended 30 June 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders funds £'000
4 July as previously reported	9,534	20,342	(21,663)	8,213
Effect of restatement due to correction of prior period accounting errors	-	-	(324)	(324)
4 July 2015 restated	9,534	20,342	(21,987)	7,889
Profit for the financial year restated	-	-	3,606	3,606
Total comprehensive income for the year	-	-	3,606	3,606
Dividends paid (note 18)	-	-	(4,416)	(4,416)
Capital reduction (note 18)	(9,439)	(20,342)	29,781	-
1 July 2016 restated	95	-	6,984	7,079
2 July 2016	95	-	6,984	7,079
Profit for the financial year	-	-	1,553	1,553
Total comprehensive income for the year	-	-	1,553	1,553
30 June 2017	95	-	8,537	8,632

The notes on pages 11 to 26 form part of these financial statements.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017

1 Accounting policies

The Company is a private company limited by shares. Details of the Company registered office are included on page 1 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 in 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 Director's report, 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.

The Group is funded through investor loan notes which have a repayment date of November 2018. The amount outstanding in the immediate parent company, Virgin Wines Holding Company Limited, on 30 June 2017 is £11,524,000 (30 June 2016: £11,455,000). The Directors are currently in discussions with the investors to renew the facility. The immediate parent company, Virgin Wines Holding Company Limited, has received a letter of support from the investors which confirms that it is not their present intention to recommend to the Venture Capital Trusts to enforce payment of any of the Loan Stock for a period of at least 12 months following the signing off of the audited accounts of the Company for the year ended 30 June 2017. The directors therefore 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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

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 15 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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

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:

- The Directors have applied judgement in determining the extent to which deferred tax assets for tax losses and other timing differences should be recognised. In the prior year, the Directors recognised £1.9m of additional deferred tax assets for historical tax losses and other timing differences. 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.
- Determine whether there are indicators of impairment of the Company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision 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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

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

	30 June 2017 £'000	1 July 2016 £'000
Restructuring costs	-	138
	<u>-</u>	<u>138</u>

The exceptional item relates to termination costs accrued in relation to a former Director who left the business on 30 June 2016.

5 Operating profit

Operating profit is stated after (crediting) / charging:

	30 June 2017 £'000	1 July 2016 £'000
Stock charged to cost of sales	24,178	23,859
Depreciation of owned tangible fixed assets (note 12)	89	117
Staff costs (note 6)	4,920	5,063
Operating lease rentals:		
- Land and buildings	364	358
Exchange losses and gains	(106)	35
Movement in debtor provision	1	(2)
Movement in inventory provision	39	17
Goodwill amortisation (note 11)	321	321
Exceptional items (note 4)	-	138
Auditors' remuneration:		
- for the audit of the company financial statements	22	21
	<u>22</u>	<u>21</u>

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

6 Employees

	30 June 2017 £'000	1 July 2016 £'000
Staff costs (including directors) consist of:		
Wages and salaries	4,203	4,408
Social security costs	480	449
Other pension costs	237	206
	<u>4,920</u>	<u>5,063</u>

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

By function	30 June 2017 Number	1 July 2016 Number
Sales	131	128
Management and administrative	25	24
	<u>156</u>	<u>152</u>

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

7 Directors' remuneration

	30 June 2017 £'000	1 July 2016 £'000
Directors' emoluments	335	462
Pension contributions	40	52
	<u>375</u>	<u>514</u>

During the year, retirement benefits were accruing to 2 directors (2016 – 3) in respect of defined contribution pension schemes.

The highest paid director received total remuneration of £172,294 (2016: £172,169).

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 (2016: £20,667).

