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

naked wines

Annual Report and Accounts 2021

We are a bigger, better business.

“We have had a great year and I am extremely excited about our path for growth.

Chief Executive’s review
Page 16

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

Our business model
Page 28

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

Our business at a glance
Page 10

Our approach to a more sustainable future.

Sustainability
Page 56

NAKED WINES
LAID BARE

Throughout this report, you’ll find a series of interviews with our winemakers. Demonstrating exactly what makes us so different.

There are four things you should know about Naked Wines.

1. We offer winemakers hope, certainty and creative freedom.

Page 2

2. We are disrupting the wine industry.

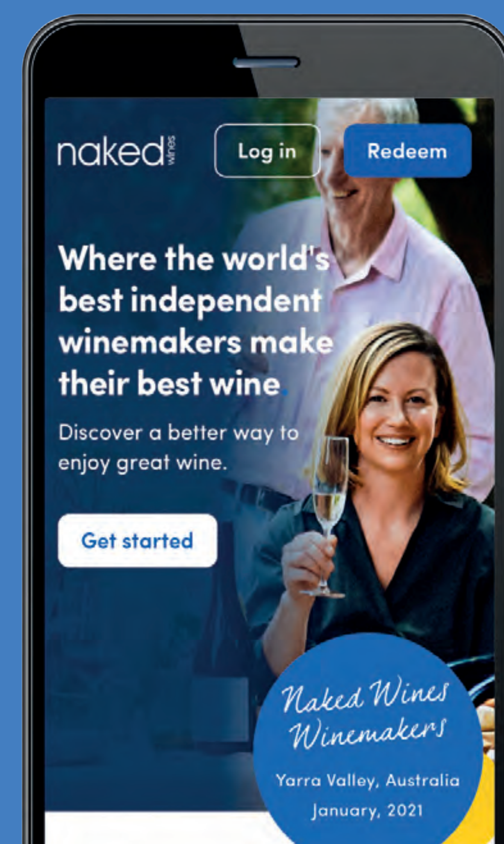
Page 4

3. After a year we’ll never forget, Naked is a bigger, better business.

Page 6

4. We have a clear strategy for the future.

Page 8



♥♥♥♥♥

A full bodied – rich in content – eight pages comes next. Please do settle down and get stuck in, it’s a great read...

Nick (CEO) – Napa

1. We offer winemakers

certainty

creative freedom

hope

We are making an impact in the wine industry. Independent winemakers have faced several challenges; COVID-19, the extreme California fire season of 2020, and tariff disputes that have impacted Australian and European producers in the past year. These factors combined further expose the challenges in the wine industry; but bridging that divide is what we do best, offering advance funding and large, regular orders, while leaving creative freedom where it belongs – with winemakers.

Our business model
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We've retained our broad commitment to positively impact the wine industry as a whole. We have supported independent producers and our entire team is dedicated to building a leading platform that enables winemakers to have a viable alternative to traditional distribution models that are failing them, and leaving them highly exposed from the channel shift to online.

We supported 36 winemakers through our $5 million COVID Relief Fund*, many of whom we have built-long term relationships with. Our Australian business launched a AUD $5 million campaign to "Stop the Squeeze" on Aussie growers and winemakers as the impact of Chinese wine tariffs hit hard on the Australian wine industry. We also launched a one-off fundraising campaign to support the struggling South African wine industry, as it faced some of the toughest COVID-19 restrictions in the world, including a total ban on the sale of alcohol.

Mission driven company
Page 20

$5m

COVID Relief Fund

Supported 36 new winemakers during the pandemic, see page 12 for one example

*Our COVID Relief Fund was an additional $5m which we put into our wine buying plan in 2020 to buy from winemakers we hadn't worked with before and whose sales and livelihoods had been disrupted by the COVID-19 pandemic.

What our industry needs now is support from the outside. By consciously drinking South African wine, you, the Angels, will not just help wineries but everyone who works within the South African wine value chain.
Thank you so, so much.

Carmen Stevens, Winemaker, South Africa

We are thrilled to have your support. What was looking like an uncertain period for us as small winemakers has turned into such a great opportunity. I am so excited to concentrate on winemaking and I already have a couple of ideas for new wines!! Angels are a wonderful help! Thank you so much for this opportunity!

Jen Buck, Winemaker, France

2. Our differentiated model shakes up the wine industry

"Honestly I don't really have enough words – it means everything to me to be part of such a fantastic team, and it's just amazing to feel so valued and genuinely feel like my personal development is cared about.

Why do we get up in the morning? Because we're doing our best to shake up an entire industry. Our differentiated model provides truly sustainable benefits for Angels and winemakers, built on the latest technology. We think that's pretty exciting.

The biggest challenges independent winemakers face is access to capital and access to distribution and consumers – we handle all of this. We connect the winemaker directly with our Angels, allowing for direct feedback and ratings which is invaluable data, used to make even better wine.

As a result, we are able to attract some of the world's top winemakers like Jesse Katz, Matt Parish and Daniel Baron, as well as support the discovery of the next generation of top winemakers.

These winemakers then become part of a community that deepens engagement and loyalty:

- Our Angel members connect directly to our winemakers and fellow members via our website and mobile app
- We provide a platform for our members to consume content, learn about wine and meet the people behind the wines. In a typical year, tens of thousands of Angels meet our winemakers in person on tour, at events or in wineries; in 2020/2021 initiatives like "Thirsty Toosdays" have taken this connection online with great success

Our business model
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"Naked funding made it possible to pay the farmers the amount they deserve for their grapes. This enables them to keep farming these vineyards to still make special wines from this unique area. The funding also allows me to secure the grapes before these vineyards are replaced with another commodity. Thank you for giving me the opportunity to present a wine from a special area with great potential.

