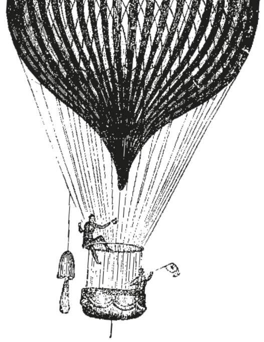
naked wines

Delivering growth, opportunity accelerated.

Naked Wines plc Annual Report and Accounts 2020



Come with us on a journey, to discover four fundamental things about our business.

1

Connecting everyday wine drinkers with the world's best independent winemakers.

Our business at a glance **10**

I'll be talking about a year of change, challenge and opportunity.

Nick Devlin's review **16**

To disrupt the wine industry for the benefit of our customers, winemakers and our people.

Our business model **24**

NAKED WINES
LAID BARE

Throughout this report you'll find a series of articles which demonstrate just exactly what makes us so different.

Strategic report

Governance report

Financials

There are four things you should know about Naked Wines. So let's get to it.

1. Our 100% digital business model is nothing short of revolutionary.
2. We are leading the drive towards a fairer wine industry.
3. There's an outstanding opportunity in the US.
4. We're prioritising long-term growth over short-term profits.

So whether you're a potential investor, one of our Angels, or just interested – we hope you'll have a good look at this report, and see the good that Naked Wines is doing for the wine industry.

I'd definitely recommend spending five minutes reading the next eight pages. A thoroughly informative and engaging read.
Nick – Napa

1.

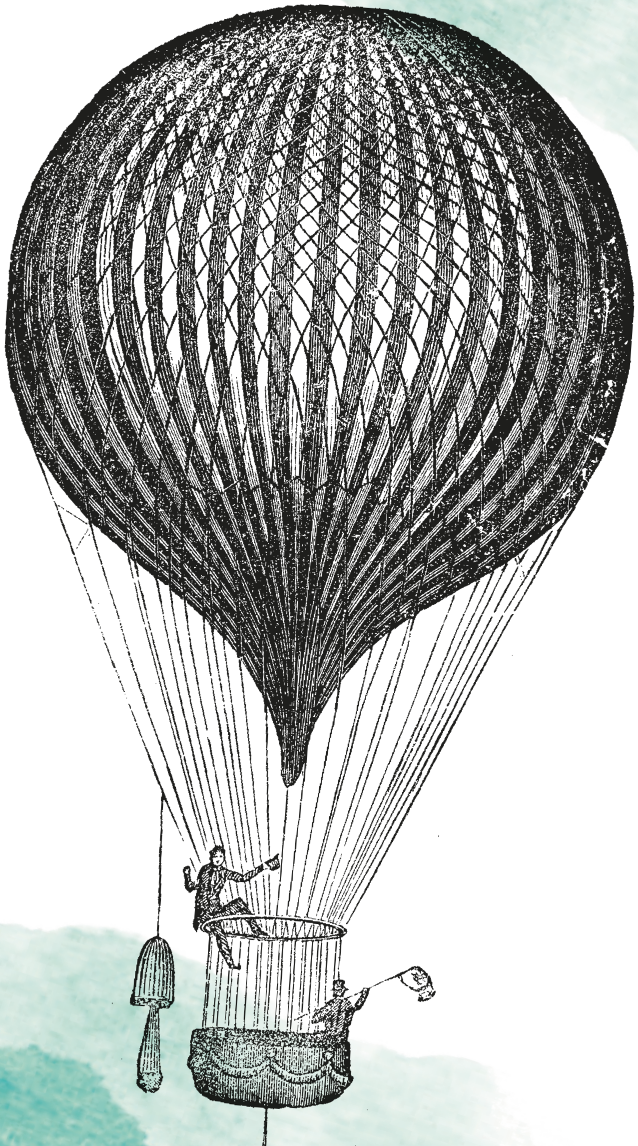
Buying a good bottle of wine shouldn't feel like mining for gold.

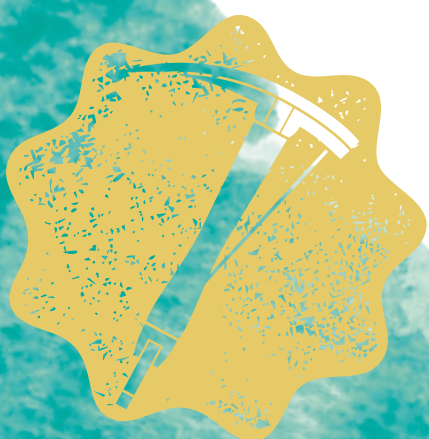
Naked was set up because we believed the wine industry could be better. Two important people – the wine drinker and winemaker – could be getting a better deal. Our differentiated and disruptive approach turns the traditional model on its head – providing a community and platform to connect everyday wine drinkers with some of the world's most talented winemakers; so everyone wins.

Angels become part of a community of like-minded wine lovers who share tips, ratings and reviews all from the comfort of their home.

Of course, being able to interact directly with the winemakers whose wines are produced for Naked, and whose name is on the bottle, is a much more engaging experience than being faced with a wall of big brand labels in a grocery store. And knowing that the Angel subscription is supporting a passionate and independent winemaker to produce a high-quality, artisanal product feels pretty good too.

Business at a glance 10





THE GOLD MINER

by Sam Plunkett

95%
of 1,343
would buy it again

Diego Fernandes Pons
After spending the last 21 years making a name for himself in the region, Diego was voted 2018's Best Winemaker in Valencia – a huge honour. His passion for putting Valencia firmly on the wine map shines through in every drop he creates.

Virgile Joly
Spending more time in the vineyard lends itself to healthier grapes and, as a result, better wine.

2.

Changing the industry, one bottle at a time.

Our funding and support model gives winemakers the financial freedom and creative licence to follow their craft and take charge of their destiny while also making a decent living.

With the certainty of our purchasing, Naked producers have the confidence and ability to work closely with growers to not only buy better grapes, but also influence the harvest timing, methodology and process. As winemakers don't need to spend months marketing their wines or running a distribution business, they have the freedom to focus on what they love and what they do best – making great wine for the Angels who back them.

It's a good living and our winemakers tend to stay with us as they grow and become successful. Why wouldn't you? They're following their passion, they're working for themselves without the back end bore of running a business, and they're selling the fruits of their labour to a large, growing and engaged community of Angels who believe in them.

As Naked has gained scale, we've taken our winemakers with us. With a large customer base and ever growing demand, there's plenty of headroom for our producers to grow into. It really is win-win.

Our business model **24**

Sam Plunkett
Sam was crowned Naked's 2019 Winemaker of the Year. With help from Angel funding he achieved his lifetime dream of converting an old textile factory into his very own high-tech winery.

Jen Pfeiffer
Energetic, passionate and so talented, Jen grew up in a winemaking family and fell in love with the industry from a young age! She travelled widely, learning her craft at many of the great wineries in France and Portugal before returning to the family winery with a desire to really push the boundaries.

Matt Iaconis
This rocket scientist was studying to be an astronaut before he decided wine was even cooler than space. So he dropped aeronautics and picked up a degree in winemaking.

Angel funding is allowing this hugely talented and driven individual to apply all his attention to making the best wine possible.

Back in June 2019 we asked our UK winemakers:

How are we able to make top-quality wines at discounted Angel prices?

This is what proportion agreed with the following statements.

74%
Long-term relationship
Building long-term relationships with growers and other suppliers enables higher quality and lower pricing.

64%
Pre-harvest commitment
A commitment to volumes ahead of harvest, enables locking in prices on grapes and dry goods, reducing exposure to inflation.

32%
Advance funding: the best grapes
This enables you to secure the best grapes.

34%
Advance funding: no bank funding
Paying growers in advance enables winemakers to secure the best grapes.

38%
Owned vineyard
Vineyard ownership means you don't have to buy grapes on the market.

17%
Bulk shipment
This is cheaper than bottling in the country of origin.

68%
No agent
Removing the middle man margin means better value for Angels and better prices for Winemakers.

18%
Sharing cost benchmarks
Enabling winemakers to have better informed discussion with their suppliers.

41%
Freedom to invest a little more to get a lot more
Investing a little more money can make a lot of difference in the quality of wine produced.

Our Markets


US $40bn
Total US
off-premise market total
US $20bn
addressable off-premise
value, ie that could be
bought from Naked
US $5bn
"delivered to you"
segment (online and
Direct-to-Consumer)
AUS $2bn
Addressable
off-premise value
UK £2bn
Addressable
off-premise value

3.

The world's biggest wine market, ripe for disruption.

We see potential for market share gain in all our geographies; however, the opportunity is largest in the US where the market dwarfs the rest of world in terms of size and gross profit potential.

Demand is there. The US market for wine is around $40bn in the off-premise. Of that c.$20bn is estimated to be addressable by our model, and $5bn is realised across the online and Direct-to-Consumer channels today.* We have successfully tripled the capital deployed in marketing over the last five years to continue locating and converting high-value customers and maintaining payback at target levels.

Supply is there too. From humble beginnings where Naked's headhunters would go out and find winemakers to recruit, we've now built a global portfolio of passionate and talented producers, all making high-quality wine exclusively for our Angels.

Not only does scale allow us to deepen our competitive moat, through cost reduction and an advantaged customer proposition, importantly, leveraging our scale will also unlock significant additional investment capability. In other words, we can invest more and grow efficiently.

* Source: Internal management research.

Chief Executive's review **16**

4.

Slow and steady is an option, but it's not for us.

We want to drive growth. To do that, we want to:

Ⓐ 1. Improve the proposition and maximise customer Lifetime Value (LTV). Driving retention and improved LTV has been and will continue to be the single greatest lever to unlocking further investment opportunities to invest in growth.

2. Acquire more high-value customers by increasing investment in current channels and developing new marketing channels.

Ⓐ Investing to increase Lifetime Value (see our definition on page 130), for both existing and new customers, builds future profits for the business and for shareholders. Acquiring and maintaining a loyal base of customers who stay with us for longer and spend more over time compounds into a large base of repeat customer contribution.

Ⓐ We know this because we can calculate that the business can already be profitable. That is, if we stopped investing for growth today and merely invested enough to replenish the current customer base, the business would be profitable and cash generative. We call this amount the Standstill EBIT, (see page 21 for more detail). However, we don't want to do that.

For the reasons outlined above, the Board and Management team see a material opportunity and a pathway to faster growth. The disruptive business model, the financial resources, a strong team and a disciplined investment framework, give us the confidence to leverage our model and leadership position to maximise our growth potential.

Ⓐ See information on Alternative Performance Measures and definitions on pages 130 to 132.


Louise Smales
Angel
2 weeks ago
Loved this wine for a few years now!!!!!
Bill & Claudia Small
Winemaker
Hope all's well with you Louise. Thanks for posting and it's great to hear you enjoyed the 2018.
Bill

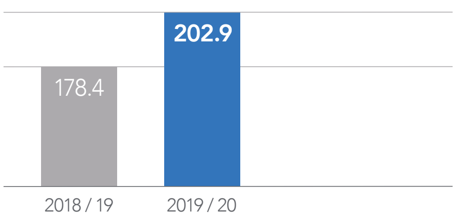
Connecting everyday wine drinkers with the world's best independent winemakers

Financial Performance Summary*

Sales for the year to March 2020

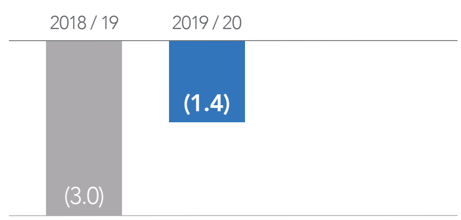
Sales growth

£202.9m +13.7%



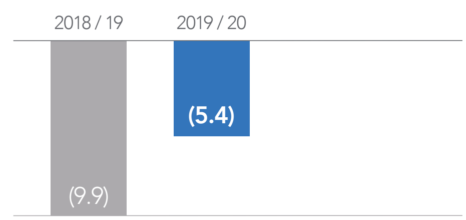
Ⓐ Adjusted EBIT from continuing operations

(£1.4m)



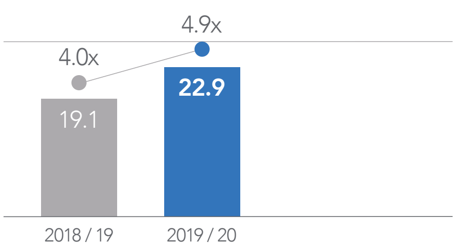
Loss before tax from continuing operations

(£5.4m)



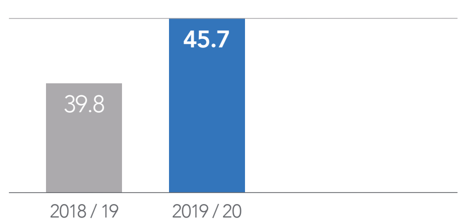
Ⓐ New customer investment (£m) (and payback (x))

£22.9m



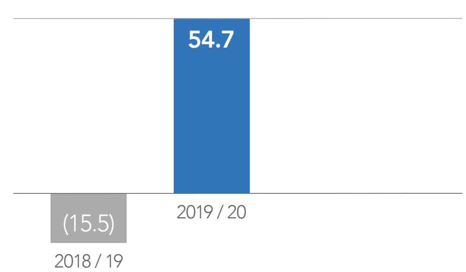
Ⓐ Repeat customer contribution

£45.7m



Ⓐ Cash / (net debt)

£54.7m



8
distribution hubs, globally, shipping your order within

48
hours, helping generate

83%
Ⓐ repeat customer sales retention

211
winemakers, producing

1,000+
wines in

19
countries

23.4m
The total number of wine reviews in our database

594,000
The number of unique Angels placing an order in the 12 month period

* All current year and prior year performance measures in the strategic report relate to the continuing Naked Wines businesses with prior year figures restated accordingly unless otherwise stated.

Ⓐ See information on Alternative Performance Measures definitions on pages 130 to 132.

Naked Wines supports independent winemakers, who make exclusive wines at preferential prices.

We pass those prices on to our customers and customise our recommendations to them using 23.4 million reviews*.

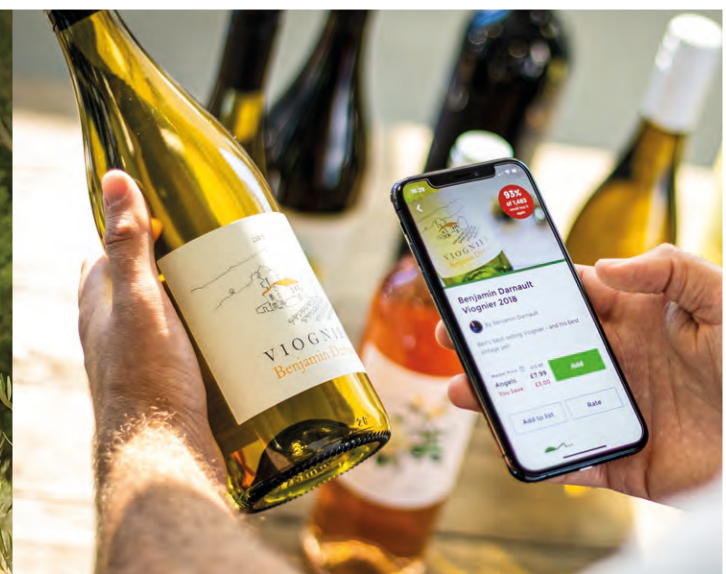
* Total number of reviews in our database.

Our mission
To disrupt the wine industry for the benefit of our customers, winemakers and our people.

Our ambition
To go from impacting individuals, to changing how an entire industry works. To shape the whole wine industry in our image.

Our purpose
Connect everyday wine drinkers with the world's best independent winemakers.

Benjamin Darnault, consultant winemaker, on a mission to uncover gems for the Angels all over the Languedoc



£18.0bn*

Addressable markets and size

* Internal Company figures.

Old vines, 5 wines*

An interview with
Johan Kruger, Kruger family wines

How has receiving the money up front from Naked Wines Angels helped you to make better wine?

We were able to secure amazing fruit by the end of last year ready for our launch in the US through Naked Wines, due to Angel funding. The most exciting story for me is our Kruger Family Wines Old Vines Chenin Blanc. This vineyard would have been ripped out if we had not had the funds to pay the grower a decent fee for his grapes, and so far, after harvest, it is one of my best wines of the vintage – thank you so much for making such a difference to this grower, his vineyard and our lives and I am sure that you will taste the appreciation from the vines to still be alive in the final wine. This is a very special Swartland vineyard, which was planted in 1982, on a cooler south-facing slope on decomposed granite soils, which makes a very exciting, complex and intensely flavored Old Vines Chenin Blanc!

Why would you recommend that your peers work with Naked, rather than other wine retailers?

Working with Naked Wines has been absolutely amazing so far and a great blessing to our little family business – we get to make the wines of our dreams, funded by the Angels and there is no cash tied up in stock for years, nor big negotiations with retailers – what we bottle is all sold through Naked Wines website, thanks to a very dynamic team at Naked Wines and their amazing Angels' support!

What has your day-to-day experience working with Naked staff been like?

There is always a very positive, progressive and vibrant thread communicating to my Naked Wines staff – who are always so eager to help with whatever part of our business needs attention. From the vineyards we find and source with Naked guidance, all the way to shipping and payment, Naked Wines works like a strong, well-oiled chain!

What difference does feedback from Angels make? Have their comments or reviews changed the way you do anything?

We love all the comments on our wines from the Angels. To a certain extent, it makes us understand the market as well as our own wines in that market even better and once you apply that vintage after vintage, the wines just get better and better – thank you Angels!

As we grow, we must make sure our ethos doesn't change. What's something (big or small) about Naked that we should preserve?

Honesty and integrity are two values very high on my list and this makes Naked Wines such a great fit to our business and wines as we share these two very important values.

Why did you want to pitch the Old Vines project to Naked?

There is no other success story so exciting, if I may say so, than the Old Vines part of our portfolio. It all started at the end of 2017 when the Old Vines project approached me with a grower, who had already pulled up one Old Vines Chenin Blanc vineyard and was due to do the same with another one, if he did not find a winemaker who could pay him the vineyard's worth. Many of these Old Vines end up in a co-op system where, when they get old and their yields get smaller, it is simply not possible anymore to keep them in the ground, at co-op prices. So, I went to see this vineyard.

All the money earned through Naked Wines is invested in old vines management.

It is 1.4 hectares in size, planted in 1977 on a cool slope, on decomposed granite soils – for me, the perfect site for cooler climate white grapes. I made a video, sent it to Eamon, the wine guy, who got as excited about this project as I was. Eamon pitched it to the Angels, there was a vote and we made the wine, which was our first bottling from Kruger Family Wines to get a full five stars from Platter's South African Wine Guide (only about 200 wines out of nearly 8,000 receive the much valued Platter five stars). What is even better is the fact that we started the Old Vines project with Naked Wines in 2018 with 1.4 hectares of fruit, and now, three vintages later, we are having a positive effect on 34.75 hectares, their growers and their workers' lives – thanks to Angel funding.

Why do you think Angels were so keen to back it?

The Old Vines project with Naked Wines, as explained above, is true to Naked Wines' fabric, applying Angel funding to those who really need it – there is a feel good element in it nothing else can beat!

What did the help from Angels enable you to do?

Back in 2015, we parted ways with a family business, and myself and my wife Sofie, who was expecting our son at the time, were in need of a new direction in our winemaking career – it so happened that Naked Wines needed a new South African winemaker, the shoe fit and the rest is history. We are now a very happy and grateful family of four and are free to work with many different grape-growing areas, to produce the wines of our dreams, which are sold out before we bottle them – what more can a winemaker dream about than that!

Do you have any other projects in the pipeline that you'd like to get Angel backing for?

I'm a bit of a dreamer, so there is always something new brooding inside me. I managed to get hold of a very tiny amount of grapes from an Older Chardonnay vineyard again on a cooler slope, on decomposed granite soils, from Stellenbosch. A fairly big portion of this vineyard goes into one of the most expensive South African Chardonnays. If the wine comes out the way I am expecting, this would be just amazing to get Angel funding for a bigger volume for next year and, of course, through the Naked Wines model Angels would pay a fraction of the price of the other wine from the same vineyard, again a win-win for all involved, and we had fun in doing it!

What more do you think you can achieve in five years' time, with Naked and Angel support?

That is a good question, we need to be careful not to grow too fast and not to lose our focus on quality in growing, but also grow in making better and better wines. With our main focus on producing great Chardonnays and Old Vines wines, I think where these two meet is where I would like to see growth. Considering that Chardonnay has only been in South Africa for less than 40 years, there are very few older Chardonnay vineyards, but, as the years go by, each year more and more Chardonnay vineyards qualify for Old Vine status (35 years old or more) – so I need to find these, select the better ones to be able to grow my dream wine.

As a producer, what's your big ambition in wine – and how do you think Naked can help you achieve it?

We currently work from our home, my office is in our bedroom/loft – to be able to get an outside office in time, where we can also have a wine studio, would be just amazing. As we lease vineyards and rent cellar space, I think the ultimate dream for any winemaker would be to have his own winery, even if it is small to start off, with the potential to develop, as our production grows. With growing volume year on year, we will be able to achieve this, I believe.

John Walden

An online only growth business that is coming of age

Overview

This last year has been an eventful and positive one for Naked Wines as we:

- Sold Majestic Wine and Lay & Wheeler, enabling them to pursue their own growth strategies while raising funds for Naked Wines
- Began to focus our resources and investment in Naked Wines, which saw 13.7% revenue growth in the year
- Completed a transition in the senior leadership team
- Responded quickly to early stages of the COVID-19 pandemic to keep our staff, suppliers and customers safe, keep our supply chains open and serve the increased demand we saw across all of our markets

Having led the Board through the execution of the sale transactions and the initial stages of Naked Wines as a pure-play direct-to-consumer company, I am confident that we have pursued the right strategic path. I believe Naked Wines, as a well-resourced business focussed exclusively on the growing online wine market, can now deliver a better outcome for shareholders through long-term value appreciation.

On behalf of the Board, I would like to thank all our employees for their hard work and support during the year and wish those at Majestic Wine and Lay & Wheeler many successes in the future.

FY20 performance

The Naked business responded to challenging conditions and performed well through the 2020 financial year, improving as the year progressed. Our more ambitious recruitment of new customers and strong proposition drove 13.7% growth in Group revenue and 14.7% growth in repeat customer contribution. We entered the new financial year with good momentum as COVID-19 has influenced customer shopping behaviour and driven increased demand for the Naked Wines offer. Future trading dynamics clearly remain very uncertain, however with over £50m of cash on the balance sheet and no debt, we are operating from a position of financial strength.

Emergence of Naked Wines plc

I joined the Board as Chairman of Majestic Wine plc in August 2019 and was attracted by the prospect of Naked Wines as a standalone growth business. From my previous experience in digital and multi-channel retailing in the UK and US, I believe that the Naked Wines business model is unique in several respects: its proprietary network of independent winemakers, its attractive direct-to-consumer proposition, its loyal customer base and, particularly in the US, a large and growing online market for wine coupled with competitive barriers.

The strategy to sell the Majestic Wine business, which was in place before my joining, was in my view the right decision to maximise value for shareholders. The Board believed that Majestic, a traditional store-based and well-regarded wine retailer, faced challenging growth prospects yet it provided a majority of the Group's revenues and profits. Majestic Wine also consumed a majority of the Group's resources and focus. Naked Wines was a smaller online business with good growth prospects but limited access to growth capital. Hindsight suggests that the decision to sell retail shops, raise cash and focus on the growth of Naked Wines has been fortunate in light of the disruption in markets caused by the COVID-19 pandemic. At the time of this writing, it remains unclear the extent to which the pandemic will affect the longer-term economic growth of our principal markets – the US, UK and Australia – or consumer demand for our proposition. But our asset-light business model and conservative approach to cash puts us in a good position to take advantage of opportunities as they arise.

As Naked Wines emerged from the sale of Majestic Wine, we took the opportunity to implement a succession plan for the Company. Its profile was changing in several respects – into a more mature, online-only growth business with a strong US presence. Rowan Gormley, the founder of Naked Wines and Chief Executive Officer of the Company, determined with the Board that new leadership was appropriate, and Rowan retired in January 2020. On behalf of the Board and the Company, I would like to extend Rowan enormous thanks for building Naked Wines and for his many years of leadership. We were pleased to appoint Nick Devlin, our former Chief Operating Officer and President of the US business, as Chief Executive Officer. Nick has in turn assembled a strong leadership team that we believe positions the Company well to realise its growth potential.

Our Board

Our Board has seen considerable change during the year. In addition to the retirement of Rowan Gormley and the promotion of Nick Devlin, we welcomed Katrina Cliffe to the Board as a Non-Executive Director in May 2019. Katrina adds a wealth of complementary experience through her other non-executive board roles and previous management experience across the financial services and retail sectors.

Further, I joined the Board in June 2019 and succeeded Greg Hodder as Chairman at the AGM in August 2019. Greg was on the Board for four years and Chairman for over two years and stood down from the Board in January 2020. The Board and I would like to thank him for the guidance and support he has given over his term, especially over the recent transition period.

Recently, the Board determined that our CFO, James Crawford, is the best candidate for the vacant MD UK role and James will be transitioning to this new role soon. We are actively recruiting for a new CFO and will be ensuring that James appropriately hands over this function, along with his position on the Board, in the coming months once we secure a successful candidate.

The Board and I take very seriously our responsibility for the long-term value creation of Naked Wines. Our role as a Board is to stay abreast of our dynamic and changing markets, maintain alignment on a strategy that we believe will best deliver value over time, and manage our cash, executive leadership team and other resources in a manner that we believe will best help us to achieve this. We are helped in our role by good relationships with our shareholders. Since my appointment, I have met many of our largest investors and we have surveyed a broad group of shareholders on a range of important topics. I am grateful for their time, input and support.

Naked Wines strives to be a progressive organisation with a strong culture of transparency and fairness. We have ambitious goals for company growth which may in turn add complexity to our operations, however the Board will remain mindful that we grow sustainably and for the long-term benefit of all stakeholders. For example, we will seek to build enduring and loyal relationships with customers, nurture and provide greater support to independent winemakers, create a positive and developmental working environment for our employees, build long-term financial value for our shareholder and promote the sustained health of our communities in partnership with our Angel customers and winemakers, through crises like COVID-19 and beyond.

Looking ahead

As a newly formed Naked Wines plc, with a focused management team and a strong balance sheet, the Company is now well positioned to pursue our mission. Over the foreseeable future, we will be working hard to innovate and improve our customer acquisition channels, optimise our customer proposition, leverage our scale advantage and develop new opportunities for growth.

I look forward to this exciting journey.

Nick Devlin

A year of change, challenge and opportunity

At Naked Wines our mission is to disrupt the wine industry for the benefit of our customers, winemakers and people. Born from a founding insight, at the height of the financial crisis of 2008, that the wine industry too often fails both wine drinkers and winemakers, we have been committed for the past decade to showing that a better model is possible.

As I write my first update to you all as CEO, we are facing another great period of consumer uncertainty as the world adjusts to a "new normal" living with COVID-19. During my first six months in the role, having previously worked as President of Naked Wines' US business, I have had the privilege to spend time building knowledge and relationships with our UK and Australia-based teams while continuing to see the US business thrive. In some ways, there is no better moment to build understanding of a business's capabilities and challenges than through a period of intense change. The unforeseeable disruption from COVID-19 has shown the resilience, adaptability and sense of personal ownership among our people that makes Naked special. It is a reflection of the strength of culture at Naked and the shared conviction we have in our ability to make positive change to the wider wine industry. As I write this, I am convinced that Naked is better placed than ever to deliver on our mission to change the way wine is bought and made.

I am also pleased to report that my first six months as CEO has confirmed my belief in the opportunities for Naked to continue to grow and develop. The 'Majestic era' has, at times, been a challenging one for the business. It is clear to me that we have substantial opportunity to improve and further differentiate our core customer proposition and product range. To support that opportunity we have reinforced our global management team with the right mix of experienced talent to grow Naked to scale. With the clarity of focus of a simplified business and a strong team in place I am confident we will make substantial progress in the year ahead.

The dividend of this transformation is that Naked has emerged stronger than ever. For the first time in its 12-year history we have:

- A sustainable business well capitalised for growth with £54.7m in cash at year end (FY19: net debt £15.5m)
- A clear and simple focus, to deliver on our growth potential, especially in the US

Against this background of transformation, which was at times disruptive, I am extremely proud of the sustained strong performance that Naked has delivered:

- Sales growth of 14%, with 20% growth in the US
- A Investment in customer acquisition up 20% to £22.9m (FY19: £19.1m) with forecast payback of 4.9x (see our subscription KPIs on page 21 for a definition of this measure)

A
- Repeat customer contribution growth of £5.9m +14.7% to £45.7m
- Loss before tax from continuing operations of £5.4m (FY19: £9.9m) from the Group's continuing business driven by stronger trading and reduction in adjusted items

The full year results above reflect an improvement in performance on our key measures from our interim results, with the second half of the year showing improvement, in particular, in investment efficiency. In H2 we started to realise benefits of rebalancing investment spend mix away from first order discounts; the benefit of our global rollout of machine learning led LTV forecasting and initial results from our investment in the US Growth team. Whilst attention is understandably drawn to the sharp COVID-19 induced acceleration in the final weeks of the year, the five months ending Feb 2020 reflected a steady trend of improvement from these initiatives.

COVID-19 Impact

The strength of our team and the culture at Naked has been manifest in the response of the business to the unprecedented circumstances faced since mid-March as governments and communities across the globe have responded to the COVID-19 pandemic.

We saw demand increase rapidly to levels typically only seen during peak seasonal trading. The crisis has served to demonstrate the resilience and scalability of the core infrastructure of the business, with our teams rapidly reacting to sustain a high-quality customer experience while modifying our operations and supply chain to safeguard the wellbeing of our people. While customers have at times experienced longer fulfilment times and some changes to range availability, our overall customer experience has remained excellent. This is reflected in our ability to sustain our key service metric of 5* service and our key wine metric "Buy It Again Rating" above 90% in all markets. Throughout April, we have worked tirelessly to increase operational capacity and secure the stock required to support heightened sales levels. In our key US and UK markets, we have increased daily shipment capacity by 70% and 65% compared with the start of March. I can't credit our teams enough for their commitment and versatility in challenging times.

Increased sales have come from both growth in new customers and higher purchase rates from repeat customers. Our principles in these times of enhanced demand are:

- An absolute commitment to support our Angel members through difficult times, with a focus on offering membership flexibility and maximising the number of members we can supply
- A belief in the value of continued membership growth to enable us to maximise the impact we can have on winemakers and our communities and employees
- Retention of our rigorous approach to capital allocation and investment, ensuring we make investment decisions based on the latest data we are seeing

At the same time I am proud of the steps we have taken to serve our communities and to support the wider wine industry during the most challenging of times:

- A $5m COVID Relief Fund, to buy wine from impacted winemakers and the most impacted people in the wine industry who have seen sales to restaurants and through tasting rooms disappear overnight
- Naked UK has made £115,400 of charitable contributions including donating over 23,000 Meals for the NHS and given over 400 cases of wine to deserving key workers, while in the USA we have fed over 1,000 key workers and local families in partnership with the local hospitality industry
- In partnership with our winemakers in Australia and the US, we have produced hand sanitiser for distribution to front-line workers

Whilst it's too early to be definitive, I believe the crisis will likely serve as an inflection point for consumer migration online for wine purchases. This is especially the case in the US where online penetration has been low compared to other e-commerce categories at around 5%. The past months during the COVID-19 pandemic massively increased awareness of online models and increased the perceived legitimacy of online within the wine category. Consumers new to the online space still require excellent service and value to convince them to stick with new habits once restrictions eventually ease but I firmly believe Naked is ideally placed to do just that.

Over the medium term, COVID-19 and its economic impact clearly creates uncertainty. However, Naked Wines, with its advantaged consumer proposition and strong balance sheet remains well positioned to meet the challenges of a changing consumer environment.

The growth opportunity

It is our nature to look at the opportunities during times of disruption and Naked's differentiated model is well positioned to gain share in all its markets in this environment.

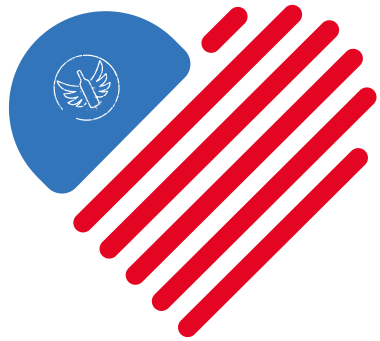
The US is the biggest wine market in the world and is also one of the least efficient. Consumers are faced with high prices while talented winemakers find their route to market blocked by high capital costs and the challenge of gaining access to distribution in a highly consolidated market.

The Direct to Consumer ("DTC") model we operate in the US offers consumers superior choice, while helping producers to overcome the structural barriers to market access. By connecting consumers and winemakers directly we are able to offer superior value to consumers while generating attractive margins. Since entering the US market in 2012, Naked has built a community of over 200,000 Angels and created the largest online DTC wine business in the US. This year, we were recognised as the US's number 1 Wine Club by *US Today*. With the capital, resources and team we have now assembled, and with single-minded focus on the growth opportunity, we believe we are ideally positioned to materially accelerate our growth in the US.

The headroom for growth is vast:

- Total Addressable Market (TAM) of $20bn of premium off-premise wine spend (>170x today's revenue)
- $5bn Online/DTC channel growing at ~13% Compound Annual Growth Rate (CAGR) pre-COVID-19 acceleration
- Societal trends towards online channel and desire for sourcing provenance likely to accelerate post-COVID-19
- Our levels of investment in customer acquisition in the USA are substantially below the category leaders in clothing and food box subscriptions where we see 15-20x spend levels against comparable LTVs

Source: management research.



Our subscale investment in customer acquisition is largely a consequence of constrained resources during the Majestic Wine era. Our plan to accelerate is based around three key pillars:

1

A Improve proposition to increase LTV

In the last six months I have worked with our management teams to create an expanded Customer team headed by a Global Customer and Product Director and implemented a product management model for our technology teams to better support development of new features to drive growth and customer experience. Over the coming year we will be focused on working through an extensive "backlog" of improvements to the customer experience including:

- Greater relevancy and curation in the new customer funnel and onboarding process
- Further data-led personalisation of the shopping experience
- Enhanced delivery experience including greater customer choice in the US

2

A Harness scale efficiency to drive LTV

The increased trading from mid-March have served to demonstrate the scale efficiency accessible as we grow – this is most apparent in the US.

In the COVID-19 period (April/May 2020) we saw:

- Fixed costs fall to 5.6% of sales in NW US (FY20 8.2%)
- Variable costs per order fell by 18% compared to FY20

Looking forward to the year ahead we expect to be able to:

- Further enhance the customer experience through a move to seven days a week warehouse and customer service operations
- Invest in labour saving automation and equipment to drive higher picking productivity
- Drive material reductions in variable cost per case shipped which will support higher LTVs and enable us to in turn support greater marketing investment at our target payback rate

3

Unlock new investment channels

In 2019, we created a US Growth team based in New York. The team has made substantial progress in identifying opportunities to diversify and expand our acquisition marketing spend alongside completing a reorganisation of core channels to drive efficiency. To date, we have developed our first $1m strategic partnership and unlocked substantial improvements in re-activation and retargeting.

In 2020/21, we will expand our Growth team, adding new roles focused on new channel development, content creation and strategic partnerships. I am confident in our ability to unlock further productive new channels in the course of the year ahead, as well as open new relationships in existing channels.

Capital allocation

Our capital allocation policy is as follows:

1. Maintain a healthy balance sheet which, in the near-term, means no net debt
2. Invest in growth in a disciplined way to take advantage of the large perceived growth opportunity, particularly in the US
3. Return to shareholders any funds in excess of the level needed to fund growth and manage risk.

In the current environment our cash reserves are a key point of strategic advantage. Naked Wines has material growth headroom in all its markets, albeit with the largest opportunity in the US. The changes to the consumer and business environment post-COVID-19, while increasingly uncertain, on balance should offer Naked the opportunity to accelerate our rate of growth. At the same time, we maintain a prudent capital position in response to the continued consumer uncertainty for the medium term. Taken together, these considerations mean we do not believe that the business has excess capital and we do not anticipate it so doing for the foreseeable future.

In summary

We exit FY20 with the simplification of the business complete and Naked having delivered another year of healthy growth through a period of transition. Naked enters FY21 with good momentum and the perfect platform to prosper in an uncertain environment:

- Differentiated proposition delivering superior value to customers
- Clear and proven investment strategy
- Large US market opportunity
- Strong balance sheet

Twelve years after Naked was founded in the midst of the financial crisis we believe Naked is again well positioned to deliver growth through a consumer downturn.

COVID-19

People

During these extraordinary times, our main priority is, and always has been, keeping our customers, staff, suppliers and community of winemakers safe, while getting wine to our customers safely and reliably.

The strength of our team and the culture at Naked has been manifest in the response of the business to the unprecedented circumstances faced as governments and communities across the globe have responded to the COVID-19 pandemic.

In each of the markets in which we operate, UK, US and Australia, our office staff are working remotely. We have ensured that our supply chain partners are taking appropriate steps to safeguard their staff. Our supply chains are operating efficiently, working within these additional health and safety constraints. As winemakers are considered agricultural, the grape harvest and wine production processes we depend on around the world have been able to continue largely unaffected.

Community

We have taken steps to serve our communities and to support the wider wine industry during the most challenging of times:

- A $5m COVID Relief Fund, to buy wine from impacted winemakers and the most impacted people in the wine industry who have seen sales to restaurants and through tasting rooms disappear overnight
- Naked UK has made £115,400 of charitable contributions including donating over 23,000 Meals for the NHS and given over 400 cases of wine to deserving key workers
- In the US we have fed over 1,000 key workers and in need locals in partnership with local restaurants in California
- In partnership with our suppliers in all markets we have produced hand sanitiser for distribution to front line workers

Scaling to meet demand

The COVID-19 pandemic has resulted in significantly accelerated trading patterns across the Group. The first two months of FY21 have seen year on year revenue growth in excess of 80%, driven by:

- Sales to new customers +250% year on year from investment in new customers up 100% vs the same period last year
- Sales to repeat customers +50% with sales retention in excess of 95%

The crisis has served to demonstrate the resilience and scalability of the core infrastructure of the business, with our teams rapidly reacting to sustain a high-quality customer experience while modifying our operations and supply chain to safeguard the wellbeing of our people.

While customers have at times experienced longer fulfilment times and some changes to range availability, our overall customer experience has remained excellent. This is reflected in our ability to sustain our key service metric of 5* service and our key wine metric "Buy It Again Rating" above 90% in all markets.

Throughout the crisis we worked tirelessly to increase operational capacity and secure the stock required to support heighted sales levels. In our key US and UK markets we have increased daily shipment capacity by 70% and 65% vs the start of March. Despite the costs associated with these increases, by operating the business at this scale we have seen average group fulfilment costs per order reduce by over 10% year on year for these periods, driven by a 25% reduction in the USA, demonstrating the efficiency that the business can generate as it continues to scale.

Robust balance sheet in a time of uncertainty

In the current environment, our cash reserves are a key point of strategic advantage. At the end of the financial year, we had £54.7m of cash on our balance sheet and trading at the point of this writing continues to generate cash ahead of our baseline plan.

We are working hard to ensure we retain availability of our product portfolio against a backdrop of unprecedented and until recently unforecasted demand. With the support of our strong balance sheet we are able to commit to the substantial additional stock purchases necessary to meet the demand from both our new customers and increased purchasing frequency of existing Angels. In time, our subscription model means we will also convert these new sales into future growth in our repeat customer business.

However, at the same time we believe in planning for the worst whilst aiming for the best and we believe that current conditions, notably the level of consumer uncertainty for the medium term, compel us to be prudent in the capital we retain to address unforeseen circumstances or opportunistic investments. We have stress tested our accelerated growth plans and stock investments against a worst case scenario for reduced customer spending in future and are satisfied that the business has sufficient resources should we not be able to sell the stock on the planned schedule.

Given the inherent uncertainty in the outlook to the upside and downside we do not believe the business has excess capital to return to shareholders at this time, either through a buyback or dividend, and continue to prioritise our capital towards growth and maintaining a robust balance sheet.

Longer term impact

Whilst it is clearly too early to be definitive, the crisis has accelerated a number of already present trends in consumer behaviour. COVID-19 is a potential inflection point for consumer migration online for wine purchasing. This is especially the case in the US where, per AC Nielsen and our own estimates, online penetration has been around 5% historically and we estimate has increased to 25-30% in a matter of weeks during the crisis. Consumers new to the online space still require excellent service and value to convince them to stick with new habits once restrictions eventually ease but we firmly believe Naked is ideally placed to do just that. Therefore while, over the medium-term, COVID-19 and its economic impact clearly creates uncertainty, we believe that the long-term benefits should be to reinforce the advantaged consumer proposition Naked offers. Having entered this period of disruption with a strong balance sheet and responded quickly to scale capacity we believe we remain well positioned to meet the challenges of a changing consumer environment.

See information on Alternative Performance Measures and definitions on pages 130 to 132.