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

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

8 Interest receivable and similar income

	30 June 2017 £'000	1 July 2016 £'000
Bank interest	23	11
	<u>23</u>	<u>11</u>

9 Interest payable and similar charges

	30 June 2017 £'000	1 July 2016 £'000
Stock financing facility	25	23
Amortisation of debt issue costs	43	19
	<u>68</u>	<u>42</u>

10 Tax on profit on ordinary activities

	30 June 2017 £'000	1 July 2016 Restated £'000
(a) Analysis of charge for the year		
Current tax		
UK Corporation tax charge for the year	5	2
	<u>5</u>	<u>2</u>
Total current tax	5	2
Deferred tax		
Origination and reversal of timing differences	-	-
Utilisation of previously recognised tax losses	392	358
Recognition of previously unrecognised deferred tax assets	-	(2,262)
	<u>392</u>	<u>(1,904)</u>
Total deferred tax	392	(1,904)
Tax charge / (credit) on profit on ordinary activities	<u>397</u>	<u>(1,902)</u>

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 19% from 1 April 2017 and 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.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

10 Tax on profit on ordinary activities (continued)

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

	30 June 2017 £'000	1 July 2016 Restated £'000
Profit on ordinary activities before tax	1,950	1,704
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.75% (1 July 2016 – 20%)	385	341
Effects of:		
Expenses not deductible for tax purposes	1	19
Tax rate change	11	-
Recognition of previously unrecognised deferred tax assets	-	(2,262)
Total tax charge/(credit) for the year	397	(1,902)

For further information on deferred tax balances see note 14.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

11 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<i>Cost</i>			
At 2 July 2016	5,389	844	6,233
Additions	-	493	493
At 30 June 2017	<u>5,389</u>	<u>1,337</u>	<u>6,726</u>
 <i>Accumulated amortisation</i>			
At 2 July 2016	2,177	-	2,177
Charge for year	321	-	321
At 30 June 2017	<u>2,498</u>	<u>-</u>	<u>2,498</u>
 <i>Net book value</i>			
At 30 June 2017	<u>2,891</u>	<u>1,337</u>	<u>4,228</u>
At 1 July 2016	<u>3,212</u>	<u>844</u>	<u>4,056</u>

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

Software is amortised over its estimated useful economic life. No amortisation has yet been charged on the software as it was still in test at the year end.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

12 Tangible assets

	Leasehold property	Computer hardware & warehouse equipment	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
<i>Cost</i>				
At 2 July 2016	44	6,623	271	6,938
Additions	-	26	36	62
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2017	44	6,649	307	7,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At 2 July 2016	44	6,535	227	6,806
Charge for the year	-	59	30	89
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2017	44	6,594	257	6,895
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2017	-	55	50	105
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2016	-	88	44	132
	<hr/>	<hr/>	<hr/>	<hr/>

There were no assets held under finance leases during the year (1 July 2016: £nil).

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

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

13 Stocks

	30 June 2017 £'000	1 July 2016 £'000
Finished goods for resale	4,714	3,860

There is no difference between the replacement cost of stocks and carrying value (1 July 2016: £nil).
Inventories are stated after provision for impairment of £97,000 (2016: £58,000).

14 Debtors

	30 June 2017 £'000	1 July 2016 £'000
Amounts falling due within one year:		
Trade debtors	506	363
Amounts owed by Group undertakings	2,574	1,289
Derivative financial instruments	21	88
Deferred tax	380	713
Other debtors	-	433
Prepayments and accrued income	441	514
	<u>3,922</u>	<u>3,400</u>

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 1 July 2016 the stock financing balance was a debtor of £390,000 which forms part of other debtors, as transfers to the lender exceeded the amount drawn down at that date. This balance is shown in other debtors with a further £43,000 of unamortised loan fees. The facility was in credit at 30 June 2017, as such the value is included in creditors due within one year (note 16).

	30 June 2017 £'000	1 July 2016 Restated £'000
Amounts falling due after more than one year:		
Deferred tax asset	1,845	1,904
		<u>£'000</u>
At 2 July 2016 restated		2,617
Utilisation through Profit and loss account		(392)
		<u>2,225</u>
At 30 June 2017		<u>2,225</u>

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

14 Debtors (continued)

	Fixed asset differences £'000	Other timing Differences £'000	Tax losses £'000	Total £'000
Brought forward deferred tax asset restated	488	3	2,126	2,617
Recognised in the year through profit and loss				
Utilised in the year through profit and loss	(12)	-	(380)	(392)
	<u>488</u>	<u>3</u>	<u>2,126</u>	<u>2,617</u>
Carried forward deferred tax asset	476	3	1,746	2,225
	<u>476</u>	<u>3</u>	<u>1,746</u>	<u>2,225</u>

In the prior year the Directors performed an assessment to determine the recoverability of previously unrecognised deferred tax assets. Following this review, which included an assessment of forecast taxable profits, the Directors concluded that sufficient future taxable profits would be available and as such potential deferred tax assets have been recognised in full. There are no unrecognised deferred tax assets.