"Our fruit goes into our wine bottles and then direct to Naked. The stable long-term relationship we have with Naked allows us to concentrate on getting the best out of our hillside vines. We know we will sell all our wine and have security on payments through the growing season. When we need to spend money on our vineyard, we know the cash will be there. We still worry about Mother Nature but we never have to worry about our relationship with Naked!

3.

After a year we'll never forget, Naked is a bigger, better business.

We are all experiencing extraordinary times. Demand increased rapidly in all of our markets, particularly the US. This gives us an opportunity to leverage our new scale.

How are we a bigger, better business?

Not just a larger business, but a permanently better one.

- Scale efficiencies improve our value offering
- Enhanced data for our winemakers
- Attractive returns on our investment

FY21 has been transformational for Naked Wines, where we have made substantial progress towards our vision:

Scale – rapidly gaining scale

c.100% increased capacity

Market – Online marketing channel opportunity accelerated

3x Increase in online channel buyers

Lifetime Value (LTV) – customer economics improved

3.0x 5-Year Forecast Payback (FY20: 2.6x)

Wine – appeal to winemakers enhanced

53% increase in the number of active Angels

>£260m in regular monthly deposits from Angels in FY21 enabled us to support the working capital needs of our winemakers

We've optimised the customer shopping experience over the last 12 months through:

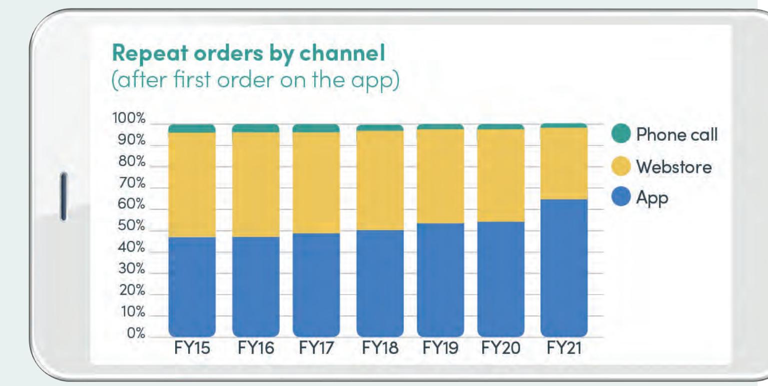
Subscriptions operating at scale – Wine Genie and Never Miss Out combined have >180,000 subscribers

Reduced case sizes appeal to more demographics

Fine Wine Club trial successful in the UK

The FINE WINE CLUB

New app has 4.8* rating, with over 70% of repeat orders being placed on the app following the first order on the app



Our people have done extraordinary work in supporting independent wine producers and building our platform:

Scan me to find out more about the COVID Relief Fund

Scan me to watch the Sky News interview

36 winemakers supported through the $5 million COVID Relief Fund

235 winemakers in total worked with (FY20: 211) across 19 countries

Launched a A$5 million "Stop the Squeeze" campaign to support growers and producers in Australia who have been the collateral damage of Australia / China tariff disputes

4. We have a clear strategy for the future.

We have a unique offering for our winemakers and our customers. Our priority is to continue to improve this while expanding our reach to further disrupt how the entire industry works.

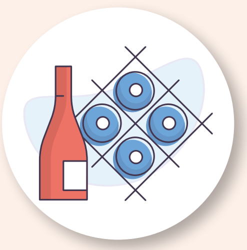
Enhancing the customer proposition to improve LTV

We delivered significant value to our customers in FY21. We are focused on enhancing the offering for our customers, which will drive Lifetime Value ("LTV").

First, to enhance the customer proposition we are focused on:

1. Improving the website speed and reliability

2. Enhancing the core shopping experience for Angels



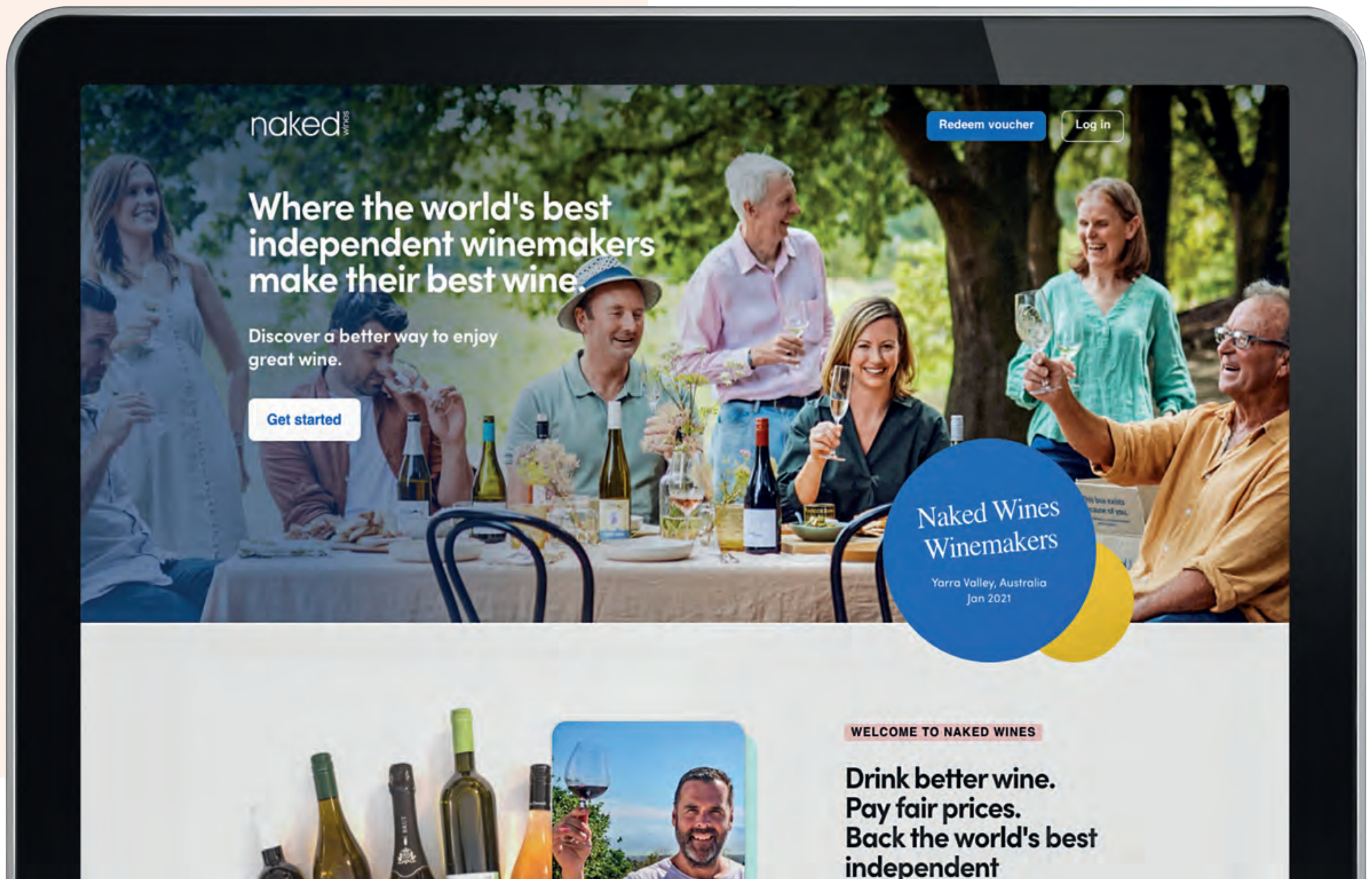
3. Extending the scope of Never Miss Out and rolling out Wine Genie at greater scale