Key performance indicators

Measuring our performance*

Financial

KPI	How are we doing?	What is it?	What's the plan and why does it matter?	What are the key risks?
Revenue	Revenue of £202.9m vs FY19: £178.4m	The GBP value of our sales to customers, and its change versus the prior year	The business needs to grow to fulfil its purpose as widely as possible, as well as to reach profitable scale. We intend to do this though sustained investment in customer acquisition through tested channels, while exploring new channel effectiveness using "R&D" investment money	• Competition • Regulation • Investment
Revenue growth	13.7% growth in Group revenue			• Competition • Regulation • Investment
Cash/ (Net debt)	£54.7m vs FY19: net debt (£15.5m)	The amount of cash/ (net debt) we are holding at year end	To maintain no net debt while we focus on growth	• Financial/liquidity • Macroeconomic event
Fixed costs	(£24.2m) vs FY19: (£23.7m)	The fixed costs we reported in the year	The medium term plan is to maintain fixed cost growth around half the level of sales growth over a multi-year period to deliver improved profitability. FY20 growth was lower than our medium term plan, FY21 may be higher	• People • Business interruption • Information systems

Operational

KPI	How are we doing?	What is it?	What's the plan and why does it matter?	What are the key risks?
Product availability	93% (FY19: 91%)	The average % of the products we have defined as core range available to our customers during the year	Maintaining availability of our top-selling products ensures customer loyalty and maximises sales in each order	• Business interruption • Supply chain • Third-party suppliers
Wine quality	91% (FY19: 91%)	The % of customer ratings received in the year indicating the customer would buy the product again	Ensuring our customers love our exclusive wines and are happy to buy them again supports loyalty and sales retention	• Business interruption • Supply chain • Third-party suppliers
5* customer service	91% (FY19: 90%)	The % of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale from 1 to 5	Consistently offering 5* service supports customer loyalty and therefore sales retention	• Data security • Management/key staff

* We have refined the KPIs we use to measure the business since last year to reflect that we are now a wholly online operator focused on growth through our subscriber base.

Subscription

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
A **Investment in new customers** (also referred to as new customer contribution)	(£22.9m) vs FY19: (£19.1m)	The sum of all investments in new customers in the period. A loss represents an investment in customers	We invest in customers from whom we expect to receive a payback in future years. The more we spend, the more money we make in future, assuming they are retained and purchase from us at the prevailing levels and profitability	Investment Regulation Competition Reputation
A **Lifetime payback**	4.9x vs FY19: 4.0x Note: We estimate that the COVID-19 pandemic increased this by c. 0.8x[1]	The ratio of the future contribution we expect to earn from the customers recruited this year to the investment we made recruiting them. We forecast future contribution at the customer level using a machine learning algorithm which weighs several characteristics including demographics, interactions and transactions to forecast a customer's value over a 20-year horizon. Customer-level predictions are then aggregated to the cohort level for reporting. As this is a projected measure, we include an updated assessment of last year's recruitment economics with a further year of performance in the data used to make the estimate	It's easy to spend money and say we recruited customers, but it's also easy to recruit low-quality customers who have shorter average lifetimes and lower annual spend. By calculating the lifetime payback ratio based on the history of over a million customers, we can forecast our investment returns and eliminate poor investments. Our target is 4x lifetime payback on all new customer investments. Note: In response to investor feedback we are also reviewing payback over a shorter time period. For FY20, our forecast return over 5 years is 2.6x	Investment Competition Supply risks
Active Angels	594k vs FY19: 537k	The number of unique Angels placing an order in the 12 month period	Long-term growth will come from sustained growth in the customer base	Investment Competition Reputation
A **Repeat customer contribution**	£45.7m vs FY19: £39.8m Note: We estimate that the COVID pandemic increased this by c.£0.8m[1]	The contribution earned from sales to repeat customers	Contribution from repeat customers gives us the profitability to reinvest into new customer recruitment and growth	Competition Supply risks Reputation Tax and duties
A **Repeat customer sales retention**	83% vs FY19: 81% Note: We estimate that the COVID pandemic increased this by c. 2%[1]	The proportion of sales made to customers who met our definition of "repeat" last year that were realised again this year. The population who were subscribed in the prior year and the current year are identified for each month and summed to calculate the full year retention	Continuing to sell to subscribed customers is critical if we are to grow the business. The higher our sales retention the more that our sales to new customers can translate into growth rather than replenishment. The first key component in calculating our standstill EBIT (see page 132 for our calculation of standstill EBIT)	Competition Supply risks Reputation Tax and duties
A **Year one payback**	67% vs FY19: 78%	The contribution realised in this financial year from customers recruited in the prior financial year, divided by the investment made in recruiting those same customers	This short-term payback measure shows the actual return in this financial year of our investment in the prior year, removing the need to use a model to forecast the future. The second key component in calculating standstill EBIT (see page 132 for our calculation of standstill EBIT)	Investment Competition Supply risks
A **Standstill EBIT**	£10.1m vs FY19: £6.3m Note: We estimate that the COVID-19 pandemic increased this by c. £3m[1]	The adjusted EBIT that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base. See page 132 for calculation of standstill EBIT from constituent Group KPIs and APMs	As a subscription business that grows through marketing to new customers, we expense our investment in new customers each year rather than building an asset on the balance sheet representing our loyal customer base. By removing the growth component of this investment from our adjusted EBIT, we provide a conservative indication of the profitability potential of the business should we decide to stop investing to grow. The estimate is conservative as it assumes we would eliminate marketing at average effectiveness (not the least effective activities), as well as assuming no fixed cost savings despite lower levels of marketing activity	

1 The business saw an acceleration in trading in the last two weeks of the year due to the COVID-19 pandemic. We have estimated the impact of this based on management estimates using the difference between the trend the business was experiencing in the first eleven periods of the year and the final full year outturn. This additional data is provided as management feels it provides a useful view of the momentum in the business excluding the dislocation caused by COVID-19.

A See information on Alternative Performance Measures definitions on pages 130 to 132.

#horses mouth

You can tell a lot about a company by how they deal with things that go wrong. Incorrect bottle in my delivery, a white instead of a rosé. Straight through on the phone line, apologies immediately, refund (plus some extra for the inconvenience) made to my account and asked to enjoy the white with their compliments. All sorted within minutes and very professionally by the staff member. Super impressed by the customer service, mistakes happen. Thank you Naked!
Tricia, Facebook

Always had great service and exceptional wines but recently Naked Wines have gone above and beyond. We were really touched to receive a card welcoming our twins into the world, hand signed by the entire team. It really meant a lot and shows what a family Naked Wines are. Thank you again and keep up the great work.
Gerry, Facebook

I think I have been an Angel for around five years now. Having previously been in Laithwaites, Virgin and Sunday Times wine clubs (none of which were bad), I can confidently say Naked has been – by a country mile – the best wine club I have used. I think out of the (lost count) dozens of bottles I have ordered, all but 2 have been up there as the best wines I have ever bought. Those 2 were replaced free of charge – simply because I didn't like them. The staff are always friendly and efficient if you call. My deliveries have always been on time.
Michael, Facebook

Wonderful experience, great customer service and brilliant choice of wine.
Helena, Trustpilot

You guys are a fantastic company! We love ALL the wines and the service.
Ben, Instagram

It's great to be able to support smaller winemakers. The wines are excellent, there's a great choice and the service is excellent. Their no quibble guarantee works – if you don't like a wine (or if it's defective), let them know and they will replace it or give you a refund. I've been a customer for about 9 years and can't fault them.
Mr Gerald, Trustpilot

Naked Wines are reliably excellent. I love being an Angel and hearing about all the different wines, winemakers and vineyards. The advice I get in choosing wines is always spot on.
Hilary, Trustpilot

I got a customer service call from @NakedWines "just to check in". The delightful caller said he hoped he wasn't disturbing me at work; I said, nope, I resigned today, so let's talk. We had a LOVELY chat about all sorts of wines.
@LitChick79, Twitter

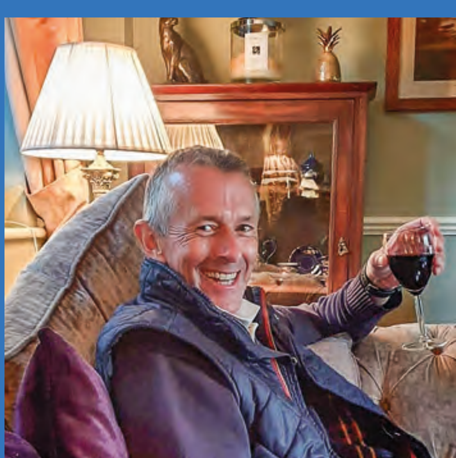
Great business and the wine is awesome... takes all the guess work out of choosing your wine! And supports smaller vineyards! 100% recommend.
Pip, Trustpilot

Been an Angel for years and I can't fault this company or their wines at all. Staff are polite and helpful too. They never hassle you to buy, but do tempt, which is great, I have so many emails and offers from different companies trying to tempt me away but as my Nan used to say if it's not broke it don't need fixing.
Shannon, Trustpilot


Tomás Buendía


FAMILY RESERVE
CHARDONNAY


zoom
SIMPSONS
STEFANO DI BLASI




naked wines
www.nakedwines.com

PROBLEMS WE'RE SOLVING

We have an organic, clear and compelling mission:

To disrupt the wine industry for the benefit of customers, winemakers and our people

The wine industry needs Naked

Good wine is too expensive. And despite that, winemakers don't make any money.

In a traditional model, winemakers have to buy their grapes, manufacture their product, bottle, label and market their goods – all before they get paid and often before they even know they can sell the wine. Small producers are often forced into cutting corners and squeezing costs to make ever diminishing margins – and quite often – the quality of the grape is sacrificed.

We support our winemakers in a number of ways:

- We commit to quantity well in advance
- We pay promptly, with some payments made before and during production to fund the process freeing them to buy the best grapes and then focus on what they do best – making amazing wine. That makes all the difference

Problems for wine drinkers

- Unhappy with their level of choice and knowledge
- Not sure who to ask for advice and recommendations
- No input in the process

Problems for winemakers

- Under immense pressure to meet stringent cost levels and unrealistic production time limits
- Funding, scalability, marketing

The solution

Provide an ecosystem that connects everyday wine drinkers with the world's best independent winemakers.

- We step out of the way. We found that the best results come from removing ourselves from the process, by giving control over what we produce to our Angels
- Let consumers and producers interact organically

We support Mike (and our other winemakers) by committing to buy their wine before it's made so he can concentrate on what he does best – produce his award-winning organic wine.

OUR CRITICAL ASSETS

People/experience

- Experienced Board (tech, start-up, retail, wine buying, US, M&A, marketing)
- Winemakers, wine buyers, data analysts

Relationships

- With winemakers
- With Angels
- With marketing partners
- With distribution networks

Technology and data

- Rich customer data/>23m reviews
- AI/ML algorithms to value customers
- Bespoke platform and skilled team

Leadership/culture

- Start-up culture – nimble, disruptive
- Analytical – data-based decision-making and accountability
- Lean teams

Capital/Investment

- Well funded
- Investing for growth
- Good stewards of capital

HOW IT WORKS

We are creating a new ecosystem

Our Angels' subscriptions form the core of our support to our winemakers. This upfront funding and early commitment allows them greater control over the production process, with no time pressure forcing them to cut corners.

Having our Angels as part of the process makes life better for everyone. From the contact with the winemakers, they benefit from greater insider knowledge and how to pick the perfect wine for them.

Our winemakers benefit from knowing what's popular and how they can improve their offering.

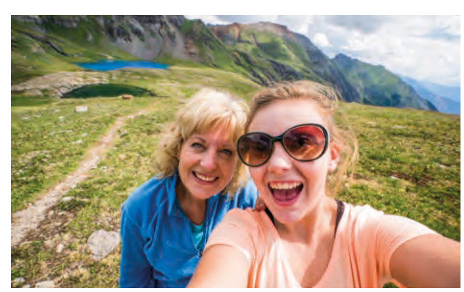
We cultivate an ecosystem of Angels, winemakers and marketing partners that works for everyone.

Angels get...

- Superior wines at lower than market prices
- Enrichment through "connection" with the winemakers

Winemakers get...

- Independence
- Scale they couldn't otherwise reach
- Funding
- Commitment from Angels



Our model is hard to replicate

Our ecosystem is well established. Barriers to entry are high

- Winemakers operating at scale
- Established and optimised network of marketing partners
- Large base of loyal and engaged customers

It takes time, and sustained investment to

- Produce wine
- Recruit winemakers
- Build a distribution network
- Recruit customers

We own unique and valuable technology and data

- Multiple warehouse and fulfilment providers
- International customer service – live chat etc
- Social interaction with winemaker
- Data and Angels behaviour

Advantageous model

- Large and growing markets
- Exclusive wines and winemakers

OUTCOMES

Shareholders

Get a differentiated growth company with a long runway for continued success

Our people

Get fulfilling careers in a fun environment

Communities

We care about others – that's why we raised over £500,000 for charities last year, including charities supporting the Australian fires

Read more on **page 56**

Meet Tom – he's showing the big boys how it's done...

An interview with
Tom Puyaubert

Why would you recommend that your peers work with Naked, rather than other wine retailers?
First of all, for the huge potential of sales that Naked represents, the number of Angels is so important that your business can increase very quickly. Then online is getting more and more important in our everyday life (I personally buy all my wine online) and Naked really knows how to handle all the tools of the cyber market!

How has receiving the money up front from Angel investors helped you to make better wine?
First, because it's quite a lot of money in one time it allows an increase in turnover and cash flow very fast, meaning you can get access to better fruit and work in better conditions in the vineyard. It also means you are more secure and you can work with good providers in terms of barrels, corks, etc.

What has your day-to-day experience working with Naked staff been like?
Very good! There are so many different professionals in all the different areas that you feel very well supported. Ray and Eamon know about wine and love it! It makes it much easier to talk about new projects, trends, wines' profiles.

What difference does feedback from Angels make? Have their comments or reviews changed the way you do anything?
It makes a real difference as you receive direct feedback from people that buy and drink your wine. In a more classical distribution chain, you would only receive feelings of retailers or distributors… it's just a commercial relationship which will not include the passion between a wine lover and winemaker! More than reviews or comments, the chats we can have during the tours are very important to me: I like to observe people's reactions when tasting, it's much more significant than posting on the internet! And of course I'm taking notes of things I could change or adapt in the next vintages.

As we grow, we must make sure our ethos doesn't change. What's something (big or small) about Naked that we should preserve?
The human relationships! This is what is very strong: though Naked is an online wine page, a virtual wine club, whatever you could call it, the human factor is given a great importance at all levels: the Naked team, the winemakers, and the Angels: there are faces and souls behind the screens, and I guess this is great, people feel involved at all levels. Once again tours are very important as they demonstrate that all is true! (a sentence pronounced by a lot of Angels: you're true, you exist!).

You say your mission in wine is to make people happy. What is it about your winemaking that makes people happy?
I try to make easy drinking wines in the good sense of the word! Wines with a lot of fruit, smooth and round that you can enjoy by themselves or with a wide range of food. In terms of winemaking, this means maximum respect for the grapes, not too much intervention in the winemaking, concrete tanks and French oak to respect the character of the different varieties.

> *I would love to make a single vineyard wine from the first vineyard I've been able to buy with the Angels Funds.*

Angels loved your first Rioja for Naked. Can you give us an idea of other wines you'd like to make for Angels?
The first wine I made, Flor de Luna, is the perfect illustration of the definition I've just given. There is another wine about to be released: Flor de Luna Vendimia Seleccionada where we made a selection of our best plots of Tempranillo and Graciano that we aged then in French oak. A wine with more structure and complexity, deeper and more serious! We are also working with Ray on a white blend. Most people think about red when we talk about Rioja but there is real potential for whites, especially in the northern part of the appellation. I would also love to make a Single Vineyard wine in a more Burgundian style… and to finish with, being from Bordeaux, I would love to make some wine there one day.

You want people to fall in love with a different side of Rioja. How would you describe Rioja as you know it?
Diversity! Rioja has so many different soils and climate that you can find a lot of different styles of wine, which is very exciting! Unfortunately, the big wineries until now have homogenised the styles with the Crianza, Reserva, Gran Reserva system working with Tempranillo mainly. But Rioja is not only that, it's also Grenache, Graciano, Maturana… and very nice white grapes like Viura, Grenache blanc, Malvasia…

Why did you think Naked was the right place for your new take on Rioja?
Once again for its huge potential of spreading a new wine and new style in no time. On a more traditional distribution chain, it would take years to explain my philosophy, the difference with the classical Rioja… and it would take even more time to have so many people taste the wines and judge it.

What's the future for Rioja and how do you think Naked/Angels can help you get there?
Rioja is certainly the area with the biggest amount of old vines in the world. The old vines give the better fruit and best wines. They produce low yields and are profitable only if you make wine out of them, not if you sell the fruit. Most of these wines belong to old viticulturists with no children interested in taking over… so this real treasure might disappear… My challenge is to buy as many old vines as I can: first to make good wines but also to preserve a wonderful environment and landscape! All the money earned through Naked Wines is invested in old vines management.

What's it like being a "foreigner" in Rioja? Has Naked helped you achieve things there that you wouldn't have been able to otherwise?
It's not that complicated to be a foreigner as, historically, the French developed Rioja after the phylloxera crisis. So there's still a mutual respect between the two wine cultures. Once again Naked is helping in terms of cash flow and allows me to be more competitive at the time to buy old vines.

Do you have any other projects in the pipeline that you'd like to get Angel backing for?
I've got so much work to do in my Rioja Project! You know I'm the first generation! I have to consolidate a good vineyard buying vines and planting. In the short term I would love to make a single vineyard wine from the first vineyard I've been able to buy with the Angels' funds. I would also love to leave my "garage winery" I'm renting and build my own winery.

What more do you think you can achieve in five years' time, with Naked and Angel support?
Well, if you keep supporting me drinking and buying so much wine, maybe I'll have to build a winery to make more!

As a producer, what's your big ambition in wine – and how do you think Naked can help you achieve it?
I think all winemakers are running behind a top-class wine. THE ideal wine! And I think you get to it through a sum of small details, would it be in the vineyard or winery, investing time and passion… But this has a cost. And this is where Angels can help: with no money or cash flow problem you can concentrate on these details and work and concentrate on making a great wine.

Review of the year

Innovating throughout our business

What we've done

A Invested in new customers

We have increased our investment in paid digital primarily through investment in paid search, video and onsite funnel optimisation.

Why we've done it

To deliver our growth strategy and enable us to recruit more high-value customers using highly targeted marketing channels.

The results so far

80% increase in digital investment in FY20 vs FY19, and a 87% increase in new customers acquired – simultaneously reducing cost per acquisition and increasing payback materially.

What we've done

Strategic partnerships

We have targeted large companies with game-changing customer bases, where their customers could be wine drinkers but they can't sell them wine. We have found a partnership solution that solves a strategic goal for the partner (retention, activation, loyalty, acquisition etc) and delivers new customers for us. The solutions we can offer diversify us away from historic reliance on parcel inserts.

Why we've done it

Strategic partnership deals are mutually beneficial, so we can drive high-quality customers at a reasonable cost vs through traditional paid media.

The results so far

We have partnered with some very attractive companies including Wayfair, HelloFresh and Hello Alfred.

Wayfair is one of the largest e-commerce sites in the US ($6bn 2018 revenue).

Hello Fresh is the fastest-growing US food-box company with 1.4 million active customers. We have agreed exclusive category partnerships.

Hello Alfred is an in-building concierge service who will do everything from grocery shopping to restring your tennis racket. Your "Alfred" will collect Naked Wines deliveries from the front desk, recycle cardboard and put the wine in your fridge/rack, promoting Naked via an in-home postcard to all building residents.

What we've done

Changed the customer journey to improve transparency

For example, we have removed our Angel waitlist, made cancellations easier and improved the consent choices around contacts.

Why we've done it

We know that transparency delivers higher loyalty.

The results so far

The new journey requires further optimising to deliver the same near-term efficiency as the old one, but is expected to yield more committed customers long term.

What we've done

Global mobile app re-launch

We redesigned, rebuilt and launched our new app in nine months including using a new framework development tool. This app introduced new features including a label scanner along with some of our new proposition features.

Why we've done it

To improve our customer experience with the added benefit of getting a better understanding of how our customers use the app.

The results so far since we relaunched the app in August 2019

- 125% increase in app downloads
- 50% higher growth in app sales versus US website
- 50% increase in ratings per week
- Close to doubled the average number of posts per day
- 13.2% of all app users are scanning wine labels
- 4% increase in retention from new app users
- Considerably faster development times with fortnightly updates

What we've done

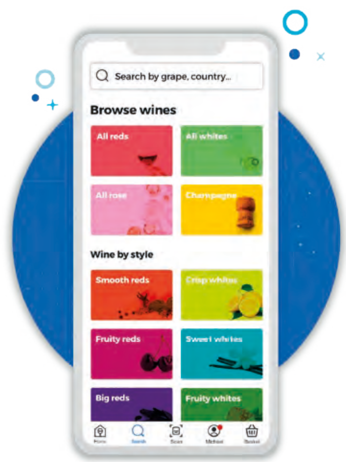
Added to our portfolio of A-list winemakers

Why we've done it

We believe these kind of winemakers making wine for Naked will boost internal customer loyalty and transform external credibility.

The results so far

We already have the winemakers behind Grange, Tignanello and Solaia. In FY20, we started working with Patricia Benitez, who made Pingus, one of Spain's most expensive wines, and Daniel Baron, former head winemaker of Silver Oak in Napa.



+125%

increase in app downloads

We have partnered with some very attractive companies including Wayfair, HelloFresh and Hello Alfred.

What we've done

US warehousing improvements

Co-location of our National and California distribution centres in summer 2019.

Why we've done it
To increase storage and fulfilment capacity while taking costs out of our network.

The results so far
High-performing order fulfilment across the peak trading period and expected annualised cost savings of over $400k.

What we've done

US shipping package

Designed and implemented an innovative new way to deliver magnum bottle promotions to the US market.

Why we've done it
To create a more sustainable last mile package at an improved cost structure.

The results so far
The new package was used for our peak/holiday magnum promotion and performed very well. This package will deliver cost savings and packaging reductions per year vs. the prior execution.

What we've done

US fulfilment improvements – New Florida Distribution Centre

Moved our Florida Distribution Centre into a larger space with improved automation.

Why we've done it
To continue building an efficient fulfilment network capable of scaling to accommodate volume growth. The new warehouse will support capacity for FY21 and deliver cost savings in future years.

The results so far
The move was completed successfully in March of 2020.

What we've done

UK click and collect migration from 200+ Majestic Wine stores to 7,000 collect + points

Why we've done it
With the sale of Majestic Wine we needed to provide our customers who use click and collect with alternative and convenient collection points.

The service provides a greater range of collection options for our customers and does not divert our Angels to a competitor wine business.

The results so far
Over 6,000 customers have tried the service in the first three months.

We are looking to integrate this with our current inflight option, which gives customers further delivery options while their parcel is in transit, e.g. changing delivery instructions, delivery day, re-directing your parcel to a collect+ point.

What we've done

Investment in IT and product development

We now have more heads with technical skills who can deepen and broaden the offering.

Why we've done it
1. To drive retention and contribution per Angel
2. To improve trust in the Naked Wines brand/value for money
3. To continue to differentiate us as the market leader in the DTC wine segment

The results so far
We have launched service enhancements which mark us out from our competitors. Benchmarked our wines against competition and shared the results so Angels can tell us if they agree.

Never Miss Out

Never Miss Out allows our customers to reserve future cases of their favourite wines everytime a new vintage lands. If a wine is eligible, customers can select how many bottles (from 6/12/15/18) and we make sure they get first dibs every vintage. Our customers do not pay a penny until shipment.

Wine Genie

Our Wine Genie service is the perfect solution for busy folk who'd like someone to do their wine shopping for them. It is curated and designed to make sure our customers have a wine rack full of wines they will love, when they want them. Once we have more data, we will be able to determine its success but we are all very excited about this and think it will be a hit with our Angels – watch this space.

What we've done

The value of a postcard

In the US, we send 90% of our new Angels a postcard welcoming them to Naked Wines. Many years ago, we used to send a letter, but we found that a post card not only costs less, but gets a better customer reaction. How we measure that, and what we have learned, is a nice way to shed a little light on how we think about our customer relationships, data and generating loyalty.

We lose the highest percentage of all new Angels soon after they sign up. Some decide the subscription is not for them, some tell us they never wanted a long-term relationship, for others they may say the wine wasn't to their taste. What we have always known is that, by explaining why Naked Wines exists and the benefits they get from subscribing, we can improve their retention. The key question, as always, is how to do this in the most cost-effective way.

One approach was to welcome new Angels on board. We started with a letter, personalised to the Angel, and saw an improvement in retention rates and hence customer value. But it was costly, so we tried a post card which cost less and, to our surprise, had a bigger impact than the letter! So now, we send postcards to 90% of all new customers.

Why 90%? We deliberately hold back 10% of our customers from the post card at random so we retain a clear control group against which we measure the impact it is having. And that's where it gets really interesting as we are also learning that we get different response rates from females vs males, from different age groups, and depending on exactly which day we send it. By factoring these behaviours into who and when we send it, we have seen a significant increase in the LTV of the customers who were contacted.

Innovating throughout our business

James Crawford
Chief Financial Officer

The Chief Operating Decision Maker ("CODM") of the Company is the Board of Directors. In discussing business performance the CODM uses adjusted measures. These differ from statutory reporting as described on page 36.

There have been material changes to the Group's structure following completion of the disposal of the Majestic Wine business on 10 December 2019 and the Lay & Wheeler business on 1 October 2019. As such, income and expenses of these business segments are reported as profit after tax from discontinued operations at the end of March 2020 and for comparative periods and are disclosed in note 13 Discontinued operations. All figures related to the 2019 and 2020 financial years presented in this report refer to the Group's continuing operations unless otherwise stated:

- The Continuing business is the Naked Wines territories and central support functions
- Adjusted measures exclude share based payment charges, amortisation of acquired intangibles, mark to market on FX contracts, transaction related costs and in FY20 FX revaluation of foreign currency funding balances (see note 8 for the rationale of our adjusted items)

Adjusted measures

This presentation provides a directly comparable year on year view of the business performance and is the basis of review by management. A summary reconciling between these presentations is shown on the table to the right.

IFRS 16 has been adopted in the year. The overall impact on the Group was not material on a profit before tax basis and is therefore included unanalysed within the reported financial measures for FY20. The Group chose to adopt the modified retrospective basis of implementation and as such FY19 has not been restated.

Context

We have fundamentally restructured the Group during the year. Following the disposal of the Majestic and Lay & Wheeler businesses to focus on Naked, the business now holds net cash of £54.7m (FY19: net debt (£15.5m)) and intends to invest in growth, in particular in the US market.

A Group performance

The business continued its development in the year by investing to recruit additional customers at attractive rates of return, and delivering the returns (in the form of Repeat Customer Contribution) from prior investments.

Revenue growth of 13.7% to £202.9m came from both new customers (£29.2m, +14.6%) and repeat customers (£173.7m, +13.6%). We delivered growth in all markets, with our largest market the USA also growing the fastest at +20.2%.

We realised an adjusted loss before tax of (£1.9m), an improvement of £1.8m vs FY19: (£3.7m). This improvement was driven by:

- £5.9m higher contribution from repeat customers

offset by

- (£3.8m) higher investment in new customers
- (£0.5m) higher fixed costs
- £0.3m improvement in finance costs

The costs we adjust out of profit before tax (PBT) also reduced further in the year to (£3.4m) (FY19: (£6.2m)).

As a result, our reported loss before tax for the year was (£5.4m), an improvement of £4.5m on FY19's result of (£9.9m). The tax charge was £1.3m (FY19: £0.3m credit) which, combined with a £14.8m post tax profit from discontinued operations (FY19: profit £0.2m), resulted in a profit for the year of £8.2m (FY19: loss of (£9.4m)).

In the first half of the year, while the US performed strongly we saw some softness in the UK and Australia. In the second half, we started generating improved momentum, in particular in the UK, before seeing an unprecedented acceleration of the business in the final two weeks of the year as the COVID-19 pandemic precipitated lockdowns in all our markets and the level of demand for wine deliveries surged.

This late surge did not have a significant impact on the financial results for FY20, but did flatter our Investment KPIs as noted in fig 1 on page 33.

A New customers

We invested £22.9m, +20% or £3.8m more year on year in new customer recruitment, increasing sales to new customers by +14.6% and achieving forecast payback of 4.9x. This growth was driven by the US and UK markets, and the digital channel. High levels of COVID-19-related sales in the final weeks of the year have enhanced the forecast payback and, as defined in our KPI summary on page 21, we believe the underlying payback performance to be c. 4.1x based on the performance through February.

Margins on new customer sales were lower year on year at (78.3%) (FY19:(74.8%)), as we spent more in the lower margin digital channel.

We have been benchmarking our forecast payback measure to other businesses that use similar Investment KPIs and concluded that, while a useful measure in the context of our business which continues to derive contribution from cohorts in excess of 10 years old, our 20-year measurement period is very long and this impacts comparability and understanding of shorter-term returns. To aid understanding in this, we have laid out in fig 2 on page 33 the 5-year and 20-year payback forecasts for recent cohorts, as well as the accumulated payback to date.

We expect to begin reporting 5-year payback as a KPI on a regular basis. Over time this measure may displace 20-year payback, although for the foreseeable future we will continue to report both numbers to assist in comparability and understanding.

	Reported £m	Adjusted items* £m	Adjusted measure £m
FY20			
Revenue	202.9		202.9
EBIT	(4.9)	3.4	(1.4)
Net Finance Charge	(0.5)		(0.5)
PBT	(5.4)		(1.9)
FY19			
Revenue	178.4		178.4
EBIT	(9.1)	6.2	(3.0)
Net Finance Charge	(0.8)		(0.8)
PBT	(9.9)		(3.7)

* See left hand panel and page 36 for explanation of adjusted items.

Fig. 1

	FY20 £m	FY19 £m	Year on year %
New customers			
Revenue	29.2	25.5	14.6%
Contribution	(22.9)	(19.1)	20.0%
Repeat customers			
Revenue	173.7	152.9	13.6%
Contribution	45.7	39.8	14.7%
Fixed costs (including central costs)	(24.2)	(23.7)	2.3%
Adjusted EBIT	(1.4)	(3.0)	-51.6%
Finance charges	(0.5)	(0.8)	-36.7%
Adjusted loss before tax	(1.9)	(3.7)	-48.5%
Memo: Total revenue	202.9	178.4	13.7%
KPIs			
Forecast payback	4.9x	4.0x	+0.9x
Year 1 payback	0.67x	0.78x	(0.11x)
Unique repeat customers	594k	537k	+10.6%
Repeat customer sales retention	83.3%	80.7%	+2.6p.p.
Repeat customer contribution margin	26.3%	26.1%	+0.2p.p.
Standstill EBIT	£10.1m	£6.3m	60.3%

Fig. 2

		Payback		
Cohort	Age at reporting date	5 years (forecast)	20 years (forecast)	Payback to date
FY16	49–60 months	3.1x (Actual)	6.3x	3.1x
FY17	37–48 months	2.5x	5.2x	2.1x
FY18	25–36 months	2.5x	5.1x	1.6x
FY19	13–24 months	2.3x	4.4x	0.9x
FY20	0–12 months	2.6x	4.9x	0.3x

Fig. 3

Cohort	Initial payback forecast	Latest forecast	Change
FY17	4.5x	5.2x	+0.7x
FY18	4.6x	5.1x	+0.5x
FY19	4.0x	4.4x	+0.4x

Historic payback stability

We forecast our payback on investment in new customers based on expected contribution from each cohort of customers over 20 years. Given this is a long-term forecast we consider it important to update for the latest data to confirm we are on track. As shown below in fig 3 our payback forecasts have improved as a result of strong levels of engagement and orders from these customers, particularly in the final weeks of the year.

Repeat customers

FY20 repeat customer contribution of £45.7m is sourced from: (a) 83% Sales Retention from FY19, at an FY20 contribution margin of 26.3%, (b) Year 1 payback of 0.67x on the £19.1m new customer investment made in FY19.

Repeat customer sales grew by 13.6% in the period to £173.7m, converting to repeat customer contribution growth of 14.7% to £45.7m. This was delivered through serving 594k active Angels during the period, 10.6% more than the prior year. This reflects:

- Sales retention of 83.3%:
  - An improvement of +2.6pps vs the prior year, with gains in the UK and Australia, whereas the US was flat
  - This measure was inflated by strong repeat customer sales in the final two weeks of the year as the lockdown measures to control the COVID-19 pandemic took hold. Excluding these weeks we estimate sales retention to have been 81%
- Year 1 payback from our FY19 investments of 67%:
  - This is within the 65–70% range we indicated at the half year
  - Excluding the COVID-19 impact, this would have been c. 65%
  - This is 11pps lower year on year, which is driven by the increased level of digital sourced customers in our recruitment mix
  - These customers show lower year 1 payback, but higher retention, resulting in similar long-term paybacks to other customers but reducing the year 1 payback overall
- Repeat contribution margins 0.2pps higher year on year, driven by:
  - Lower margins during H1 due to increased sampling of premium wines to migrate customers to our "sweet spot", and more pro-active refunds to encourage broader sampling and experimentation within the range
  - H2 margins improving by 0.9pps due to improved fulfilment costs as the benefits of scale start to be realised

Fixed costs

Total fixed costs (combined Naked Wines and unallocated costs) increased by 2.3% to £24.2m. This is a lower increase than the guidance we have issued that fixed costs will grow at around 50% of the rate of sales growth. The primary reasons for the lower costs are vacancies in a number of roles where we have delayed recruiting to ensure that we source top-calibre talent and reduced variable compensation.

Standstill EBIT

We intend to report a new KPI each reporting period, called standstill EBIT. Standstill EBIT is a calculation, using our other KPIs, of the adjusted EBIT that would be reported if investment in new customers was reduced to a level such that we only replenished the current customer base, rather than growing as it is today. (See page 21 for a fuller definition of standstill EBIT and page 132 for a calculation of standstill EBIT for FY20 and FY19).

In the period, our standstill EBIT grew from £6.3m in FY19 to £10.1m in FY20 driven by:

- £5.9m more repeat contribution; less
- (£1.6m) higher replenishment costs; less
- (£0.5m) higher fixed costs

We estimate that the impact of COVID-19 improved this value by £2.8m through a combination of higher repeat customer contribution, enhanced sales retention and year one payback.

Financing costs and tax

Full year financing costs were £0.5m including the impact of IFRS16. This reflects nil net cost in H2 as interest on the Group debt facility was equal and opposite to the income derived from cash balances on hand and the Majestic sale loan note.

The Group tax charge of £1.3m is net of:

- £2.7m current year charge heavily influenced by £2m group relief losses surrendered, which relates to the sale of Majestic and is one-off in nature
- £1.4m deferred tax credit, predominantly current year

Adjusted items

Adjusted items represented a net cost of (£3.4m), a reduction from (£6.2m) in FY19. The main driver is the reduction in charges relating to the acquisition of Naked Wines by Majestic Wine plc in FY16. A full analysis is shown in note 8.

We intend to cease reporting share based payment charges as an adjusted item from FY21 onwards, reducing adjusted EBIT and PBT by likely more than the current year charge of £1.0m going forwards (see page 36 for explanation of why we are changing our approach here).

Discontinued operations and the impact of disposals

The Majestic Wine business, comprising Retail and Commercial, and Lay & Wheeler were sold in the year. Up to the date of disposal, these businesses reported revenue of £216.3m (full year FY19: £327.7m).

The sale of Lay & Wheeler completed on 1 October 2019 for proceeds of £11.3m in cash.

The sale of Majestic completed on 10 December 2019 generating:

- Immediate cash receipts of £77m;
- A vendor loan note receivable of £12m due for payment on 10 December 2024;
- Deferred contingent consideration of £5m for the Majestic Calais stores, payable on 10 December 2021 if they have been trading to an agreed performance level should Brexit have created restrictions impacting performance of that business; and
- Assets held for sale comprising one store that was subject to post-completion documentation requirements which were completed during June 2020 generating receipts of £1m.

The vendor loan note and deferred contingent consideration were recorded at fair value on completion at an aggregate value of £13.1m. This value has been subject to an assessment by the directors at the reporting date and, based on current available information, continues to be held at that value.

The net result of these transactions after costs, and including the trading performance of these businesses in the period to disposal, is a profit after tax of £14.8m reported as discontinued operations in the income statement and was largely driven by the profit on disposal from those businesses.

Details of the disposals are disclosed in note 13 to the accounts, Discontinued operations.

Cash and cash flow drivers

We ended FY20 with cash on hand of £54.7m (FY19: net debt (£15.5m)) following the sales of the Majestic Wine and Lay & Wheeler businesses, repayment of the Group's debt facilities and payment of the special dividend of 5.2p per share.

Free cash flow from the Naked business totalled (£2.4m) in the year compared to (£9.6m) in the prior year, reflecting a reduced adjusted EBIT loss of (£1.4m) (FY19: (£3.0m)) and improved working capital flows.

Principal drivers of the FY20 working capital movements were:

- Investment in inventory of £13.3m, in particular in the US where increased new customer investment means committing further sums to inventory in anticipation of future sales
- An increase in Angel funds of £5.3m, also driven by the increase in size of the US customer base
- Increase in Payable of £6.9m, driven by both the US and UK businesses

Capital expenditure of £1.1m (FY19: £0.9m) was equally split between investment in property, plant and equipment and investment in IT systems.

Following the adoption of IFRS 16, depreciation and amortisation increased by £1.2m reflecting the amortisation of IFRS 16 leases and IFRS 16 repayments of principal under lease liabilities, reported within movements in the balance sheet, increasing by £1.2m.

As described in the CEO review, we are prioritising growth and strategic flexibility and as a result the Directors do not believe it would be appropriate to return any capital to shareholders at this point in time.

Current trading and cost guidance

The COVID-19 pandemic has resulted in significantly accelerated trading patterns across the Group. The first two months of FY21 have seen year on year revenue growth of 81%, driven by:

- New customer sales +256%, from investment in new customers +115%
- Repeat customer sales +50% with sales retention of 95.5%

With considerable uncertainty around how long current market tailwinds will persist and a high likelihood of a consumer downturn in H2 it is challenging to accurately forecast full year performance for FY21 so we are not providing full year guidance although management have drawn up prudent forecasts for internal use to inform their planning decisions. Early data around retention and repeat purchase behaviour of the large new intake of customers we have seen at the start of the year is similar to historic patterns, however we recognise this may change as restrictions on movement and economic circumstances continue to change.

We continue to invest in the foundations of the business, and have two key areas that we intend to invest into during FY21:

- A £3m Research & Development (R&D) marketing fund to explore new channels of customer recruitment. We will report this separately to new customer investment as it is expected to deliver minimal payback in the year
- Fixed costs of £28m – £30m, a £4m – £6m uplift year-on year. We intend to recruit to fill the vacancies we have had during FY20, and continue to add headcount in the areas of marketing, data science and finance. Should the current high level of growth persist we may require additional staffing above this

Other financial review comments

Item	Highlights/Comments
Shares outstanding	• Shares issued at the year end of 72.9m (FY19: 72.1m) • Weighted averages shares in issue of 71.9m (FY19: 70.5m) • Weighted average fully diluted number of shares 73.5m (FY19: 73.3m) • If all the company share schemes fully vested the Group would have 74.6m shares in issue (FY19: 74.8m)
Earnings per Share	• Reduced basic loss per share of (9.3p) vs FY19 restated of (13.7p) for the continuing operations of the business, the result of a reduced (statutory and adjusted) loss for the period for the business. IAS33, Earnings per share, does not require the calculation of a diluted earnings per share measure where the business reports a basic loss per share. On a total Group basis Basic EPS was 11.3p per share (FY19: (13.3p)), diluted 11.1p (FY19: (13.3p) significantly influenced by the profit on the disposal of the discontinued operations totalling £14.8m in the year.
Dividend	• As announced in regard to FY19, the Group has suspended the payment of dividends while it invests in its growth markets and in particular the US market
Bank facilities and covenants	• As part of the disposal of the Majestic Wine businesses and following the Lay & Wheeler sale, the Group repaid its revolving credit facilities that it held with Barclays Bank and ended the year with cash of £54.7m (FY19: net debt (£15.5m)) • Following the termination of the Group's revolving credit facility, the Group is no longer subject to banking covenants. The Group has not agreed any new credit facilities since the termination of the previous RCF
Hedging policy	• The Group's hedging policy is to build currency positions gradually between twelve and three months prior to the date of expected liabilities coming due, using forward purchase contracts. At year end, this resulted in the Group holding £17.0m of forward contracts and recognising a mark to market credit of £0.4m
Going concern	• In the light of the ongoing COVID-19 pandemic, the Directors have paid particularly close attention to their assessment of going concern in the preparation of these financial statements. • The Group is well capitalized with £54.7m of cash and no debt as of March 30 2020. The Directors do not see any practical regulatory or legal restrictions which would limit their ability to fund the different territories of the business as required to the extent of the Group's available resources. • The Group is currently trading significantly ahead of the original expectations for the period to date driven by changing consumer behaviours in light of the COVID-19 pandemic. Management have produced forecasts that have been sensitized for adverse downturns in its key assumptions around repeat customer subscription and purchasing behaviour and the levels of new customers acquired. Additional scenario modelling has been undertaken to assess the impact of a delayed reassessment of wine purchasing plans in the face of a sustained downturn in trading. These assumptions were combined in a scenario where the drivers of the Group's current trading upside versus original expectations all reversed in the very short term to levels below the original expectation resulting in significantly higher levels of inventory being carried. Management has also produced a maximum stress forecast which has been deliberately engineered to challenge the Group's liquidity position during the forecast period through a one-off immediate reduction in the number of Angels (subscribers) to the business. • These forecasts and analysis demonstrated that the Group's freely deployable cash reserves and its ability to moderate stock purchasing over a realistic timescale versus a substantial immediate downturn in trade and customer numbers are sufficient for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of the signing of these financial statements. • These forecasts and the associated analysis have been reviewed by the Board of Directors. • Accordingly, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements. • For further detailed consideration of the Group's current trading and prospects see the Chief Executive's review from page 16, the Group's assessment of the impact of COVID-19 on page 19 and the financial and investment review on page 34.