15 Cash and cash equivalents

Included in Cash and cash equivalents is a balance of £4,126,000 (2016: £3,029,000) relating to advance payments received from customers. The corresponding creditor to customers is included in accruals and deferred income.

16 Creditors: amounts falling due within one year

	30 June 2017 £'000	1 July 2016 Restated £'000
Trade creditors	2,717	2,682
Amounts owed to Group undertakings	1,800	1,800
Taxation and social security	753	835
Other creditors	162	78
Accruals and deferred income	5,234	5,321
	<u>10,666</u>	<u>10,716</u>

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.

Included within other credits is £94,000 in relation to the stock financing facility. The facility was in debit 1 July 2016 and as such the comparative is included in debtors (note 14).

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

17 Financial instruments

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

	30 June 2017	1 July 2016
	£'000	Restated £'000
Financial assets measured at amortised cost	7,564	6,528
Financial assets measured at fair value through profit and loss	21	88
Financial liabilities measured at amortised cost	(10,666)	(10,716)
	<u>(3,081)</u>	<u>(4,100)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owned 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 30 June 2017, the outstanding contracts all mature within 6 months (2016: 6 months) of the year end. The Company is committed to buy US Dollars, Australian Dollars and Euros (2016: US Dollars, Australian Dollars and Euros) with a Sterling value of £1,51m (2016: £1.36m).

18 Called up share capital

	30 June 2017 £'000	1 July 2016 £'000
Authorised		
9,591,500,350 (2016: 9,591,500,350) ordinary shares of £0.00001 (2016: £0.00001)	96	96
Allotted, called up and fully paid		
9,533,706,996 (2016: 9,533,706,996) ordinary shares of £0.00001 (2016: £0.00001)	95	95

During the prior year the Company carried out a capital reduction, reducing the nominal value of its ordinary share by £9,439,000. The Directors have approved no dividend in the year (2016: £4,416,000). No further dividends have been proposed.

19 Correction of prior period error

During the year, a detailed review has been performed of the accounting treatment for loyalty initiatives provided. Following this review, it has been determined that a correction is to be made to the prior period financial statements to ensure that the loyalty initiatives are accounted for as part of the fair value of the consideration received and is deferred and subsequently recognised over the period that the awards are redeemed.

This has led to the restatement of the Profit and Loss account for the year ended 1 July 2016 and the balance sheet as at 1 July 2016.

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

19 Correction of prior period error (continued)

This has resulted in an increase of £47,000 in revenue, and £97,000 in provision previously reported for the year ended 1 July 2016.

The impact of the adjustment, including the related tax impact, is as follows:

Creditors – amounts falling due within one year:

	1 July 2016 £'000
Accruals and deferred income	278
Net impact on creditors	278

Debtors – amounts falling due after more than one year:

	1 July 2016 £'000
Deferred tax	50
Net impact on debtors	50

Income statement:

	2016 £'000
Revenue	47
Tax on profit on ordinary activities	50
Net impact on income statement	97

The impact on reserves has been disclosed within the statement of changes in equity on page 10.

There has been no impact on the cash flow for comparative period.

20 Pensions

Defined contribution scheme

The amount recognised in the profit and loss account as an expense in relation to the defined contribution schemes is £237,000 (2016: £206,000). Included within accruals and other creditors is £nil for outstanding contributions to the defined contribution plan (1 July 2016: £nil).

Virgin Wine Online Limited
Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

21 Commitments under operating leases

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

	30 June 2017 £'000	1 July 2016 £'000
Not later than 1 year	49	213
Later than 1 year and not later than 5 years	23	20
Later than 5 years	237	-
	<hr/>	<hr/>
Total	309	233
	<hr/>	<hr/>

22 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.

23 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.

24 Capital commitments

At 30 June 2017 there was £151,000 of capital commitments not provided in the financial statements (2016: £nil).

25 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 (2016: £nil).