Nakedwines.com awarded #1 wine club in the US for 2nd year running

Read more about our talented winemakers and their stories, such as Nina Stocker, Scott Kelley and Johan Kruger on pages 26, 32 and 40

Second, we will enhance Naked's wine quality perception through:

- Increased recognition of wine quality in our app and our marketing communications
- Leading with the winemaker, rather than the value offering
- Expanding the number of winemakers and the wine range



Leverage scale to enhance value creation

Operating at scale further enhances our differentiated model. See our **virtuous circle** on page 29 where:

- A global network of 235 world-class winemakers gives us the scale to commit volumes to our winemakers and unlocks predictable cost reductions
- This attracts more winemakers to our platform, increasing the range and volume capacity
- Ultimately, we are delivering even better wine and value for our customers
- As we grow our member base, we deliver attractive returns on investment

Our business model
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Broaden and enhance the go-to-market strategy

By continuing to drive customer value by enhancing our customer proposition and gaining scale efficiencies, we create the opportunity to increase investment in customer acquisition while maintaining attractive returns. In addition to broadening channels, we have two key areas of focus on our go-to-market strategy for the coming year.

Firstly, personalising the new customer offer and improving the onboarding process. By tailoring to individual customer needs and taste preferences, we expect to see an improvement in the quality of customers and improve investment efficiency.

Secondly, we will continue to spend £3 million per year on Marketing R&D spend to expand the channels we acquire customers through. The results this year have been positive, and we are confident we better understand our customers to continue to improve the mix of marketing spend.

Our business at a glance

Where the world's best winemakers make their best wine

Financial Performance Summary

Sales for the year to 29 March 2021

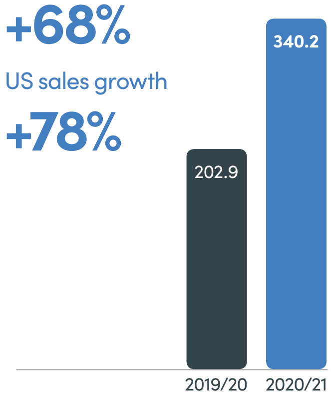
£340.2m

Sales growth

+68%

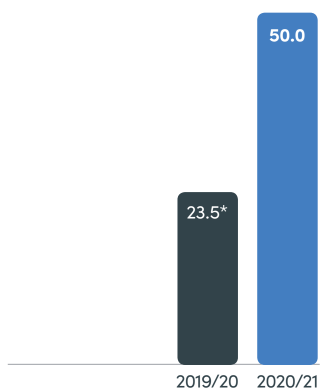
US sales growth

+78%



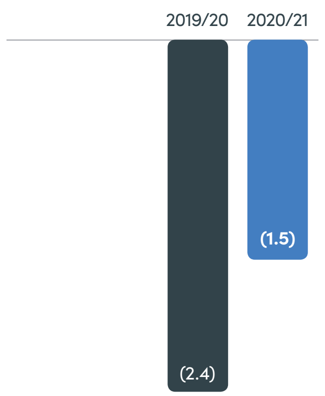
Ⓐ Investment in New Customers

£50.0m



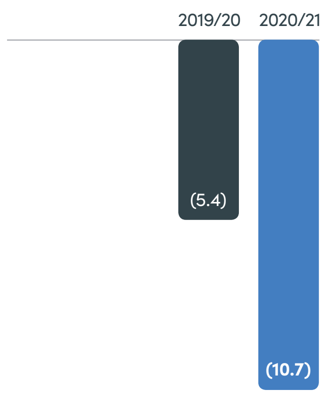
Ⓐ Adjusted EBIT

£(1.5)m



Loss before tax

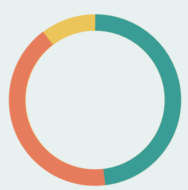
£(10.7)m



Ⓐ See information on alternative performance measure definitions on page 134.