Definition of Adjusted EBIT

Item	Description	Rationale for use
Ⓐ Adjusted EBIT/LBT*	EBIT/LBT excluding impact of:	
	Amortisation of acquisition related intangibles	These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current new customer acquisition in its adjusted PBT, the Group includes the expenses of all ongoing customer acquisitions in its adjusted profit measures but removes the amortisation cost of those customers acquired before acquisition by Naked Wines plc.
	Mark to market on unmatched FX contracts	We commit in advance to buying foreign currency to purchase wine in order to mitigate exchange rate fluctuations. International accounting standards require us to mark the value of these to market at year end. As this value may fluctuate materially due to day to day variation in spot exchange rates, we adjust it out to better reflect our trading profitability.
	Revaluation of funding cash balances held	As a result of the disposal of the Majestic Wine businesses, the Group now holds net cash on its balance sheet. At the reporting date a portion of this cash is held in foreign currency in anticipation of providing those funds to its overseas trading entities in the coming year. International accounting standards require us to value this cash to market exchange rate at year end. As this value may fluctuate materially due to day to day variation in spot exchange rates, we adjust it out of adjusted EBIT to better reflect our trading profitability.
	Share based payment charges	We operate SIP and LTIP schemes to incentivise employees. The majority of shares have been awarded under the LTIP scheme which delivers the shares to the employee subject to continued employment and the relative performance of the group vs a set of peers in terms of Total Shareholder Return Performance. The relative nature of this performance criterion means that short term fluctuations in share prices prior to the date of award can have a material impact on the calculated expense of these schemes and the Group was building up to a consistent three years of comparative schemes expensed in the Income Statement each year. To mitigate the volatility of these charges we adjust them out, while ensuring we report the maximum total dilution from all share schemes so that our owners can calculate our financial performance per share on a fully diluted basis. Note: as the Group has now built up a consistent rolling three years of LTIP and SIP schemes year on year costs are now more comparable. From Financial Year 21 ending 29 March 2021, share based payment charges will be included within Adjusted EBIT.

* See page 32 for a reconciliation of this measure and note 8 of the accounts for an analysis of adjusted items.

NAKED WINES
LAID BARE

Biodynamics, van trips and the local chippy

An interview with
Ben Gould

Ben and Naomi Gould joined the Naked ranks back in 2014. A tiny organic vineyard that included the house they built themselves, an extra concrete slab and a very young family was how they started! Some six years later and how things have changed.

Currently one of the biggest certified organic vineyard holdings in Margaret River (if only for a few more months!), a winery, a bottling line, a brewery and a bigger family!

Organics and biodynamics are at the core of your winemaking/life philosophy, why?
It started with the simple idea of wanting to raise a family on a vineyard. Naomi and I wanted our kids to be able to play around in the dirt without us worrying. We wanted them to be able to pick fruit off of the trees and put them straight into their mouths without a care in the world.

A van trip to Europe, touring around every vineyard and surf break opened our eyes to what vineyards and winemaking could be. We saw that you can use old-world techniques and blend them with new-world knowledge to create more natural wines. I think about that trip every week.

You say you have minimal additives, but I thought wine was just fermented grape juice?
Crazy I know but you can add a fair bit more to wine than just grapes. Our aim when making a wine is to use as little as possible, sometimes we even only use grapes…

That might sound a little bit weird. But, there are a bunch of things you can do to wine that can muddle where the grapes are from. You can add tannins extracted from trees and nuts, adjust the acidity to make it seem crisper or safer, or apply additives and packet fixes to make things "better". All of these additives gets you wine cheaper and more consistent.

Which is good. I guess?
However, we prefer our wines to reflect the land that grew it, the weather there was that year, and the hard (or lazy) work that has been put in. That means in our winery we use all-wild ferments and minimal additives.

You seem to have a special relationship with the local fish and chip shop – can you elaborate?
Who doesn't like fish and chips on the beach! at work, in bed… well ok that was just the one time…anyway I'm not sure if that's the special relationship you are referring too?!

But yes we have been dropping by the local chippy on a weekly basis and collecting their old frying oil which, with the helping hand of our local electrician for the last +20 years, have commissioned our own biodiesel plant. Our long-term plan is for all of the machinery on the vineyard – the tractors, generators, my old Defender – to run off biodiesel.

So when you drop by to enjoy a wine don't be surprised if you start feeling like a chip or two when the tractor drives past!

Stakeholder engagement (inclusive of s.172 Companies Act 2006 disclosures)

Considering the needs of all our stakeholders

At Naked Wines we engage in many different ways and seek to consider the needs of our stakeholders when making decisions. We also value the views of our wider stakeholder group in line with our mission to disrupt the wine industry for the benefit of our customers, winemakers and our people. As such, we believe that there is an obligation on us to disseminate clear and understandable information about the Company and our business activities and, in turn, to receive and consider the views of our stakeholders.

Section 172(1) statement and statement of engagement

In accordance with the Companies Act 2006 (the Act) (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors must describe how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company.

Each of the Directors is mindful of their duties under section 172 of the Act to run the Company for the benefit of its shareholders, and in doing so, to take into account the long term impact of any decisions on stakeholder relationships and the impact of its activities on its reputation. The Directors have identified the Company's key stakeholders as its: shareholders and institutional investors, employees, customers, winemakers, suppliers, regulators and governmental bodies, environment and the wider community. Building positive relations with these stakeholders, treating them well and with respect is essential to the success of the business.

There are many ways of engaging with our stakeholders and there is more detail about how we engage with our investors, employees, suppliers, customers, regulators, community and the environment on pages 40 to 42 of this section of the Strategic report.

Set out below are some examples of how the Directors have considered the matters set out in section 172(1) of the Act in their decision making.

Sale of the Majestic Wine and Lay & Wheeler businesses

From a strategic point of view the principal decisions the Board had to make during the financial year were to dispose of Majestic Wine and Lay & Wheeler in order to re-position the Group as an independent, asset-light, online only business model. Both management and the Directors spent considerable amount of time and energy in forming their decisions, with the aim of maximising long-term value for the shareholders and ensuring that the discontinued operations and their respective staff were treated fairly.

As part of the strategic review the Board considered a number of structural options to free-up cash and prioritise its capital and management resources to grow Naked Wines, including retaining all or portions of the Retail and Commercial divisions of Majestic Wine. The Board concluded that a trade sale of each of Majestic Wine and Lay & Wheeler was in the best interest of all stakeholders involved as it was most likely to realise certainty for the Group to pursue its new strategy, while preserving more stores, supplier relationships and employment for the Majestic business. The sales were conducted through auction processes that provided a level playing field to potential bidders. Consideration was given to the stakeholder impact of bidders' stated plans and historic management of acquired businesses where relevant. The Directors consulted amongst themselves and were supported by the Company's financial and legal advisers throughout the bidding processes. Agreement to sell Majestic Wine was reached with CF Bacchus Holdco Limited (part of Fortress, the private equity group) at the beginning of August and the transaction completed on 10 December 2019 as it was conditional on antitrust clearance by the European Commission and shareholder approval. Lay & Wheeler was sold to a private investor on 1 October 2019.

Shareholders had to be consulted with respect to, and give their approval to, the sale of the Majestic Wine business. The Company held an extraordinary general meeting on 06 September 2019, where the vast majority of shareholders (99.86%) voted in favour of the disposal resolution.

As a consequence of the disposals, the Board of Naked Wines agreed to accelerate the vesting of some of the shares in the Company awarded to employees of Majestic Wine and Lay & Wheeler. As 'good leavers', the Board felt that the employees deserved to be treated fairly and should be rewarded for their dedication and participation in the success of the Group.

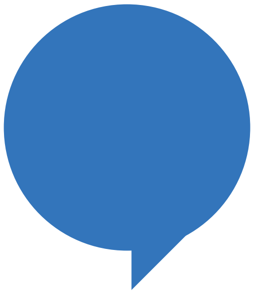
In forming its decision to sell to the selected purchasers, the Board carefully considered the investment commitments and plans put forward by each of them in terms of future plans for the discontinued business. The Board was satisfied of their intention to continue to invest in the businesses to allow each of them an opportunity to survive and prosper.

The Board believes that the decisions to sell Majestic Wine and Lay & Wheeler and to reposition Naked Wines as a business focussed exclusively on the growing online wine market were the right ones and will deliver long-term value appreciation to shareholders.

Capital allocation and excess capital

The Company publicly re-stated its capital allocation policy in November 2019 in connection with the release of its half-year results, where it indicated that the Company would allocate capital with discipline by maintaining a healthy balance sheet, investing in growth in a disciplined manner to take advantage of the large perceived growth opportunity, and returning to shareholders any funds in excess of the level needed to fund growth and manage risk. Subsequent to this announcement the Company completed the sale of Majestic Wine and Lay & Wheeler and implemented its management succession and reorganisation plan in which, among other things, Nick Devlin succeeded as CEO. In connection with these events and discussions with a number of institutional investors, the Board initiated a comprehensive review of our capital allocation policy in light of our strategic and financial plans. The review commenced with a survey of a broad base of shareholders on topics including strategic direction and use of capital. In addition to the survey, the Board engaged the Company's brokers and other advisors to provide it with detailed analyses and views of capital strategy. Having conducted a thorough analysis of these matters, the Board agreed that the Company would retain its capital allocation policy and plans.

Soon after the Board's review of capital allocation the COVID-19 pandemic began to more significantly impact the Company's markets. The Company again informally consulted with many key stakeholders regarding its capital position. In the current environment cash reserves are a key point of strategic advantage for the Company. The Board believes that changes to the consumer and business environment post COVID-19, whilst increasing uncertainty, on balance should offer Naked Wines the opportunity to accelerate its rate of growth. At the same time, the Company maintains a prudent capital position in response to the continued consumer uncertainty for the medium-term. The Board does not believe the business has excess capital and does not anticipate the position changing for the foreseeable future.



Employee survey

The Company regularly engages with its staff in multiple ways including through consultations, by providing Company updates, through employee engagement surveys, by giving staff a say in the selection of our sponsored charity, or by the participation in the Company's share schemes.

At the end of 2019, the Group carried out a staff survey across all three of its markets that allowed employees to express their views and opinions on a variety of matters, including whether they felt valued, the level of support required to enable them to carry out their daily tasks, what is expected of them in their role and position, understanding our mission and purpose and opportunities to learn and grow. On average, 78% of the staff across the three markets participated in the survey, which showed common themes for areas of strong engagement, improvement and where extra support was needed.

The results of the survey formed part of one of the topics tabled for discussion at the Board meeting of 19 November. The Company intends to continue to undertake employee surveys on a regular basis.

Further details on key actions in this regard are also contained within the Governance Report (see pages 58 to 64), the Directors' Report (see pages 76 to 77) and the Directors' Remuneration report (see pages 65 to 73).

Investor relations

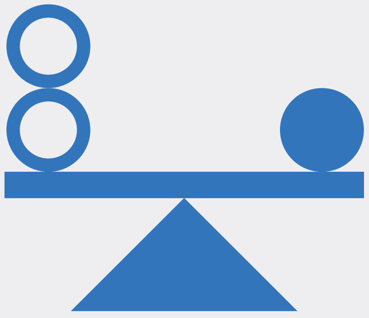
The Company continues to outsource the investor relations function and is supported by Equitory with respect to this activity. Equitory is an investor relations management company specialising in support to small to medium cap companies. The decision to outsource the investor relations function was taken in October 2018 as the Group felt a third party would be able to deliver a superior service to our capital markets stakeholders. In addition to having the consultancy services of Equitory to draw on, the Board and Committee Chairmen, the CEO, the CFO and Company Secretary are all engaged in day-to-day investor relations management and one-on-one engagements as and when necessary.

The Board is committed to strengthening the "stakeholder voice" in the boardroom by ensuring a more comprehensive understanding of the Company's key relationships with a broad range of interested groups and a proper consideration of external perspectives, which will, ultimately, help drive the Company's success over the long term.

While it may not always be possible to achieve a satisfactory outcome for all stakeholders as interests might be conflicting, the Board strongly believes that comprehensive engagement and consideration of the consequences for different stakeholders leads to informed decisions being made. Our decision-making is directed by our long-term vision of compounding growth supported by substantiated information, disciplined investments and the impact of proposals on key stakeholder groups.

Over the following pages is a summary of our stakeholder engagements, setting out the stakeholder as well as the means used for engagement and the outcomes or Board decisions thereof.

To request a meeting please contact: IR@nakedwines.com



Shareholders and institutional investors

Who engaged	How we engaged	Outcomes
Board CEO CFO Company Secretary	**Annual General Meeting (AGM)** – Remains the primary method of engagement with our private shareholders, through both the distribution of the Annual Report and attendance at the meeting. We encouraged attendance at the AGM and a number of our shareholders did avail themselves of this opportunity in August 2019 **Extraordinary General Meeting (EGM)** – The Company also engaged with its shareholders during the year in connection with the disposal of Majestic Wine and a purchase of its own shares. The disposal was conditional on the approval of the Company's shareholders. Irrevocable undertakings or letters of intent from shareholders supporting the Board's recommendation were received in advance of the EGM	– The outcome of the voting at the 2019 AGM and 2019 EGM is set out at the bottom of this section – The disposal of Majestic Wine required the approval of the Company's shareholders. At the EGM in September 2019 the shareholders voted overwhelmingly in favour of the transaction – The EGM also provided an opportunity to seek shareholders' approval for a share buyback, which again was overwhelmingly approved – In line with its capital allocation policy, the Company did not purchase its own shares during the reporting period and does not intend to do so as long as there is not excess cash
Board Chairman	**Institutional investors engagement** – We constantly engage with our institutional investors and seek their views on matters relating to the remuneration, capital allocation and corporate governance policies – During the year, we ran an online survey for some of our biggest institutional investors, followed by a number of investor conversations – The Chairman also engaged through institutional shareholder letters, enabling the Company to understand shareholder sentiment and ensuring that appropriate follow-up actions are taken	As a result of these consultations: – The Remuneration Committee introduced two new measures into our remuneration policy: (i) using "standstill EBIT" to sit alongside total shareholder return (TSR) for the vesting of LTIPs; and (ii) a minimum shareholding requirement for Executive Directors – The Board had a number of fruitful discussions on capital allocation in light of feedback received from institutional investors – The Chairman has written to institutional shareholders to explain the Company's capital allocation policy
CEO CFO	– The CEO and the CFO made presentations to the institutional shareholders and analysts following the release of both the year end and half year results – The Company carried out a roadshow in the US during September enabling the CEO and CFO to meet investors, update them on strategy and performance and obtain feedback – Further ad hoc meetings were held during the year	– These briefings allowed management to undertake over ninety meetings with institutional shareholders during 2019
Chairman/ Remuneration Committee Chair	– During the year, shareholders were able to engage directly with Non-Executive Directors, including the Chairman and the Remuneration Committee Chair	– The Chairman's meetings were largely focused on corporate strategy and capital allocation – The Remuneration Committee Chair has been consulting widely on the Remuneration Policy

Employees

Who engaged	How we engaged	Outcomes
CEO, CFO MDs of subsidiaries	We continue to consider our employees as one of our most important stakeholder groups and are engaged with them on a daily basis. This engagement takes place through: – Sharing of information relating to the business through regular communications (e.g. mid and year end results etc) – Company updates – Giving employees a say each year in the selection of our sponsored charity – Employee engagement surveys – Consultation with specific groups or individual to ensure that their views can be taken into account in making decisions about matters that affect them – Participation in the Company's share scheme – Disclosure of gender pay gap and pay comparison	– The communications have enabled employees to have a common awareness of the financial and economic factors affecting performance of the Company – The employee Company updates have enabled senior management to discuss with staff, in an open forum, the status of the Company and receive direct input and suggestions from employees – Share scheme participation has aligned interests of shareholders and staff and allowed staff to hold a stake in the business – Feedback from the engagement survey has enabled staff to provide direct input into the employee benefit structure and work environment. Management has responded to this input by: • Allowing a flexible working environment • Providing salary benchmarking and policy transparency in the UK • Continued training for all employees

Suppliers

Who engaged	How we engaged	Outcomes
CEO, CFO MDs of subsidiaries	– Our business model continues to seek out and support the world's best independent winemakers – We support and invest in winemakers through advance commitment and funding of purchasing of wine – We follow supplier guiding principles to make sure we are looking after our suppliers – Our Responsible Supplier Policy encourages our supplier network to conduct their business in line with the same principles embraced by Naked Wines	– Direct assistance to winemakers affected by adverse natural disasters and other hardships – We require suppliers to adhere to relevant Group policies and to comply with our Responsible Supplier Policy and Anti-Modern Slavery questionnaire – We continue to have a zero tolerance attitude towards modern slavery in our supply chain and continue to make enhancements to address this risk – Material contracts are subject to internal controls and rigorous cost management governance and a summary of key terms is provided to the Board for approval

Customers

Who engaged	How we engaged	Outcomes
CEO, MDs of subsidiaries	– The Naked Wines business model effectively makes our customers our partners, with a mutual investment in winemakers – Our tasting tours give Angels access to the world's best independent winemakers – Our websites enable our customers to give us and our winemakers feedback directly – We implement ongoing enhancement of customer helplines with dedicated Customer Happiness teams for each business	– Alignment of interests in producing best-quality wine at best price – By knowing who made it and that they played a part in making it, we give customers a closer sense of connection with their wine – Launched Wine Genie to assist Angels to select suitable wines to their individual taste profile, and Never Miss Out to ensure that Angels do not miss out on their favourite wines – Better use of customer data to drive wine recommendations to our Angels (feedback leading to update of product range) – Our Customer Happiness Teams achieved 91% 5* service feedback

Regulators and government

Who engaged	How we engaged	Outcomes
CoSec, CFO	– Preparations for Brexit – Legal and regulatory landscape is risk assessed as part of our risk management framework – Ongoing engagement with regulators through correspondence or physical meetings to discuss various key issues pertaining to the business – Reviewed and updated our tax policy which is part of the Group's risk management process	– The Company keeps up to date with and seeks ways to maintain strict compliance with state legislation relating to distribution and sale of alcohol in the US – Since our business is in the UK, Australia and US, the impact on the Group from leaving the European Union is modest – Appropriate regulation is considered in all Board decision-making – Adapting to regulatory and best policy changes during 2020 and beyond

Community and environment

Who engaged	How we engaged	Outcomes
Board CEO Sustainability team	– Established Sustainability Focus group and project teams – Ongoing commitment to wider community regarding responsible drinking and marketing of alcohol – Ongoing commitment to wider community regarding ethical behaviour/responsible corporate citizenship	– Various sustainability initiatives that look at impacting the community and to changing how an entire industry works – Compliance around sale and marketing of alcohol – Reviewed our Modern Slavery Statement – Rollout of Group's Code of Conduct on annual basis – Published Gender Pay Gap Report

Outcome of voting at AGM 2019

No	Type	Nature	% in favour
1	Ordinary	Receipt of the Strategic report, Directors' report, Auditor's report and financial statements of the Company	99.99
2	Ordinary	Re-election of retiring Director – James Crawford (CFO)	99.84
3	Ordinary	Re-election of retiring Director – Ian Harding	99.70
4	Ordinary	Election of Katrina Cliffe as Director	99.96
5	Ordinary	Election of Nicholas Devlin as Director	99.96
6	Ordinary	Election of John Walden as Director	99.96
7	Ordinary	Appointment of Deloitte LLP as auditor and delegation to Board to fix remuneration	99.94
8	Ordinary	Directors' authority to allot securities	69.21
9	Special	Disapplication of pre-emptive rights	78.10
10	Special	Change of name	82.35
11	Ordinary	Remuneration Report (advisory)	99.81
12	Ordinary	Remuneration Policy (advisory)	98.43

Outcome of voting at EGM 2019

No	Type	Nature	% in favour
1	Ordinary	Sale of Majestic Wine Retail and Commercial	99.86
2	Special	Purchase of Company's own ordinary shares of 7.5p each	99.86

NAKED WINES
LAID BARE

Kym, it's a thumbs up from, well, everyone!

Kym Carr's story is one of incredible talent, utter heartbreak and unwavering determination… As a young winemaker, Kym had a winemaking world at her feet. She was winemaking for award-winning wineries Vasse Felix and Deep Woods Estate, leading to a nomination for young winemaker of the year in 2006 – she was one of the hottest talents around.

But Kym could hear another calling so she decided to take some time out and start a family – a couple grew into a family of four!

However, a few years later, Kym's life was monumentally changed by the passing of her younger sister. Her sister's final wish was that she carry on with life, making the most of each day by working towards her passion.

So, Kym reached out to Naked as she still harboured dreams of jumping back into the wine game to create her own boutique label, packed with unique wines that are happily just a little far left of field for the big wineries. We put the power in the hands of the Angels to vote for the first ever Angel chosen winemaker. It took just 4 hours and 16 minutes for Angels to give Kym Carr the thumbs up.

Sourcing bespoke small parcels from all over Western Australia, Kym uses her unique skills to craft a wide range of delicious wines, called Dream Bird. All the wines are dedicated to Kym's little sister, from the "Ranga" Rose all the way to the "Pipsqueak" Methode Traditionelle Chenin Blanc.

Risk management and control environment

Managing risk effectively

Risk

The Board reviews the effectiveness of the risk management processes and manages the evolving risk environment as it approves key decisions, budgets and operating plans. The key components of our risk management system are:

- each local management team has its own risk register and reviews it periodically
- the risk registers are presented to the Audit Committee for review on a regular basis
- the Board determines the highest risk items for the Group following a preliminary recommendation by the Audit Committee once a year
- responsibility to maintain the risk registers, as well as to implement and monitor mitigating actions, lies with the executive directors and management

The Board is satisfied that, through the processes set out above, it is able to effectively identify, assess and manage the risks. The Board is further satisfied that the responsible managers have the necessary skills and expertise to ensure that the relevant risk management process and control systems are in place and fully operative. The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee, and in this instance acts as the third line of defence, with the Leadership team as the second line, and the risk control owners as the first.

Using the process set out above, the Board believes that it has undertaken a robust assessment of the principal risks which threaten the implementation of the strategy and the long-term viability of the Group and is satisfied that appropriate mitigation plans are in place.

As context to the risks presented in this report, it is important to note that the Group has been fundamentally restructured in the year and now operates 100% online with the US as its largest territory. As a result of this our risk footprint has changed considerably from the previous year, reflecting that we have navigated to the new strategic focus successfully, that the financial pressure and intense competitive environment that was prevalent in UK bricks and mortar retail are no longer relevant, and a heightened focus given to regulation and taxation in the complex and multi-jurisdictional US market.

When considering the potential impact of our key risks we have linked them to the key performance objectives that they are likely to impact if crystallised. We have not undertaken specific stress testing for every risk but, as part of our overall impact analysis, as well as our going concern assessment, have considered the likely magnitude of the realisation of major risks on the balance sheet and cash flow forecasts. These forecasts are based on detailed budgeting which is prepared for the next fiscal year with revisions done mid-year together with a forward view of the subsequent 24 months (forecasts for 36 months) plus, in the case of this year, scenarios that contemplate sustained heightened trading as a result of COVID-19 and the impact of a subsequent slowdown due to a potential recession. Based on its assessments the Board believes that the Group is well placed to withstand the impact of realisation of risks over the forecast period through a combination of the mitigation in place, the strong balance sheet we closed FY20 with and our ability to make adjustments to our plans, should they be required.

Climate change and sustainability

The Board recognises that climate change creates potential risk for the Group. Indeed, within this financial year the Group's staff based in Napa, California, had to work remotely due to power outages intended to reduce wildfire risk, and we saw significant wildfires in Australia which could have, but did not, impact on Naked winemakers.

At this time, the Board has assessed that climate change does not present as material a risk to the Group as the other items listed in this report, so we have decided not to list it as a standalone risk. We do recognise that we have risk in at least two of the areas listed that climate change may trigger:

1. Business interruption, mitigated through having multiple sites for key activities; and

2. Supply risks, mitigated by having a diverse and geographically dispersed set of sourcing locations

We are also mindful that the consumer is becoming increasingly passionate about buying from companies that strive to operate sustainably whether with regard to climate impact or other sustainability matters. We are committed to growing our business in a sustainable way and continue to seek ways to quantify and reduce our impact. Please refer to our sustainability report for details of our initiatives in this area.

SWOT ANALYSIS

Strengths

- Strong dedicated customer base
- Wine quality
- Management team are shareholders
- Established successful online business
- Diversified business (UK, US and Australia)
- Strong balance sheet
- No store costs

Weaknesses

- Long supply chain
- Increasing input costs
- Uncertainties due to COVID-19
- Restrictions on alcohol sales imposed by regulations
- Subscription business model could narrow target market

Opportunities

- US DTC market growing
- Growth in online sales
- Improvement in customer experience and retention

Threats

- Competition
- Increased regulatory restrictions
- Uncertain economic outlook due to COVID-19 and Brexit consequences
- Cyber security

Approach to managing risks

Our approach to managing risks was similar to that undertaken in 2019:

- Top down – Key risks that threaten the Strategic Plan
- Bottom up – Territory level key risks
- Check that they are broadly consistent
- Identify main strategic risks across whole Group = Top risks

Since 2019 we have used the residual risk rating after the application of the controls and mitigating actions.

Risk impact

Risk impact measures the impact the materialisation of the risk would have on the business and is primarily measured in financial consequences as follows:

3	Very high	> £2m
2	Moderate	Between £500k and £2m
1	Minimal	< £500k

Risk likelihood

Risk likelihood measures the possibility/probability of the risk materialising and is rated as follows:

3	High	> 20%
2	Moderate	5–20%
1	Remote	< 5%

Inherent risk

The inherent risk (e.g. the risk impact multiplied by the risk likelihood) is the level of risk prior to the application of the controls and mitigating actions.

Control effectiveness

The inherent risk is then mitigated through the application of controls which are rated according to the effectiveness thereof as follows:

3	Controls in place, tested and operative
2	Limited or untested controls
1	No/inoperative/untested controls

Residual risk

The residual risk (e.g. the inherent risk divided by the control effectiveness) is then rated as follows:

1 2	Low risk
3 4 5	Medium risk
6 7 8 9	High risk

The risks listed on the following pages are not the only ones facing our business but are the most significant when considering both the likelihood of the risk materialising as well as the overall impact on the business, after taking into account the mitigating effect of the implemented controls.

Post-Brexit/ other macroeconomic event

Restricted business environment leading to reduced market and increased costs

Relevant KPI

Revenue
Fixed costs
Product availability

Likely impact

- Downturn in economy impacting profitability, access to finance and investor confidence
- Sustained reduction in value of Sterling leading to increased costs despite hedging
- Increase in costs as a result of tariff changes, customs costs, transport delays etc
- Restricted business environment due to uncertainty
- Bulk withdrawal of funds by Angels
- Single source failure in delivery network in certain markets
- Failure to receive c. £5m contingent consideration from the sale of Majestic Wine

Likely causes

- World or regional pandemic resulting in closure/disruption to supply of goods and restrictions on travel (e.g. COVID-19)
- Unforeseen economic financial market shock event/"black swan" event
- Trade barriers
- Unfavourable or restrictive trading agreements post-Brexit

Controls/mitigation

- Ongoing stress-testing and adjustment of strategy to build flexible business through adjustment of revenue/costs and spreading of risk across varied geographic locations
- Scenario planning for supply chain changes and development of mitigation strategies with key partners including accelerating inbound stock movemnts as COVID-19 risk increases
- Reduction of exposure to exchange rate risk through hedging. Forex balances are monitored regularly and margins reviewed to faciliate quick adjustments as and when required
- Ability to reduce marketing costs to preserve profitability, albeit at expense of growth, if unable to supply stock to repeat customers
- Products sourced from diversified geographic locations and different suppliers

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	1
Residual risk	
6	

Investment

Investment decisions/expenses fail to drive additional sales, resulting in lower than expected profitability

Relevant KPI

Revenue
Investment in new customers/new customer contribution
Payback

Likely impact

- Investments could potentially not produce the desired return on investment and result in wasted cash and excess stock

Likely causes

- Increased level of investment across the business ahead of our "aggressive growth" ambition despite some weakening of the repeat customer metrics
- Payback is forecast over a long period. Customer behaviour differing from expectations may result in bad marketing investment decisions
- Material changes in investment performance can result in substantial stock variances, which may impact liquidity, resulting in stock write-offs or damage customer experience through limited range
- Strategy changes following disposal of Majestic Wine may have negative impacts
- Increase in customer acquisition cost

Controls/mitigation

- Investments are constantly monitored and capital redeployed if they are not producing the target returns
- Detailed deal-level reporting, monthly performance reviews
- Aim to further diversify the acquisition mix by opening up new channels of investment
- Stock risk mitigation through development of flexibility in supply and demand management

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	2
Residual risk	
3	

Regulation

Non-compliance with core legal and regulatory requirements

Relevant KPI

Revenue
Product availability
Repeat customer contribution

Likely impact

- Change in regulations relating to licensing requirements or tax regimes could impact our ability to operate and/or our cost structures
- Impact our ability to communicate with customers limiting recruitment, retention and engagement
- Restrict current business practices and require considerable management time resolving regulatory enquiries
- Reputational risk, fines/penalties and increased compliance costs

Likely causes

- Changes in licensing and tax regulations
- Increased restrictive and limiting legislative and regulatory provisions – data protection, advertising, distribution, consumer law etc
- Increased scrutiny of business practices, specifically in US, as business grows
- Increased governance oversight
- Change in law in Australia requiring additional requirements for alcohol delivery

Controls/mitigation

- We monitor regulatory developments routinely in all our markets to ensure that we identify potential changes, assess these and take appropriate action
- We maintain current licences for all states, businesses and premises operated by us and procure advice from licensing experts to assist with the maintenance thereof
- We endeavour to pay all taxes and duties on time and in full in respect of all taxes and licensing fees
- We maintain all appropriate documentation as evidence of our compliance with licensing conditions and regulations
- In the US we are working with winemaking/planning team to ensure our winery operations and contracts are compliant with the latest US regulations
- We have put in place the necessary management and control functions to ensure that we comply with data protection legislation (e.g. General Data Protection Regulation and California Consumer Privacy Act)
- Maintain tight Service Level Agreements with our carriers and be clear on our expectations on areas such as legal compliance for delivery of alcohol

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	2
Residual risk	
3	

Information and cyber security and systems; loss of data

Failure of IT systems, including ineffective functionality and/or performance, data integrity and cyber security

Relevant KPI

Revenue
Repeat customer contribution
Product availability
Repeat customer sales retention
Investment in new customers

Likely impact

- Failure could lead to significant costs and/or restrictions in our ability to operate the business
- An unathorised or malicious attack could result in the loss of data and/or customer confidence in the business impacting trading
- Downtime could affect ability to trade online, impacting business and customer loyalty
- Loss of personal data/sensitive business information could impact business and could result in fines and reputational damage

Likely causes

- Systems become unfit for purpose as we grow and complexity increases
- Failure to successfully upgrade or replace core IT systems
- Access to internet and malicious incidents are prevalent and on the increase
- Poor systems access control
- Reliance on in-house developed systems with risk of loss of intellectual capital if key staff leave
- Reliance on, and exposure to, third-party provider software and systems
- Disaster recovery systems not performing effectively
- US operation has experienced power outages linked to California fires

Controls/mitigation

- Investment in back-end systems and processes, including IT support; global optimisation team commenced systems review February 2020
- IT systems, whether procured from third parties or built internally, are tested for security from attack. We also undertake periodic penetration testing exercises to provide ongoing assurance
- Critical systems are backed up regularly and/or hosted on third-party data centres with appropriate backup/redundancy
- CTO succession plan
- A dedicated systems security resource is in place to provide assurance across the multiple businesses in the Group
- Third-party Cloud-hosted systems used to support maximum availability
- Disaster recovery plans are in place to ensure that the businesses can recover from any interruptions with minimal impact.
- The main trading websites and internal network are protected by a firewall with frequently updated anti-virus software
- We have an experienced and dedicated IT team, and use external consultants where we need to, ensuring that we have a good balance of skills and experience in the team

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	2
Residual risk	
3	

Business interruption

Loss of site/interruptions to head office or site operations and/or systems due to an unforeseen event

Relevant KPI

Revenue
Repeat customer sales retention
Payback
Repeat customer contribution
Investment in new customers

Likely impact

- A disastrous event occurring at or around one or more of the Group's sites may affect the ongoing performance of our operations and negatively impact on the Group's finances and our customers
- In the UK, we are reliant on a single warehouse and carrier

Likely causes

- Unforeseen event (e.g. natural disasters, extreme weather, flooding, fire, unrest as a result of climate change etc.)
- Systems failure and power outages
- Corporate Office Emergency Preparedness
- Inability of staff to work from office due to Government imposed COVID-19 restrictions

Controls/mitigation

- In the US we ensure that Cloud-based VPN is set up
- In the US we ensure that office and winery generators are installed
- Develop clear guidelines and expectations for how to handle situations related to natural disasters and public safety power shutdowns
- All teams are able to work remotely
- Internal and third-party warehousing either has multiple sites or is operated by a third party with access to backup capacity
- Business interruption insurance cover in place

Impact	Likelihood
3	1
Inherent risk	**Control effectiveness**
3	1
Residual risk	
3	

Competition

Threat from new or existing competitor

Relevant KPI

Revenue
Repeat customer contribution
Repeat customer sales retention

Likely impact

- Persistent aggressive competitive pressure could impact on our ability to grow and keep our customer base and/or our margin position

Likely causes

- Threats range from the discounters, where wine can be used as a loss leader, to a range of more tailored online wine clubs
- New entrant into the DTC wine model
- Large players in the wine industry challenge or threaten to disrupt our growth

Controls/mitigation

- Our buying and marketing teams continually monitor our competition's activity
- We are focused on delivering a better experience than our competitors, e.g. better value for money, better service, more engagement with winemakers
- Trade barriers to entry

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	2
Residual risk	
3	

Tax and duties

NEW

Tax compliance and tax audits especially in the US

Relevant KPI

Revenue
Repeat customer contribution
Investment in new customers
Payback

Likely impact

- Not being able to respond to tax audits in a timely and adequate manner
- Not being able to pay taxes when due might lead to fines
- Cash flow and reputational impact

Likely causes

- Risk of change in tax rules in the US
- Ongoing state tax audits
- Third-party software may not be able to meet our compliance/tax needs as we continue to grow
- Import tariffs on wine
- We are increasingly being asked to respond to state tax audits

Controls/mitigation

- Recruiting a dedicated US Tax Specialist
- We are working with outside tax experts to navigate audits and respond to inquiries
- We are working with our third-party software provider to ensure to ensure that they continue to meet our needs
- In the US 60% of domestic wine is unlikely to be competitively disadvantaged in a tariff scenario; if tariffs come into effect we can look at ways of working with winemakers to mitigate the impact
- It is the Group's policy not to engage in aggressive or seemingly aggressive tax planning strategies

Impact	Likelihood
3	2
Inherent risk	**Control effectiveness**
6	2
Residual risk	
3	

Financial, liquidity and treasury risks

Restriction of available finance and fluctations in interest and exchange rates impacts financial position

Relevant KPI
Revenue
Product availability
Repeat customer contribution
Investment in new customers

Likely impact
- Macro-economic events trigger changes to FX rates impacting profitability of the Group and value of international interests
- Expected realisations from residual Majestic Wine assets do not take place
- Bulk withdrawal of funds by Angels

Likely causes
- Significant exchange rate fluctuations reduce:
  a. profitability of UK sales as all goods purchased in foreign currency;
  b. value of international subsidiaries as future foreign currency profits are worth less due to FX movements
- Angels lose confidence in the business
- Failure to receive £5m of deferred contingent consideration and £12m of vendor loan note consideration from the sale of the Majestic businesses

Controls/mitigation
- We review the expected future cash needs of each Business Unit regularly to ensure availability of liquidity
- Transactional exchange rate risk is managed by sourcing from a variety of countries, and buying currency forward against our biggest exposures to achieve certainty of cost of purchased product. We do not undertake net asset hedging of our international operations
- We monitor movement in exchange rates on a regular basis and also hedge all our ongoing currency exposures ahead of setting retail prices. We review future orders in foreign currency on a monthly basis to determine hedging requirements. The timing of currency purchases is agreed with the buying team. We are continuing to build a geographically diversified Group to protect against a weaker Sterling in aggregate
- We do not undertake hedging of international asset values or future expected cash flows
- We have rights of audit over Majestic Wine following sale (e.g. covenant confirmations)

Impact
3

Likelihood
2

Inherent risk
6

Control effectiveness
2

Residual risk
3

People

Loss of key staff

Relevant KPI
Revenue
Investment in new customers

Likely impact
- Loss of critical/core members of staff following a period of change
- Turnover of key staff could lead to continued change in processes and strategy leading to poor execution

Likely causes
- Turnover due to lack of career development prospects, challenge and ineffective communication and uncertainty

Controls/Mitigation
- We pay market-competitive remuneration and where possible maintain backup within each functional team
- We have a business that focuses on staff welfare and culture
- Staff satisfaction surveys have been relatively positive
- We continue to offer all staff share scheme compensation
- Staff have not been furloughed as a result of COVID-19

Impact
2

Likelihood
2

Inherent risk
4

Control effectiveness
2

Residual risk
2

Supply risks, including stock

Failure to meet customer expectations and/or operate within current cost structure due to supplier failure or mis-alignment between supply contracts and demand

Relevant KPI
Revenue
Product availability
Repeat customer contribution
Repeat customer sales retention

Likely impact
- If a supplier's business fails or is impacted by supplier-related risks (e.g. climate change, natural disasters), our ability to meet customer product expectations and/or operate with our current cost structure could be impacted
- Due to our extended supply chain we could end up materially over- or under-stocked as our growth trajectory changes based on investment levels and repeat sales retention

Likely causes
- Over-dependency upon key suppliers (e.g. AWS our cloud computing provider)
- Capacity/production constraints
- Misalignment of demand and production plans leading to inventory overhang
- Supply chain project consolidates providers to one company in the UK, concentrating risks
- Natural disasters or climate change affecting regions and limiting wine production

Controls/Mitigation
- Outside of IT, UK warehousing and fulfilment, we engage with a diverse base of suppliers, all of which are stable and well regarded
- Products sourced from diversified geographic locations and different suppliers
- Ability to trigger termination clauses in supplier contracts

Impact
2

Likelihood
2

Inherent risk
4

Control effectiveness
2

Residual risk
2

Reputation

Mismanagement of external communications resulting in high-profile damaging PR

Relevant KPI

Revenue
Sales to new customers
Repeat customer sales retention
Repeat customer contribution
Cash

Likely impact

- Loss of shareholder/investor confidence and impact on value of business
- Loss of customer confidence and resultant business growth and retention (including loss of Angel funds)
- Threat to our standing as an authentic producer of high-quality wine

Likely causes

- Misleading or incorrect public information
- Failure to address public issue in time and adequately
- Failure to implement communications policy resulting in unauthorised statements
- Increased regulatory oversight
- Loss of data or breach of data protection laws

Controls/Mitigation

- We have a strict communications policy which limits who can engage with press. This is limited to certain key and responsible individuals who would follow advice from our PR advisors where necessary
- We have identified areas of possible reputation risk and manage accordingly with strict buying processes and data management
- We work closely with our Nominated Advisor to ensure that public announcements are accurate
- We have a dedicated systems security resource
- We have comprehensive data protection policies in place

Impact	Likelihood
2	1
Inherent risk	**Control effectiveness**
2	2
Residual risk	
1	

Internal controls

The Group has an effective governance framework which includes a system of both financial and non-financial controls, which are regularly reviewed and monitored by the Board, the Audit Committee and management.

While it cannot provide absolute assurances against material misstatement or loss, the Board has ultimate responsibility for the Group's system of controls.

The governance framework, including internal controls and processes, are summarised below. The Board has considered the internal controls and considers them to be appropriate given the size, complexity and risk profile of the Group.