* FY20 Investment in New Customers revised to align with updated allocation basis used in FY21. See note 6 for details.

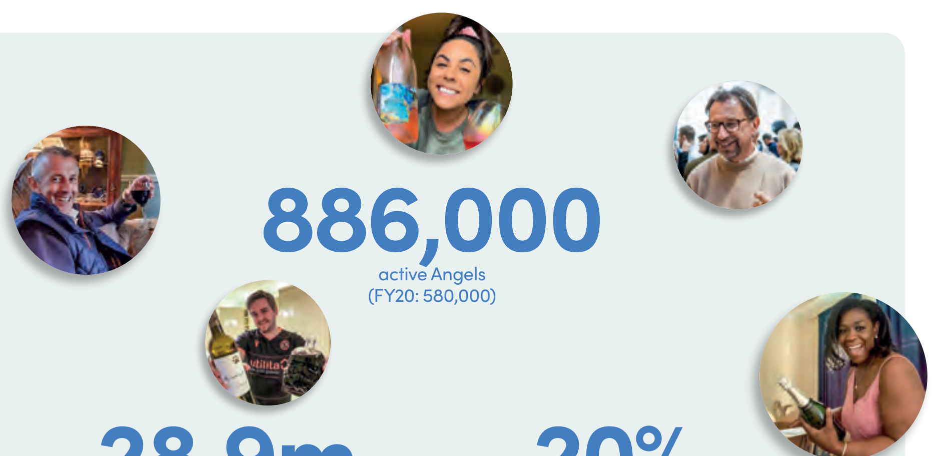
Sales by geography



US
48%

UK
39%

AUS
13%



886,000
active Angels
(FY20: 580,000)

28.9m
reviews

20%
of Angels on subscription products
(Never Miss Out and Wine Genie)

88%
Ⓐ Repeat Customer sales retention
(FY20: 83%)

3.0x
5-Year Forecast Payback
(FY20: 2.6x)

£39.3m
Standstill EBIT
(FY20: £9.6m)

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 28.9 million reviews.*

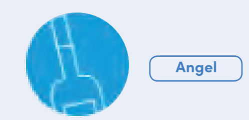
Our purpose
Connect everyday wine drinkers with the world's best independent winemakers.

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 by shaping the whole wine industry in our image.

* Total number of reviews in our database.

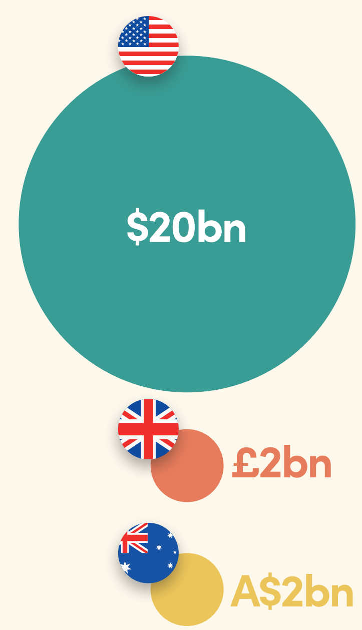
Constanza Schwaderer
Thanks for your high rating Stephen, I'm so glad this wine ticks all the boxes:)



Stephen
Excellent nice and dry not too heavy

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

Source: 2020 Direct to Consumer Wine Shipping report.



Total Addressable Market ("TAM")

Excluding states we cannot sell to[1]

Wine >$10 a bottle

Those who buy wine regularly

Those interested in wine

Naked TAM

1. There are currently seven states which we are unable to ship to due to regulatory restrictions

Thanks to the COVID Relief Fund

we know what tomorrow brings!

An interview with

Megan and Ryan

Ryme Cellars
California

Q. How did your journey with Naked start?

A.

In March 2020, along with many others around the world, we watched a large chunk of our sales disappear overnight with the loss of restaurant sales. A friend shared a link to the Naked COVID Relief Fund application. We sent in three wines which were usually sold to restaurants and by the glass. All of these were selected for sharing with the Angels, and our relationship with Naked has continued to grow! We have now signed to produce an exclusive brand with Naked.

Q. What's your biggest highlight while you have been working with Naked?

A.

For the last year, it was a matter of keeping our business going. We were terrified that we would not be able to maintain our staff and honour contracts with our growers – with Naked's single purchase we were able to achieve all of this, which is amazing! We would not have had this security without Naked Wines.

Q. What kind of issues have you had to overcome?

A.

It was really challenging trying to navigate operating a business without knowing what tomorrow will bring. We have had to remain flexible throughout the past year due to the unforeseen circumstances, and reacting to all of the issues created by COVID-19 such as the large loss of sales. We have had to change our whole sales approach – in the past we sold to restaurants and had a distribution arm, but now we are so pleased to be a part of the Naked community and interacting with the Angels directly.

Q. How has upfront funding from Naked supported your business?

A.

We have been making wine for 13 years now, but have had to grow slowly as we had to maintain other wine-producing jobs, and contend with the large capital expenses associated with the industry. This year, with upfront funding, we are excited to grow significantly!

Having the upfront funding allows us to make the wines and the quantities of these that we would like to.

Q. What difference has Naked made to you?

A.

Wine for us, along with food, are the things that bring people together. It is fantastic to have the opportunity to interact directly with the Angels and other winemakers through the Naked platform.

Q. Has Naked helped you to grow your brand and business in other ways?

A.

Naked has given us the ability to work with other vineyards which we wouldn't be able to otherwise, due to the volume and capital requirement. Now, we are working with a quality fruit we could never have dreamed of working with and we are really excited about it!

Chairman's letter

Huge opportunities ahead

An active year of succession, and the Board goes forward well refreshed.

Ian Harding
Chairman

Naked rose to the challenge

I became Chairman in August 2020, after serving eight years on the Board, at a very busy time for Naked. I am delighted to report that we successfully rose to the challenges we encountered over an unprecedented 12 months. We coped well with the sudden step up in demand from COVID-19 in the first quarter, and we built on this momentum throughout the rest of the year. As a result, the business dramatically exceeded our expectations.

While the financial results and key performance indicators (KPIs) that we delivered in FY21 speak for themselves, for me the real achievement was the sheer determination shown by our teams in the US, UK and Australia, and by our winemakers across the globe. I would like to thank every single one of them for keeping the wine flowing to our existing and new Angels, and for continuing to push our programme of long-term growth initiatives, all while upholding our quality and customer service levels. Quite frankly, it was a stunning achievement, all delivered from the bedrooms and back rooms of our remote working teams.

Alongside delivering these results, our teams have continued to adapt and identify further opportunities to fulfil our mission of disrupting the wine industry for the good of winemakers and consumers. Our $5 million COVID Relief Fund offered much needed support to 36 winemakers, many of whom saw their sales to restaurants and through tasting rooms disappear overnight. For many this support has made a huge difference and enabled them to make a 2020 vintage and keep teams employed. Equally, through a challenging year, Naked's commitment to give back to our communities and those of our winemakers has remained – with the record appeal for Carmen's Kids a personal highlight of the year (see page 59).

The Group has evolved beyond all recognition over my years on the Board – from a UK-only store-based retailer, into a US-led, fast growth and agile direct-to-consumer (DtC) subscription business. While the path over the past eight years hasn't always been smooth, I've relished the opportunity to play a part in helping Naked evolve into the business it is today. As I prepare to step down as Chairman, I see a company which has married clear focus and high-quality execution to its entrepreneurial culture and is ideally poised to exploit its huge growth opportunity, particularly in the US. The scale of the growth opportunities ahead are tremendous. We are barely scratching the surface of the addressable wine market. In addition, we will have the trend for DtC blowing fast in our sails for years to come. We have an ambitious strategy for growth, coupled with a strong team in place to execute our plans and take advantage of these opportunities.

> "The Board and I are all immensely proud of the agility, resilience and sheer determination shown by our teams in the US, UK and Australia, and by our winemakers across the globe.

Focusing the Board on a set of goals

As the pandemic's scope began to materialise, it was important to me and the Board that the executive team and the business were fully supported for the challenging times ahead. We therefore re-cast our Board agenda for the year so that all our efforts, discussions and decisions were relevant to just three goals, which were as follows:

- Maximise the upside from higher demand, so that we had a fantastic year's trading operationally, financially and strategically
- Exit the year in great shape and well set up for future growth, making sure this is a permanent step up, not just a short-term spike
- Make some great hires to the leadership team, so that the business is well primed for our next phase of development and growth

I'm pleased to say that we achieved all three goals during the year. We face the future ideally positioned to deliver sustained growth for years to come.

Supporting our people and communities

During these extraordinary times, the Company's focus has been on keeping everyone safe, while ensuring that our wine reaches our customers safely and reliably. Our people and our winemakers are the key to our success, and we are determined to support them in every way we can.

We enabled our teams to work safely at home, and recognised their exceptional efforts by doubling their maximum bonus award, as set out in the Directors' Remuneration report on page 70. We also created a $5 million COVID Relief Fund to buy wine from impacted independent winemakers.

Board changes in an active year of succession

John Walden stepped down as Chairman in August 2020, leaving the Group with a healthy balance sheet and strong growth momentum. He left with our thanks and best wishes for the future.

I was honoured to replace him as Chairman in my final year on the Board before my scheduled retirement at the 2021 AGM. David Stead took on my previous role as Senior Independent Director, while Katrina Cliffe, who was already a member of the Remuneration Committee, became the Committee's new Chair. Both David and Katrina have played key roles in the recent transformation and refocus of Naked Wines, and brought extensive relevant experience to these roles.

Following James Crawford's successful and well-earned transition from Chief Financial Officer to Managing Director of Naked UK, I was pleased to welcome Shawn Tabak as our new Chief Financial Officer. Shawn, who joined the Board on 1st January 2021, has previously held senior finance roles at Upwork Inc., Shutterfly and Clean Power Finance. His experience driving growth through a strong customer focus, and his understanding of the online and US market, will be highly valuable and represents a key step in capturing the market opportunity in the US.

So, this has been an active year of succession, and the Board goes forward well refreshed. We continue to review our skills in a fast-changing world, and I have no doubt that we will continue to strengthen our skills, experiences and diversity over the coming years.

Improving our engagement with shareholders

Our governance goals haven't changed this year. We are intent on providing the right culture, checks and balances to ensure that we deliver our full growth potential while looking after the best interests of all our stakeholders. Growing successfully, safely and fairly is at the heart of all our decisions and activities.

This Annual Report sets out in detail the various governance structures, activities and areas of evolution this year, but a standout for me has been the significantly increased engagement with our shareholders. I speak regularly with our largest shareholders and find that they have a very deep understanding of our industry, our business and the DtC model. We benefit greatly from their insights and encouragement and their contribution over the last year has been a great example of the business benefits that can flow from good governance.

Taking the Chair

We conducted an extensive search process to find my successor, at such an important moment in our growth journey, and I am delighted that Darryl Rawlings joined us in April 2021 as an Independent Non-executive Director. He will succeed me as Chairman after the AGM in August 2021. The Board agreed that our next Chair must have an excellent track record of delivering growth, innovating and scaling DtC digital businesses in a senior leadership role. It was also critical that they were someone who had achieved this in the US. Darryl fits our profile perfectly and is well equipped as Naked Wines embarks on the next phase of its growth story.