Annual reviews of each Business Unit are undertaken to ensure that a minimum standard of control is applied across the Group. Any significant breaches of controls are investigated and corrective actions identified and implemented. To further strengthen our controls a dedicated resource is positioned in the US where regulatory compliance and alcohol licensing conditions are managed locally. The Group General Counsel overseas the regulatory control environment for the UK and the Group as a whole.

In addition to the required regulatory statements, during the reporting period we have also drafted or reviewed the following policies and documents:

- Statement of Authority
- Share Dealing
- Compliance Checklist
- Standard contractual terms and conditions
- Standard non-disclosure agreement
- Privacy
- Risk Management
- Non-Audit Services
- Tax Strategy
- Fraud Checklist

The main elements of the control function include:

- The Board's approval of the overall strategy taking into account the purpose and objectives of the business, interests of shareholders, the direction of the business and the risk register
- The Board's approval of the supporting budgets and plans. There is a robust budgeting and planning process in support of the approved strategy. The approved plans and budgets are monitored and reported on monthly with variance reports, comparisons against previous years and including forecasts of expected performance over the remainder of the financial period. Budgets are adjusted mid-year with a forward-looking position taken with regards to the following 24 months
- The Audit Committee's review of the financial and accounting policies and controls, including the work of the internal audit function and overall compliance with internal policies, processes and legislation
- The Board's consideration and approval of key policies and dividend policy, among others
- The Company's system of assessment, which is applied to all investment opportunities, includes defined financial hurdles and controls which any opportunity must meet. This system is managed directly by the CEO and the CFO
- Ongoing post-investment reviews take place to check the delivery of anticipated returns on investments

Making a material difference

Having set out what sustainability means to us as a Group in last year's report, this year has been about deepening our understanding of how to make a material difference in all 22 areas of impact.

Following the disposals of Majestic Wine and Lay & Wheeler during the current financial year the Group has been substantially re-dimensioned. In light of these changes the priorities that we set ourselves last year have had to be adjusted and adapted to the new reality of the Group.

We believe that the best way to influence positive change is by making a commitment to our key stakeholders – who will hold us accountable. With this in mind, we will be adding a page dedicated to sustainability to the website in the coming months.

The initiatives that we have undertaken and prioritised during the year are summarised in the following pages.

Our 22 areas of impact

Level 1	
Responsible drinking	1
Ethical behaviour	5
Sustainable packaging	2 3
Responsible marketing	5

Level 2	
Health and safety	1 4
Right people	4
Recycling	2
Energy consumption	2
Remuneration	4 5
Privacy	5
Diversity and equality	4
Transparency and reporting	5
Human and worker protection	3 4

Level 3	
Tax strategy	5
Giving back	5
Responsible sourcing	3
Modern slavery	3 4
Climate change risks	2
Benefits	5
Water	2 3

Level 4	
Training	4
Rights of local communities	3

Level 1 initiatives

Ian Jones As with corks and screwcaps, the problem is purely one of association. So often a box of wine means terrible plonk. However, if it's good wine, who cares? Not to mention the clear advantages.

Of course, if you buy from Naked Wines, you know it's good wine.

1

Ritchie Hallam This came in the Christmas case and to start off I was a bit taken aback, but after realising there were 3 bottles in a small box, it stayed at room temperature and was fresh on every glass. I have no reason to see why other winemakers shouldn't follow suit.

8

Responsible drinking

We do everything possible to ensure that our products are enjoyed responsibly – not because we are told to, but because we recognise that alcohol abuse continues to be a challenge for societies across the globe and we want to make a difference.

We have put even more energy into educating and supporting our customers, winemakers and employees. An enhanced substance misuse policy has been introduced to provide further guidance to staff, who are already trained to a high standard. We also regularly invite local charities to provide lunch and learn sessions for staff to stay well informed. In the UK, we have strong links with national wellbeing services and are proud to have a number of employees with experience in the field of drug and alcohol abuse working in people management roles. Our charitable donations (funds and time) also help vulnerable groups in this area.

This year we joined up to support The Drinks Trust, a drinks industry charity. The Drinks Trust exists to support members of the UK drinks industry facing a variety of difficult circumstances including serious illness, disability, debt or family crisis. The resources and support available have been embraced and appreciated by employees.

In the US we have taken several steps to ensure that only persons of 21 years of age and over are able to enjoy our wine. We only deliver in states where individuals are present and can provide a valid photo ID and evidence that they are 21 or more. We also utilize a third-party age verification service to verify a customer's age before a purchase is completed in states where verification is legally required (currently six states). In addition, whether it is to surprise and delight a customer or for proof of age, we require that everyone provides their date of birth.

With effect from July 2021, in the US any alcohol server and their manager must have a valid responsible beverage service (RBS) training certification from an Alcoholic Beverage Control accredited RBS training provider. We intend to put a number of our staff through this training to obtain this accreditation.

Ethical behaviour

We are committed to strong, ethical and fair business dealings, and promote a corporate culture which is non-sectarian, non-political and which is socially and environmentally responsible. Doing the right thing guides everything we do at Naked Wines. Our Code of Conduct highlights the importance for us of behaving morally, legally and ethically and serves as a guide to the values.

The Code of Conduct incorporates policies on confidentiality, conflicts of interest, price sensitive information and share dealing, use of company funds and resources, bribery corruption and fraud, political activities; modern slavery and human trafficking and whistle-blowing.

The Code of Conduct is shared with and applies to all employees of the business. In addition, a number of employees must certify each year that they continue to understand and adhere to the Code of Conduct.

Packaging and shipping

For every tonne of packaging we used last year we need to buy an equivalent packaging recovery note. What that means is that we pay for the recovery of this type of waste. Last year in the UK alone, we shipped more than 5,500 tonnes of packaging.

Unsurprisingly, glass is our biggest cost and continues to be the wine industry's most significant issue right now.

Green bottles contribute around 600,000 tonnes of glass to the UK's waste stream per year and glass was 77% of our total cost and 74% of our total tonnage. Paper and cardboard contribute 10% of costs and 15% of weight. Wood (5%), plastic (5%) and aluminium (2%) make up the balance.

We're already taking positive steps to reduce glass use. Christmas 2019 saw us introduce the Montaria Bag in Box. Three bottles in one recyclable box and no glass in sight. With 89% of 3,877 customers saying that they would buy it again in their ratings, it's looking like a sustainable win for everyone!

With the introduction of the government's deposit return scheme, which will now not be introduced until 2023, we are working with our suppliers to consider a strategy.

When we ship from our long term storage to our US distribution centres, we are well above 95% Intermodal – meaning we use trains instead of trucks.

In the US we introduced a new magnum promotion shipping package, which uses less total material, 100% recycled pulp trays, and between 90 to 100% recycled content corrugated boxes. The packaging is also lighter and more efficient for last mile delivery. The project delivered numerous sustainability benefits, operational efficiencies, and over $400,000 in annual savings.

Responsible marketing and advertising

Our labels meet all legal labelling requirements and our advertising meets legal requirements. We have a good relationship with the Advertising Standards Authority (ASA) and the Office of Liquor and Gaming Regulation (OLGR) and take a proactive approach, regularly running marketing deals by them in advance.

In November, we introduced allergen advice on the UK website. We are well positioned to provide more information to help customers make informed decisions about how our products are sourced and produced. We currently offer information such as whether the wine is organic, biodynamic, Fairtrade, vegan or vegetarian. We also provide allergen information such as involvement of milk,egg,nuts in the fining process and sulphites to our product data internally and we will consider making this available externally when it is well established.

All our wine labels in the US are sent for pre-approval by the US Tax and Trade Bureau (TTB). The TTB reviews the labels for compliance with US label laws, requiring all mandatory information to be included. The TTB do not review the underlying composition reports and it is our responsibility to ensure that the varietal, appellation, alcohol, etc. listed on the label is correct. We conduct internal reviews to ensure that our wines are labelled correctly and not misleading.

NAKED WINES
LAID BARE

Unfiltered, for a fruitier flavour. Fact.

Over 25% of wines sold through Naked Wines UK are transported in bulk to our partner bottlers in Germany.

Filling an inflatable Flexitank with 24,000 litres of wine at source removes the weight of glass bottles and enables us to reduce the CO_2 per litre emissions by c30%.

Furthermore, it offers savings due to economies of scale and efficiency of bottling.

Given the importance of this part of the supply chain and its future role we put in place technical trials to enhance the quality even further.

Shipping unfiltered

Traditionally, wine that is due to be shipped in bulk is sterile filtered at source to ensure that there are no incidents of refermentation en route. The wine is then sterile filtered again on the bottling line. Provided the wine is microbiologically stable before shipping, we believe that this repeated handling is excessive and detrimental to the quality, stripping out the texture and flavour which makes these wines so enjoyable.

As is our nature at Naked Wines, we did a split test of shipping the same wine in two seperate Flexitanks. One filtered and one unfiltered.

When both were bottled, the unfiltered wine was deeper in colour, more fruit flavoured with greater texture.

As always, we follow the opinion of our customers via the Buy It Again (BIA) rating:

- Filtered: 91%
- Unfiltered: 94%

This type of data is continually being reviewed to give our customers the best possible wine experience.

Level 2 initiatives

84%

reduction in the amount of power required

Energy consumption reduction

Streamlined Energy and Carbon Reporting (SECR)

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the SECR Regulations.

Calculation methodology

While the regulations provide no prescribed methodology, we collate our GHG data annually. We have worked closely with Carbon Footprint Ltd, and they have assisted us in completing the calculation of our carbon footprint in accordance with the UK Department for Environment, Food and Rural Affairs (Defra) "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements" and using the 2019 emission conversion factors developed by Defra and the Department for Business, Energy and Industrial Strategy (BEIS).

The period covered for the purposes of the Streamlined Energy and Carbon Reporting section is 1 April 2019 to 30 March 2020 and the calculations are for the following scope:

- Buildings-related energy – natural gas (Scope 1) and electricity (Scope 2)
- Employee owned vehicle (grey fleet) and hired vehicles fuel (Scope 3)

Results

The table below shows the GHG emissions of Naked Wines UK operations during the reporting year 1 April 2019 to 30 March 2020. This is the first year we have assessed our emissions, and will set the baseline for future assessments.

Energy efficiency

As this is the first year that we have undertaken a GHG emissions assessment to comply with SECR, no energy efficiency actions have yet been taken. Carbon Footprint Ltd's report on our GHG emissions has suggested the following actions in the coming year to reduce overall energy usage:

- Installing smart meters or sub-meters to the main UK site (Norwich) to better monitor energy use
- Utilising public transport as a preferential mode of transport rather than grey fleet/vehicle hire where possible

Bulk shipping

Bulk shipping reduces CO_2 from transportation. In the US we ship the majority of our wine in bulk and when we do it we are well above 95% Intermodal – meaning we use trains instead of trucks. In the UK we bulk ship 25%.

It's greener in the Cloud

We made the decision to move our existing premises servers to the Cloud. Combining the fraction of energy required with a less carbon-intense power mix, it could reduce our carbon emissions from servers by 88%. In addition, a typical on-premises data centre is 29% less efficient in its use of power compared with a typical large-scale Cloud provider that uses world-class facility designs, cooling systems and workload-optimised equipment. Adding these together (fewer servers used plus more power-efficient servers), we need only 16% of the power compared with on-premises infrastructure. This represents an 84% reduction in the amount of power required.

Collect+

In November, we introduced Collect+ in the UK, which plays a vital role in our effort to implement environmentally friendly behaviours around delivery of our wines. There are over 7,000 Collect+ Points nationwide, enabling customers to pick up/return their ordered items via a Collect+ Point at their most convenient time and location. This means fewer delivery vans on the road, reducing pollution and congestion.

7,000+

There are over 7,000 Collect+ Points nationwide

Element	2019/20 (tCO2e)
Direct emissions (Scope 1) – natural gas	0.00
Indirect emissions from purchased electricity (Scope 2)	57.55
Total tCO2e (Scope 1 and 2)	**57.55**
Other indirect emissions (Scope 3) – grey fleet travel and hired vehicles	5.57
Overall gross total[1]	**63.12**
Intensity metric: Tonnes of CO_2e per employee	*0.34*
Intensity metric: Tonnes of CO_2e per £m turnover	*0.87*
Total energy consumption (kWh)	247,913

1 Naked Wines direct emissions from building energy (Scope 1 and 2) and grey fleet/hire vehicles (Scope 3).

Level 3 initiatives

People

Happy employees = happy customers – a philosophy that drives our people policy on decision-making. We are committed to paying the real living wage and are an accredited company. Staff at the lower end of the pay scale are given a clear pathway to progressing skills and reaching a destination salary significantly above the real living wage.

We use many tools across the business to measure employee happiness and globally survey all our people every six months. We use industry benchmarking to identify how we stack up against others. We're proud of our successful retention track record and placed 57th in this year's Sunday Times Best Companies to work for.

Apprenticeship levy

Our first sponsored MBA student, Ele (pictured centre), is halfway through her course with the University of East Anglia.

An eight-year journey

I started at Naked Wines UK as a Christmas temp on the Customer Happiness team in 2012. The moment I walked in I knew this place was like nowhere I'd worked before, everyone from the MD to the other temps were friendly and approachable and I knew I wanted to stay on.

After a couple of months of hard work I was told just before Christmas, if I wanted it, I could have a full time role. I obviously accepted and from that point I wanted to repay the faith that was shown in me. A year after I joined, I was asked if I would be team leader for the phone team, and six months later I moved across to Wine Advisors.

In 2015, an opening came up as an accounts payable clerk and being good with numbers, I'd always wanted to work in finance but never had the qualifications. I was told full training would be given, and, if I impressed, there would be progression opportunities. Five years later I am now an Assistant Accountant for Naked Wines UK, and I will always be grateful for the faith this company has put in me.

NEIL

Our first sponsored MBA student

This year, I have made good progress towards obtaining my MBA from the University of East Anglia. Since I began in September I have completed modules in Operations Management, Business Strategy, Marketing and International Economics earning a distinction in the latter following a gruelling 3 hour written exam. My studies have been feeding invaluably into my work life with my current Digital systems and Technologies assignment focusing on how Big Data can be used to improve our subscription products. The current lecture series is focused around Accounting and Financial analysis and, once that is complete, I will only have to tackle the Leadership module to have completed year one of the two-year course. Though undoubtedly challenging I've seen material benefits for the hard work I've put in and I'm extremely grateful for the development opportunity.

Ele

From Service to Marketing

I began working in customer service at nakedwines.com in Napa, CA in July of 2012, about six weeks after the launch of the US business. At the time, there were only 5 members of what we would eventually call the Customer Happiness Team. The office environment was more Silicon Valley start-up than stuffy Napa wine club, refreshing with its big personalities and aspirations to do something different within the wine industry.

After three months, I was promoted to managing the Customer Happiness Team, and over the course of a few years we grew from a team of 5 to a team of 25. Although every day brought new challenges, I always felt lucky to have the backing of leadership who supported our goal of becoming an industry standard in customer service.

In 2014 a merchandising position opened up on the Marketing team and I applied. I had always been interested in the Marketing side of the business and was overjoyed when I found out I got the job (though it was hard to leave my Happiness Team)! In the last six years the Merchandising role has given me what I always dreamed of in my career – the chance to work hard and grow with a company who values investing in its employees and seeing them succeed.

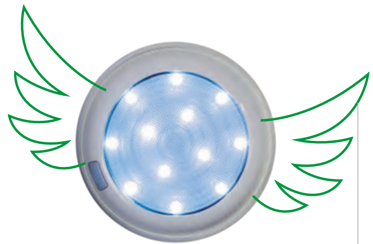
Nina

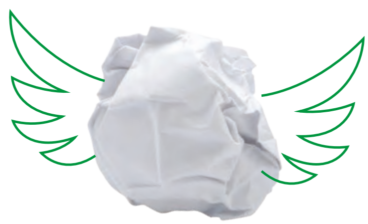
Responsible supplier
Each year we send suppliers a survey which serves as an audit to ensure that we are complying with the Modern Slavery Act 2015. The results not only tell us that our suppliers are following the guidelines we set out in the Responsible Supplier Policy and take issues relating to modern slavery seriously, but they also help us to identify the communities that might need the most help and support. We'll use this information to guide us when deciding our giving back strategy each year.

Supply chain management
We understand that the sustainability of our business includes activities within our value chain. We subscribe to the principle of inclusivity and engage with all our stakeholders where possible across our total value chain. Where we do not own a process we will strive to provide guidance and leadership to effect change.

Volunteer days/Protecting the environment
Over 50% of our staff have taken advantage of the volunteer day we give them. We are committed to growing this number to 65% in the year ahead, by dedicating resources to coordinating group volunteering. We take willing volunteers out to protect and enhance some of Norwich's many fine green spaces – working in partnership with the local government. The work involves using sticks to manually bash the bracken shoots during the summer months. Using mechanical methods would damage the archaeological remains under the ground.

Georgina and Amy spent their volunteer day litter picking from the local river.





Office recycling
All of our offices made waste reduction a focus. The UK invited a Zero Waste champion trainer to deliver fun and interactive workshops that helped to address concerns about a future of food scarcity, water shortages and depleting finite resources. In the US, we work with the City of Napa to meet their requirements and invited them to come in and give a talk about how we could do better.

We have revised our contract with suppliers of food into the office and operate a 100% reuse policy, switching to using our own plates and cutlery (we had to buy a few more but we'll get the use out of them).

Waste is separated as much as possible, separating food and cardboard with integral bins in most kitchens. LED lighting is being fitted in our UK office when current units need replacing.

What our customers want
Starting off as a staff group, Green Wings' aim is to champion our sustainability plan and bring it to life for our employees and customers. To improve its reach and realise its ambition we have since branched out to give a voice to our customers in our online groups. We are looking forward to collaborating with them to understand their top concerns and design innovative solutions for a sustainable future.

Giving back
At the core of our proposition is a purpose to make a difference to the lives of others.

The ongoing Australian bushfire crisis is heartbreaking. The relentless flames of 2019/20 have destroyed lives, businesses, homes and habitat and threaten the livelihoods of countless Australians including our winemakers and the people that support them (vineyard workers, cellar crews and grape growers in wider regions).

The impact of this catastrophe will be felt by these regional communities for many years. So we're starting a massive fundraising drive to help them pick up the pieces. We donated a total of $100,000 between our affected winemakers directly, plus the funds we raise through our Bushfire Relief cases (sold globally) will be donated to charities for the long-term rebuild of the communities that have been affected.

Supporting the local communities is important to us. Recently in the US we have supported Compline "Family Meals", an initiative offering $5 meals to anyone who lost their job in the local Napa hospitality, farming or wine community, and have subsidised two weeks' worth of meals.

Naked winemaker Daryl Groom's son was born with congenital heart disease – undergoing back-to-back open heart surgeries by age 10. Our DRG Wine with Heart project supports The Children's Heart Foundation, based in Chicago. This project raises money for heart health and children living with congenital heart defects. We are proud to report that the first $100,000 raised started a new medical research fund – The Liam Ward Fund – established by Colby Groom. Just like the Carmen's Kids project, it is not just about making a difference to the lives of those that need it most, but it is also about creating a community that make a difference together.

$115,573 raised of our $100,000 goal!

You may have a broken heart, or a heart that's had repair, but no matter what, you've got a good heart," Daryl said. "And that makes you the perfect person to help the cause."

Daryl Groom

On behalf of the Board

John C Walden

The aftermath of the fire on the edge of winemaker Sam Plunkett's farm.

Australian bush fire relief

Having raised over $500,000 for Napa last year, we are proud that our Angels and suppliers have done it again and have helped with the fire relief effort in Australia. As is well known, the rampant bushfires consumed over 6.3 million hectares, destroying countless farms, homes, forests, vineyards and habitats for endangered wildlife to live. That's eight times the size of the California wildfires that struck in 2017 and 2019 combined. Our Angels raised over $300,000 which will be used to help rebuild some of the communities that have been affected. As a company we've also donated $100,000 directly.

When our Angels come together in times of need, they do incredible things for so many people.

Carmen's Kids

Carmen's Kids is an initiative founded by South African winemaker Carmen Stevens. This year, our Angels and staff raised a record-breaking £279,604 for Carmen's Kids, enabling us to feed 11,650 poor children two nutritious meals a day at school for a whole year. We are incredibly proud to be a part of this, especially given the circumstances we are all facing at the moment. It is really humbling to see so many people looking out for others worse off than them.

NAKED WINES
LAID BARE

"Fresh" dollars save the day

How Naked works with Eddy, a Lebanese winemaker to sustain his business

Eddy Naim has been making wines with his father since 2005 and joined the Naked Wines family in 2018. They create delicious and sophisticated Lebanese wines – big, bold, yet elegant and refined. He really is a talent and has become a big hit with our Angels. Eddy has recently reached out to our Angels thanking them for their support as it has made a huge difference to him and everyone that works with him.

Lebanon is currently facing incredible political and financial challenges which have been exacerbated by COVID-19. Around 90% of his local market has dried up since the majority of his clients are restaurants. Most of his export markets have also delayed orders or have asked for extended payment terms since they are badly affected by the lockdowns.

The addition of recent fiscal controls implemented by the Lebanese government could have put his winery at risk. However, thanks to continued sales to Angels, Eddy has received "fresh" dollars which has allowed him to bottle his 2018 wine and free up tanks to receive this year's harvest (the only alternative would have been to let the grapes rot on the vines). He has not had to lay off anyone or reduce salaries and will be forever thankful to be part of the Naked family.

An introduction by our new Chairman

We remain committed to supporting and recognising the benefits of a robust governance framework and believe that through our approach we are able to best safeguard the interests of our shareholders while pursuing strong growth and delivering long-term value.

During the reporting year Naked Wines has gone through significant changes in terms of strategy, organisation and operating focus. The Company announced a bold strategy in 2019 to sell the Majestic Wine businesses and Lay & Wheeler, and retain Naked Wines as an independent business.

Upon completion of these disposals in December 2019, Naked Wines plc emerged with the strategy, capital and management focus necessary to pursue the exciting growth opportunities available in its markets, particularly in the US.

With Rowan Gormley's retirement in January following the conclusion of a long and carefully planned succession process, Nick Devlin was promoted to CEO. Nick had been with the Group for over four years and proved himself in the COO role, and the Board concluded that he was the best choice to lead the business in its next phase. Nick has led our business in the important US market, demonstrated his ability to trade well in difficult conditions and been instrumental in developing and delivering our growth strategy. Finally, Nick embodies the Company's philosophy that the best way to deliver value for shareholders is to look after our customers, winemakers and employees better than anyone else.

Following our receipt of sale proceeds from the Majestic Wine transactions and the ensuing changes in the Naked Wines organisation and leadership, the Board initiated a comprehensive review of our capital allocation policy in light of our strategic and financial plans. The Board had to further consider the then emerging COVID-19 pandemic, the uncertainty of its economic consequences and the potential opportunities it could present for Naked Wines. In the end, the Board was unanimous in its optimism regarding the future opportunities for the Company and in its view that we not change our existing capital allocation policy and our plans to maintain a strong cash balance in order to manage risk and invest in disciplined growth.

In light of the importance of the US for the Group, the Board has begun rebalancing its focus and attention towards this market. In addition to hiring and promoting several senior leaders with US market experience, the Board also held two meetings in the US during the reporting period. These meetings allowed the Directors to gain a deeper exposure to the market, interact with locally based staff and discuss the market and the competitive and regulatory context that is unique to that market.

The Company continues to incentivise its staff through a mixture of competitive salaries, bonus linked to personal and Company performance and share awards. The uncertainty created by the repositioning of the Group weighed on investor sentiment during the early part of the year. During that period, the importance of recruiting and retaining talented employees while aligning management and Board incentives with shareholders became especially clear. We continue to encourage Board members and management to own shares and believe that a significant element of management's potential remuneration should be directly linked to share performance. Over the long term, the Board is optimistic about the value creation opportunities for all of our equity owners.

The Company continues to adopt and comply with the Quoted Companies Alliance (QCA) Corporate Governance Code and implement its ten principles of corporate governance. A summary of what we have done during the year to comply with these is set out on pages 62-64 of this report. We remain steadfast in our commitment to ensure that we embed the highest levels of good governance throughout the business. Governance for us includes a broad number of structures, activities and controls, as well as different levels of accountability and responsibility.

We remain committed to supporting and recognising the benefits of a robust governance framework and believe that through our approach we are able to best safeguard the interests of our shareholders while pursuing strong growth and delivering long-term value.

John C. Walden
Chairman

Q&A

with John Walden, Chairman

What attracted you to Naked Wines?

I joined Majestic Wine plc after the plan had been announced to sell the Majestic Wine business and create Naked Wines as an independent business, but before it had been completed. Although it was clear at the time that traditional retail wine shops like Majestic Wine would face headwinds, and that the growth opportunity of the Naked Wines online model was more attractive, it required courage on the Board's part to pursue this strategy. I was also attracted by the unique Naked Wines business model – its proprietary network of independent winemakers, its attractive direct-to-consumer (DTC) proposition, its loyal customer base and, particularly in the US, a large and growing online market for wine.

You've 25 years of leadership experience in digital, retail and technology – which aspects of that experience do you think will be most helpful in your new role?

During my career I have developed relatively deep industry expertise in retailing, particularly digital retailing, as well as technology and consumer marketing and relationship management, across both the UK and US markets. However, I suspect my most helpful experience is less about subjects and more about leadership. Having been a CEO in several contexts – from FTSE 250 to start-up – and been challenged with digital transformation and high growth, I hope to support our management team and Board in leading successfully through changing times.

Naked Wines is becoming a very different business after the demerger. How will the Board, and the way it is run, reflect that?

Unlike our predecessor Majestic Wine, Naked Wines is today an exclusively online business with proprietary winemaker partnerships, a loyalty-based consumer proposition and a large US presence and opportunity. The Board is beginning to add members with experience in areas important to Naked Wines, including Katrina Cliffe and myself, and we intend to hold roughly half of our regular meetings in the US. Further, the Board is strengthening the US-based management team which includes our CEO, Nick Devlin, and several members of his team, and supporting Nick as he adds important new capabilities in areas such as country management, technology, product management and marketing.

The opportunity in the US is significant. How are you and the Board making sure that the business is able to make the most of it?

The management team shares our appetite for aggressive growth, to take advantage of an apparent window of opportunity to lead the growing US online wine market at a time when Naked Wines has some competitive advantage. We are supporting management in their ambition by challenging, approving and monitoring their financial and operating plans, including the investments and return on investment standards to generate responsible growth.

Of course, there are risks associated with fast expansion. How will you and the Board ensure that those risks are managed appropriately?

We acknowledge that growth carries risk, especially in an emerging market sector such as online wine retailing and in a less familiar market like the US. The Board and its Audit Committee will maintain conventional processes such as a risk register and frequent operating reports containing metrics designed to provide early warnings. Further, Naked Wines has always been disciplined in its use of testing and analytics to de-risk marketing investments, and this discipline will continue to be core to our approach.

Having been out and about seeing the business, what makes you most excited to be part of the Naked team?

Naked Wines still retains much of the entrepreneurial spirit and passion that built the business. Naked is passionate about finding the world's best independent winemakers and making it possible for them to make their wines and efficiently get them to market. In turn, the winemakers are committed and loyal to Naked Wines. Naked customers also benefit by getting access to exclusive, great wines at substantially lower cost than comparable retail wines, and in turn our customers are passionate and loyal. Finally, Naked Wines employees are driven by our mission to disrupt the wine market by helping independent winemakers and customers, and becoming the market leader in the online sale of wine. This positive energy gives me great confidence in the future of our Company.

Board of Directors

An experienced team to take us forward

John Walden N

Nick Devlin

James Crawford

R Remuneration Committee member
A Audit Committee
N Nominations Committee
Committee Chairman
Invitee

John Walden

Non-Executive Chairman (60)

Appointment date: 13 June 2019

Committees: Nominations: Chair

John has been at the forefront of multi-channel, consumer-driven retailing for more than 20 years. He has served in chairman, chief executive and board advisory roles in the past and has a proven record of growth across a diverse range of organisations from start-ups to listed companies. He has been successful in creating transformational results through strategic insight, operating excellence, engaging leadership and ability to combine entrepreneurialism with scale. John has specific expertise in digital and multi-channel consumer businesses, and in leading reinvigoration, turnaround and organisational change in established enterprises across the US and UK markets.

Skills brought to the Board: Retail, digital and technology knowledge, transformational and growth leadership experience, and knowledge of US and UK consumer markets

Sector experience: Retail with focus on multi-channel and e-commerce delivery

External appointments:
- Chief Executive of Inversion, Inc. LLC (a personally owned consultancy)
- Non-Executive Director of Celine Jersey Topco Limited (Debenhams Group)

Attendance at Board meetings: Attended all

Nick Devlin

Chief Executive Officer (35)

Appointment date: 8 June 2019 (CEO appointment since January 2020)

Committees: None – Executive Director, but attends as an invitee

Nick was appointed COO and Director of the Board on 08 June 2019 and was promoted to the CEO role in January 2020, having successfully led our largest US business since 2017. As President of Nakedwines.com, Nick has grown and professionalised our US business and established it as the #1 DTC wine business in America. Nick has a background in corporate strategy having previously worked in OC&C's consumer practice in London and is a passionate wine lover and advocate for the role of Naked in transforming the shape of the wine industry.

Skills brought to the Board: Corporate strategy, marketing, retail best practice and deep knowledge of the US wine market

Sector experience: UK and US wine sector

External appointments: None

Attendance at Board meetings: Attended all

James Crawford

Group Chief Financial Officer (43)

Appointment date: August 2015

Committees: None – Executive Director, but attends as an invitee

James joined Naked Wines as Finance Director in 2014 following a 13-year career with Diageo Plc, a global leader in beers, spirits and wine. James held a number of senior finance, strategy and business development roles in the UK and North America.

Skills brought to the Board: Financial, industry knowledge and international experience

Sector experience: Finance and legislation, beverage/alcohol sector, UK and US

External appointments: None

Attendance at Board meetings: Attended all

Justin Apthorp

Non-Executive Director (58)

Appointment date: January 2016

Committees: None – considered non-independent

Justin spent 25 years as an employee of Majestic Wine, retiring from his executive role in 2015. During the last 10 years of his employment he was the Buying Director. Justin previously worked in marketing and brand development for Bejam and Lyons Tetley.

Skills brought to the Board: Knowledge of buying wines and wine

Sector experience: Retail with focus on multi-channel and e-commerce delivery

External appointments:
- Trustee of John Apthorp Charity
- Trustee of Friends of St Peter's Gt Berkhamsted

Attendance at Board meetings: Attended all, save for meeting held in November 2019

Katrina Cliffe

Non-Executive Director (53)

Appointment date: May 2019

Committees: Audit: Member, Remuneration: Member

Katrina has experience over a wide range of financial and retail institutions, including American Express and Lloyds TSB. Through these roles she has gained valuable financial, marketing, customer relations and retail experience.

Skills brought to the Board: Financial knowledge, retail and marketing, board experience

Sector experience: Finance and retail

External appointments:
- Non-Executive Director – London and Country Mortgages Limited
- Non-Executive Director – HomeServe Plc
- Non-Executive Director – Cembra Money Bank AG

Attendance at Board meetings: Attended all

Justin Apthorp

Katrina Cliffe R A

Ian Harding R A N

David Stead N R A

Ian Harding

Non-Executive Director and Senior Independent Director (55)

Appointment date: June 2013

Committees: Remuneration: Chair, Audit: Member, Nominations: Member

Ian spent 19 years with Kingfisher Plc in various senior roles, including 11 years as Group Communications Director. Previously he was an auditor for 12 years including senior positions at PwC. Ian is a fellow of the Institute of Chartered Accountants in England and Wales.

Skills brought to the Board: Finance, retail experience

Sector experience: Finance and retail

External appointments: None

Attendance at Board meetings: Attended all

David Stead

Non-Executive Director (62)

Appointment date: November 2017

Committees: Audit: Chair, Remuneration: Member, Nominations: Member

David was CFO of Dunelm Group Plc from September 2003 until his retirement in 2015. Prior to this David was Finance Director for Boots The Chemists Ltd and Boots Healthcare International between 1991 and 2003. David is a chartered accountant, having spent the early part of his career with KPMG.

Skills brought to the Board: Finance and Public Markets, extensive board experience

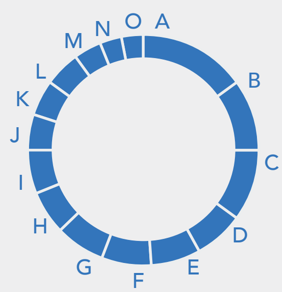
Sector experience: Finance and retail

External appointments:

- Non-Executive Director – Card Factory Plc
- Non-Executive Director – Joules Group Plc

Attendance at Board meetings: Attended all

BOARD ACTIVITIES



A	Disposals of Majestic Wine businesses and Lay & Wheeler	15%
B	Remuneration Policy and remuneration matters	10%
C	Trading updates and financial performance	10%
D	External Reporting	7%
E	Board appointments, including succession planning	7%
F	Employee share scheme	7%
G	Risk management and mitigation	7%
H	Budgeting and plans	6%
I	Strategy (financial and operational)	6%
J	Investor relations	5%
K	Auditor reports, appointment and fees	5%
L	Opportunities in the US	5%
M	Capital allocation	4%
N	Key policies and governance including Alternative Investment Market (AIM) compliance	3%
O	Sustainability	3%

	2019								2020			
Board	17 Apr	14 May	4 Jun	11 Jun	24 Jul	8 Aug	4 Oct	19 Nov	17 Feb	20 Feb	19 Mar	20 Mar
Audit				11 Jun		8 Aug	4 Oct	19 Nov				20 Mar
Remuneration				11 Jun			4 Oct	19 Nov				20 Mar
Nominations				10 Jun					6 Jan			

Governance

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company has adopted the QCA Code since 2018 on the basis that it is the corporate governance code most suited to the requirements and size of the business. In this report we have set out a summary of what we have done to comply with the ten principles of the QCA Code and will continue to do. Further information on the application of the QCA Code by the Company can be found on our website – this should be read as an integral part of this report.

Throughout the report we have used a key code of symbols indicating where various principles of the Code have been addressed to assist the reader to follow our story.

QCA Code compliance summary

Principle	In short – What we did	What we are going to do
1 Establish a strategy and business model which promote long-term value for shareholders	We have divested of Majestic Wine and Lay & Wheeler so that the business can concentrate on one brand only and capture the growth opportunities of our business model Please see Strategy (page 15) and Our business model (page 24)	Investing with discipline and looking at expanding our market share
2 Seek to understand and meet shareholder needs and expectations	• In addition to the AGM, the Company held an extraordinary general meeting (EGM) when it met with shareholders • The Directors meet regularly with institutional investors and provide opportunities to hear their views • We also engaged with a number of our investors through an investor survey Please see Stakeholder engagement (page 39)	Continue to provide opportunities to meet and communicate with shareholders and listen to what they have to say in a transparent and clear manner
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	• Held regular meetings with and listen to the concerns posed by our staff • Kept supporting our winemakers and engaged periodically with our suppliers, sharing our values and ethical principals • Collected sizeable donations to support communities we work in e.g. South African school children, Australia fire relief Please see Stakeholder engagement (pages 41-43) and Sustainability report (pages 54-55)	Continue to listen to our stakeholders and maintain a dialogue Live up to our purpose of connecting everyday wine drinkers with the world's best independent winemakers
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	• Maintenance and review of a Group risk register • Early identification of new risks and implementation of a mitigation strategy where identified risk is considered likely • Regular reporting of the risk management to the Board and the Audit Committee Please see Risk management and controls environment (pages 44-49)	Continue to implement our risk management and controls systems across our Group to identify and mitigate our risks while continuing to seek out opportunities to further enhance our business
5 Maintain the Board as a well-functioning, balanced team led by the Chair	• Appointed a new Chairman and CEO • Management worked closely with the Non-Executive Directors outside of formal Board meetings with regular updates during the Majestic Wine and Lay & Wheeler disposals • Streamlined the Board functions with delegation of certain matters to Committees of the Board Please see Governance report (page 63)	Continue to attract suitable talent to add to the skill set of the team as and when required
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	• Maintained governance structures with the required skills, and appropriate balance of skills and expertise • Assessed the potential skill set which would ideally be present in any new Director appointments Please see Governance report (pages 60-61)	Offer training sessions to Directors to enhance understanding of regulatory requirements and business environment
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	• Addressed shortcomings identified by independent assessment and review of Board carried out last year • Carried out a lengthy succession planning leading to appointments of a new Chairman and new CEO Please see Governance report (page 64)	Carry out a formal Board evaluation by an independent assessor
8 Promote a culture that is based on ethical values and behaviours	• Maintain regular engagement with our staff through a number of surveys and Group updates • Reviewed Group policies relating to our corporate social responsibility, ethical values and behaviours, which are rolled out, communicated and applied at Group level Please see Sustainability report (pages 54-55) and Ethical values and behaviour section of the Governance report (page 64)	Continue to work towards our goal to disrupt the wine industry for the benefit of our customers, winemakers and our people
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	• Applied the QCA Code and governance best practice • Became a member of the Quoted Company Alliance • Formalised composition of Audit and Remuneration Committees Please see Governance report (page 63)	Continue to review our governance structures to ensure that they are fit for purpose
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Engaged with stakeholders, including shareholders, through a variety of methods, to ensure that they understood how the business was performing Please see Stakeholder engagement report (pages 38-43) and Sustainability report (pages 50-57)	Continue to communicate with all stakeholders and to maintain a dialogue

QCA Please refer to this symbol throughout the report to cross-refer where we address the QCA Code principles.

QCA 6 9

Governance structures fit for purpose

The list of Board members, including short biographies and skill sets, as well as Committee membership, is set out on pages 60 and 61.

- The Chairman has responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between the Chairman and the CEO, as well as all Board members and executive management, remains collaborative, cordial and robust. The Board members work together in the best interests of the Company, while remaining comfortable to engage in rigorous and constructive debate. There is no individual or group of individuals dominating the Board's decision-making processes.
- The Board has a Charter ("Board Charter") which sets out in detail its functions and responsibilities, as well as the clear separation of duties between me, the Chairman and the Chief Executive Officer. It also clarifies the role of the Senior Independent Director (SID), Ian Harding. The Company has in place a statement of authority, which supplements the delegated authority set out in the Board Charter. This is reviewed annually to ensure that the correct controls are in place across the organisation. The Board has delegated certain powers to itself to the Audit, Remuneration and Nominations Committees. It has also set up a Bid Committee to deal with any potential public offers for the Company.
- John Walden replaced Greg Hodder as Chairman and Nick Devlin replaced Rowan Gormley as CEO. Greg Hodder and Rowan Gormley both retired during the reporting period. The Company's Articles of Association require that one third of the Directors stand for re-election annually. This is done through a process of rotation with those recommended for re-election by shareholders being subjected to a peer review prior to recommendation. This year David Stead, Justin Apthorp and Katrina Cliffe will retire by rotation and, being eligible, offer themselves for re-election. Directors' contracts are available for inspection at the Company's registered office and at the Annual General Meeting and are summarised in the Remuneration Report (see pages 65 to 73). We remain confident that the Board comprises individuals with the necessary skills and expertise to enable it to function effectively with a full understanding of the business.
- As a Board we consider the independence of all members and have an effective conflict of interests procedure in place. Under this policy, the Directors must declare any other commitments and interests, which assist in the determination of independence. Changes to commitments and interests are reported to the Company Secretary, and where appropriate referred to the Board, as and when necessary. On this basis Justin Apthorp has been determined to be non-independent given his previous status as an employee of the Company and his shareholding. (See Table below for shareholding).
- In accordance with the Company's Articles of Association, and to the extent permitted by law, the Company may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office. Accordingly, the Company holds directors' and officers' liability insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their position, but the cover does not extend to claims arising from dishonesty or fraud.
- We keep a running Board and Committees annual work plan, which ensures that all elements of business are addressed across the relevant governance bodies. Meeting dates are aligned with the financial and trading calendars of the Company ensuring a spread of meetings across the calendar year. The scheduled meetings may be supplemented with additional meetings as and when necessary.
- Our meetings are structured, and the agendas of the Board and Committees are reviewed by and agreed with the respective chairs. The Board and Committees receive appropriate notice prior to meetings and are provided with relevant information in advance of the meetings. More specifically, Non-Executive Directors are regularly kept abreast of financial and operational performance. The Company reports on its monthly headline performance against its agreed budget and the Board reviews variances at each meeting.
- The Board recognises the need to promote an ethical culture and to lead from the top. We have a Code of Conduct which is applicable to our employees and suppliers and makes it clear what is expected of them. The Code of Conduct is regularly reviewed, is shared with our staff and suppliers and is available on our website (Code of Conduct).
- The Board held 12 meetings during the year as detailed on page 61. The meetings in October 2019 took place in the US. It was our intention to also hold the March 2020 Board meeting in Napa, but could not do so because of COVID-19 travel restrictions. We remain cognisant of the costs associated with holding Board meetings abroad. It does, however, allow the members the opportunity to familiarise themselves with all operations, specifically the growing US market. Management visits the other operational areas, periodically to retain close relationships with all staff. All members of the Board continue to devote sufficient time and effort to their responsibilities as Directors.
- Where required, all Directors are able to seek independent professional advice in support of their duties to the Company, at the Company's expense, in addition to having full access to the Company Secretary/General Counsel, Group Chief Financial Officer and any member of the management team. Board members are also free to seek the counsel of Ian Harding, in his role as the SID. During the year the advice of recruitment consultants and head-hunters was sought in relation to the recruitment and remuneration of a number of senior management roles, including the CEO.
- As part of our enhanced processes, we have recognised the need for ongoing training and information sharing at Director level. Directors are given access to suitable training opportunities and receive regular updates regarding topical issues and changes in the governance environment. During the review period, we had a formal presentation by the Company's external legal advisors on stake-building and takeover and an update by the Company's Nominated Advisor on the AIM rules and its governance requirements. We run a formal induction programme for new Directors and an electronic "Directors' Toolkit" is available allowing easy access to information on the Group.
- We review overall Company performance and ensure that the necessary resources are available to management to give effect to the strategy. We exercise accountability to the shareholders and are responsible to safeguard the relevant interests of all stakeholders (see Stakeholder engagement on pages 38-43). Overall, I am of the view that the Board has provided the necessary strategic leadership and exercises effective oversight of the Company's activities, including over the internal controls and risk management process.

The Directors' personal interests in the ordinary share capital of the Company (including those of persons associated with them) as at 30 March 2020 were:

	Number of ordinary shares		
	2019/20	2018/19	2017/18
James Crawford	**138,499**	78,644	74,156
John Walden	**26,300**	–	–
David Stead	**–**	–	–
Ian Harding	**12,000**	12,000	12,000
Justin Apthorp	**150,000**	150,000*	300,000
Katrina Cliffe	**15,000**	–	–
Nicholas Devlin	**37,907**	–	–

* The disclosure of Justin Apthorp's holding in the 2019 annual report was incorrectly stated as nil, when it should have indicated a holding of 150,000 shares, which was held by a person associated with him. This has been rectified in this report.

Board Committees

The Board has in place Audit, Remuneration and Nominations Committees, all of which have specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant Committee and can be viewed on our website. All the Terms of Reference were reviewed during the reporting period. The membership of each of the Committees is set out on pages 60-61.

Audit Committee – the report of the Audit Committee under the chairmanship of David Stead is available on pages 74-75.

Remuneration Committee – the Directors' Remuneration report under the chairmanship of Ian Harding is available on pages 65-73.

Nominations Committee

- The Nominations Committee comprises at least three members, with the majority being independent. It is chaired by the Chairman of the Company
- The principal role of the Nominations Committee is to consider and make recommendations for Board appointments, to consider succession planning in respect of both the Board members and senior management and to consider the performance, ongoing training and evaluation of the Board
- The Nominations Committee meets as and when necessary, but at least to consider any Director's resignations and to review the Board performance and assessment

QCA 7 10

Board evaluation

Following the external Board assessment that the Board commissioned in 2018 and concluded in March 2019, the Board did not carry out a formal Board evaluation during the reporting period, but rather concentrated on implementing and monitoring corrective actions and recommendations which have been developed in response to matters identified by the external assessor as needing attention. In particular:

- Board composition – gender/ethnic diversity/ US knowledge
  Following the disposals of Majestic Wine and Lay & Wheeler, the Company is less UK-centric and the Board is now composed of two US-based members who have a wider knowledge and experience of the US market. We also identified a need to appoint another Non-Executive Director to better diversify our team and bring more experience of digital marketing and US retailing. This led to the appointment of Katrina Cliffe in May 2019. She has been a serving member of the Board since her appointment
- Board packs – streamlining and earlier delivery
  Management has worked at delivering more condensed versions of Board materials, and providing Board members with the materials well in advance of the meeting. Any discussion with the Board is always preceded by distribution of written materials to enable members of the Board to be fully briefed in advance of any decision being taken. The same process is adopted for the Remuneration and Audit Committees
- Boost internal audit function
  We are still looking to fill the permanent position but the function is currently maintained on a contract basis.
- Focus on sustainability
  Please cross-refer to our Sustainability report (see pages 50 to 57) to see the initiatives we have undertaken in the last 12 months.
- Discuss further enhancement of Board interaction
  The Board formalised the delegation of certain decision-making powers to the Remuneration and Audit Committees and streamlined the composition of the same.

Ethical values and behaviour

We understand our corporate culture to be the shared values, attitudes, standards, beliefs and behaviours which determine how we engage with one another and deal with external business transactions. We believe that this relationship is based on trust. This means that as a Board we are inherently focused on ensuring that this relationship is maintained through, among other things, promoting and embedding an ethical culture across everything the business does.

Internally, we drive a culture of respect and fairness. We have a number of policies which underpin this approach including our Code of Conduct, Anti-Bullying and Harassment, Equal Opportunities, Anti-Bribery, Competitions, Maternity Benefits, Data Protection, Share Dealings, Anti-Money Laundering, Health and Safety, Substance Abuse, Recruitment and Discipline. We continually re-enforce the messages around behaviours and have a Whistleblowing Policy and procedure to assist with bringing transgressors to our attention.

Naked Wines is an accredited Disability Confident Employer since October 2019. As a Disability Confident Employer we have demonstrated to (i) have undertaken and successfully completed the Disability Confident self-assessment, (ii) are taking all of the core actions to be a Disability Confident Employer and (iii) are offering at least one activity to get the right people for our business and at least one activity to keep and develop our people.

We have an employee share participation scheme which includes everyone. Reference to our Directors' Remuneration report (see pages 65-73) will show that the remuneration structure across all employees is disclosed, is fair and transparent. We continually look for ways to incentivise our staff so to allow them to directly reap the rewards of their hard work.

Externally, our suppliers are seen as part of the Naked Wines family, a position which is again strengthened by the Naked Wines business model which sees us connect everyday wine drinkers with the world's best winemakers. We also expect our winemakers, as well as other suppliers, to adhere to our standards and by subscribing to our Responsible Supplier Policy. We have again published our Modern Slavery Statement and continue to embed these principles across our supply chain through a detailed questionnaire, which will enable us to identify any high-risk areas and address them accordingly. It is our position that we will assist our suppliers to address shortcomings and will look for ways to help them to meet our expectations as stated in our policies.

Our sustainability plan has clearly identified responsible drinking as one of our priorities. The public concerns around alcohol misuse, underage drinking and general health risks are taken very seriously. While we want to increase the sale of wine, we want to be encouraging our customers to enjoy their alcohol responsibly. We provide strict guidelines on responsible drinking for our staff together with a policy to assist with support and education. We acknowledge that changing social norms and attitudes towards alcohol present a risk to our business and thus our commitment to responsible drinking remains a top priority. We have noted that, according to Drinkaware, fewer people in the UK are drinking at harmful levels while annual expenditure on alcohol per capita has increased. We see this as a positive sign for our business.

Succession planning

The Board regularly considers the issue of succession planning, at both a Board and executive management level.

FY19/20 saw significant changes to the Board with the appointments of a new Non-Executive Director, new Chairman and new CEO. In May 2019, we announced the appointment of Katrina Cliffe as a Non-Executive Director. We appointed John Walden as Non-Executive Director in June 2019 and he became Chairman of the Company in August 2019, following the Company's Annual General Meeting. After careful consideration we decided that Nick Devlin was the most suitable candidate for the CEO position to replace Rowan Gormley. Not only does Nick come with a thorough knowledge and understanding of the business, but he has also played a significant role in the development of our current business worldwide and has a wealth of experience in corporate strategy, marketing, customer segmentation and a deep knowledge of the US wine market.

Following the new appointments of both the CEO and Chair roles, we are of the view that the current Board composition has sufficient depth of skill and experience to ensure the continuation of leadership. Nonetheless, the Board is committed to continuing to identify suitable succession candidates.

At a Board level we have not only looked at the mix of skills and experience, but have also reviewed membership tenure to ensure that we have a suitable balance between continuity and new views and ideas.

Subsequent to the year end, it was determined that James Crawford will be transitioning to a new role as MD of the UK business and stepping down as Group CFO. We are currently in the process of recruiting for a new Group CFO.

A summary of the Board's skills and experience is set out on pages 60-61.

Directors' Remuneration report

Delivering the long-term potential of Naked Wines

We will continue to look for ways to enhance our proposition as an employer of choice while ensuring that we align the interests of our staff with that of our shareholders.

Dear Shareholder,

At the 2019 Annual General Meeting, we sought shareholder approval on each of the Remuneration Policy and Remuneration Report as part of our commitment to continually evolve and improve the way we do business and engage with our stakeholders. I am pleased to report that our shareholders were very supportive and 99.81% voted in favour of the Remuneration Report and 98.43% voted in favour of the Remuneration Policy.

Changes to our policies

Our guiding principles of competitive reward, simple but stretching incentives and broad employee share ownership remain unchanged. As I reported last year, following a review of our policies and practices and discussion with our largest shareholders, we identified two potential changes: (i) using a standstill EBIT measure to sit alongside total shareholder return (TSR) for the award of shares under our Long Term Incentive Plan (LTIP); and (ii) a minimum shareholding requirement for Executive Directors. I am pleased to report that the Committee has approved the introduction of both these measures into our Remuneration Policy. A minimum shareholding was introduced for our new CEO, Nick Devlin (see page 72 for more details).

The Committee believes that these changes are particularly relevant and timely now that the Board has decided that shareholders' interests are best served by focusing all of our capital and energies into delivering the long-term potential of Naked Wines.

Performance for the year

This has been a very busy and eventful year for the Group. As well as successfully growing Naked Wines, our fast-growing digital business with operations across the US, UK and Australia, we also completed the disposals of the Majestic Wine and Lay & Wheeler businesses. We were also busy with Board succession and, with our sights now firmly set on the attractive and fast-growing direct wine market in the US, we appointed a new Chairman and CEO, both of whom have extensive US experience.

LTIPs

The significant repositioning of the business was complex and took time to execute well. Over the last 18 months the related uncertainty weighed on investor sentiment and our share price significantly underperformed a peer group of retailers despite sustained growth in the continuing business. Clearly this impacted our shareholders and our staff for whom a significant element of their potential remuneration is directly linked to share performance. During the year, no LTIPs vested in July as the performance metrics were not met and the LTIPs in December only vested 30.4% of potential. We are disappointed with this result, but we believe the repositioning was the right thing to do for long-term value creation. We believe that the business is now in much better shape to thrive in the new world of retail, and the prospects for our business, our staff and our shareholders are bright.

Following the disposals of the businesses mentioned earlier, we took the decision to treat the staff at Majestic Wine and Lay & Wheeler as good leavers and to accelerate the vesting of share awards that were due to vest in the next 12 months. However, recognising our relative TSR performance the vesting was limited to one third of the potential.

Annual bonus

Naked Wines continued to grow strongly as we increased investment to build a base of loyal and profitable customers. Overall, results were mixed ranging from a very strong year in the UK where metrics were beaten, to a weaker performance in Australia where results fell short. Annual bonus awards were driven both by return on investment in new customers and profitability on sales to our repeat Angels. The Committee approved bonus payouts to staff between 35% and 115% of the target amounts, with the Group scheme (as applied to the Executive Directors) paying out at 91% of target. In addition, the Committee took the decision to reward James Crawford with a one-off bonus in recognition and thanks for his dedication and leadership during a critical time of business disposals, Board succession and continued business growth.

Deferred consideration shares

During the year we also vested the third and final tranche of Naked Wines deferred consideration shares in full, bringing this element of our reward scheme to a close. We are delighted that the Naked Wines business has more than lived up to our expectations at the time of the acquisition and has continued to deliver strong growth and a solid economic return on investment.

The year ahead

We will continue to look for ways to enhance our proposition as an employer of choice while ensuring that we align the interests of our staff with that of our shareholders. We believe that our approach of rewarding carefully targeted, and stretching performance metrics will help deliver our full potential value. For FY21 we are offering staff an enhanced bonus if they achieve stretch performances as a result of the COVID-19 pandemic triggering an acceleration of the business. As we continue to develop the Naked Wines business, in particular in the US, we will continue to review compensation practices to ensure that we can attract the best talent to our business. Our future is bright and our remuneration policies encourage our staff to think and act like business owners, with a real vested interest in the success of our company.

Ian Harding
Chair of the Remuneration Committee
June 2020

COVID-19

Towards the end of our financial year, the COVID-19 pandemic struck. As Nick says in the CEO report on page 17, the team put in place an excellent plan, with the aim of keeping our staff safe while continuing to safely supply wine directly to our customers as normal during these difficult times. That plan was very successfully delivered. All our staff are working safely from home and wine has continued to flow through the business to meet the increased demand for online wine delivery. As a result of the pandemic no staff were furloughed, we have not required any additional funding from the government or our shareholders and we continue to pay all our suppliers in full and on time.

Accordingly, our remuneration policies and practices remain unchanged and the Committee is delighted that our teams will continue to be properly rewarded for their fantastic efforts at this time.

Looking ahead, it is very difficult to know with any realistic certainty how the virus will continue to impact customer behaviour and economics in FY21. The business has developed a sensible operating plan that includes expectations of continuing higher demand, but also takes into account some reversion to normal buying behaviours and some potential recessionary impacts as the year progresses.

The Committee has recommended this plan be used for performance targets albeit it is far more uncertain than normal given the unprecedented circumstances. This is, perhaps more than ever, the time for a business to exercise some discretion as the year unfolds, so that our staff are suitably incentivised by hard targets while also being incentivised to be agile and react to events for the benefit of the business.

In these uncertain times, the Committee will ensure that our teams continue to be appropriately rewarded for activities that benefit the future of the business for all our stakeholders.

THE REMUNERATION COMMITTEE

Who

- The Remuneration Committee (the "Committee") comprises myself, as chairman, together with David Stead (independent non-executive) and Katrina Cliffe (independent non-executive)
- Executive Directors attend certain meetings as invitees, but play no role in decisions relating to their own remuneration
- Justin Apthorp is not considered independent by virtue of his time as an executive at the Group and his position as a major shareholder representative
- No member of the Committee has any conflict of interests, nor do they have any personal financial interests other than as shareholders. Subject to these qualifications, the Committee is considered independent

What

Responsibilities, in summary

- Determine and recommend to the Board the Remuneration Policy (Board, executives and general staff body) and monitor ongoing effectiveness thereof
- Determine specific targets and objectives for any performance-related bonus or pay schemes for executive directors
- Determine headline targets for any performance-related bonus or share schemes for staff
- Review and approve any material termination payment or executive package upon appointment

Main activities for review period

- Revisited performance criteria for LTIP
- Considered performance criteria for vesting of shares and payment of bonuses
- Approved vesting of LTIP and SIP to staff (and former Majestic Wine and Lay & Wheeler staff)
- Conducted a benchmarking exercise of CEO compensation
- Recommended CEO compensation to Board

How

- Terms of Reference (Remco ToRs)
- External services
  - Tapestry continues to provide ongoing support in respect of the various share schemes of the Company, although we did not incur any costs during the year
  - External head-hunters were appointed to support the search for the new CEO and new COO roles. Fees totalled: £91,000
  - Reviewed proposed compensation for other senior hires

When

The Committee meets as required and the list of meetings and attendance is contained in the Governance report (see pages 60 and 61)

The Remuneration Policy

Our Remuneration Policy was adopted following the 2019 Annual General Meeting, when 98.43% of shareholders voted in favour of the resolution.

Since then, the Committee identified and introduced two important changes:

- Adding a minimum shareholding requirement, which will apply to the Executive Directors and potentially future key senior executives
- Introducing a second performance condition attaching to the LTIP, in addition to relative TSR

In this report we describe the elements of our remuneration and its application in the review period, together with a clear link to our strategy and explanations as to how we implement each element operationally, setting out the maximum that an employee can earn as well as the performance measures. While this policy is specific to our executive level, at Naked Wines we pride ourselves on our simple and equal approach. We have thus included a column to indicate where a specific element of reward offered to executives differs substantially from that offered to other employees. As you will note, the rewards are significantly consistent across our structure with individuals generally being differentiated only on amount, linked to responsibility, skills and performance outcomes.

The Remuneration Policy is summarised on the following page.

As communicated to shareholders, we intend to ask shareholders to approve the Remuneration Policy every third year. It is intended therefore that shareholders will be asked to vote on the Remuneration Policy at the 2022 Annual General Meeting.

THE LINK – REWARD/STRATEGY/BUSINESS MODEL/KPIS AND RISK

	Remuneration Policy
Strategy • Generate shareholder value through acquisition and retention of customers • Increase future value of business	**Align long-term objectives of staff and shareholders** • Share participation • Performance targets/bonus
Business model • Long-term compounding growth which gets stronger with scale • Focus on customer retention, while testing and refining what we do, using data to measure and improve our actions	**Incentivise and retain staff to deliver model** • Competitive base salary • Attractive benefits and pension
KPIs • Financial • Operational and transformational	**Measure and link to individual performance** • Performance bonus • Share participation
Risk management • Risk appetite • Identify and rate risk • Mitigate and manage	**Encourage entrepreneurs without unacceptable risk/behaviours** • Realistic performance targets with stretch • Bonus payments

Current trends and shareholder expectations

Executive Remuneration Policy

1. Introduction

The Remuneration Policy is intended to offer fair, competitive and attractive reward packages consistent with the scale and performance of the Company. It is aligned to our strategy, key performance indicators (KPIs), risk management processes and also supports our business model.

2. Policy statement

We will seek to attract and retain talent through rewarding all our employees fairly while placing our overall company wellbeing, values and performance at the heart of our reward practices. We believe the reward process is key to change, establish and reinforce the outputs and behaviours of employees in order to achieve strategic business objectives and results.

3. Application

The Remuneration Policy is applicable to the executive management level, comprising the Executive Directors. Where applicable, the appropriate comparison with remuneration practices applicable outside of the executive management level is highlighted.

4. Reward principles

The following overarching principles are applicable:

- We will offer competitive salary packages that attract, retain and motivate talented people
- We will operate transparent, simple and effective reward schemes that incentivise delivery of stretching targets and our long-term business strategy
- We will offer the chance for all employees to participate in share reward schemes so that we all think and act like business owners

5. Remuneration elements and conditions

Reward levels

Our reward decisions are based on a robust assessment of the wider environment in which we operate, taking into account the conditions within similar retail markets, across our Group and within our budget limitations. Base salary is determined by a range of considerations including skills, experience and performance. Job categories and grading of roles are determined having regard to function, skills and responsibilities, resulting in a grading system that ranges from Executive Directors, management roles and operational entry-level roles. The components of remuneration listed in this policy are then set for each employee according to the job grade. Variations exist between Business Units based on local legal requirements and expectations for that territory.

Performance measures

Performance measures are applicable to the variable portion of remuneration and are divided into Group-wide and individual measures depending on the job description. Group measures are generally financial and details of these are set out on page 69 of the Annual Report. The higher the level of seniority the greater the weighting of the financial performance measures. Individual measures include more qualitative and operational criteria as contained in the operational and financial KPIs set out on pages 20-21 of the Annual Report.

Remuneration structure

Our remuneration structure can be summarised as follows:

Fixed	1. Salary 2. Pension 3. Benefits
Variable	4. Bonus 5. Shares LTIP SIP Legacy schemes

Fixed — 1. Salary

Policy

Purpose and link to strategy/KPIs:
Base salaries are set to recognise individual skill, experience, performance and market value of the role so as to attract, retain and motivate the best skills to deliver against the strategy and KPIs, implement our business model, manage our risks and exploit our opportunities, while remaining disciplined about fixed cost management.

Operation – How we determine it:
- Position/role
- Expertise
- Competitive salaries relative to the market and jurisdiction
- Wider employee pay structure
- Affordability – we strive to be competitive but manage costs in line with the Company revenue and budget

Operation – When we pay it:
Monthly, in cash (in the US two times monthly in line with local custom)

Limitation:
Maximum increases are no greater than local inflation unless: (a) there has been a material increase in industry rates; (b) changes in role have taken place with enhanced responsibility; or (c) there has been a reward for individual development.

How it is linked to performance:
It is not, except for consideration of performance expectation when setting and reviewing salaries.

Significant differences between Executive Directors and the main body of employees:
None, other than salary levels.

2019/20 application

- Inflation-linked pay rises were granted to employees who met or exceeded performance criteria
- Promotions and/or change in responsibility resulted in amended base salary structure
- Salary ranges reviewed and remained unchanged, save for the CEO role where salary was increased to market levels (see note below)

Name	Position	Basic salary/fees
Nick Devlin	CEO	$400,000
Rowan Gormley	CEO	£177,000
James Crawford	CFO	£206,000

The previous CEO, Rowan Gormley, volunteered to take a salary significantly below market levels and opted out of the Company LTIP scheme because of his unique position as the business founder with a very significant shareholding. With the appointment of Nick Devlin as the new CEO during the year, we undertook a benchmarking of the CEO compensation commensurate to the role in the open market and reflecting his residency in California. This resulted in a modest uplift from his remuneration as Chief Operating Officer, (although it appears like a substantial increase to the CEO salary when compared with Rowan Gormley).

Fixed — 2. Benefits

Policy

Purpose and link to strategy/KPIs:
Make us competitive within the market while providing financial protection for employees and their families, supporting staff retention.

Operation – What we offer:
- Paid annual leave
- Enhanced maternity benefits
- Credits to spend on wine
- Job flexibility
- Professional subscriptions (limited to two and HMRC approved)
- Company car or car allowance
- Private medical insurance
- Life insurance
- Relocation expenses
- Subsidised accommodation for multi-site employees
- Directors' and officers' liability insurance to "top up" indemnity from Company (where law allows)

Limitation:
Level of benefit are set by the Committee appropriate for our business relative to the market.

How it is linked to performance:
Benefits are not conditional on performance, but we believe they enhance recruitment and retention of talent and improve staff wellbeing.

Significant differences between Executive Directors and the main body of employees:
Executive Directors earn the maximum level of benefits which is graded according to job level.

2019/20 application

- All benefits were available to staff at a level commensurate to their grade
- 4.9% of staff took maternity or paternity leave
- Accommodation expenses of £44,645 were paid to the Executives during the period – these are no longer paid following the disposal of Majestic Wine

Fixed — 3. Pension

Policy

Purpose and link to strategy/KPIs:
Provide for a competitive post-retirement income which supports recruitment and retention of talented people to deliver on strategy.

Operation – What we offer:
We offer payments in defined contribution schemes. High earners in the UK impacted by the Tapered Annual Allowance in the UK may opt for (taxable) cash payments in lieu of contributions.

Limitation:
Contributions are based on percentage of salary, ranging from the statutory minimum for entry-level jobs, up to 20% of salary for UK-based Executive Directors.

How it is linked to performance:
Pension contributions are not conditional on performance but we believe that they enhance recruitment and retention of talent and improve staff wellbeing.

Significant differences between Executive Directors and the main body of employees:
The percentage of salary contributed is the highest level available to employees in line with local market practice.

Variable — 4. Bonus

Policy

Purpose and link to strategy/KPIs:
Reward employees for achieving key financial, operational and strategic goals, annually by selecting measures that drive long-term shareholder value, as well as reward achievement of customer-centric KPIs that grow and retain customer base.

Operation – How we determine it:
- We set each role an "on target" bonus as a percentage of salary (note: customer-facing staff may have fixed incentives for hitting short-term targets)
- Bonus and targets are set at the start of the financial year and performance is reviewed at the end of the financial year to assess whether targets have been reached
- The Committee applies discretion to the final bonus payout taking into account performance against targets and underlying performance of the Company

Operation – What we don't do:
- We do not reward failure or mediocre performance
- While encouraging stretch targets, we do not set unrealistic goals
- We do not encourage unhealthy risk-taking and inappropriate behaviour

Limitation:
"On target" bonus as a percentage of salary is tiered by grade. Executive Directors are set at 50% of salary. Other leadership roles operate at between 30 and 50% of salary.

How it is linked to performance:
The Committee determines annual metrics based on approved budget and priorities of forthcoming year. In FY19/20 we used three constructs to set these goals:

Naked Wines	
A Adjusted EBIT from repeat customers (calculated as repeat contribution minus fixed costs)	40%
A Value added from new customers investment (calculated as investment in new customers x forecast payback)	40%
Net inventory per repeat customer (calculated as inventory less liabilities to customers, per repeat customer)	20%

- In all cases individual performance is applied as a moderating overlay
- Targets are set at a level to incentivise ambitious performance but not drive unacceptable levels of risk or inappropriate behaviour
- For FY21 we are introducing a potential to double "on target" bonus if stretch performance materially ahead of budget is achieved, to incentive maximising the impact of the shift in customer behaviour due to COVID-19. We note that this gives Executive Directors a maximum bonus of 100% of salary which remains comparable to market benchmarks.

Significant differences between Executive Directors and the main body of employees:
Executive Directors receive the highest level of potential bonuses currently set at 50% of base salary. Executive Directors are required to defer 50% of any bonus earned in year by 12 months. At local level we incentivise staff based on local market performance rather than Group performance.

2019/20 application

Business performance outturn

Naked Wines	Component	Outturn
Repeat EBIT	40%	102.5%
Payback from new customer investment	40%	123.7%
Net inventory per repeat customer	20%	0%
Total	**100%**	**90.5%**

Individual calculations for Executive Directors

Nick Devlin*	Group COO	Group CEO
Period in role (months)	6	3
Salary ($)	377,000	400,000
Bonus %	50%	50%
Business performance (% of max)	90.5%	90.5%
Personal performance moderator	100%	100%
50% paid on business performance	42,639	22,620
50% moderated for personal delivery	42,639	22,620
Total payment	**85,278**	**45,240**

* Since appointment to the Group Board.

Individual calculations for Executive Directors continued

James Crawford**	Group CFO	Group CFO & UK MD
Period in role (months)	7	5
Salary (£)	206,000	206,000
Bonus %	50%	50%
Business performance (% of max)	90.5%	103.0%
Personal performance moderator	100%	100%
50% paid on business performance	27,182	22,091
50% moderated for personal delivery	27,182	22,091
Total payment	**54,364**	**44,182**

Rowan Gormley	Group CEO
Period in role (months)	9
Salary (£)	177,000
Bonus %	50%
Business performance (% of max)	90.5%
Personal performance moderator	100%
50% paid on business performance	30,028
50% moderated for personal delivery	30,028
Total payment	**60,056**

** In addition to his annual bonus, James Crawford was paid a one-off bonus of £75,000 due to the role he played in the successful completion of the Majestic Wine and Lay & Wheeler disposals

Variable — 5. Shares – LTIP

Policy

Purpose and link to strategy/KPIs:
Incentivise and retain staff while aligning management interests with the value creation interests of shareholders.

Operation – What we offer:
- Nil cost option awards made annually up to a fixed percentage of salary
- Discretion of the Committee to award
- Vesting over three years subject to performance conditions, whereafter no further holding period
- Clawback (awards may be reduced or cancelled)

Limitation:
Tiered scheme with maximum award currently set at 150% of salary for the CEO.

New LTIP metrics introduced in 2020
We have introduced a second metric, standstill EBIT, alongside relative TSR for the award of shares under our LTIP that is an absolute measure of value creation within the business.

30% of the FY21 award will be linked to the achievement of a standstill EBIT target in FY23. This is a very specific metric relevant to our online subscription business model and I set out below why we believe that this is the best absolute metric to incentivise long-term value creation. The remaining 70% will continue to be linked to relative TSR, albeit the current comparator group of mostly UK-based store retailers will be replaced with an international group of similar direct retailers.

We looked long and hard at various options for an absolute creation of value metric. Most were unsatisfactory as they required complicated calculations and lacked simplicity and transparency. We were determined that any measure should be a real incentive, i.e. staff would understand the levers they needed to pull in their role to achieve targets and earn the reward. And any metric should be grounded in reported figures, not a separate "black box".

We stood back and distilled the essence of what will make this business more valuable over time. We are an online, subscription-based direct retailer and this business will become more valuable over time if we can:

1. Grow the contribution from our existing customers
2. Maximise sales retention
3. Replace lost contribution from customer attrition
4. Minimise costs
5. Invest in new customers with attractive returns to create future contribution streams

Reported EBIT typically covers all five points above. What distinguishes standstill EBIT is that it is calculated to include only the cost of replenishment of the current customer base (see page 21 for a fuller explanation of our definition of this measure and page 132 for a calculation for FY20 and FY19). As such, this aligns the business with maximising our profitability from our repeat customers while maximising the repeat customer sales retention rate. Our view is that standstill EBIT captures all the key levers of success in our business, incorporates proven measures from inside the business and is grounded in our internal and external reporting. Ideally, we want standstill EBIT to healthily grow over time to provide the underlying profit and free cash flow to enable increased investment in new customers each year.

Furthermore, we plan to replace the previous metric (relative TSR compared with a collection of UK store retailers) with the new, more relevant metrics for existing schemes that have more than 12 months to run. We took this decision as we felt that it was important to refocus our teams onto the right growth levers for Naked Wines as soon as possible. I can assure you that this does not make the target any easier to achieve, it just makes the current incentives relevant to the ongoing business.

We plan to introduce both of these new metrics for the upcoming LTIP grant in July 2020.

How it is linked to performance:
- The plan has performance conditions which are linked to the creation of absolute value in a digital, direct business as well as rewarding staff when we deliver superior TSR relative to our peers. Both measures have a sliding scale of vesting
- Clawback/Malus provision

Significant differences between Executive Directors and the main body of employees:
The CEO has the highest percentage of salary awarded, currently set at 150%.

2019/20 application

- Conditional awards granted to staff in June 2019 and conditional top-up awards granted to staff in December 2019, with respective vesting in June 2022 and December 2022
- New/promotional adjustments made biannually
- Awards made in December 2016 have partly vested in January 2020 and awards made in July 2016 lapsed unvested in July 2019

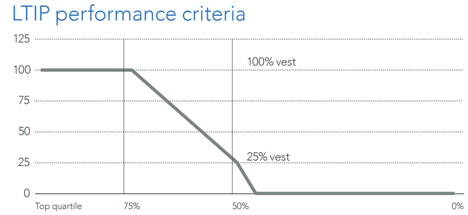
NOTE 1: LTIP performance criteria and comparator group

Vesting is determined by comparing the TSR of the Company against those in the comparator group. The calculation reflects share price movements, dividend payments and any other capital raising or return events.

The comparator group of companies is periodically reviewed by the Committee to ensure that there is no skewing of the outcome through selection. The current comparator group consists of listed entities (across AIM and FTSE) which are predominantly engaged in the retail sector. The group is being replaced with online/subscription business in July 2020.

There is a sliding scale of vesting against position in comparator group as follows:

LTIP performance criteria



NOTE 2: LTIP clawback/malus
- At discretion of the Committee
- Triggers are misconduct or a misstatement during the clawback period (three years from grant to vesting)
- The amount is determined on a basis that the Committee considers to be fair, reasonable and proportionate, and adjustment should not exceed the market value of the shares on the date the adjustment is made, or, if lower, the market value on the date that the shares were acquired by the participant
- Adjustment/clawback is effected by a transfer of shares, cash payment, reduced vesting in future, reduced number of future shares to vest, reduced future cash bonus, reduced value of shares

Misconduct means (the Committee applying discretion to interpretation):
- Any circumstances justifying summary dismissal of a participant from his office or employment with any member of the Group including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust
- Any material breach of a participant's terms and conditions of employment
- Any material violation of Company policy, rules or regulation

Misstatement means the materially inaccurate reporting of any accounts, financial data or such other similar information, resulting in such accounts, financial data or other information being materially corrected or any future accounts, financial data or information having to include write-downs, adjustments or other corrective items in order to address the material inaccuracy (such inaccuracy being determined by the Committee).

Variable — 5. Shares – SIP

Policy

Purpose and link to strategy/KPIs:
Incentivise and retain staff while aligning their interests with the value creation interests of shareholders.

Operation – What we offer:
- Open to all employees; in the UK this is an HMRC Approved SIP scheme
- Shares are awarded at nil cost
- Allocation of shares may be determined in accordance with a number of methods, including but not limited to performance, period of continuous employment and/or job grading
- Awards are made annually at the discretion of the Committee, based on fixed percentage of base salary, subject to maximum
- Vesting takes place after three years with a further two-year holding period to enjoy tax benefits
- Dividends may be earned during the holding period

Limitation:
Maximum award currently set at 2.5% of total annual remuneration or £3,600, whichever is the lower, with the equivalent in local currency in other geographies.

How it is linked to performance:
- Broad share ownership encourages staff to think and act like business owners aligning their interests with our shareholders
- The Committee has discretion to change the percentage of salary awarded in the event of poor performance
- Employees must remain in continued employment for the shares to vest

Significant differences between Executive Directors and the main body of employees:
Not applicable.

2019/20 application

- All enrolled employees offered SIPs in July 2019
- Total shares awarded are shown below

Total scheme shares as of 30 March 2020

Total issued and unissued shares subject to performance conditions	
LTIP	1,501,172
SIP	101,439
ESOS (Approved)	307,850
ESOS (Unapproved)	96,450
Total under share schemes	2,006,911
Total issued shares	72,874,018

Variable — 5. Shares – Legacy schemes

Policy

Purpose and link to strategy/KPIs:
The final tranche of the MIP awards vested in June 2019 and the options granted under the ESOS scheme will vest or lapse by 16 June 2020.

Significant differences between Executive Directors and the main body of employees:
Not applicable.

2019/20 application

- 24,000 ESOS options were exercised during the year
- Following the disposal of Majestic Wine any unexercised ESOS will vest or lapse by 16 June 2020 and the scheme will cease to operate
- Performance criteria for all tranches of shares under the MIP have been met
- Tranche 3 of the MIP vested in June 2019. A total of 45 members of the management team (including the CFO) were granted 526,300 new ordinary shares of 7.5p each. The scheme has ceased to operate. The MIP scheme is not considered in calculating our total employee share awards against the 10% of issued share capital, as agreed in the 2015 AGM

Executive remuneration 2020 (audited)

Name	Position	Basic salary/ fees £'000	Benefits £'000	Annual bonus payment £'000	Company pension contribution £'000	Total 2020 £'000	Total 2019* £'000	Total 2018* £'000
Nick Devlin	CEO – appointed in year	229	5	103	7	**344**	–	–
Rowan Gormley	CEO – retired in year	138	79	60	27	**304**	**1,116**	**2,750**
James Crawford	CFO	206	42	174	38	**460**	**364**	**452**

* During the migration of the Company's payroll function following the disposal of Majestic Wine, it became apparent that disclosure of Rowan Gormley's benefits in 2019 and 2018 had been understated by an amount of Benefit in Kind paid by the Company on his accommodation in London. These payments were in line with the Directors' Remuneration Policy both now and at the time at which they were paid. The comparative figures reported above now include the corrected value of Rowan Gormley's benefits received, being an additional £49,000 in both 2018 and 2019.

6. Recruitment and remuneration

The Recruitment Policy provides the framework for the attraction and selection of talented individuals to lead the Company. Remuneration forms a part of this process and the Committee determines the remuneration package for the appointment of any Executive Director position.

Our goal is recruitment of the best candidates to lead the Company and grow shareholder value. In undertaking this we consider:

- The general principles set out in this policy
- What is in the best interests of the Group and its shareholders without paying more than is necessary to secure the best person for the job

In addition, the Committee takes into account:

- Current incumbent package
- Skills and expertise of the candidate
- Jurisdiction from where person is recruited
- The appropriate structure of the package
- Comparable market compensation packages

In doing this, the Committee may consider the "buy-out" of existing equity or other elements of remuneration forfeited on leaving a previous employer. The Committee may also utilise the services of external recruitment consultants.

The limitations we impose on recruitment are as follows:

- The remuneration package will be limited to base salary, benefits, bonus and share plan participation as applicable in the policy
- "Buy-out" grants will only be paid in exceptional circumstances and will be capped at the current fair value

2019/20 application

During the year Nick Devlin was promoted from Chief Operating Officer to Chief Executive Officer and took over the CEO role on 9 January 2020. A summary of his compensation is set out in the table on page 71 of this report (see Directors' Remuneration 2019/20).

7. Service contracts

In order to retain key skills and mitigate risk from unplanned vacancies in key roles, all Executive Directors have rolling employment agreements with notice periods.

Our policy is to ensure that no contract extends beyond a 12-month period and thus Executive Directors' service contracts include a 12-month notice period by either the Company or the employee.

These are the longest notice periods in service contracts entered into by the Company, with other employees having up to six-month notice periods depending on the level of seniority within the organisation, in line with market norms.

Under the terms of his employment agreement the CEO is subject to a minimum shareholding requirement, meaning that he must hold equity in the Company equivalent to 100% base salary.

8. Policy of payment for loss of office

To ensure a smooth transition for leadership roles during times of change, we maintain a policy on payments for loss of office.

This operates as follows:

- The terms of the service contract and other legal obligations will be upheld
- The Committee will have the authority to approve any final payment taking into account the specific circumstances surrounding the termination, including but not limited to approved leaver criteria, performance, service and health
- The Committee may make such payments as are necessary to settle or compromise any claim or by way of damages, where it is seen to be in the best interests of the Company
- The Committee may waive the need for an executive to work any notice period and may make a payment in lieu thereof
- If an employee is deemed a good leaver, shares due to vest in the next 12 months will be accelerated. In the case of the LTIP this is subject to performance criteria being achieved. If the employee is considered a bad leaver then awards will lapse

We aim to limit any payments for loss of office to a maximum of one year's salary.

9. Non-Executive Directors (NEDs)

Appointment/termination

NEDs, including the Chairman, have letters of appointment from the Company which contain their terms of service. NEDs are appointed for an initial three-year term subject to election and annual re-election by shareholders, unless terminated earlier by and at the discretion of either party upon three months' written notice. All Directors (including NEDs) will be subject to the rotation policy, as contained in the Articles of Association of the Company, as well as the provisions of the Board Charter, terms of reference of the various Committees and Governance Codes adopted by the Company from time to time.

Remuneration

The NEDs are paid annual remuneration fees as set out in Fig 1. During the period under review the remuneration of the NEDs was £305,000 See Fig 2.

The remuneration is paid as an all-inclusive fee with no split between base and attendance fees. The remuneration does not include any additional benefits, and specifically excludes the participation by NEDs in any share scheme.

The Company has cover and pays for liability insurance, the amount of which is determined by management in consultation with the Audit Committee, taking into account the possible risks and liabilities attaching to the position of Director from time to time. For purposes of insurance Directors, alternate directors, committee members and advisors to the respective Committees are deemed to be Directors and enjoy the benefits of the insurance cover. It is noted that the insurance policy is compliant with the provisions of the Companies Act and does not provide cover in respect of acts or omissions by or on behalf of the Directors which are specifically excluded by the Companies Act.

Payment is effected monthly.

Fig. 1

Element	Operation	2020	2019	2018
Annual fee	Chairman	£100,000	£80,000	£80,000
	NED	£40,000	£40,000	£40,000
	Committee Chair	+£5,000	+£5,000	+£5,000
	SID	+£13,000	+£13,000	+£13,000

Fig. 2 (Audited)

Name	Position	Total 2020[1] £'000	Total 2019 £'000	Total 2018 £'000
John Carl Walden	Chair of Board	80	–	–
Ian Harding	NED/SID/Remuneration Committee Chair	58	59	51
David Stead	NED/Audit Committee Chair	45	44	19
Justin Apthorp	NED	40	40	40
Katrina Cliffe	NED	35	–	–
Gregory Hodder	NED	47	80	63
Total remuneration		**305**		

1 Remuneration of NEDs is solely fees as a Director. No other benefits are paid.
The total fees paid to NEDs during the reporting period slightly exceeded the cap of £250,000 under the articles of association of the Company. The reason for this is that during the reporting period (i) the fee payable to the Chairman increased from £80,000 to £100,000 per annum and (ii) the incoming and outgoing Chairmen overlapped during their handover period. Taken together these two factors caused the excess.

10. External appointments

Executive Directors will not be paid any fees as reward for serving on the Board or Committees of the Company or any company within the Naked Wines Group, nor will they be paid a fee in respect of services rendered on any other board on which they serve as a representative of Naked.

An Executive Director may be permitted to sit on external boards, subject to the following:

- The appointment must be to the benefit of the Director's development, but should not be to the detriment of their full-time position at Naked Wines
- Appointments to external boards must be declared to the Committee and must be referred to the Board for approval with a recommendation from the Committee
- Fees earned from an external position would be retained by the Executive Director in recognition of the risks attaching to board positions

11. Application of discretion

The Committee has discretionary authority in a number of instances which are set out in the policy as well as the various share scheme rules and its application. Some such examples include the interpretation of definitions within the clawback provisions of the LTIP rules, payment of relocation costs, payment of settlement amounts upon ending of contracts and the moderation element of individual performance on determination of bonus payments.