Darryl is the founder and CEO of Trupanion Inc., an industry-leading, DtC, monthly subscription business that provides medical insurance for cats and dogs throughout the US and Canada. Since founding the business in 2000, Darryl has led the company's consistent growth, which generated $500 million in sales in 2020 and now serves more than 860,000 enrolled pets. Darryl brings with him extensive experience in operating and scaling a subscription DtC business in the US, as well as corporate governance and public company experience as CEO of a NASDAQ listed company.

I am confident that his appointment will add valuable insight and mentorship for the Naked executive team as the Group focuses on its huge US growth opportunity.

Large opportunities ahead

We have a strong leadership team in place, and a very healthy culture at our heart, which will enable us to take advantage of the large opportunities lying before us. We will continue to do the right things for all our stakeholders; ensuring that our teams are motivated and rewarded, our shareholders benefit from the value we create, our winemakers prosper, and our Angels enjoy beautifully crafted wines.

Ian Harding
Chairman

A bigger, better business

This year has accelerated growth in both our business and the markets in which we operate. A larger, stronger Naked business is ideally positioned to deliver sustained and attractive growth in this environment and continue to change the wine industry for the better.

Nick Devlin
Chief Executive

We are a mission-driven company
Page 20

Our investment philosophy
Page 22

A bigger and better business

FY21 has been a breakthrough moment for Naked Wines.

The impacts of COVID-19 have accentuated the wine industry's challenges and are validating our model.

Our people have done extraordinary work in supporting independent wine producers and building our platform.

Our medium-term growth prospects are enhanced, with a clear path to >10% EBIT margin as the business scales.

Step change in Standstill EBIT (14% Standstill margin in FY21) reflects the potential future profitability of our model.

Since day one, our mission at Naked has been simple: to disrupt the wine industry for the benefit of customers, our winemakers and our people. To fully realise that ambition Naked needs to operate at scale and FY21 has been a breakthrough year that has seen us make substantial progress towards that vision. Our highly differentiated model thrived over the past year, we had 886,000 consumers seeking out high-quality, convenient and authentic experiences delivered to their homes, and 235 winemakers directly connected to them. A lot has been written about the impact of the pandemic on e-commerce models and certainly we have seen an uplift in our performance. However, what has been clear to us is that the impact of the pandemic has served to further accentuate existing divisions and challenges in the wine industry, and by extension has confirmed our conviction in our business model and opportunity.

While overall wine consumption has been stable in our markets, the channel shift has left many smaller growers and producers, who are reliant on physical tasting rooms and cellar door experiences and local on-trade distribution, highly exposed. For many, this has been amplified further by the impact of natural challenges, such as the extreme Californian fire season of 2020, and human ones, like the tariff disputes that have impacted Australian and European producers in the past year. Collectively, the result is further consolidation in the industry and at times a seemingly inexorable wave of difficulties for the proud, brave and maverick growers and producers who seek their own path in the industry. I'm incredibly proud of the work we have done this year to support independent producers and enable winemakers to have a viable alternative to traditional distribution models that are failing them. This year, we have:

- Supported 36 winemakers through our $5 million COVID Relief Fund
- Launched a A$5 million "Stop the Squeeze" campaign to support growers and producers in Australia who have been the collateral damage of Australia / China tariff disputes

Looking to the future

- Our growth prospects have been materially enhanced in the past year
- We are c.1% penetrated in a $20 billion US addressable market, where our quality/price position is a clear differentiator
- Our advantaged sourcing and direct-to-consumer (DtC) model results in sustainably higher margins than our competition

"I don't know if you guys know exactly the amount of impact that you have on the ground and that Naked is making. We were drawing together a budget for this year, with the pandemic starting and trying to work out if we could get by without laying people off, with revenue down 50%. As it is, with the orders coming in from Naked, we're on track for a record year and that means we've been able to employ a bunch more people in the community. We're just so grateful and it means so much to us to be a part of this."

Sam Plunkett
Winemaker

It's talented small producers that are the life blood of the wine industry and I don't know many better than Sam Plunkett. This note from Sam earlier this year encapsulates the win-win model that we strive to create at Naked.

While I am delighted with the performance achieved this year, the most important impact is the extent to which I believe we have built a bigger and better business with materially enhanced medium-term growth prospects.

The importance of the US was underlined in the year, being 48% (FY20: 45%) of Group sales. In this market we have a clear differentiator; the high quality of wines that we are able to provide to customers at significantly lower prices than retail providers, while operating at a much larger scale than other DtC players. At the same time, we have materially accelerated growth and taken market share in our longest established UK market: proof of the growth headroom available to Naked.

Medium-term ambition

As we head into FY22, Naked as a business is now stronger than ever, and thanks to our unique business model we are well positioned to sustain growth in the year ahead, even after a year that included higher-than-expected order frequency and lower-than-expected customer acquisition costs driven by the COVID-19 pandemic-related government restrictions and lockdowns.

While making exact predictions around the next 12 months is not much easier than it was last year, we are clear around the shape of our medium-term prospects. We expect Naked Wines to be growing sales at c.20% p.a, underpinned by continued strong unit economics. Equally, as the business scales, we see a clear path to an EBIT margin in excess of 10% at mature scale. Indeed, while undoubtedly flattered by some of the impact of the pandemic, our Standstill EBIT margin in FY21 gives an indication of the potential for this level of margin as we continue to scale the business.

Strong performance in FY21

- Record performance and customer growth in an unprecedented year
- Delivered high-level customer experience despite managing rapid growth and supply challenges owing to the pandemic
- Achieved our highest-ever Net Promoter Score (NPS)

We delivered an exceptionally strong trading performance in all our markets this year. I would like to thank all our colleagues around the globe for their dedication, without which this would not have been possible.