In using its discretion, the Committee will apply the following guiding principles:

- Always explain use of discretion, including how and why it was applied
- Discretion will not be used to reward failure
- Any decisions made using discretion will be reasonable, impartial, procedurally fair and will take into account all relevant information
- Discretion will be exercised having regard to the law, contractual entitlements, policies and the best interests of the Company
- Application of discretion will be consistent and follow precedent, where possible
- Decisions will be based on supporting evidence which will be retained

Where there is a discretionary authority in respect of the award of bonuses and shares, the position of the Committee is that discretion should be used to address the effect of unforeseen challenges and not as the norm. In this regard the Committee will endeavour to reach a discretionary decision which will be applicable for an agreed period of time (example: accelerated vesting for good leavers for LTIP shares).

12. Review and amendment of the policy

The Committee has discretion to amend the terms of the policy. Where any amendments are required, the Committee will maintain regular and transparent communication with shareholders to understand their views on the remuneration arrangements of the Company.

The Remuneration Policy shall be put to a non-binding advisory vote of the shareholders at every third annual general meeting of the Company.

% UK Employment Men : Women

	Men	Women
Top	67	33
Upper middle	72	28
Middle	67	33
Lower middle	21	79
Total	57	43

UK Gender pay facts

	Men	Women	Unit
Hourly mean pay rate 2020	27.60	17.49	£
Hourly mean pay rate 2019	13.88	14.69	£
Mean bonuses paid 2020	15.7	3.5	£'K
Mean bonuses paid 2019	2.7	1.7	£'K
Portion of employees receiving bonus 2020	70.0	63.0	%
Portion of employees receiving bonus 2019	88.0	83.0	%

Our gender based pay analysis has moved considerably since the disposal of the Majestic Wine businesses, which influenced the statistics in the previous year.

- The business now contains a high proportion of highly paid technology and IT roles where the market is still under-represented by female staff
- The distribution of bonuses is influenced by vesting of the historic management acquisition lock-in shares issued to Naked Wines founders and other employees on the acquisition of the business by Majestic Wines plc. This award rewarded those founders for achieving a minimum value creation over a four year period after the acquisition by Majestic Wines plc. The figures are skewed because the management and founders of the business had an unequal gender split

The Group continues to be actively engaged in initiatives to promote gender equality. These include:

- A clear and transparent grading system to assist in identifying where further equality improvements are needed;
- The options for flexible working conditions for all staff;
- Initiatives and a review process to support equal opportunity hiring;
- Salary benchmarking and challenge windows to help support equal outcomes of salary negotiations;
- A transparent and easy to understand appraisal framework; and
- Skills based tasks as an integral part of the recruitment process.

Audit Committee report

Provide oversight and governance

The objective of the Audit Committee is to provide oversight and governance to the Group's financial reporting, its risk management systems and the appointment of and relationship with the external auditor.

I am pleased to present this report on behalf of the Audit Committee, whose responsibilities are set out below.

In common with most businesses, Naked Wines has been affected by the COVID-19 crisis. While this has not had the severe adverse impact on short-term trading suffered by many, it has nevertheless brought challenges both operationally and administratively. The Audit Committee has been particularly concerned to monitor the impact on year-end results preparation and the external audit process; while there have been logistical challenges, we are pleased to note that the year-end process has run as smoothly as could have been hoped.

From a reporting and disclosure perspective, in addition to the impact of COVID-19 we have had particular focus on the major transactions which have re-shaped the Group in the course of the year (i.e. the disposals of the Majestic Wine business and of Lay & Wheeler), and the way they are presented in the financial statements. The financial statements seek to provide information primarily on the continuing business of Naked Wines as distinct from those disposed businesses, and we believe that is appropriate.

The streamlining of the Group has enabled the Directors to move to a more simplified presentation of performance. For example, underlying measures have been removed as they did not provide materially new information, and the definition of adjusted EBIT will be streamlined in future. The Audit Committee welcomes these changes.

The nature of the risks facing the Group has changed to some extent as a result of COVID-19 and following the major divestments, and we have been sensitive to that in reviewing the risk management framework.

The Group has commenced implementation of a new accounting system. The system was implemented in the UK business during the financial year and was rolled out to the US business shortly after the year-end. The Committee has received regular updates on progress, and notes that we have now completed an audit process with these systems in place.

David Stead
Chairman of the Audit Committee
June 2020

Key responsibilities

Terms of Reference are available on the Compliance section of the Naked Wines plc website. In accordance with these Terms of Reference, the Audit Committee is required, among other things, to:

- Monitor the integrity of the financial statements of the Group, reviewing any significant reporting issues and judgements they contain
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied
- Review the adequacy and effectiveness of the internal control and risk management systems
- Oversee the relationship with the external auditor, reviewing performance and advising the Board on their appointment and remuneration
- Review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, together with monitoring management's responsiveness to internal audit findings

Audit Committee governance

The Audit Committee was chaired during the year under review by David Stead who is a chartered accountant with recent and relevant financial experience, having served as Chief Financial Officer of Dunelm Group plc from 2003 to 2015 and again, on an interim basis, in 2018.

The other members of the Audit Committee during the year were Ian Harding and Katrina Cliffe. At the invitation of the Audit Committee, meetings were also attended by James Crawford, the external auditors and by the Group Finance Director, where relevant.

The Audit Committee meets a minimum of three times per year including at least twice a year with the external auditors present. A private meeting was also held with the external auditors at which management were not present.

The key work undertaken by the Audit Committee during the year under review and up to the date of this Annual Report is detailed overleaf.

Activities of the Audit Committee during the year

Internal controls and risk management

The Board has overall responsibility for the system of internal controls and risk management. The Audit Committee has reviewed these on behalf of the Board.

The Group has an established set of standards for internal controls, and adherence to these standards is confirmed in regular reporting from management and validated by a programme of internal audit work.

While in the year under review, the Group had no internal audit capability, assurance that controls were being applied as anticipated in each of the operating units was achieved via a process of peer review. The Audit Committee does not regard this as an ideal solution for the long term, but considers that the process has been satisfactory for the year under review, with the added benefit of sharing best practice learnings among the operating unit heads of Finance.

Based on the outcome of the peer reviews, the Audit Committee is satisfied that the Group has a satisfactory control environment relative to its scale and complexity.

The Audit Committee also received and considered reports from the external auditor, Deloitte LLP, which included control findings relevant to their audit.

Alongside the internal audit activities described above, management conducts an annual process to identify and evaluate the risks faced by the Group. This process was reviewed by the Audit Committee which made recommendations to develop it further. In addition, the Board carried out its own review of key risks.

The Review of the year on pages 10 to 57 includes further detail as to the business risks identified and actions being taken.

The Audit Committee considered the potential risks arising from home working during the COVID-19 pandemic and was satisfied with management's explanations in this regard.

Significant reporting issues and judgements

The Audit Committee considered a number of significant reporting matters and judgements, in respect of which it reviewed the recommendations of the Finance function and received reports from the external auditors on their findings.

These matters included:

- The presentation of the significant disposal transactions undertaken during the year, and of the operating results of the disposed businesses
- The valuation of deferred consideration in respect of the disposed businesses
- The presentation of "adjusted" profit alongside statutory profit. The Audit Committee considered the approach adopted in previous years and was satisfied that this approach continues to provide a useful view of the underlying performance of the business. With the exception of the share based payments charge, which will be included in adjusted profit from FY21 onwards but previously excluded, the approach is being applied consistently from year to year and the rationale is clearly disclosed (see the Financial review on pages 32 to 36 for details)
- The carrying value of goodwill and other intangible assets, to determine whether any impairment had been suffered. The Audit Committee reviewed the key financial assumptions underpinning cash flow projections, the discount and long-term growth rates applied thereto and the results of sensitivity analyses. The Audit Committee was satisfied that no impairment was required and that appropriate disclosure has been made (see note 16 on page 106 for details)
- The implementation of IFRS 16, which became fully effective in the year; albeit that the impact of IFRS 16 fell mainly on businesses which have now been disposed of

The Audit Committee and the Board received a report reviewing trading scenarios and cash requirements in light of COVID-19 and was satisfied that the Group will have adequate resources to continue in operational existence for the foreseeable future.

As a result of its work, the Audit Committee was able to confirm to the Board that it considers this Annual Report and financial statements, taken as a whole, to be fair, balanced and (to the extent possible while complying with applicable legal, regulatory and reporting requirements) understandable.

External audit

The Group's external auditors since 2014/15 have been Deloitte LLP.

The Audit Committee considers a number of areas in relation to the appointment of the external auditors, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their remuneration.

The Audit Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditors report to the Audit Committee on actions taken to comply with professional and regulatory requirements. They are required to rotate the lead audit partner every five years, as a result of which a new audit partner took responsibility for the audit in the year under review. There is also an active, ongoing dialogue between the Audit Committee and the external auditors on actions to improve the effectiveness and efficiency of the external audit process.

The Audit Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Deloitte LLP and has recommended to the Board that they be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

In addition to their statutory duties, Deloitte LLP may be also engaged where, as a result of their position as external auditors, they are best placed to perform non-audit services. This includes, for example, the interim review and other minimal and incidental non-audit work including in the year some Australian share base payment tax compliance work.

Directors' report

As required under the Companies Act, the Directors present their report and Group financial statements for the year ended 30 March 2020

a) Results and review of the business

The Group income statement is set out on page 82. The Directors' report should be read in conjunction with the Chairman's letter on pages 14 and 15 and the Strategic report on pages 1 to 57, which together include information about the Group's business performance during the year and indication of future prospects. Details of significant events since the balance sheet date are contained in note 36 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Financial and investment review on page 34.

b) Dividends

A special dividend of 5.2p per share was declared on 17 December 2019 and paid on 15 January 2020. The Company will not be declaring a final dividend during the reporting period (FY19: nil final dividend). The Directors' intention is to maintain a capital allocation policy aimed at maintaining a healthy balance sheet, investing in growth in a disciplined manner and returning to shareholders any funds in excess of the level reasonably needed to fund growth and manage risk.

c) Strategic report

The Strategic report, which can be found on pages 1 to 57, sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties.

d) Significant events since the end of the financial year

The Company issued a trading update on 9 April 2020, in which it reported the early impact of the COVID-19 pandemic on Naked Wines, emphasised its efforts to take care of customers, independent winemakers and colleagues during this difficult time and provided its expectations for a positive effect on its trading results. It remains too early to fully understand the likely impact of COVID-19 on the economic growth of our principal markets – the US, UK and Australia – or consumer demand for our proposition.

e) Articles of Association

The Company's Articles of Association may only be amended by special resolution and in accordance with AIM Rule 26 and are available on the Company's website at www.nakedwinesplc.co.uk/about-us/our-board-corporate-governance/corporate-governance

f) Share capital

The authorised and called-up share capital of the Company, together with details of the ordinary shares allotted and purchased during the year, are shown in note 31 to the financial statements.

g) Major shareholders

At 15 May 2020 the following interests of shareholders in excess of 3% have been notified to the Company:

Shareholder	Number of ordinary shares held	Ordinary shares as % of issued share capital
Apthorp Family	8,390,333	11.51
Conifer Capital Mgt (New York)	7,158,805	9.82
JMX Capital	4,746,734	6.51
T Rowe Price International	4,746,311	6.51
Punch Card Capital	4,416,386	6.06
Aberdeen Standard Investments (Standard Life)	4,097,742	5.62
Rowan Gormley	3,794,581	5.21
Shareholder Value Mgt	2,725,000	3.74
Pershing Securities	2,690,639	3.69

In accordance with the AIM Rule 26 in so far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands is 0.52%. This percentage comprises the holdings of Directors and related parties.

The Company is subject to the UK City Code on Takeovers and Mergers.

h) Change of name

As a result of the disposal of Majestic Wine, the Company changed its name from 'Majestic Wine PLC' to 'Naked Wines plc' on 13 August 2019.

i) Political donations

During the year, no political donations were made.

j) Directors' indemnities and insurance

The Company maintains directors' and officers' liability insurance which is reviewed annually and is permitted under the Company's Articles of Association and the Companies Act 2006. The Company agrees to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law. No Directors were indemnified during the year.

k) Annual General Meeting

The Annual General Meeting will be held at 11.30am on 6 August 2020 at Norvic House, 29–33 Chapel Field Road, Norwich NR2 1RP. The Notice of Annual General Meeting, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting, is enclosed with this Annual Report.

The Notice specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the Annual General Meeting. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the Annual General Meeting and published on the Company's website.

l) Financial reporting

The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board and a re-budgeting exercise is carried out once during the financial year. The key trading aspects of the business are monitored weekly and internal management and financial accounts are prepared monthly. The results are compared with budget and prior year performance. The Group's financial risk management objectives and policies are discussed in note 28 to the financial statements.

m) Modern slavery

We take the issue of modern slavery very seriously. This has been addressed as part of our Sustainability Report and our statement is available here: https://www.nakedwinesplc.co.uk/wp-content/uploads/Anti-Modern-Slavery-Statement.pdf

n) Key performance indicators

The Group monitors a number of performance indicators both financial and non-financial. See pages 20-21 for a full list of KPIs.

Statement of Directors' responsibilities

o) Disclosure of information to auditor
In accordance with section 418 of the Companies Act 2006, each Director who held office at the date of this Directors' report confirms that, as far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware, and he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

p) Board of Directors
Details of the Board of Directors can be found on pages 60 and 61.

q) Stakeholder engagement
Please refer to the section 172(1) statement on pages 38-39 and to the Stakeholder engagement initiatives mentioned on pages 41 and 42 regarding (i) how the Directors have engaged with employees and have had regard to their interests during the financial year and (ii) how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard.

r) Disabled employee engagement
See page 64 for our accreditation as a Disability Confident Employer.

s) Greenhouse gas emissions reporting
Following the sale of Majestic Wine, Naked Wines no longer qualifies as a large undertaking for the purposes of the Energy Savings Opportunity Scheme Regulations 2014.

The Company is, however, required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations, which came into force on 1 April 2019. Details of our report are set out on page 53 of the Strategic Report. As this is the first year that the Company has had to undertake a GHG emissions assessment to comply with SECR, no specific measurable energy efficiency actions have yet been undertaken.

The Group, however, continues to consider a number of initiatives to improve our energy utilisation, such as improved lighting and heating within our buildings. Across the Group, we have also import wine in bulk and we are continuing to grow this method of importation for cost, quality and environmental reasons. This results in the reduction of CO_2 emissions and improved efficiency of deep sea wine transit.

Directors' responsibility statement
The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 the affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 Presentation of Financial Statements requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- Assess the Group's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and parent company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group and parent company's position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 22 June 2020 and signed on its behalf below.

Auditor
A resolution to reappoint Deloitte LLP as auditor of the Group will be put to the Annual General Meeting.

The Directors will also be given the authority to fix the auditor's remuneration.

Approved by the Board of directors

Nicholas Devlin
Chief Executive Officer
24 June 2020

James Crawford
Chief Financial Officer
24 June 2020

Registered in England and Wales
No. 2281640

Independent auditor's report to the members of Naked Wines plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Naked Wines plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with United Kingdom Generally Accepted Accounting Practice, including financial reporting standard 101 "reduced disclosure framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and parent company statements of changes in equity;
- the group and parent company balance sheets;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 57.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Risk of fraudulent recognition of revenue through management override.
Materiality	The materiality that we used for the group financial statements was £2.5 million which was determined using group revenue from continuing operations as the key benchmark.
Scoping	We have performed full scope audit procedures over 100% of the Group's revenue from continuing operations and 99% of net assets. We have also performed a full scope audit over 93.7% of the revenue from discontinued operations. The remaining group entities were subject to analytical procedures.
Significant changes in our approach	In the prior year impairment of Majestic Wine store assets was identified as the key audit matter. This has not been included in the current year as the group disposed of this component. In the current year we identified fraudulent recognition of revenue through management override as a new key audit matter. In the prior year materiality was determined using a blended rate of financial metrics including revenue, normalised pre-tax profits and net assets. In the current year materiality has been determined using revenue from continuing operations as the sole metric. The following components were within full scope for the group audit in the prior year and are no longer in scope: • Lay & Wheeler Limited The following components were not in full scope for the group audit in the prior year and are in scope in the current year: • Naked Wines Australia (Pty) Limited There have been no other significant changes in our approach in the period to 30 March 2020 compared to the prior period.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in 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 group's or the parent 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 these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Risk of fraudulent recognition of revenue through management override

Key audit matter description	The group generated revenue from continuing operations of £202.9m in the year end 2020 (2019: £178.4m). Revenue consists of sales of wine to subscription and one off customers, and is recognised on delivery of the goods provided. Revenue is a key metric when evaluating the performance of the business, and has received increased scrutiny externally and internally in the current year due to the disposal of the high street and fine wine divisions of the group in order to focus on management's growth strategy for the remaining online business. As a result, this year we newly identified a potential risk of bias or fraud through management manipulation of revenue journal entries. As Naked Wines is an online retail business, sales journals are collated based on data recorded automatically in the online sales system at point of order. Given the high volume and low value of individual sales transactions, we considered the risk of material error to be as a result of manual journals posted by management to override financial reporting processes and controls. The accounting policy for revenue recognition is on page 94.
How the scope of our audit responded to the key audit matter	In order to address the risk of fraudulent recognition of revenue due to management override, our procedures included: • Obtaining an understanding of the relevant controls over the appropriate recognition of revenue, in particular the reconciliation between sales order reports, the revenue recorded in the general ledger and cash received. • Reviewing and understanding the revenue recognition policy to understand characteristics that might indicate revenue journal entries outside the normal course of business. • Using our data analytics tools to identify a population of manual entries to revenue, from which we have selected a sample of items. We have challenged management on the business rationale for these entries and obtained supporting evidence to corroborate management's explanations. • Performing a historical monthly gross margin analysis to identify and investigate any unusual trends or fluctuations in the data which were not in line with our knowledge of the business.
Key observations	As a result of the procedures performed, we concluded that revenue had been recognised appropriately in accordance with the revenue recognition policy and accounting standards.

6. Our application of materiality

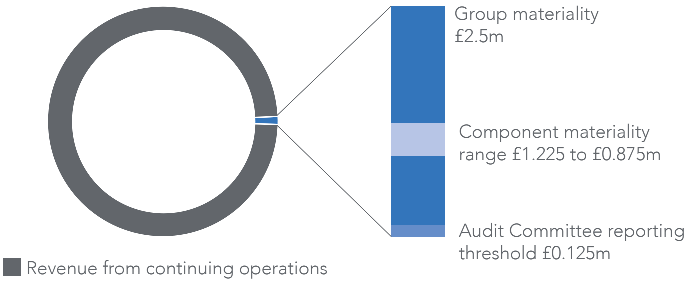
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£2.5m (2019: £2.7m)	£1.2m (2019: £1.2m)
Basis for determining materiality	1.3% of revenue from continuing operations. In the prior year we considered a combination of three benchmarks: revenue, normalised pre-tax profits and net assets. Materiality represented 0.5% of revenue, and 2.4% of net assets.	Parent company materiality equates to 1.1% (2019: 2.8%) of net assets.
Rationale for the benchmark applied	We determined materiality based on revenue from continuing operations given that the simplified Naked Wines group is focussed on growth and therefore revenue is the key measure of overall performance used by stakeholders. As the group is currently pursuing a reinvestment strategy, profits are volatile and do not represent a stable measure on which to base materiality. Following the disposal of the Majestic Wines high street retail business and the store asset network, net assets are no longer considered as relevant to the group given they are now an online only business. Accordingly, we have changed the basis of determining materiality to focus on revenue for the current year.	As the parent company is non-trading we have determined net assets to be the appropriate benchmark.

6. Our application of materiality (continued)



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). We have set performance materiality at this level reflecting the following factors, namely:

- Changes in the business, primarily the disposal of the high street and fine wine divisions. This simplified the business and leaves the group less exposed to high street retail risks.
- The nature, size and volume of adjustments identified in the prior year and whether these occurred in the continuing or discontinued parts of the business.
- Low turnover of key management personnel and finance staff.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £125k (2019: £135k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Naked Wines Plc are 100% owners of Naked Wines International Ltd, which acts as a holding company for the three Naked Wines trading companies, based in the USA, the UK and Australia, as well as the non-trading components. In addition Naked Wines Plc disposed of its 100% shareholdings in Majestic Wine Warehouses Ltd, Lay & Wheeler Ltd, Les Celliers de Calais S.A. and Vinotheque Holdings Ltd during the current year.

Our group audit was scoped on an entity basis, assessing components against the risk of material misstatement at the group level. We considered group wide controls, and the quantum of financial statement balances and individual financial statement transactions of a significant nature.

We performed full scope audit procedures on all significant trading companies in the UK, USA and Australia. The results taken together for these entities account for over 99% (2019: 92%) of the group's revenue from continuing operations, pre-tax profits and net assets.

We have performed a full scope audit over income statement balances of the disposed subsidiary, Majestic Wine Warehouses Ltd, as this contributes a significant proportion of the results from discontinued operations. In the prior year Lay & Wheeler Ltd was included as a full scope component for qualitative reasons as we were aware of potential plans to sell the business, although it was not quantitatively significant to the results of the group. This component was disposed after 6 months of the current year and is no longer quantitatively or qualitatively significant and therefore has not been included in full scope. Analytical review procedures have been performed on the income statement balances up to the date of disposal. At the parent entity level, we tested the consolidation process and carried out analytical procedures to confirm there were no material misstatements in the aggregated financial information of the group's non trading subsidiaries that were not subject to full scope audit.

All UK entities were audited by one team in the UK led by the Senior Statutory Auditor. Audit work at all audit locations was executed at a local component materiality level determined by reference to the scale of the business concerned, with all entities using a materiality lower than group materiality. Component materiality applied ranged from £875,000 to £1.2 million (2019: £1.1 million to £2.3 million).

At the group level we have performed testing over the group consolidation, including tying through all component reporting packs for in scope entities to the consolidation, and testing consolidation adjustments. Procedures performed to test consolidation adjustments include challenging management as to the business rationale for the entries and obtaining supporting evidence to corroborate management's explanations. We have performed analytical reviews of the balances in components that are not in scope to understand any indications of risk in the balance which would require further work to be performed.

7.2. Working with other auditors

We have engaged with component audit teams to perform work over the USA and Australian trading divisions, which are both full scope components in the current year. Detailed instructions were sent to the USA and Australia component audit teams, who were included in team briefings to discuss risk assessment.

We have attended calls with component audit teams, including close calls at the conclusion of the audit work which were attended by The Senior Statutory Auditor. Due to travel restrictions in place as a result of the Covid-19 outbreak we have not visited components in person but have obtained remote access to working papers in order to review the work performed and have reviewed component reporting documents.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on other legal and regulatory requirements

10. Auditor's 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 auditor's 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 auditor's report.

11. Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception
12.1. Adequacy of explanations received and accounting records
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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Schofield FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

24 June 2020

Group income statement

For the year ended 30 March 2020

	Note	Year ended 30 March 2020 £'000	Restated See note 5 and 13 Year ended 1 April 2019 £'000
Continuing operations			
Revenue	6	**202,911**	178,438
Cost of sales		**(125,352)**	(109,969)
Gross profit		**77,559**	68,469
Distribution costs		**(34,955)**	(30,057)
Administrative expenses		**(47,478)**	(47,528)
Operating loss ("EBIT")	9	**(4,874)**	(9,116)
Net finance charges	11	**(501)**	(789)
Loss before tax from continuing operations		**(5,375)**	(9,905)
Analysed as:			
Adjusted loss before tax		**(1,931)**	(3,747)
Adjusted items:	8		
– Non-cash charges relating to acquisitions		**(3,646)**	(5,004)
– Other adjusted items		**202**	(1,154)
Loss before tax from continuing operations		**(5,375)**	(9,905)
Tax	12	**(1,310)**	278
Loss from continuing operations		**(6,685)**	(9,627)
Discontinued operations			
Profit from discontinued operations, net of tax	13	**14,837**	227
Profit/(loss) for the period		**8,152**	(9,400)
Loss per share – Continuing operations	15		
Basic and diluted		**(9.3p)**	(13.7p)
Earnings/(loss) per share – Total group	15		
Basic		**11.3p**	(13.3p)
Diluted		**11.1p**	(13.3p)

Group statement of comprehensive income

For the year ended 30 March 2020

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Profit/(loss) for the period	**8,152**	(9,400)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(1,320)**	215
Other comprehensive (losses)/income	**(1,320)**	215
Total comprehensive income/(losses) for the period	**6,832**	(9,185)

The total comprehensive income for the year and the loss for the prior year is wholly attributable to the equity holders of the parent company, Naked Wines plc.

Group statement of changes in equity

For the year ended 30 March 2020

	Note	Share capital £'000	Share premium £'000	Capital reserve – own shares £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 2 April 2018		5,363	20,989	(17)	363	2,486	91,717	120,901
Loss for the period		–	–	–	–	–	(9,400)	(9,400)
Other comprehensive income for the period		–	–	–	–	215	–	215
Shares issued	31	48	127	–	–	–	(44)	131
Credit to equity for equity settled share based payments – ongoing	33	–	–	–	–	–	909	909
Credit to equity for equity settled share based payments – acquisition related	33	–	–	–	–	–	1,499	1,499
Dividends paid	14	–	–	–	–	–	(5,188)	(5,188)
Deferred tax on share based payment	12	–	–	–	–	–	84	84
At 1 April 2019		5,411	21,116	(17)	363	2,701	79,577	109,151
Adjustment on initial application of IFRS 16	2	**–**	**–**	**–**	**–**	**–**	**36**	**36**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**8,152**	**8,152**
Other comprehensive losses for the period		**–**	**–**	**–**	**–**	**(1,320)**	**–**	**(1,320)**
Shares issued	31	**55**	**46**	**–**	**–**	**–**	**(53)**	**48**
Credit to equity for equity settled share based payments	33	**–**	**–**	**–**	**–**	**–**	**1,695**	**1,695**
Dividends paid	14	**–**	**–**	**–**	**–**	**–**	**(3,786)**	**(3,786)**
Deferred tax on share based payment	12	**–**	**–**	**–**	**–**	**–**	**(397)**	**(397)**
At 30 March 2020		**5,466**	**21,162**	**(17)**	**363**	**1,381**	**85,224**	**113,579**

Group balance sheet

As at 30 March 2020

	Note	30 March 2020 £'000	1 April 2019 £'000
Non-current assets			
Goodwill and intangible assets	16	**35,996**	45,153
Property, plant and equipment	17	**1,234**	54,301
Right-of-use assets	18	**5,289**	–
Investment property	19	**899**	–
En primeur purchases	20	**–**	897
Prepaid operating lease costs	21	**–**	647
Deferred tax assets	12	**3,309**	2,259
Other receivables	23	**13,005**	–
		59,732	103,257
Current assets			
Inventories	22	**69,935**	119,464
Trade and other receivables	23	**5,737**	18,132
En primeur purchases	20	**–**	4,296
Financial instruments at fair value	28	**539**	–
Cash and cash equivalents		**54,736**	19,093
		130,947	160,985
Assets classified as held for sale	24	**953**	–
		131,900	160,985
Total assets		**191,632**	264,242
Current liabilities			
Trade and other payables	25	**(26,046)**	(66,363)
En primeur deferred income	20	**–**	(5,564)
Deferred Angel and other income	28	**(43,632)**	(39,657)
Bank overdraft	26	**–**	(12,096)
Lease liabilities	27	**(1,165)**	–
Provisions	29	**(1,165)**	(2,344)
Deferred lease inducements	30	**–**	(397)
Bond financing	26	**(84)**	(99)
Financial instruments at fair value	28	**(143)**	(3,011)
Current tax liabilities	12	**–**	(123)
		(72,235)	(129,654)
Non-current liabilities			
En primeur deferred income	20	**–**	(1,068)
Deferred lease inducements	30	**–**	(1,502)
Provisions	29	**(348)**	(203)
Bank loan	26	**–**	(22,444)
Lease liabilities	27	**(4,198)**	–
Deferred tax liabilities	12	**(1,272)**	(220)
		(5,818)	(25,437)
Total liabilities		**(78,053)**	(155,091)
Net assets		**113,579**	109,151
Shareholders' funds			
Called-up share capital	31	**5,466**	5,411
Share premium	31	**21,162**	21,116
Capital reserve – own shares	31/32	**(17)**	(17)
Capital redemption reserve	31	**363**	363
Currency translation reserve	31	**1,381**	2,701
Retained earnings		**85,224**	79,577
Equity shareholders' funds		**113,579**	109,151

The financial statements of Naked Wines plc (company registration number 02281640) were approved by the Board and authorised for issue on 24 June 2020 and were signed on its behalf by James Crawford.

Group cash flow statement

For the year ended 30 March 2020

	Note	Year ended 30 March 2020 £'000	Restated See note 5 Year ended 1 April 2019 £'000
Cash utilised by operating activities			
Cash utilised by operations	35	**(117)**	(8,774)
UK income tax paid		**(276)**	(35)
Overseas income tax paid		**(268)**	(127)
Net cash utilised by operating activities – continuing operations		**(661)**	(8,936)
Net cash generated from operating activities – discontinued operations		**22,290**	14,774
Net cash generated by operating activities		**21,629**	5,838
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed of		**63,761**	–
Purchase of property, plant and equipment		**(569)**	(589)
Purchase of intangible fixed assets		**(544)**	(331)
Net cash generated/(used) in investing activities – continuing operations		**62,648**	(920)
Net cash used in investing activities – discontinued operations		**(2,430)**	(6,092)
Net cash generated/(used) in investing activities		**60,218**	(7,012)
Cash flows from financing activities			
Interest paid		**(344)**	(638)
Issue of ordinary share capital		**53**	131
Repayments of principal under lease liabilities		**(1,153)**	–
Draw down of borrowings		**–**	9,500
Repayment of borrowings		**(22,459)**	(2,346)
Equity dividends paid		**(3,786)**	(5,188)
Net cash (used in)/from financing activities – continuing operations		**(27,689)**	1,459
Net cash (used in)/from financing activities – discontinued operations		**(6,625)**	2
Net cash (used in)/from financing activities		**(34,314)**	1,461
Net increase in cash		**47,533**	287
Cash and cash equivalents at beginning of year		**6,997**	6,781
Effect of foreign exchange rate changes		**206**	(71)
Cash and cash equivalents at end of year	35	**54,736**	6,997

Notes to the financial statements

1 General Information

Naked Wines plc (formerly Majestic Wine plc), "the Company" is a public limited company and is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is the ultimate controlling party of the Naked group and its ordinary shares are traded on the Alternative Investment Market ("AIM").

The address of the registered office is given on the inside back cover. The Group's principal activity is the retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

2 Adoption of new and revised standards

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 2 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets.

The Group is not party to any material leases where it acts as a lessor, but the Group does have a number of property and equipment leases.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policies under IFRS 16 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leases of a value of less than the equivalent of £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the consolidated income statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(ii). Under IFRS 16.C8(b)(ii), the right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives at transition date.

Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(i), whereby right-of-use assets are calculated as if the standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 2 April 2019 ranges from 3.205% to 3.918%.

2 Adoption of new and revised standards (continued)

Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

	As previously reported at 1 April 2019 £'000	Impact of IFRS 16 £'000	As restated 2 April 2019 £'000
Non-current assets			
Goodwill and intangible assets	45,153	–	45,153
Property, plant and equipment	54,301	–	54,301
Right-of-use assets	–	59,436	59,436
Other non-current assets	3,803	482	4,285
Current assets			
Inventories	119,464	–	119,464
Trade and other receivables	22,428	(1,543)	20,885
Cash and cash equivalents	19,093	–	19,093
Total impact on assets	264,242	58,375	322,617
Current liabilities			
Trade and other payables	(117,435)	397	(117,038)
Lease liabilities	–	(9,840)	(9,840)
Bank overdraft and loans	(12,096)	–	(12,096)
Current tax liabilities	(123)	–	(123)
Non-current liabilities			
Lease liabilities	–	(50,357)	(50,357)
Bank loan	(22,444)	–	(22,444)
Other payables	(2,993)	1,461	(1,532)
Total impact on liabilities	(155,091)	(58,339)	(213,430)
Retained earnings	109,151	36	109,187

Of the right-of-use assets of £59.4m recognised at 2 April 2019, £58.5m related to leases of property and £0.9m to leases of plant and motor vehicles.

Operating lease commitments at 1 April 2019 as disclosed in the Group's consolidated financial statements:

	£'000
Operating lease commitments disclosed under IAS 17 at 1 April 2019	73,018
Short-term and low value lease commitments straight-line expensed under IFRS 16	281
Adjustments re embedded leases not previously recorded as operating lease commitments	1,216
Adjustments re lease terms re-assessed under IFRS 16	(5,224)
Other adjustments relating to commitment disclosures	(221)
Effect of discounting	(8,873)
Lease liabilities recognised at 2 April 2019	**60,197**
Disclosed as:	
Current liabilities	9,840
Non-current liabilities	50,357
	60,197

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared with IAS 17. During the financial year ended 30 March 2020, in relation to leases under IFRS 16, the Group recognised the following amounts in the consolidated income statement:

	Continuing operations				
	Depreciation £'000	Loss on disposal of lease £'000	Finance charges £'000	Net lease expense £'000	Total £'000
Cost of sales	234	–	–	(246)	**(12)**
Distribution costs	306	8	–	(332)	**(18)**
Administrative expenses	623	–	–	(685)	**(62)**
Operating loss/(profit)	1,163	8	–	(1,263)	**(92)**
Net interest payable	–	–	156	–	**156**
Loss/(profit) before tax	1,163	8	156	(1,263)	**64**

	Discontinued operations				
	Depreciation £'000	Gain on disposal of lease £'000	Net finance charges £'000	Net lease expense/ income £'000	Total £'000
Revenue	–	–	–	115	**115**
Distribution costs	6,764	(6)	–	(7,479)	**(721)**
Administrative expenses	71	–	–	(191)	**(120)**
Other operating income	–	–	–	27	**27**
Operating loss/(profit)	6,835	(6)	–	(7,528)	**(699)**
Net interest payable	–	–	1,260	–	**1,260**
Loss/(profit) before tax	6,835	(6)	1,260	(7,528)	**561**

The following new amendments effective in the year do not have an impact on the financial statement of the group:

IFRS	Subject
Annual Improvements to IFRS Standards 2015–2017 Cycle	
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9 (amendments)	Prepayment Features with Negative Compensation

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS's that have been issued but are not yet effective.

IFRS	Subject
Amendments to References to the Conceptual Framework in IFRS Standards	
IFRS 3 (amendments)	Definition of a Business
IAS 1 and IAS 8 (amendments)	Definition of Material
IFRS 9, IAS 39 and IFRS 7 (amendments)	Interest Rate Benchmark Reform

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

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

3.1 Basis of accounting
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs as adopted by the EU and therefore the Group financial statements comply with Article 4 of the EU IAS Regulations.

The Group's financial reporting year represents the 52 weeks to 30 March 2020 and the prior financial year, 52 weeks to 1 April 2019.

The consolidated financial statements are presented in GBP, the functional and presentational currency of the parent company.

The financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair values as at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Company has taken advantage of the exemption provided in section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The Company has not made any other comprehensive income and consequently has not presented a statement of comprehensive income for the year.

3.2 Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Despite current accelerated trading, which will further the group's ability to drive growth and future profitability if sustained, management has produced forecasts that have been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the Group and its global markets, which have been reviewed by the Board of Directors. These forecasts demonstrate that the Group has access to sufficient cash reserves (net cash £54.7m at 30 March 2020, no bank debt), for the forecast period of more than twelve months beyond the date of the signing of these financial statements, to enable the Group to meet its obligations as they fall due.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. See page 35 for a fuller description of the scenarios that the Directors have reviewed in their consideration of the assumption of going concern.

3.3 Basis of consolidation
The consolidated financial statements include the financial statements of Naked Wines plc and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has:

- Power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

3.4 Presentation of adjusted items
The Group's income statement and segmental analysis separately identify trading results before certain adjusted items. The Directors believe that presentation of the Group's results in this way is relevant to understanding the Group's financial performance by providing additional useful information for shareholders on underlying trends and performance. Adjusted items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and provides a meaningful analysis of the trading results of the Group. In determining whether an event or transaction should be adjusted for, management considers quantitative as well as qualitative factors such as the frequency or predictability of the item. Details of adjusted items can be found in note 8.

3.5 Cost of sales
Cost of sales consists of the cost of the product, including excise duties, credit card processing charges and the cost of the online selling teams.

Naked Wines generally trades with its suppliers on a simple purchase price agreement with no complex buying arrangements in place. Any supplier incentives, rebates and discounts are simple in nature and are recognised within cost of sales as they are earned.

3.6 Finance costs
Financing expenses comprise interest payable under the effective interest rate method, including the amortisation of loan arrangement fees. Finance income comprises interest receivable on funds invested, positive cash balance and accrued income on the Vendor loan note. (See 3.19 below).

3.7 Share based payments
The Group operates a number of equity-settled share based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of shares or options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares or options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

3.8 Taxation
Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax
Income tax is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred taxation is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is also recognised in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.9 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the year.

The consolidated financial statements are presented in GBP which is the Group's functional and presentational currency. Each entity in the Group determines its own functional currency. The income and expenses of overseas subsidiaries are translated at the average rate of exchange ruling during the year. The balance sheet of the overseas subsidiary undertaking is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of overseas subsidiaries are reported in the statement of comprehensive income and are transferred to the Group's currency translation reserve.

3.10 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Goodwill arises when the fair value of the consideration for a business exceeds the fair value of the net assets acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units (CGUs), or groups of CGUs. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The recoverable amounts of CGU are determined based on the higher of net realisable value and value in use calculations. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the business.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount with the impairment loss being recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement. The Group does not reverse impairment losses previously recognised on goodwill.

Acquisition-related costs are recognised in the income statement as incurred.

3.11 Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each asset. The estimated useful lives are as follows:

Customer list and relationships	6 years
Brand	8 years
Software	2–5 years
Licences	Over the term of the licence

Customer lists and relationships and brands arise only on acquisition.

3.12 Impairment reviews

Impairment reviews in respect of other intangible and tangible assets are performed at least on an annual basis and furthermore when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. See note 16 Goodwill and Intangible Assets for further explanation of the basis of impairment testing.

3.13 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis to write the cost of an asset down to its residual value over the estimated useful lives of each asset. The estimated useful lives are as follows:

Freehold land	Not depreciated
Freehold buildings	50 years
Leasehold properties	For the term of the lease
Equipment, fittings and vehicles	3–10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less rebates and discounts. Work in progress includes advance payments to winemakers.

3.15 Deferred Angel and other income

Amounts received by the Group from Angels are initially reported as a liability in the balance sheet. It is recognised as revenue in the period when Angels use the funds to buy wine and delivery of goods is made. See note 28 Financial Instruments for a fuller explanation of the nature of the sums received from our Angels and the rights and obligations the Group assumes in respect of these amounts.

3.16 Provisions

A provision is made when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably measured. Provisions are discounted for the time value of money where the effect is material.

3 Accounting policies (continued)

3.17 Leases

Group as lessee

Accounting for leases under IAS17 as set out in this note relate to the numbers reported in the prior year under this reporting standard. The Group adopted IFRS 16 under the modified retrospective approach on the 2 April 2019 and as such has not restated its prior year comparatives under this standard. See note 2 for disclosure of accounting for leases in the current year under IFRS 16. Assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or fair value. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight-line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Leases agreements for less than one year are charged to the income statement on a straight-line basis over the lease period.

Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the lease term.

3.18 Pensions

The Group contributes to a number of defined contribution pension plans in respect of its employees. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

3.19 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. Any provision for impairment is established based on an expected loss model.

In the current financial year, the Group acquired deferred contingent consideration and issued a vendor loan note in the course of the disposal of the Majestic Wine businesses. The deferred contingent consideration is held at fair value with any adjustments to value made through the income statement. The vendor loan note is initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. Any provision for impairment is established based on an expected loss model.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits, with original maturities at inception of less than 90 days. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost.

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of directly attributable issue costs.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations arising from operational activities. These instruments are primarily foreign exchange forward contracts. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured at fair value at subsequent reporting dates. For derivative financial instruments not designated as a hedge, the gain or loss on re-measurement to fair value is immediately recognised in the income statement.

There were no derivatives accounted for using hedge accounting during the year.

3.20 Own shares

Naked Wines plc shares held by the Group are classified in shareholders' equity as "Capital reserve – own shares" and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

3.21 Investment property

The Group has elected to use the cost model for investment property.

4 Critical accounting policies, estimates and judgements

Estimates and assumptions underlying the preparation of the financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, the Directors consider there to be no critical accounting estimates and judgements that have a significant effect on the amounts recognised in the financial statements.

IAS1.125 sets out that the Group should disclose information about the major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year. Whilst the Directors do not believe that the below contain such estimation uncertainty, the Directors wish to draw to the attention of the users of the accounts the following estimates used in the preparation of these financial statements.

In the determination of the valuation of the deferred contingent consideration due from CF Bacchus Holdco Limited on the disposal of the Majestic Wine businesses, the Group makes a number of accounting estimates including assumptions around the likelihood of a significant disruption to trade in Majestic Wine's Calais business following the UK's departure from the European Union. Disruption to the regulatory landscape and consequently to the performance of the Majestic Calais business may result in the deferred contingent consideration not becoming receivable. The Directors currently believe that the risk of the deferred contingent consideration not becoming payable is low. See note 28 for the disclosure of the nominal and fair value of the deferred contingent consideration.