From a commercial perspective, highlights include sustained high growth in the second half of the year and the combination of materially increased Investment in New Customers with above target investment returns:

- Group revenue grew by +68% to £340.2 million, with growth of 80% in H1 and 59% in H2
- Active Angel numbers increased by 53%, or 300,000 subscribers, to 886,000
- Investment in New Customers increased 113% to £50.0 million with 5-Year Forecast Payback of 3.0x vs 2.6x in the prior year
- Repeat Customer Contribution profit increased 83% to £84.9 million driven by:
  - Sales retention of 88%
  - Enhanced Repeat Customer Contribution margin of 30% (FY20: 27%) as the benefits of scale and increased stock

velocity flowed through to our repeat economics, partially offset by increases in transportation and logistics rates. We expect approximately half of this margin accretion to be enduring
- Our statutory loss before tax for the year of £(10.7) million is a result of broadly flat year on year adjusted EBIT, the fair value adjustment of our deferred consideration from the sale of Majestic and on open FX contracts, currency movements and goodwill amortization

Our teams have done an incredible job managing this growth while maintaining the high standards we set in terms of the customer experience. At times our operations have been challenged by triple-digit growth rates and we acknowledge that our availability in some markets has not been what we would expect in a normal year. Overall, I am delighted that we have:

- Almost doubled our fulfilment capacity, including opening new warehouse space in all our markets
- Launched a full remote customer service model while maintaining 5* feedback from customers above 90%
- Maintained wine quality with a customer Buy-it-Again rating average of 91%

The commitment of all our colleagues has been critical to us achieving our highest ever Net Promoter Score of +60.

A differentiated model driving sustainable growth

- Our growth is sustainable and our longer-term expectations are raised
- Our model has proven its ability to empower winemakers, and to generate strong consumer loyalty and attractive unit economics
- We expect to deliver higher levels of ROI as we further scale the business

Over the last year, we have seen across retail categories an unprecedented acceleration in demand moving online. The long-term online winners will be businesses that have differentiated offers that create sustainable value for their consumers and for their suppliers.

That is exactly the type of business model we have been focused on creating at Naked since we launched in 2008. Our 100% digital business model works for everyone involved. The model is revolutionary, giving both wine drinkers and winemakers a better deal.

> "It's wine delivery day! I started getting deliveries to cut down on time lingering in the supermarket to look at bottles, but the wine from Naked Wines is so good I'm going to keep this up after the pandemic.
>
> **Jules W**
> New Angel

Naked pricing vs Vivino market average (red wine)

Naked provides better value by offering a lower price at each quality level. The price differential widens at higher price points.

We have a sustainable way to make high-quality wine at a lower cost, combined with an efficient DtC model that is the foundation of Naked's quality and value advantage. It's a simple formula: when consumers come to Naked they get to enjoy better wine for their money – which can be measured.

Signs of enduring change

The most important impact of the past 12 months is the extent to which we have built a bigger and better business with materially enhanced medium-term growth prospects:

- Scale efficiency in logistics and fulfilment costs reducing the cost to get a case of wine to our customers which both supports margins and offers opportunities to improve service levels
- Increased Stock Keeping Unit (SKU) scale which enables our winemakers to drive down production costs which can then be shared with our members
- A larger member and revenue base which allows us to more effectively leverage investment in our infrastructure and core customer proposition

During the year, we have seen evidence of our Angels deepening their relationship with Naked and our winemakers. Engagement between winemakers and Angels has been at record levels and we believe that has contributed to us seeing a significant increase in the retention rates across our customer cohorts. Clearly it is too early to be definitive on the outlook as our markets re-open fully; however, the data we have seen so far, including in Australia where more of the economy has been open for longer, remains encouraging.

Bringing exciting new talent into the platform

- Our appeal to talented winemakers is manifesting in growing relationships
- Our growth provides them with even greater creative opportunities and earning potential
- With our winemaker partners we've achieved a number of exciting "firsts" in FY21

The past year has not just been a breakthrough for online from a consumer perspective. Winemakers have recognised that a DtC strategy is critical to the long-term success of any wine brand and that online is a critical component of that. The tough environment for small and independent producers around the world, combined with the increasing visibility of Naked Wines, has further enhanced our appeal to highly talented winemakers.

In the past year we have worked with more than 60 new winemakers. Among some of the highlights of the past year for me are:

- Agreeing Angel exclusive projects with some of the winemakers we initially supported via the COVID Relief Fund (Jesse Katz, Ryme Cellars, Ana Keller, Núria Altés and Rafael de Haan)
- Launching debut vintages with some wine royalty from around the world (Patricia Benitez, Daniel Baron, Josh Pfeiffer)
- Launching new talented winemakers including Rudy von Strasser (founding father of Napa's Diamond Mountain AVA) and Cristian Vallejo (winner of multiple awards for best wine in Chile with Vina Vik)
- Continuing to provide a platform to some of the best undiscovered talent in the industry such as Jen Buck, who Angels reduced to tears by crowdfunding over £80,000 in one Zoom call!

Accelerating our strategy

Around 18 months ago, we set out three pillars to our growth plan; following an exceptional year of growth we have revisited this. Our biggest opportunity remains the same, to build a leading position in the US wine market. However, in light of a year that accelerated the pace of online migration by multiple years, we too are accelerating our plans. We have identified areas of our business or approach which can be enhanced. Our FY22 strategic initiatives are as follows:

Enhance customer proposition

While we are proud of our customer proposition, we continue to see substantial scope to further enhance it. We are focusing in particular on the following areas this year:

Quality perception: As a data-led business, we are obsessive about measuring the quality of our wines. The Naked model gives us a sustainable way to make better wines for less; that is how we offer great value to our members. Our Angels agree. However, as a challenger model selling exclusive brands, we recognise we have more work to do to drive quality perception among the wider market and influence the potential Angels of tomorrow. Put simply, today we aren't getting fair credit for the quality of exclusive wine brands we are making. Our plans to address this include:

- entering more wines for awards and critic review to deliver third party credentialing;
- innovating our digital product to better showcase these awards; and
- creating and sharing more content that highlights our winemakers and their experiences.