In the determination of whether the vendor loan note issued to CF Bacchus Holdco Limited on the disposal of the Majestic Wines businesses is showing indicators of impairment, the Group makes a number of accounting estimates including assumptions made in relation to forecast cash flows of this financial asset and the underlying ongoing solvency of the Majestic Wines businesses and CF Bacchus Holdco Limited. At this time and on the basis of available evidence, the Directors do not believe that any indicators of impairment exist.

Although significant judgements and estimates are used in determining the value in use for calculation of impairment of goodwill and acquired intangible assets, there is sufficient headroom available to believe that there is no significant risk of material adjustment to the carrying amount of intangibles within the next financial year. See note 16 for further disclosure relating to goodwill and acquired intangible fixed assets.

5 Prior year comparatives

The prior year comparatives for the Group income statement, the Group cash flow statements and associated notes to the financial statements have been restated and presented as if the operations had been discontinued from the start of the comparative year.

The reconciliations of the Group income statement and the Group cash flow statement as presented in the prior year financial statements to the restated prior year comparatives are shown below:

Reconciliation of restated prior year group income statement

	Year ended 1 April 2019		
	As reported £'000	Discontinued operations £'000	Restated £'000
Revenue	506,144	327,706	178,438
Cost of sales	(366,990)	(257,021)	(109,969)
Gross profit	139,154	70,685	68,469
Distribution costs	(65,612)	(35,555)	(30,057)
Administrative expenses	(82,071)	(34,543)	(47,528)
Other operating income	821	821	–
Operating (loss)/profit	(7,708)	1,408	(9,116)
Net finance charge	(787)	2	(789)
(Loss)/profit before tax	(8,495)	1,410	(9,905)
Analysed as:			
Adjusted profit/(loss) before tax	11,251	14,998	(3,747)
Adjusted items:			
• Non-cash charges relating to acquisitions	(5,229)	(225)	(5,004)
• Other adjusted items	(14,517)	(13,363)	(1,154)
(Loss)/profit before tax	(8,495)	1,410	(9,905)
Tax	(905)	(1,183)	278
(Loss)/profit for the period	**(9,400)**	**227**	**(9,627)**

5 Prior year comparatives (continued)

Reconciliation of restated prior year cash flow statement

	Year ended 1 April 2019		
	As reported £'000	Discontinued operations £'000	Restated £'000
Cash generated by operating activities			
Cash generated by operations	7,946	16,720	(8,774)
UK income tax paid	(1,729)	(1,694)	(35)
Overseas income tax paid	(379)	(252)	(127)
Net cash generated by operating activities	5,838	14,774	(8,936)
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,472)	(4,883)	(589)
Purchase of intangible fixed assets	(1,518)	(1,187)	(331)
Purchase of prepaid lease assets	(53)	(53)	–
Proceeds from sale of non-current assets	31	31	–
Net cash used in investing activities	(7,012)	(6,092)	(920)
Cash flows from financing activities			
Interest paid	(636)	2	(638)
Issue of ordinary share capital	131	–	131
Draw down of borrowings	9,500	–	9,500
Repayment of borrowings	(2,346)	–	(2,346)
Equity dividends paid	(5,188)	–	(5,188)
Net cash from financing activities	1,461	2	1,459
Net increase/(decrease) in cash	287	8,684	(8,397)

Net increase in cash	287
Cash and cash equivalents at beginning of year	6,781
Effect of foreign exchange rate changes	(71)
Cash and cash equivalents at end of year	6,997

Reconciliation of prior year restated adjusted items

	Year ended 1 April 2019		
	As reported £'000	Discontinued operations £'000	Restated £'000
Non-cash charges relating to acquisitions			
Amortisation of acquired intangibles	(3,871)	(225)	(3,646)
Acquisition related share based payment charges	(1,358)	–	(1,358)
	(5,229)	(225)	(5,004)
Other adjusted items			
Impairment of fixed assets	(11,108)	(11,108)	–
Restructuring costs	(957)	(850)	(107)
Fair value movement through P&L on foreign exchange contracts	(1,540)	(1,001)	(539)
En primeur adjustment	38	38	–
Share based payment charges	(950)	(442)	(508)
	(14,517)	(13,363)	(1,154)
Total adjusted items	(19,746)	(13,588)	(6,158)

6 Revenue

Revenue represents the total amount receivable for the sales of goods and services, net of discounts and excluding value added tax sold, in the ordinary course of business.

Revenue is recognised in accordance with IFRS 15 as performance obligations are fulfilled to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Prior to a customer placing an order for wine, amounts received from Angels are recognised as a financial liability under the terms of IFRS 9 and are therefore not considered to be a contract liability in accordance with the requirements of IFRS 15. Variable consideration, such as consideration that may be subject to refund and return, is recognised when it is highly probably that a significant reversal in the amount of cumulative revenue will not occur when the related uncertainty is resolved. Revenue is recognised when the customer obtains control of their purchase and there is reasonable certainty regarding the recovery of the consideration. Specifically to the Group, the performance obligations of the Group are deemed to be fulfilled when our product is delivered to our customer or Angel, which is typically within one to three days following dispatch. The adjustment for unfulfilled contract income included as part of the deferred Angel balance is considered to be immaterial and therefore no further disclosure is made of this balance in the notes to the accounts.

The Group uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. As an almost exclusively consumer-facing business, we do not provide credit terms to our customers.

Sale of goods

Revenue from the sale of goods represents the sale of wines, beers and spirits through the Group's direct to consumer ecommerce channel. Sales from discontinued operations in the year were made in store, online and via en primeur sales.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group does not offer payment terms and dispatches goods when funds have been received from customers. As such it does not have any significant payment term arrangements.

7 Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses, the Group only operates one distinct operating segment, being Naked Wines which is a customer funded international online wine retailer.

Performance of this operating segment is assessed on revenue, adjusted EBIT (being operating profit excluding any adjusted items) and adjusted PBT (being profit before taxation excluding any adjusted items). These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of the segment. Adjusted items are not allocated to the operating segment as this reflects how they are reported to the Board.

The table below sets out the basis on which the performance of the business is presented to the Board. The Board considers that, as a single route to market and solely consumer facing business, the business is comprised of a single segment being exposed to similar underlying economic drivers across its whole business. The Group reports revenue from external customers as a single product group being wine and associated beverages.

Costs relating to centralised Group functions are not allocated to the operating segment for the purposes of assessing segmental performance and consequently central costs are presented separately.

Revenues are attributed to the countries from which they are earned. The Group is not reliant on a major customer or group of customers.

	Continuing operations			Discontinued operations				Group
Year ending 30 March 2020	Naked £'000	Un-allocated £'000	Total £'000	Retail £'000	Commercial £'000	L&W £'000	Total £'000	Total £'000
Revenue	202,911	–	**202,911**	177,021	31,564	7,693	216,278	419,189
Movement in en primeur sales	–	–	**–**	–	–	477	477	477
Reported revenue	**202,911**	**–**	**202,911**	177,021	31,564	8,170	216,755	419,666
Segment result – Adjusted EBIT	8,470	(9,900)	**(1,430)**	3,947	733	298	4,978	3,548
Finance income	–	321	**321**				11	332
Finance charges	(179)	(643)	**(822)**				(1,283)	(2,105)
Adjusted profit/(loss) before tax	**8,291**	**(10,222)**	**(1,931)**	3,947	733	298	3,706	1,775
Adjusted items:								
➲ Non cash items relating to acquisitions			**(3,646)**				(113)	(3,759)
➲ Other adjusted items			**202**				(1,423)	(1,221)
Profit/(loss) before tax			**(5,375)**				2,170	(3,205)
Depreciation	1,623	15	**1,638**	9,732	–	64	9,795	11,433
Amortisation	3,647	51	**3,698**	199	–	179	378	4,075
Impairments	–	–	**–**	740	–	–	740	740

Geographical analysis	UK £'000	US £'000	Australia £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000	Group total £'000
Reported revenue	79,993	90,904	32,014	**202,911**	211,185	5,570	**216,755**	**419,666**
Non-current assets excluding deferred tax assets	51,637	4,161	625	**56,423**	–	–	**–**	**56,423**

7 Segmental reporting (continued)

Restated year ending 1 April 2019	Continuing operations Naked £'000	Continuing operations Un-allocated £'000	Continuing operations Total £'000	Discontinued operations Retail £'000	Discontinued operations Commercial £'000	Discontinued operations L&W £'000	Discontinued operations Total £'000	Group Total £'000
Revenue	178,438	–	178,438	267,664	44,132	14,896	326,692	505,130
Movement in en primeur sales	–	–	–	–	–	1,014	1,014	1,014
Reported revenue	178,438	–	178,438	267,664	44,132	15,910	327,706	506,144
Segment result – Adjusted EBIT	6,656	(9,614)	(2,958)	11,333	2,512	1,151	14,996	12,038
Finance income	2	–	2	–	–	–	2	4
Finance charges	(77)	(714)	(791)	–	–	–	–	(791)
Adjusted profit/(loss) before tax	6,581	(10,328)	(3,747)	11,333	2,512	1,151	14,998	11,251
Adjusted items:								
➲ Non cash items relating to acquisitions			(5,004)				(225)	(5,229)
➲ Other adjusted items			(1,154)				(13,363)	(14,517)
Profit/(loss) before tax			(9,905)				1,410	(8,495)
Depreciation	457	–	457	5,269	–	82	5,351	5,808
Amortisation	3,759	45	3,804	311	–	232	543	4,347
Impairments	–	–	–	11,108	–	–	11,108	11,108

Geographical analysis	UK £'000	US £'000	Australia £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000	Group total £'000
Reported revenue	71,825	75,657	30,956	178,438	318,324	9,382	327,706	506,144
Non-current assets excluding deferred tax assets	37,024	936	77	38,037	59,970	2,991	62,961	100,998

8 Adjusted items

The Directors believe that adjusted profit before tax and adjusted diluted earnings per share measures provide additional useful information for shareholders on trends and performance. These measures are used for performance analysis. Adjusted profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit. The reconciliation from the reported prior year comparatives to the restated comparatives shown below is in note 5. The adjustments made to reported loss before tax are:

	Year ended 30 March 2020 £'000	Restated See note 5 Year ended 1 April 2019 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	**(3,646)**	(3,646)
Acquisition-related share based payment charges	**–**	(1,358)
	(3,646)	(5,004)
Other adjusted items		
Restructuring costs	**–**	(107)
Fair value movement through P&L on foreign exchange contracts	**396**	(539)
Foreign exchange movements on currency bank balances	**771**	–
Share based payment charges	**(965)**	(508)
	202	(1,154)
Total adjusted items	**(3,444)**	(6,158)

Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current new customer acquisition in its adjusted PBT, the Group includes the expenses of all ongoing customer acquisitions in its adjusted profit measures but removes the amortisation cost of those customers acquired before acquisition by Naked Wines plc.

Restructuring costs

The Group has incurred cash costs in 2019 in relation to Support Centre redundancy costs as part of the Group's restructuring process.

Fair value movement on foreign exchange contracts

We commit in advance to buying foreign currency to purchase wine in order to mitigate exchange rate fluctuations. International accounting standards require us to mark the value of these contracts to market at year end. As this may fluctuate materially we adjust it out to better reflect our trading profitability.

Foreign exchange movements on funding currency bank accounts

Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses during the year, the Group is now holding net cash on its balance sheet and this includes sums of foreign currency which it will deploy to fund its US and Australian businesses. At 30 March 2020, the FX revaluation of foreign currency balances held in the company were reported as adjusted items so as not to distort the picture of the underlying business cost base.

Share based payment charges

We operate SIP and LTIP schemes to incentivise employees. The majority of shares have been awarded under the LTIP scheme which delivers the shares to the employee subject to continued employment and the relative performance of the Group vs a set of peers in terms of total shareholder return performance. The relative nature of this performance criterion means that short-term fluctuations in share prices prior to the date of the award can have a material impact on the calculated expense of these schemes. To mitigate the volatility of these charges we adjust them out, while ensuring that we report the maximum total dilution from all share schemes so that our shareholders can calculate our financial performance on a fully diluted basis. See the Financial Review on page 32 for explanation of how the Group is proposing to account for Share based payment charges in future financial years.

9 Operating loss

Operating loss for the year has been arrived at after charging:

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Depreciation of property, plant and equipment	475	457
Amortisation of intangible fixed assets included within administrative expenses	3,698	3,804
Depreciation of right-of-use assets	1,163	–
Loss on disposal of tangible fixed assets	86	9
Loss on disposal of intangible assets	–	71
Net currency exchange gain	(859)	–
Auditor's remuneration		
Fees payable for the audit of the Company's subsidiaries	359	237
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	20	18
Total audit fees	379	255
Audit-related assurance services	35	30
Other taxation advisory services	41	–
Total non-audit fees	76	30
Total fees paid to the Company's auditor	455	285

10 Staff costs

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

	Year ended 30 March 2020	Restated Year ended 1 April 2019
Administrative and distribution	**193**	176
Sales	**140**	148
	333	324

Their aggregate remuneration comprised:

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Wages and salaries	**17,337**	15,991
Social security costs	**1,627**	1,644
Contributions to defined contribution pension plans	**585**	374
Share based payment charges – ongoing	**834**	422
Share based payment charges – acquisition related	**–**	1,473
	20,383	19,904

Directors' emoluments comprised:

	Year ended 30 March 2020 £'000	Restated* Year ended 1 April 2019 £'000
Salary and benefits	**1,004**	781
Bonuses accrued and paid in the year relating to the current year	**337**	57
Payments in lieu of pension contributions to money purchase schemes & contributions to money purchase scheme (401(k))	**72**	72
Emoluments before share based payment charges	**1,413**	910
Share based payment charges	**145**	847
	1,558	1,757

The highest paid Directors' emoluments comprised:

	Year ended 30 March 2020 £'000	Restated* Year ended 1 April 2019 £'000
Salary and benefits	**248**	298
Bonus accrued and paid in the year relating to the current year	**174**	26
Pension contributions to money purchase schemes	**38**	34
Emoluments before share based payment charges	**460**	358
Share based payment charges	**64**	758
	524	1,116

Detailed disclosure of Directors' remuneration is set out in the Remuneration Report on page 65.

* Details of the restatement to Director's emoluments in the year ended 1 April 2019 can be found in the Remuneration Report on page 71.

11 Finance income and charges

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Finance charges		
Interest payable on bank overdraft	**(23)**	(153)
Interest payable on revolving credit facility	**(567)**	(408)
Interest payable on customer funded bond	**–**	(79)
Interest on lease liabilities	**(156)**	–
Amortisation of debt issuance costs	**(76)**	(151)
Finance charges	**(822)**	(791)
Finance income		
Financial instruments measured at amortised cost:		
Bank interest receivable	**18**	2
Other interest receivable	**28**	–
Interest income on vendor loan note measured at amortised cost (note 28)	**275**	–
Finance income	**321**	2
Net finance charge	**(501)**	(789)

12 Taxation
(a) Taxation charge

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Current income tax expense		
UK income tax	**12**	263
Overseas income tax	**(324)**	(92)
Adjustment in respect of prior periods	**(2,427)**	10
Current income tax (charge)/credit	**(2,739)**	181
Deferred tax expense		
Origination and reversal of temporary differences	**1,159**	99
Adjustment in respect of prior periods	**246**	(6)
Effect of change in tax rate on prior period balances	**24**	4
Total deferred tax credit	**1,429**	97
Total income tax (charge)/credit for the year	**(1,310)**	278

In the Spring Budget 2020, the government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

(b) Taxation reconciliation

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Loss before tax – continuing operations	**(5,375)**	(9,905)
Taxation credit at the standard UK corporation tax rate of 19% (2019: 19%)	**1,021**	1,882
Adjustments in respect of prior periods*	**(2,181)**	4
Overseas income tax at higher rates	**95**	(186)
Disallowable expenditure**	**–**	(1,228)
Deferred tax not previously recognised	**(755)**	–
Share based payments	**410**	(198)
Change in tax rate on prior period deferred tax balances	**100**	4
Total income tax (charge)/credit	**(1,310)**	278
Effective tax rate	**-24.4%**	2.8%
(A) Adjusted effective tax rate***	**-141.8%**	4.8%

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The reasons for this are detailed below:

* Adjustments in respect of 2019 mainly relate to Group tax relief for losses surrendered to discontinued operations in previous years.

** Disallowable expenditure in FY20 relates to modest amounts of relocation expenses and entertaining offset by non detectable provision movements. FY19 disallowable expenditure was driven by conservative assumptions based on the information available at that time.

*** Adjusted effective tax excludes the impact of deferred tax so as to more closely mirror the tax on the constituents of the adjusted profit or loss before tax which also excludes share based payment charges and the amortisation of goodwill and intangible assets, both key drivers of the deferred tax charge.

(c) Taxation on items recorded in reserves

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Deferred tax (charge)/ credit on share based payments	**(397)**	84
Total tax on items (charged)/credited to equity	**(397)**	84

(d) Deferred tax

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
At beginning of year	**2,039**	832
Adjustment in respect of prior years	**246**	61
Credited to the income statement in the year	**1,183**	984
(Credited)/charged to other comprehensive income in the year	**(397)**	84
Disposal of subsidiaries	**(1,106)**	–
Foreign exchange	**72**	78
At end of year	**2,037**	2,039

The group has recognised deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable.

(A) See information on alternative performance measures and definitions on pages 130 to 132.

12 Taxation (continued)

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	30 March 2020 £'000	1 April 2019 £'000	**30 March 2020 £'000**	1 April 2019 £'000
Property, plant and equipment	**–**	727	**(208)**	–
Share based payments	**240**	974	**–**	–
Tax losses carried forward	**59**	437	**–**	–
Rolled over gains	**–**	–	**–**	(220)
Intangible assets	**–**	(1,757)	**(1,064)**	–
Inventories	**1,634**	1,028	**–**	–
Trade receivables	**–**	23	**–**	–
Deferred income	**245**	62	**–**	–
Accruals	**250**	365	**–**	–
Provisions	**283**	299	**–**	–
Unrealised foreign exchange differences	**598**	101	**–**	–
	3,309	2,259	**(1,272)**	(220)

The movement in recognised deferred tax assets and liabilities during the year is shown below.

	1 April 2019 £'000	Recognised in income statement £'000	Recognised in OCI £'000	Foreign exchange £'000	Disposal of subsidiaries £'000	**30 March 2020 £'000**	**Deferred tax assets £'000**	**Deferred tax liabilities £'000**
Property, plant and equipment	727	(20)	–	(13)	(902)	**(208)**	**–**	**(208)**
Share based payments	974	(153)	(397)	2	(186)	**240**	**240**	**–**
Tax losses carried forward	437	(408)	–	30	–	**59**	**59**	**–**
Rolled over gains	(220)	–	–	–	220	**–**	**–**	**–**
Intangible assets	(1,757)	693	–	–	–	**(1,064)**	**–**	**(1,064)**
Inventories	1,028	547	–	59	–	**1,634**	**1,634**	**–**
Trade receivables	23	–	–	–	(23)	**–**	**–**	**–**
Deferred income	62	188	–	(5)	–	**245**	**245**	**–**
Accruals	365	(109)	–	1	(6)	**251**	**251**	**–**
Provisions	299	192	–	–	(209)	**282**	**282**	**–**
Unrealised foreign exchange differences	101	499	–	(2)	–	**598**	**598**	**–**
	2,039	1,429	(397)	72	(1,106)	**2,037**	**3,309**	**(1,272)**

Deferred tax on losses of £15.5m (2019: £11.5m) relating to losses in the UK, have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created.

(e) Factors that may affect future tax charges

The Group's overseas tax rate is higher than that in the UK as future profits earned by the Naked Wines subsidiaries in the US and Australia are taxed at 21.0% and 30.0% respectively.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as, following the enactment of the Finance Act 2009, the Group considers that it would have no liability to additional taxation should such amounts be remitted.

13 Discontinued operations

During the year ended 30 March 2020, the Group entered into, and completed on two sale agreements. Following these two disposals, Naked is now a single brand online business that is well capitalised and wholly focused on realising the attractive growth opportunity ahead.

- On 10 December 2019, the Group announced the disposal of Majestic Wine Warehouses Limited and Les Celliers de Calais S.A.S, which together comprise the Majestic Wine business, pursuant to the terms previously announced by the Company on 2 August 2019. The businesses were sold to CF Bacchus Holdco Limited, a vehicle controlled by funds managed by Fortress Investment Group LLC, for a total consideration of £95m
- On 1 October 2019, the Group completed the disposal of Lay & Wheeler Limited and Vinotheque Holdings Limited, which together comprise the Lay & Wheeler business ("L&W"), to Coterie Limited ("Coterie") for a total cash consideration of £11.3m

The results of the Majestic Wine business and Lay & Wheeler operations which have been included in the consolidated income statement as discontinued, were as follows:

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Revenue	**216,278**	327,706
Expenses	**(214,108)**	(326,296)
Profit from operating activities	**2,170**	1,410
Tax	**659**	(1,183)
Profit from operating activities, net of tax	**2,829**	227
Profit on sale of discontinued operations	**12,008**	–
Profit from discontinued operations	**14,837**	227

Earnings per share		
Basic	**20.6p**	0.4p
Diluted	**20.2p**	0.4p

During the year ended 30 March 2020, the discontinued operations contributed £22,290,000 to the Group's net operating cash flows (year ended 1 April 2019: £14,774,000), paid £2,430,000 (year ended 1 April 2019: £6,092,000) in respect of investing activities and paid £6,625,000 (year ended 1 April 2019: received £2,000) in respect of financing activities.

14 Dividends

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Amounts recognised as distributions to shareholders in the year:		
2019 final dividend: nil (2018 final dividend: 5.2p)	**–**	3,745
2020 interim dividend: nil (2019: 2.0p)	**–**	1,443
2020 special dividend: 5.2p (2019: nil)	**3,786**	–
Equity dividends paid	**3,786**	5,188

No final dividend is proposed (2019: nil).

15 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding nil (2019: 1,214,671) contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options), 243,055 (2019: 229,009) shares held by the Naked Wines plc Share Incentive Plan Trust (which have been treated as dilutive share options), and 3,934 (2019: 3,934) shares held by Employee Share Ownership Trust.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These are share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Share options granted over 365,626 (2019: 573,880) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the year end.

Adjusted earnings per share is calculated by excluding the effect of adjusted items (see note 8). The tax attributable to adjusting items is included in the group's measure of adjusted EPS. This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's underlying trading performance.

	Continuing operations		Total Group	
	Year ended 30 March 2020 £	Restated Year ended 1 April 2019 £	**Year ended 30 March 2020 £**	Year ended 1 April 2019 £
(Loss)/earnings per share				
Basic (loss)/earnings per share	**(9.3p)**	(13.7p)	**11.3p**	(13.3p)
Diluted (loss)/earnings per share	**(9.3p)**	(13.7p)	**11.1p**	(13.3p)
Adjusted basic (loss)/earnings per share	**(4.5p)**	(4.9p)	**18.3p**	14.7p
Adjusted diluted (loss)/earnings per share	**(4.5p)**	(4.9p)	**17.9p**	14.1p

	Continuing operations		Total Group	
	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000	**Year ended 30 March 2020 £'000**	Year ended 1 April 2019 £'000
(Loss)/profit for the period	**(6,685)**	(9,627)	**8,152**	(9,400)
Add back adjusted items:				
– Non-cash charges relating to acquisitions	**3,646**	5,004	**3,759**	5,229
– Other adjusted items	**(202)**	1,154	**1,221**	14,517
Adjusted (loss)/profit after tax	**(3,241)**	(3,469)	**13,132**	10,346

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Weighted average number of shares in issue	**71,909,151**	70,518,556
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	**1,552,166**	2,802,836
Weighted average number of shares for the purpose of diluted earnings per share	**73,461,317**	73,321,392
Total number of shares in issue	**72,874,018**	72,137,402

If all the Company's share option schemes had vested at 100% the Company would have 74,637,874 issued shares.

16 Goodwill and intangible assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
At 2 April 2018	40,305	2,985	14,300	10,100	9,186	76,876
Additions	–	–	–	–	1,518	1,518
Disposals	–	–	–	–	(856)	(856)
Foreign currency	–	–	–	–	(48)	(48)
At 1 April 2019	**40,305**	**2,985**	**14,300**	**10,100**	**9,800**	**77,490**
Additions	**–**	**–**	**–**	**–**	**544**	**544**
Disposal of subsidiaries	**(11,143)**	**(2,985)**	**–**	**–**	**(8,078)**	**(22,206)**
At 30 March 2020	**29,162**	**–**	**14,300**	**10,100**	**2,266**	**55,828**
Accumulated amortisation						
At 2 April 2018	(8,298)	(2,025)	(7,091)	(3,757)	(7,579)	(28,750)
Charge for the year	–	(225)	(2,383)	(1,263)	(476)	(4,347)
Impairments	–	–	–	–	(25)	(25)
Disposals	–	–	–	–	738	738
Foreign currency	–	–	–	–	47	47
At 1 April 2019	**(8,298)**	**(2,250)**	**(9,474)**	**(5,020)**	**(7,295)**	**(32,337)**
Charge for the year	**–**	**–**	**(2,384)**	**(1,263)**	**(51)**	**(3,698)**
Impairments	**–**	**–**	**–**	**–**	**(740)**	**(740)**
Disposal of subsidiaries	**8,298**	**2,250**	**–**	**–**	**6,395**	**16,943**
At 30 March 2020	**–**	**–**	**(11,858)**	**(6,283)**	**(1,691)**	**(19,832)**
Net book value						
At 30 March 2020	**29,162**	**–**	**2,442**	**3,817**	**575**	**35,996**
At 1 April 2019	32,007	735	4,826	5,080	2,505	45,153
At 2 April 2018	32,007	960	7,209	6,343	1,607	48,126

Included within additions are assets held under construction totalling £nil (2019: £332,000).

16 Goodwill and intangible assets (continued)

Impairment testing of goodwill

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. Goodwill acquired through business combinations has been allocated for impairment testing purposes to the Naked Wines segment of the business. The recoverable amount of goodwill is determined based on value in use calculations.

An analysis of goodwill and intangible assets by operating segment is shown below:

	Goodwill £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Naked Wines	29,162	2,442	3,817	–	35,421
Unallocated	–	–	–	575	575
At 30 March 2020	**29,162**	**2,442**	**3,817**	**575**	**35,996**

Amortisation

Intangible fixed assets are amortised on a straight-line basis through the income statement, based on the following estimated useful lives:

Category of intangible asset	Total useful life	Life remaining
Customer list and relationships	6 years	1 year
Brand	8 years	3 years
Software	2–5 years	1–5 years
Licences	Over the term of the licence	

Customer lists and relationships and brands arise only on acquisition.

Impairment testing

Key assumptions

The key assumptions for calculating value in use are cash flows, long-term growth rate and the discount rate. The primary determinants of cash flow are expected sales and the cost of sales of those goods, the level of expenditure on the acquisition of new customers and other associated costs which relate to the cash flows of the operating business units.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the latest management forecasts in respect of the following five years, the first of which being the Board approved budget. An estimate of capital expenditure required to maintain these cash flows is also made. The Board draws attention to the fact that the Group intends to continue to invest in growth and therefore is not forecast to be significantly cash generative during the forecast period. This is in line with the Board's expectations and consistent with its objectives of creating long term value for the Group's stakeholders.

Long-term growth rate assumptions

The five-year management forecasts are extrapolated in perpetuity using a growth rate of 2.0%. This is not considered to be higher than the average long-term industry growth rate. The long-term growth rate is common to all CGUs.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a pre-tax rate based on the weighted average cost of capital ("WACC") which would be anticipated for a market participant investing in the Group. Management believe it is appropriate to use a single common discount rate for the testing of the Naked Wines goodwill and intangible assets as it all relates to a single operating segment of the business. The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing. In FY20, the Group adopted a revised calculation of the WACC methodology that normalised out the anomalous movements in the recent market. On a consistent basis with prior year the Group's WACC was 6.4%. Under the revised calculation, the WACC was calculated as 10.1% which uses relevant average market participant data.

At 30 March 2020, the pre-tax rate used to discount the forecasted cash flows has been determined to be 10.1% (2019: 11.4%).

The Group has carried out a sensitivity analysis on the impairment test of the Naked Wines goodwill and intangible assets. The Directors do not believe that a reasonably possible change in the cash flows of the business would result in the recoverable amount being equal to the carrying value. An increase in the discount rate to 12.2% would cause the carrying value of the goodwill in the Naked Wines Group to equal its recoverable value.

Impairment of Software incurred in the year related to investments made in Group systems which related to businesses disposed of during the year.

17 Property, plant and equipment

	Note	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Land and buildings Leasehold improvements £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost						
At 2 April 2018		40,613	6,214	26,688	41,791	115,306
Additions		21	24	324	5,103	5,472
Disposals		–	–	(995)	(3,098)	(4,093)
Foreign currency		–	–	(17)	54	37
At 1 April 2019		**40,634**	**6,238**	**26,000**	**43,850**	**116,722**
Additions		**837**	**–**	**3**	**644**	**1,484**
Reclassification to investment property – depreciation offset		**(7)**	**–**	**–**	**(6)**	**(13)**
Reclassification to investment property	19	**(830)**	**–**	**–**	**(69)**	**(899)**
Disposals		**–**	**–**	**–**	**(445)**	**(445)**
Disposal of subsidiaries		**(40,634)**	**(6,203)**	**(25,909)**	**(41,136)**	**(113,882)**
Foreign currency		**–**	**–**	**(2)**	**89**	**87**
At 30 March 2020		**–**	**35**	**92**	**2,927**	**3,054**
Accumulated depreciation						
At 2 April 2018		(4,942)	(539)	(16,588)	(28,205)	(50,274)
Charge for the year		(454)	(99)	(1,584)	(3,457)	(5,594)
Impairments		(3,644)	(3)	(3,626)	(3,014)	(10,287)
Disposals		–	–	836	2,895	3,731
Foreign currency		–	–	17	(14)	3
At 1 April 2019		**(9,040)**	**(641)**	**(20,945)**	**(31,795)**	**(62,421)**
Charge for the year		**(7)**	**(6)**	**(8)**	**(454)**	**(475)**
Reclassification to investment property – depreciation offset		**7**	**–**	**–**	**6**	**13**
Disposals		**–**	**–**	**–**	**359**	**359**
Disposal of subsidiaries		**9,040**	**614**	**20,886**	**30,197**	**60,737**
Foreign currency		**–**	**–**	**3**	**(36)**	**(33)**
At 30 March 2020		**–**	**(33)**	**(64)**	**(1,723)**	**(1,820)**
NBV						
At 30 March 2020		**–**	**2**	**28**	**1,204**	**1,234**
At 1 April 2019		31,594	5,597	5,055	12,055	54,301
At 2 April 2018		35,671	5,675	10,100	13,586	65,032

Freehold land and buildings includes £nil (2019: £17,869,000) in respect of land that is not depreciated. The gross value of fully depreciated assets in use was £627,000 (2019: £27,056,000).

17 Property, plant and equipment (continued)

Impairment of property plant and equipment

CGUs are reviewed at least annually to identify if there are any indicators of impairment at the balance sheet date. Recoverable amounts for CGUs are the higher of fair value less costs of disposal, and value in use. In the prior year, an indicator was identified within the Majestic Wine retail CGU. No such indicator was identified in the current year and the business was disposed of on 10 December 2019. The key estimates for the value in use calculations were those regarding discount rates and expected changes to future cash flows.

The Group estimated discount rates using pre-tax rates that reflected the current market assessment of the time value of money and the risks specific to the CGUs. Cash flow projections were based on the Group's three year internal forecasts, the results of which were reviewed by the Board. Estimates of selling prices and direct costs were based on past experience and expectations of future changes in the market. These forecasts were extrapolated to five years on a business unit basis, with separate extrapolations of net revenue and expenses based on a combination of recently observable trends and management expectations, and beyond five years based on long-term average growth rates, which were derived from inflation forecasts by recognised bodies.

18 Right-of-use assets

	Buildings £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost			
On transition at 2 April 2019	58,473	2,954	**61,427**
Additions	2,414	13	**2,427**
Disposals	(641)	(27)	**(668)**
Disposal of subsidiaries	(54,203)	(2,810)	**(57,013)**
Foreign currency	97	8	**105**
At 30 March 2020	**6,140**	**138**	**6,278**
Depreciation			
On transition at 2 April 2019	–	(1,990)	**(1,990)**
Charge for the year	(1,148)	(15)	**(1,163)**
Disposals	252	27	**279**
Disposal of subsidiaries	–	1,888	**1,888**
Foreign currency	3	(6)	**(3)**
At 30 March 2020	**(893)**	**(96)**	**(989)**
Net book value at 30 March 2020	**5,247**	**42**	**5,289**
Net book value on transition at 2 April 2019	58,473	964	59,437

	Year ended 30 March 2020 £'000
Amounts recognised in income statement	
Depreciation expense on right-of-use assets	**1,163**
Interest expense on lease liabilities	**156**
Expenses on short-term and low-value leases	**111**

Additions to right-of-use assets include new leases and extensions to existing lease agreements. The Group leases several assets including buildings, plant and equipment. The average lease term is four years. Approximately 15% of the leases for buildings and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £2,427,000.

The maturity analysis of lease liabilities is presented in note 27.

19 Investment property

As part of the Majestic Wine business disposal agreement, a freehold property was transferred from Majestic Wine business to Naked Wines plc which is held on the Group's books as an investment property. The Directors are adopting the cost model for the value of this asset which was recorded on acquisition at the transferred net book value from Majestic Wine. The Directors of the Company have assessed the fair value of the property and consider it to be equal to the book value.

The property is being sublet back to Majestic Wine for a peppercorn rent until the disposal of the property is completed. Majestic Wine are liable for operating expenses as they fall due. The sublet agreement of the property allows for the termination of this sublease by either party immediately prior to completion of the sale of the property or to the benefit of the subtenant by giving six months notice. The Group has no contractual obligations to purchase, construct, or develop investment property or for repairs, maintenance or enhancements. Depreciation has been charged in accordance with the Group's depreciation policy for freehold buildings.

Cost and valuation	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Freehold property		
Reclassification from fixed assets	899	–
Freehold property	899	–

20 En primeur

En primeur refers to the practice of purchasing wines before they are bottled and released onto the market. This practice was recognised in one of our subsidiaries, Lay and Wheeler, which is no longer part of the Group (refer to note 13 Discontinued operations).

Analysis of en primeur balances

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
En primeur purchases included in non-current assets	–	897
En primeur purchases included in current assets	–	4,296
Total en primeur purchases	–	5,193
En primeur income included in current liabilities	–	(5,564)
En primeur income included in non-current liabilities	–	(1,068)
Total en primeur deferred income	–	(6,632)
Net en primeur balance	–	(1,439)
Movement in en primeur balances		
Opening net balance	(1,439)	(1,477)
Movement in en primeur balance	–	38
Disposal of subsidiary	1,439	–
Closing net balance	–	(1,439)

21 Prepaid operating leases

	Prepaid operating leases £'000
Cost	
At 2 April 2018	4,494
Additions	53
Disposals	(187)
At 1 April 2019	4,360
Disposal of subsidiaries	**(4,360)**
At 30 March 2020	**–**
Amortisation	
At 2 April 2018	(2,854)
Charge for the year	(214)
Impairment	(796)
Disposals	151
At 1 April 2019	(3,713)
Disposal of subsidiaries	**3,713**
At 30 March 2020	**–**
Net book value	
At 30 March 2020	**–**
At 1 April 2019	647
At 2 April 2018	1,640

22 Inventories

	30 March 2020 £'000	1 April 2019 £'000
Raw materials	**426**	366
Work in progress	**30,234**	27,410
Finished goods	**39,275**	91,688
	69,935	119,464

The cost of inventories recognised as an expense during the year was £125,352,000 (2019: £109,969,000) from continuing operations.

Inventory of £71,000 (2019: £927,000) was expensed through the income statement in the year relating to samples and tasting products.

23 Trade and other receivables

	30 March 2020 £'000	Restated 1 April 2019 £'000
Trade receivables	**293**	7,461
Vendor loan rate	**360**	–
Right-of-return asset	**–**	400
Other debtors	**3,662**	4,734
Prepayments	**1,422**	5,537
	5,737	18,132

Year ended 1 April 2019 analysis has been restated to move receivables from credit card acquirers from Trade to Other debtors. This adjustment has been made to better reflect the nature of the receivable amount. A total of £622,000 has been reclassified in the comparative amount.

23 Trade and other receivables (continued)

Other receivables due after more than one year

	30 March 2020 £'000	1 April 2019 £'000
Vendor loan note	**8,962**	–
Deferred contingent consideration	**4,043**	–
	13,005	–

The deferred contingent consideration is due two years after the completion of the disposal of the Majestic Wine businesses, in December 2021. The vendor loan note will mature on the fifth anniversary of the date of completion, unless repaid in full before that date. The Loan Note will bear interest of 3% p.a. for the first three years, 4% in year four and 5% in year five, to be paid annually. The terms of the Loan Note limit distributions (or certain other payments) by MWWL unless a base level of EBITDA generated by MWWL is maintained.

24 Assets classified as held for sale

Property classed as an asset held for sale at an amount of £953,000. On 10 June 2020, the sale of this asset to CF Bacchus Holdco Limited was completed.

25 Trade and other payables

	30 March 2020 £'000	1 April 2019 £'000
Trade payables	**11,310**	47,189
Other taxes and social security	**2,546**	7,446
Accruals	**12,190**	11,728
	26,046	66,363

Amounts payable in respect of defined contribution pension schemes were £47,000 (2019: £64,000).

26 Bank and other borrowings

	30 March 2020 £'000	1 April 2019 £'000
Current		
Bank overdrafts	**–**	12,096
Customer bond finance	**84**	99
Total bank and other borrowings due within one year	**84**	12,195
Non-current		
Revolving credit facility	**–**	23,000
Debt issuance costs	**–**	(556)
Total bank and other borrowings due after one year	**–**	22,444
Total bank and other borrowings	**84**	34,639

The Group's revolving credit facility of £60m, which was due to mature in December 2022 was repaid on 10 December 2019 on completion of the sale of the Majestic business. Up to that date, interest has been charged at a margin of 1% above LIBOR, the rate being dependent on the Group's leverage (being net debt/EBITDA).

27 Lease liabilities

The Group leases warehouse and office facilities. The leases run for a period between one and ten years, with an option to renew the lease after that date. The group also leases equipment and office space with contract terms of up to four years. These leases are either short term of year or less and/or low-value items which the group has elected not to recognise as IFRS 16 leases. Information about leases for which the Group is a lessee is analysed between current and non-current below. The maturity analysis of the lease liabilities is disclosed in note 28.

	30 March 2020 £'000
Lease liability	
Current	**(1,165)**
Non-current	**(4,198)**
	(5,363)

28 Financial instruments

The Group's financial instruments, other than derivatives, comprise cash, bank borrowings and various balances, such as trade receivables and trade payables, all arising directly from its operations.

The Group also enters into forward foreign currency derivative contracts. The purpose of these transactions is to manage the currency risk arising from the Group's operations. The Group does not hold or issue financial instruments for speculative purposes and does not engage in speculative trading.

The principal financial risks to which the Group is exposed relate to liquidity risk, credit risk, interest rates, market risk and foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In order to manage liquidity risk, each Business Unit prepares short-term and medium-term cash flow forecasts. These forecasts are consolidated and reviewed centrally to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. As part of completion of the Group's disposal of the Majestic businesses in the year, the Group terminated its revolving credit facility previously agreed with Barclays Bank PLC as it no longer required external funding to support its working capital requirements or guarantees to certain counterparties, predominantly HMRC. The Group did not hold any borrowing facilities at 30 March 2020 (2019: £60m).

The Group's net funding position can vary from month to month and there is some volatility within months. This reflects seasonal trading patterns, timing of receipts from customers and payments to suppliers, patterns of inventory holdings and the timing of the spend on major capital and restructuring projects. For these reasons the net funds position levels at the period end date may not be indicative of the funds position at other points throughout the period.

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the contractual undiscounted cash flows.

At 30 March 2020	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Due after 3 years £'000	Total £'000	Held at amortised cost £'000	Held at fair value £'000
Financial assets							
Trade and other receivables	3,955	–	–	–	3,955	3,955	–
Vendor loan note	360	–	–	8,962	9,322	9,322	–
Deferred contingent consideration	–	4,043	–	–	4,043	–	4,043
Forward foreign currency assets	539	–	–	–	539	–	539
Asset held for sale	953	–	–	–	953	953	–
Cash and cash equivalents	54,736	–	–	–	54,736	54,736	–
	60,543	4,043	–	8,962	73,548	68,966	4,582
Financial liabilities							
Trade and other payables	(23,500)	–	–	–	(23,500)	(23,500)	–
Deferred Angel and other income	(43,632)	–	–	–	(43,632)	(43,632)	–
Forward foreign currency liabilities	(143)	–	–	–	(143)	–	(143)
Lease liabilities	(1,318)	(1,146)	(1,139)	(2,253)	(5,856)	(5,856)	–
Customer-funded bond	(84)	–	–	–	(84)	(84)	–
	(68,677)	(1,146)	(1,139)	(2,253)	(73,215)	(73,072)	(143)

At 1 April 2019	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Due after 3 years £'000	Total £'000	Held at amortised cost £'000	Held at fair value £'000
Financial assets							
Trade and other receivables	12,195	–	–	–	12,195	12,195	–
Cash and cash equivalents	19,093	–	–	–	19,093	19,093	–
	31,288	–	–	–	31,288	31,288	–
Financial liabilities							
Trade and other payables	(58,917)	–	–	–	(58,917)	(58,917)	–
Deferred Angel and other deferred income	(39,657)	–	–	–	(39,657)	(39,657)	
Bank overdraft	(12,096)	–	–	–	(12,096)	(12,096)	–
Revolving credit facility	–	–	–	(23,000)	(23,000)	(23,000)	–
Forward foreign currency liabilities	(3,011)	–	–	–	(3,011)	–	(3,011)
Customer-funded bond	(99)	–	–	–	(99)	(99)	–
	(113,780)	–	–	(23,000)	(136,780)	(133,769)	(3,011)

Financial assets consist of cash and cash equivalents and trade and other receivables recognised on an amortised cost basis using the simplified approach to expected credit losses. They also include the vendor loan note and deferred contingent consideration receivable resulting from the disposal of the Majestic Wine businesses in the current year (2019: £nil).

Financial liabilities held at amortised cost consist of trade and other payables, bank overdraft, deferred income and customer-funded bond. See the section below for a explanation of the nature of the funding made by "Angels" and Naked Wines' rights and obligations in respect of these amounts. All other financial liabilities are classified as financial liabilities at fair value through profit and loss.

The following table analyses the Group's simple foreign currency forward purchase contract derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Total £'000
At 30 March 2020				
Outflow	(15,707)	(1,294)	–	(17,001)
Inflow	16,079	1,318	–	17,397
	372	**24**	**–**	**396**
At 1 April 2019				
Outflow	(75,274)	(658)	–	(75,932)
Inflow	72,281	640	–	72,921
	(2,993)	(18)	–	(3,011)

Deferred Angel income – "Angel funds" and the purchase of inventory from winemakers
On registering as an Angel with Naked Wines, subscription customers agree to lodge a regular monthly sum into their "Angel Account". These sums accumulate in the Angel's individual account and build a balance to use against their next purchase from Naked Wines.

Naked Wines' operating model is to pool amounts lodged by Angels in their personal Naked Wines accounts to use as working capital within the business.

Naked Wines contracts directly with its winemakers and purchases wine in its own name. Naked Wines retains all risk associated with the purchase of wine from winemakers and no inventory or funding risk is carried by our Angels. Angels only bear the risk relating to the ongoing liquidity of Naked Wines to the extent of the value of the funds lodged in their Angel account. Naked Wines plc guarantees these funds via a parent company guarantee and has provided a guarantee to the credit card acquirer through whom refunds would be made.

Angels can cancel their Naked Angel Account at any time and may request and receive their money back immediately with no penalty whatsoever. The refund of such funds is provided directly by Naked Wines and is not contingent on any associated flows of funds or wine from winemakers back to Naked Wines.

Angels are not entitled to interest or any other return on the funds lodged in their Angel Accounts. Registration as an Angel entitles a customer to benefit from a lower price than the standard price displayed on the Naked Wines web site.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from CF Bacchus Holdco Ltd, the new owner of the Majestic Wine businesses and relating to the deferred, contingent consideration and the vendor loan note as set out in note 3.19, Accounting policies and note 4, Critical accounting policies, estimates and judgements.

The maximum credit risk exposure relating to financial assets is represented by its carrying value as at the balance sheet date limited to the value of trade and other receivables. Following the disposal of the Majestic Wine businesses, the Group no longer has any material exposure to trade receivables and therefore exposure to trade bad debt is negligible. Other receivable amounts are substantially amounts owed from CF Bacchus Holdco Ltd as set out above and credit card acquirer funds disclosed in Other debtors.

The deferred contingent consideration benefits from a guarantee issued by both CF Bacchus Holdco Limited and the general partners of Fortress LLP and is contingent on the Majestic Calais stores trading to an agreed performance level should a Brexit event have created restrictions that have impacted on trading performance. CF Bacchus Holdco Ltd is subject to covenants relating to indebtedness and profitability and is obligated to report covenant compliance as part of the Vendor Loan Note agreement. The Directors evaluate the continuing creditworthiness of CF Bacchus Holdco Ltd through a combination of review of publicly reported performance data and through the contents of the submitted covenant certificates. Expected credit loss assumptions continue to be evaluated in the light of this and any other new information that becomes available.

As at the balance sheet date, the ageing analysis of trade receivables that were past due but not impaired is as follows:

	Total trade debtors £'000	Current £'000	Up to 3 months past due £'000	3–6 months past due £'000	Over 6 months past due £'000
At 30 March 2020	**293**	**284**	**–**	**–**	**9**
At 1 April 2019	8,083	4,671	2,704	389	319

There are no indicators of impairment for those debtors that are neither past due nor impaired.

At 30 March 2020, trade and other receivables of £nil (2019: £137,000) were determined to be specifically impaired and provided for.

28 Financial instruments (continued)

Movements in the provision for impairment of trade receivables are as follows:

	30 March 2020 £'000	1 April 2019 £'000
At beginning of year	(137)	(125)
Charge for the year	–	(67)
Uncollected amounts written off	–	55
Disposal of subsidiary	137	–
At end of year	–	(137)

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group ensures that the banks used for the financing of loan facilities and foreign exchange forward contracts are reputable, large institutions with acceptable risk ratings.

Interest rate risk

As the Group no longer requires or has an external credit facility, the Group's interest rate risk arises primarily from its deposit of net funds with reputable financial institutions. As at 30 March 2020, the Group had drawn down £nil as borrowings.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group manages foreign currency risk as detailed below. The Group does not currently enter into any interest rate swaps or other derivative financial instruments to mitigate the risk of rising interest rates.

Foreign currency exchange rates

The Group's presentation currency is sterling although some transactions are executed in non-GBP currencies, including euros, US dollars and Australian dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against GBP. It is the Group's policy to manage the exposures arising using forward foreign currency exchange contracts. Hedge accounting is not sought for these transactions. The Group generates some of its profits in non-GBP currencies and has assets in non-GBP jurisdictions, principally in the US dollar and Australian dollar. The principal foreign currencies affecting the translation of subsidiary undertakings within the Group financial statements are these currencies.

The rates applicable are as follows:

Principal rate of exchange	30 March 2020	1 April 2019
Australian dollar : GBP		
Period end	2.017	1.845
Average	1.864	1.800
US dollar : GBP		
Period end	1.242	1.314
Average	1.272	1.313

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the US and Australian subsidiaries.

The following table demonstrates the sensitivity to a reasonable change in GBP against the exchange rates with all other variables held constant, of the Group's profit before tax:

	Sensitivity in exchange rate	Impact of increase in rate £'000	Impact of decrease in rate £'000
Year ended 30 March 2020			
Australian dollar : GBP	5%	204	328
Euro : GBP	5%	(394)	899
US dollar : GBP	5%	(95)	78
Other currencies : GBP	5%	(110)	89
Year ended 1 April 2019			
Australian dollar : GBP	5%	(62)	70
Euro : GBP	5%	(3,210)	3,199
US dollar : GBP	5%	(136)	190
Other currencies : GBP	5%	(197)	236

Sensitivity analysis relating to market risk is calculated by taking the overseas profits and applying the stated sensitivity. The stated sensitivities are also applied to the outstanding forward foreign exchange contracts.

The table below shows the Group's currency exposures that gave rise to net currency gains and losses recognised in the consolidated income statement as a result of monetary assets and liabilities that are not denominated in the Group's presentational currency.

Currency	30 March 2020 £'000	1 April 2019 £'000
Australian dollar	**5,192**	2,144
Euro	**330**	1,663
US dollar	**3,119**	3,750
Other currencies	**39**	145
Sub-total	**8,680**	7,702
Group's reporting currency:		
GBP	**46,056**	(705)
Total	**54,736**	6,997

Fair value

The Group enters into forward foreign currency exchange contracts in order to manage the Group's forecast currency requirements. These are held for hedging purposes with fair value movements being recognised in the income statement.

Following the disposal of the Majestic businesses, the Group now also holds a contingent consideration asset which it holds at fair value (see note 3.19 Financial instruments and note 4 Critical accounting policies, estimates and judgements for full disclosure of this asset and the judgements made in connection with its fair value assessment).

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There have been no financial instruments which have transferred between the levels in the hierarchy as detailed above.

The nominal and fair value of financial instruments is shown in the following table. All forward currency contracts have maturity dates within one year whilst the deferred contingent consideration becomes due two years after completion of disposal of the Majestic Wine businesses, in December 2021. The fair value of the forward currency contracts was determined using quoted forward exchange rates matching the maturities of the contracts whilst the basis of the fair value of the deferred contingent consideration is set out in note 3.19 and note 4. The Group's measurement of its financial instruments meets the criteria of Level 2 and hence all have been included in this classification.

		At 30 March 2020 Fair value			At 1 April 2019 Fair value	
	Nominal value £'000	Assets £'000	Liabilities £'000	Nominal value £'000	Assets £'000	Liabilities £'000
Forward foreign currency contracts						
AUD	**1,023**	**–**	**(46)**	1,350	–	(36)
EUR	**12,207**	**466**	**–**	66,963	–	(2,901)
NZD	**1,522**	**–**	**(45)**	3,682	–	(2)
USD	**1,671**	**73**	**–**	3,299	–	(68)
ZAR	**578**	**–**	**(52)**	638	–	(4)
Total forward foreign exchange contracts	**17,001**	**539**	**(143)**	75,932	–	(3,011)
Deferred contingent consideration	**5,000**	**4,043**	**–**	–	–	–

The deferred contingent consideration is held at a fair value of £4.0m.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group considers capital to consist of the total equity of the Group.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current year.

28 Financial instruments (continued)

The Group's capital allocation policy is currently to

1. Maintain a healthy balance sheet which, in the near term, means no net debt
2. Invest in growth in a disciplined way to take advantage of the large perceived growth opportunity particularly in the US, and
3. Return to shareholders any funds in excess of the level needed to fund growth and manage risk

The Directors continue to believe that suspension of the payment of ordinary dividends is in support of this policy to support its stated capital management objective. The Directors will continue to keep this decision under review and will make further changes to dividend policy as they feel best serves the interests of the business.

The Group is not subject to externally imposed capital requirements.

29 Provisions for liabilities

	Dilapidations £'000	Store closures £'000	Social security costs £'000	Refund liability provision £'000	Total £'000
At 2 April 2018	291	–	1,190	1,160	2,641
Provided/(credited) in the year	–	260	(100)	96	256
Released in the year	(51)	–	(184)	–	(235)
Utilised in the year	(26)	(89)	–	–	(115)
At 1 April 2019	**214**	**171**	**906**	**1,256**	**2,547**
Provided in the year	**–**	**–**	**154**	**671**	**825**
Released in the year	**–**	**–**	**(569)**	**(342)**	**(911)**
Disposal of subsidiaries	**(214)**	**(171)**	**–**	**(580)**	**(965)**
Foreign currency	**–**	**–**	**–**	**17**	**17**
At 30 March 2020	**–**	**–**	**491**	**1,022**	**1,513**

Provisions have been analysed between current and non-current as follows:

	30 March 2020 £'000	1 April 2019 £'000
Current	**1,165**	2,344
Non-current	**348**	203
	1,513	2,547

Social security costs

National Insurance contributions (NIC) which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 17 December 2024. The amount payable is dependent on the Group's share price at the date of exercise of the options. The provision which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the options has been calculated on the share price at the balance sheet date of £2.52 and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

Refund liability provision

Under the requirements of IFRS 15, the Group has established a right of return provision under the requirements to recognise variable consideration in the form of a sales cancellation provision.

30 Deferred lease inducements

	30 March 2020 £'000	1 April 2019 £'000
Current	**–**	397
Non-current	**–**	1,502
	–	1,899

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Deferred lease inducements previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities.

31 Share capital and reserves

	30 March 2020		1 April 2019	
	Number of shares	**Value £'000**	Number of shares	Value £'000
Authorised				
Ordinary shares of 7.5p each	**140,000,000**	**10,500**	140,000,000	10,500
Allotted, called up and fully paid				
At beginning of the year	**72,137,402**	**5,411**	71,499,086	5,363
Exercise of share options	**89,965**	**7**	47,938	4
Issue of shares into the Naked Wines plc Share Incentive Plan	**130,468**	**10**	92,307	7
Issue of acquisition-related shares	**516,183**	**38**	498,071	37
At end of year	**72,874,018**	**5,466**	72,137,402	5,411

During the year 736,616 (2019: 638,316) ordinary shares of 7.5p each were allotted for a consideration of £101,000 (2019: £175,000). These shares were allotted under the terms of the Company's share option schemes which are described in note 33.

Share premium account
The share premium account represents the amounts received by the Company on the issue of ordinary shares that are in excess of the nominal value of the issued shares net of share issue costs.

Capital reserve – own shares
The Group holds shares in an employee share ownership trust (see note 32). The reserve represents the cost of acquired shares that have not as yet fully vested with employees.

Capital redemption reserve
The Company, when cancelling its ordinary shares, transfers amounts equivalent to the nominal value of the cancelled shares into the capital redemption reserve so as to maintain the level of non-distributable reserves in shareholders' equity.

Currency translation reserve
The currency translation reserve represents exchange differences arising from the translation of foreign currency subsidiary undertakings.

32 Employee Share Ownership Trust

The Employee Share Ownership Trust acquires shares in Naked Wines plc to satisfy awards under the deferred bonus scheme. The shares are distributed to participants of the scheme at the end of a two-year deferral period.

At the year end, the trust held 3,934 (2019: 3,934) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 (2019: £17,000). At the year end, the market value of these shares was £10,000 (2019: £9,000).

33 Share based payments

The total charge recognised in the income statement in respect of share based payments, including social security, is £1,857,000 (2019: £2,308,000) relating to share option schemes and share bonus payments under the Company's deferred bonus scheme and in relation to the contingently returnable shares and share options that were issued to employees as part of the consideration for the acquisition of the Naked Wines Group. The charge recognised in the income statement for continuing operations is £965,000 (2019: £1,866,000).

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Share option schemes	**1,695**	909
Acquisition-related share schemes	**–**	1,499
NIC provided on share option schemes	**162**	(100)
At end of year	**1,857**	2,308

The Company operated five share option schemes during the year, all of which are equity-settled.

a) The Naked Wines plc (formerly Majestic Wine plc) Approved Executive Share Option Scheme (2006) was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first grant of options under the rules of this scheme was made in January 2007.

b) The Naked Wines plc (formerly Majestic Wine plc) 2006 Unapproved Employee Share Option Scheme was adopted on 4 August 2006. The first grant of options under the rules of this scheme was made in January 2007.

c) The Naked Wines plc (formerly Majestic Wine plc) Long Term Incentive Plan (LTIP) was adopted on 20 July 2016. The first grant of options under the rules of the scheme was made in July 2016. This scheme is unapproved.

33 Share based payments (continued)

d) The Naked Wines plc (formerly Majestic Wine) Share Incentive Plan (SIP) was adopted on 20 July 2016. The first grant of shares under the rules of the scheme was in July 2017.

e) The Acquisition Related Share Schemes arose following the acquisition of Naked Wines on 10 April 2015. These schemes are unapproved. This scheme has now closed following the passing of the vesting period.

Approved and unapproved executive share option schemes (schemes (a) to (d) per above)
These schemes permit the grant of options in respect of ordinary shares to selected employees. Options are normally exercisable between three and 10 years from the date of grant for consideration not less than market value at grant date. Apart from grants of options to Executive Directors, the exercise of options is not subject to any conditions other than continuous employment. The exercise of options granted to Executive Directors is conditional on the achievement of specified performance targets related to growth in earnings per share over a three-year period. The Executive Directors' participation in the Group's executive share option schemes is limited such that they are eligible to receive options over shares in value up to a maximum of two times gross salary at the date of grant which will only become exercisable on the achievement of performance criteria determined by the Remuneration Committee.

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP):

	Year ended 30 March 2020		Year ended 1 April 2019	
	Options	**WAEP**	Options	WAEP
Outstanding at the beginning of the year	**2,333,948**	**£1.00**	2,153,996	£1.34
Exercised	**(470,314)**	**£0.10**	(50,845)	£2.57
Forfeited	**(1,577,396)**	**£0.30**	(295,338)	£1.34
Granted	**1,720,673**	**–**	526,135	–
Outstanding at the end of the year	**2,006,911**	**£0.90**	2,333,948	£1.00
Exercisable at the end of the year	**404,300**	**£4.45**	526,300	£4.36
Weighted average remaining contractual life in years	**1.99**		2.13	
Range of exercise prices	**£nil – £5.41**		£nil – £5.41	

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £0.10 (2019: £2.57).

The following table shows the number of share options outstanding by share option scheme:

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
2006 Approved scheme	**307,850**	366,850
2006 Unapproved scheme	**96,450**	159,450
Share Incentive Plan	**101,439**	198,027
Long Term Incentive Plan	**1,501,172**	1,609,621
Outstanding as at the end of the year	**2,006,911**	2,333,948

The fair value of equity-settled share options is estimated as at the date of grant using the Black–Scholes option pricing model for schemes (a), (b) and (d) and using the Monte Carlo model for scheme (c).

The following table lists the range of assumptions applied to the options granted in the respective periods shown.

	Year ended 30 March 2020		Year ended 1 April 2019	
	Long Term Incentive Plan	**Share Incentive Plan**	Long Term Incentive Plan	Share Incentive Plan
Weighted average share price at grant	**£2.81**	**£2.71**	£4.27	£4.65
Weighted average exercise price	**–**	**–**	–	–
Expected life of options (years)	**3**	**3**	3	3
Contractual life (years)	**3**	**3**	3	3
Volatility (%)	**35.5%–39.7%**	**38.6%**	36.4%–37.8%	36.4%
Dividend yield (%)	**–**	**N/A**	2.9%	N/A
Risk free interest rate (%)	**0.54%–0.56%**	**0.47%**	0.8%	0.8%
Weighted average fair value of options granted during the year	**£2.65**	**£2.71**	£2.53	£4.65

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Acquisition related share schemes (scheme (e) per above)
As part of the consideration for the acquisition of Naked Wines, an amount of up to £20 million is payable to the previous shareholders and employees of Naked Wines in Naked Wines PLC's ordinary share capital conditional on the achievement of certain performance criteria (the 'acquisition related share schemes'). The number of shares was calculated with reference to the share price as at the date of acquisition.

A portion of the shares were issued in the form of contingently returnable shares and the remaining portion represented share awards that will vest upon achievement of the performance criteria over a maximum period of four years. As continuing employment is a requirement for the final vesting of these shares IFRS2 Share Based Payments has been applied to this element of the consideration and the amounts are being recorded in the Group income statement over the next four years.

During the year, the performance criteria were met for the third and final tranche of these share awards and consequently 516,183 shares vested and were issued. Additionally, all the contingently returnable shares became unrestricted.

	Year ended 30 March 2020		Year ended 1 April 2019	
	Options	**WAEP**	Options	WAEP
Outstanding at the beginning of the year	**1,722,910**	**–**	4,036,819	–
Exercised	**(1,722,910)**	**–**	(2,350,428)	–
Granted as future share issues	**–**	**–**	51,019	–
Lapsed	**–**	**–**	(14,500)	–
Outstanding at the end of the year	**–**	**–**	1,722,910	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average remaining contractual life in years	**–**	**–**	–	–
Range of exercise prices	**£nil**	**–**	£nil	–

34 Disposal of subsidiaries
As referred to in note 13, the Group disposed of its interest in L&W on 1 October 2019 and Majestic Wine business on 10 December 2019. The net assets at the date of disposal were as follows:

	Majestic Wine At 10 December 2019 £'000	L&W At 1 October 2019 £'000	**Total £'000**
Goodwill and intangible assets	4,238	954	**5,957**
Property, plant and equipment	51,290	165	**50,634**
Right-of-use assets	50,414	94	**50,508**
Other non-current assets	2,723	2,098	**4,877**
Inventories	72,214	5,577	**77,791**
Trade and other receivables	10,266	5,712	**15,978**
Cash and cash equivalents	14,001	4,059	**18,060**
Trade and other payables	(69,643)	(14,081)	**(83,724)**
Lease liabilities	(51,959)	(638)	**(52,597)**
Current and deferred tax liabilities	(1,178)	(405)	**(1,583)**
Foreign exchange translation	(2,045)	–	**(2,045)**
Net assets disposed of	**80,321**	**3,535**	**83,856**
Profit on disposal	**5,333**	**6,675**	**12,008**
Total consideration	**85,654**	**10,210**	**95,864**
Satisfied by:			
Cash and cash equivalents (net of transaction fees)	**71,611**	**10,210**	**81,821**
Deferred contingent consideration and vendor loan note	**14,043**	**–**	**14,043**
	85,654	**10,210**	**95,864**
Net cash inflow arising on disposal:			
Consideration received in cash and cash equivalents			**81,821**
Less: cash and cash equivalents disposed of			**(18,060)**
			63,761

34 Disposal of subsidiaries (continued)

The deferred contingent consideration will be settled in cash by the purchaser on or before 10 December 2021 and the vendor loan note is repayable on 10 December 2024 with annual interest receivable on the anniversary of the issuance of this note. The impact of Majestic and L&W on the Group's results in the current and prior years is disclosed in note 13. The profit on disposal is included in the profit for the year from discontinued operations (see note 13).

There were no disposals of subsidiaries made in the year ended 1 April 2019.

35 Notes to the cash flow statement

(a) Reconciliation of operating loss to cash generated/(utilised) by operations

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Cash utilised by continuing operations		
Operating loss	**(4,874)**	(9,116)
Add back:		
– Depreciation and amortisation	**5,336**	4,148
– Loss on disposal of fixed assets	**71**	79
– Fair value movement on foreign exchange contracts	**(935)**	548
– Share based payment charges	**833**	1,977
Operating cash flows before movements in working capital	**431**	(2,364)
Increase in inventories	**(13,291)**	(13,214)
Increase in customer funds in deferred income	**5,312**	5,819
Decrease/(increase) in trade and other receivables	**594**	(230)
Increase in trade and other payables	**6,837**	1,215
Net cash used by operating activities – continuing operations	**(117)**	(8,774)

(b) Cash and cash equivalents

	30 March 2020 £'000	1 April 2019 £'000
Cash and cash equivalents	**54,736**	19,093
Bank overdraft	**–**	(12,096)
Total cash and cash equivalents	**54,736**	6,997

(c) Analysis of movement in net funds/(borrowings)

	1 April 2019 £'000	Cash flows £'000	Non-cash movements £'000	30 March 2020 £'000
Cash and cash equivalents	19,093	35,436	207	**54,736**
Bank overdrafts	(12,096)	12,096	–	**–**
Net cash and cash equivalents	**6,997**	**47,532**	**207**	**54,736**
Borrowings – revolving credit facility	(23,000)	23,000	–	**–**
Borrowings – customer-funded bond	(99)	15	–	**(84)**
Borrowings – IFRS 16 lease liabilities	–	(1,153)	(4,210)	**(5,363)**
Gross borrowings	**(23,099)**	**21,862**	**(4,210)**	**(5,447)**
Debt issuance costs	556	–	(556)	**–**
Total net funds/(borrowings)	(15,546)	69,394	(4,559)	**49,289**

36 Events after the balance sheet date
The transaction relating to the asset held for sale was completed on 10 June 2020.

37 Related party transactions
The Group considers its key management personnel to be the Directors of the Company. The compensation of key management personnel is disclosed in note 10.

There are no other related party transactions which require disclosure (2019: none).

38 Investments in subsidiaries
Details of the Group's subsidiaries at 30 March 2020 are as follows:

Subsidiary	Primary activity	Place of incorporation and operation	Proportion of ownership interest %. 100% ordinary shares
Naked Wines Employee Share Ownership Trust Limited*	Trustee company	United Kingdom	100
Naked Wines International*	Holding company	United Kingdom	100
Nakedwines.com Limited	Retailing of wines	United Kingdom	100
Naked Wines Prepayments Trustee Company Limited	Trustee company	United Kingdom	100
Nakedwines.com Inc	Retailing of wines	United States of America	100
Nakedwines.com Prepayment Protection Company LLC	Trustee company	United States of America	100
Naked Wines Australia Pty Limited	Retailing of wines	Australia	100
NWA (Prepayments) Pty Limited	Trustee company	Australia	100
Naked Fine Wine Bonds plc	Funding company	United Kingdom	100

* Directly owned by the parent company

	Registered Address
Subsidiaries incorporated in the United Kingdom	Norvic House, 29–33 Chapel Field Road, Norwich NR2 1RP
Subsidiaries incorporated in the United States of America	135 Gasser Drive, Suite A, Napa, CA 94559, USA
Subsidiaries incorporated in Australia	18 Sydney Road, Manly, NSW 2095, Australia

All subsidiary undertakings have been included in the consolidation.

Company balance sheet

As at 30 March 2020

	Note	30 March 2020 £'000	Restated* 1 April 2019 £'000
Non-current assets			
Investments in subsidiaries	42	**56,986**	67,134
Loan notes receivable from subsidiaries	43	**28,573**	15,613
Right of use assets	44	**10**	–
Investment property	45	**899**	–
Intangible fixed assets	46	**575**	822
Deferred tax assets	47	**242**	647
Other receivables	48	**13,005**	–
		100,290	84,216
Current assets			
Trade and other receivables	48	**750**	979
Cash and cash equivalents		**42,871**	113
		43,621	1,092
Assets classified as held for sale	49	**953**	–
Current assets		**44,574**	1,092
Total assets		**144,864**	85,308
Current liabilities			
Trade and other payables	50	**(18,766)**	(18,936)
Lease liabilities	51	**(5)**	–
Provisions	52	**(143)**	(703)
		(18,914)	(19,639)
Non-current liabilities			
Provisions	52	**(348)**	(203)
Lease liabilities	51	**(4)**	–
Bank loan	53	**–**	(22,444)
		(352)	(22,647)
Total liabilities		**(19,266)**	(42,286)
Net assets		**125,598**	43,022
Shareholders' funds			
Called-up share capital	54	**5,466**	5,411
Share premium	54	**21,162**	21,116
Capital redemption reserve		**363**	363
Retained earnings		**98,607**	16,132
Equity shareholders' funds		**125,598**	43,022

* Refer to note 43 Loan notes receivable from subsidiaries for details on the restatement of comparative year.

For the year ended 30 March 2020, the Company reported a profit of £85,033,000 (2019: loss of £1,697,000).

The financial statements of Naked Wines plc were approved by the Board of Directors and authorised for issue on 24 June 2020. They were signed on its behalf by James Crawford.

Company statement of changes in equity

For the year ended 30 March 2020

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 2 April 2018		5,363	20,989	363	20,207	46,922
Loss for the period		–	–	–	(1,697)	(1,697)
Shares issued	54	48	127	–	(44)	131
Share based payment charges – subsidiary employees	33	–	–	–	1,417	1,417
Share based payment charges – company	33	–	–	–	991	991
Dividends paid	14	–	–	–	(5,188)	(5,188)
Deferred tax on share based payment	47	–	–	–	446	446
At 1 April 2019		5,411	21,116	363	16,132	43,022
Profit for the period		**–**	**–**	**–**	**85,033**	**85,033**
Shares issued	54	**55**	**46**	**–**	**(53)**	**48**
Share based payment charges – subsidiary employees	33	**–**	**–**	**–**	**533**	**533**
Share based payment charges – company	33	**–**	**–**	**–**	**1,161**	**1,161**
Dividends paid	14	**–**	**–**	**–**	**(3,786)**	**(3,786)**
Deferred tax on share based payment	47	**–**	**–**	**–**	**(413)**	**(413)**
At 30 March 2020		**5,466**	**21,162**	**363**	**98,607**	**125,598**

Notes to the Company financial statements

39 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The financial statements have been prepared on the historical cost basis, with the exception of deferred contingent consideration and a vendor loan note acquired in the year in the course of the disposal of Majestic. Refer to note 3.19 Financial Instruments in the Consolidated financial statements for details. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investment

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the income statement on a straight line basis over five years.

40 Staff costs

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

	Year ended 30 March 2020	Year ended 1 April 2019
Administrative and distribution	**76**	78

Their aggregate remuneration comprised:

	Year ended 30 March 2020	Year ended 1 April 2019
Wages and salaries	**5,821**	5,448
Social security costs	**639**	567
Contributions to defined contribution pension plans	**320**	146
Share based payment charges – ongoing	**1,161**	197
Share based payment charges – acquisition related	**–**	794
	7,941	7,152

Directors' emoluments are as disclosed in note 10 staff costs.

41 Key accounting judgements and estimates

As a result of the disposal of the Majestic Wine businesses, the Company holds deferred contingent consideration and a vendor loan note. See note 4 Critical accounting policies, estimates and judgements.

42 Investments in subsidiaries

	£'000
Cost:	
At 1 April 2019	73,734
Net movement on share options granted/(lapsed) to subsidiary companies' employees	533
Transfer of investment from other subsidiary	5,137
Disposal of subsidiaries	(22,418)
At 30 March 2020	**56,986**
Amounts provided for:	
At 1 April 2019	(6,600)
Disposal of subsidiaries	6,600
At 30 March 2020	**–**
Net book value	
At 30 March 2020	**56,986**
At 1 April 2019	67,134

Details of the Company's subsidiaries at 30 March 2020 are disclosed in note 38.

43 Loan notes receivable from subsidiaries
The directors have considered the nature of the inter-company balances and determined that they largely relate to investment in its trading subsidiaries through the provision of loan amounts and are not expected to be recovered within the next 12 months. As such, these amounts are now disclosed as loans to subsidiaries within non-current assets. As a result of this, a prior year adjustment to reclassify £15,613k of intercompany balance from current to non-current. This results in the net current liability position increasing from (£2,934k) to (£18,547k).

44 Right of use assets

Cost	**Equipment, fittings & vehicles £'000**
On transition 2 April 2019	**–**
Additions	**12**
At 30 March 2020	**12**
Accumulated depreciation	
On transition 2 April 2019	**–**
Charge for the year	**(2)**
At 30 March 2020	**(2)**
Net Book Value	
At 30 March 2020	**10**

45 Investment property
Refer to note 19 of the Consolidated financial statements for further details.

46 Intangible fixed assets

	Software £'000
Cost	
At 2 April 2018	606
Additions	332
Disposals	(116)
At 1 April 2019	822
Additions	**544**
At 30 March 2020	**1,366**
Accumulated amortisation	
At 2 April 2018	–
Charge for the year	(45)
Disposals	45
At 1 April 2019	–
Charge for the year	**(51)**
Impairments	**(740)**
At 30 March 2020	**(791)**
Net Book Value	
At 30 March 2020	**575**
At 1 April 2019	822
At 2 April 2018	606

47 Deferred Tax assets

	30 March 2020 £'000	1 April 2019 £'000
Provisions	**89**	71
Share based payment	**153**	576
	242	647

47 Deferred Tax assets (continued)

Movement in deferred tax during the year:

	1 April 2019 £'000	Recognised in income statement £'000	Recognised in OCI £'000	30 March 2020 £'000
Provisions	71	18	–	**89**
Share based payment	576	(10)	(413)	**153**
	647	**8**	**(413)**	**242**

Deferred tax on losses of £755,000 (2019: £nil) relating to losses in the Company have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created.

48 Trade and other receivables

	30 March 2020 £'000	Restated 1 April 2019 £'000
Trade receivables	**284**	–
Vendor loan note	**360**	–
Amounts due from Group undertakings	**–**	594
Prepayments and accrued income	**106**	385
	750	979

The amounts due from Group undertakings have no fixed payment terms and are interest free.

Other receivables due after more than one year

	30 March 2020 £'000	1 April 2019 £'000
Vendor loan note	**8,962**	–
Deferred contingent consideration	**4,043**	–
	13,005	–

For details relating to the fair value of the deferred contingent consideration, refer to note 28 Financial Instruments in the Consolidated financial statements.

49 Assets classified as held for sale

Refer to note 24 of the Consolidated financial statements for details.

50 Trade and other payables

	30 March 2020 £'000	1 April 2019 £'000
Trade payables	**253**	–
Other taxes and social security	**58**	167
Amounts due to Group undertakings	**13,865**	16,214
Accruals and other payables	**4,590**	2,555
	18,766	18,936

The amounts due to Group undertakings have no fixed payment terms and are interest free.

51 Lease liabilities
The Company leases a motor vehicle which runs for a period of four years. The maturity analysis of the lease is shown below.

Maturity analysis	30 March 2020 £'000
Due within 1 year	5
Due between 1 and 2 years	4
Total	**9**
Analysed as:	
Lease liability	
Current	5
Non-current	4
	9

52 Provisions

	Social security costs £'000
At 2 April 2018	1,190
Charged in the year	(284)
At 1 April 2019	906
Charged in the year	(415)
At 30 March 2020	**491**

	30 March 2020 £'000	1 April 2019 £'000
Current	143	703
Non-current	348	203
	491	906

National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 17 December 2024. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the options has been calculated on the share price at the balance sheet date of £2.52 and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

53 Bank and other borrowings

	30 March 2020 £'000	1 April 2019 £'000
Non-current		
Revolving credit facility	–	23,000
Debt issuance costs	–	(556)
Total bank and other borrowings	–	22,444

The Group's revolving credit facility of £60m, which was due to mature in December 2022 was repaid on 10 December 2019 on completion of the sale of the Majestic business. Further details are disclosed in note 26 of the Consolidated financial statements.

54 Share capital and share premium account
Details are disclosed in note 31 to the consolidated financial statements.

55 Post balance sheet event
Refer to note 36 in the Consolidated financial accounts for details.

56 Related parties
The Company has identified the Directors of the Company as related parties for the purpose of FRS101. Details of the relevant relationships with these related parties are disclosed in the Directors' remuneration report and note 37 to the Group accounts. The Company has no transactions with or amounts owed to or from subsidiary undertakings that are not 100% owned either directly by the Company or by its subsidiaries.

57 Ultimate controlling party
The Company, Naked Wines plc (formerly Majestic Wines plc) is the ultimate controlling party of the Naked Wines Group.

Shareholder information

Annual General Meeting

At the forthcoming AGM, Justin Apthorp, David Stead and Katrina Cliffe will retire by rotation and, being eligible, will offer themselves for re-election.

The AGM will be held at 11.30am on 6 August 2020 at Norvic House, 29-33 Chapel Field Road, Norwich, NR2 1RP. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

Company Secretary
Alex Iapichino
Registered Office
Norvic House
29-33 Chapel Field Road
Norwich
NR2 1RP

Nominated Advisor and Joint Corporate Broker
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London EC2V 7QP

Joint Corporate Broker
Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Auditor
Deloitte LLP
1 Station Square
Cambridge
CB1 2GA

Registrar
Link Asset Services
The Registry
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Beckenham
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PR Advisor
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Tax Advisor
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3 Forbury Place
23 Forbury Road
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RG1 3JH

Banker
HSBC UK Bank PLC
1 Centenary Square
Birmingham
B1 1HQ

Definitions and operational KPIs

Definitions	
Angel	A customer who deposits funds into their Angel account each month to spend on the wines on our website.
CAGR	Compound annual growth rate. The year on year growth rate required for a number of years for a value to grow from its beginning balance to its ending balance.
Company, Naked or Naked Wines	Naked Wines plc
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer-facing staff costs) and marketing expenses. We often split contribution into that from new and repeat customers as they can have different levels of profitability.
DTC	Direct to Consumer.
ESO	Employee stock options
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
New customer	A customer who, at the time of purchase, does not meet our definition of a repeat customer; for example, because they are brand new, were previously a repeat customer and have stopped subscribing with us at some point or cannot be identified.
New customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation and analysis including this metric is shown below for the Group is shown on page 131.
Repeat customer	A customer ('Angel') who has subscribed and made their first monthly subscription payment.
Repeat customer sales	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering. A reconciliation and analysis including this metric is shown below for the Group on page 131.
SIP	Share Incentive Plan
Standstill EBIT	The adjusted EBIT that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base. See page 132 for calculation of standstill EBIT from constituent Group KPIs and APMs.

Operational KPIs	
Product availability	% of targeted range available on websites as indicated by our inventory reporting.
Wine quality – "Buy it again ratings"	% of "Yes" scores in the last 12 months as recorded by websites/apps.
Service ratings – "5* customer service"	The number of service ratings scoring 5* as a % of total ratings in the last 12 months as recorded by websites/apps/telephone feedback.

Alternative performance measures (APMs)

Alternative performance measures	
EBIT	Operating profit as disclosed in the Group income statement.
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, share based payment charges, impairment of goodwill, restructuring costs and fair value movement through the income statement on financial instruments and revaluation of funding cash balances held.
EBITDA	EBIT plus depreciation and amortisation.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.
Adjusted PBT	Adjusted EBIT less net finance charges.
Adjusted effective tax rate	Defined as the current year's current tax charge divided by the adjusted profit before tax.
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and taxation. A reconciliation of free cash flow is shown on page 131.
Net debt	Borrowings less cash and debt issuance cost.
Operating costs	Defined as administrative expenses less other operating income excluding adjusted items.

Investment measures	
Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers. An explanation of why this is used is on page 21. An analysis including this metric is shown below for the Group on page 131.
Lifetime payback	The ratio of the Lifetime value (see below) of the customers recruited this year to the investment we made recruiting them. An explanation of why this is used is on page 21. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected returns from prior year investment (see page 33).
Lifetime value	The future contribution we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a Machine Learning (ML) model. Collecting data for a number of key customer characteristics including retention, order frequency and order value along with customer demographics and non-transactional data, the ML algorithms then predict the future (lifetime) value of that customer.
Repeat customer contribution	The profit attributable to sales meeting the definition of sales to repeat customers after fulfilment and service costs. An explanation of why this is used is on page 21. An analysis including this metric is shown below for the Group on page 131.
Repeat customer sales retention	The proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. Using our website data, the population who were subscribers in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention. An explanation of why this is used is on page 21.
Fixed costs	Administrative costs excluding marketing spend. An explanation of why this is used is on page 20. An analysis including this metric is shown below on page 131.
Year one payback	This short-term payback measure shows the actual return in this financial year of our investment in the prior year, removing the need to use a model to forecast the future.

Analysis of sales and contribution between new and repeat customer components

	2020			2019		
		Analysed as:			Analysed as:	
Naked Wines	£m	Repeat £m	New £m	£m	Repeat £m	New £m
Revenue	**202.9**	**173.7**	**29.2**	178.4	152.9	25.5
Contribution	**22.8**	**45.7**	**(22.9)**	20.7	39.8	(19.1)
Operating loss ("EBIT")	**(4.9)**			(9.1)		
Memo						
Admin costs analysed as:						
Marketing costs (included above within Contribution)	**(19.8)**			(17.6)		
Fixed costs	**(24.2)**			(23.7)		
Adjusted items	**(3.4)**			(6.2)		
	(47.4)			(47.5)		

Free cash flow

	30 March 2020 £m	1 April 2019 £m
Adjusted EBIT	**(1.4)**	(3.0)
Add back depreciation and amortisation (excludes adjusted amortisation of acquired intangibles)	**1.8**	0.6
Adjusted EBITDA	**0.4**	(2.4)
Working capital movement		
– Inventories	**(13.3)**	(13.2)
– Deferred Income	**5.3**	5.8
– Trade and other receivables	**0.6**	(0.2)
– Trade and other payables	**6.9**	1.3
– Repayments of principal under lease liabilities	**(1.2)**	–
Working capital movement	**(1.7)**	(6.3)
Pre-tax operating cash flow	**(1.3)**	(8.7)
Capital expenditure	**(1.1)**	(0.9)
Pre-tax operating cash flow / "Free cash flow"	**(2.4)**	(9.6)
Reconciliation to statutory cash flow statement		
Free cash flow	**(2.4)**	(9.6)
Cash adjusted items	**–**	(0.1)
Capital expenditure	**1.1**	0.9
Repayments of principal under lease liabilities	**1.2**	–
Cash consumed by operations	**(0.1)**	(8.8)

Standstill EBIT calculation

	30 March 2020 £m	1 April 2019 £m
A Repeat contribution (a)	**45.7**	39.8
A Sales retention (b)	**83.3%**	80.7%
Repeat contribution lost to attrition (=a x (1-b)) (c)	**7.6**	7.7
A Year 1 payback (d)	**67.0%**	78.0%
Spend to replenish lost repeat contribution (=c/d) (e)	**11.4**	9.8
Standstill EBIT is calculated as		
Repeat contribution (a)	**45.7**	39.8
Less: replenishment spend (e)	**(11.4)**	(9.8)
A Less: fixed costs	**(24.2)**	(23.7)
	10.1	6.3

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