Finally, we continue to bring on more A-List winemaking talent and will build out our luxury range of wines alongside expanding offerings from traditional "old world" wine regions to support our specialist and quality credentials.

Easier to shop: There are other areas we can work on to broaden the appeal of our offering, such as making the shopping experience more enjoyable and delivering a more relevant offering for different demographics of customers. In order to win these benefits, we have added highly skilled resources to our product management and technology capabilities this year. We anticipate this resulting in a faster and richer rate of innovation and change. For example, in FY20 we launched a new app to customers which has been very well received. In the coming year, priorities include:

- better data-led personalisation of the shopping experience;
- rolling out enhanced CRM and CMS tools to enable our teams to deepen segmentation of our communications; and
- a focus on driving overall ease and speed of shop across missions and devices.

Scaling subscriptions: Our subscription products have been a standout success in the past year. We have generated over 95,000 orders through our automated ordering products, with 19% of our customer base now subscribed to our Never Miss Out and 2% to our Wine Genie product. Never Miss Out is directly responding to one customer concern inherent to a wine business working with smaller producers, discovering a favourite wine and then having it sell out. By addressing this problem, we are seeing enhanced retention rates which deliver substantial levels of incremental sales. We see material scope to innovate further here and will both extend the scope of Never Miss Out, adding frequency options and case variants, and look to roll Wine Genie out at greater scale.

Leverage scale to enhance value creation

As we build scale, we will deepen our competitive moats and enhance the appeal of Naked to all our key stakeholders. The operating leverage in our logistics and fulfilment costs has been apparent immediately, but over the medium term we will also see the benefits that increased scale unlocks as we are able to further reduce the costs of making high-quality wines and reduce sourcing costs in non-wine spend. Our bias as we look to the long term is to share these benefits with customers in the form of enhanced value or elevated quality, as opposed to seeking maximum short-term margin expansion. As our business scales, we also enhance the economics and appeal for our winemakers, building further differentiation into our wine proposition. These improvements to proposition and economics via scale are a key element of our long-term strategy.

Broaden and enhance our go-to-market strategy

We see the opportunity to continue to drive customer value via an enhanced customer proposition and through scale efficiency, which gives us an ideal platform to increase our long-term investment in customer acquisition while maintaining attractive returns.

In addition to continued work to develop new marketing channels, we have identified two further key areas of focus for our go to market strategy this year.

- The first is increasing the relevance of our initial offer and onboarding process. This involves focusing on the personalisation of offers (in terms of communication, wines, subscription and economics) to New Customers. We see substantial upside in customer quality and investment efficiency from better differentiating our offers and tailoring the introduction to Naked around each individual's unique tastes and preferences.
- Second, we will continue to deploy Marketing R&D spend as we broaden our marketing approach beyond pure direct response advertising to encompass brand development. We have identified clear opportunities to support long-term growth via improving key brand metrics – notably awareness, brand comprehension and the perception of wine quality. Our initial testing this year has given us confidence that we understand the messages required to move these metrics and we will continue to test into a more balanced mix of marketing spend.

In summary

I firmly believe that DtC is the future in wine retail, and that brands should be connecting directly with customers and creating meaningful relationships with them. The path won't be linear but the direction of travel is inevitable. With more people than ever open to the idea of buying wine online, now is the perfect time to showcase the amazing stories that sit behind every bottle. At Naked, we have always believed that stories about people, their dreams, motivations and struggles, are universal and resonate far more than a narrow focus on terroir, tannin profiles or aromas. By connecting winemakers and wine drinkers directly, we are building a business that is emotionally as well as rationally differentiated, where a personal connection, provenance and authenticity reinforce a foundation of great-value, high-quality wine.

I've never been more excited about the future for Naked Wines.

Nick Devlin
Chief Executive

We are a mission-driven company

We've executed at a high level through a tough environment.

We've stepped up to support independent winemakers through COVID-19 while building new relationships and delighting customers.

We've broadened our commitment to advancing equality and inclusion in our business and within the wine industry.

The experiences of the past year have led us to take decisive action to better understand our environmental footprint and how we can raise the bar for sustainability.

Positive change

Now, more than ever, we believe Naked has a role to play acting as a force for positive change in the wine industry

Providing growth and stability to our existing winemakers

In a year like this, where external circumstances have created substantial operational challenges, it's more important than ever for a company to have a clear sense of identity and mission. Our commitment to positively transform the wine industry has enabled us to retain focus through a demanding year, and I'm delighted by the way our teams instinctively continue to look for ways to broaden that impact.

As well as providing growth and stability to our existing winemakers, we have sought to harness our platform and Angel base to support winemakers and growers who have been most impacted by forces beyond their control this year. In the summer, we launched our $5 million COVID Relief Fund. This resulted in us sourcing 105 new wines from 36 new winemakers, many of whom we have subsequently built longer-term relationships with, having achieved high customer ratings. In the autumn, our Australian business launched an A$5 million campaign to "Stop the Squeeze" on Aussie growers and winemakers as the impact of Chinese tariffs hit hard on the Australian wine industry. Now, more than ever, we believe Naked has a role to play acting as a force for positive change in the wine industry and building long-term sustainable relationships that benefit customers and suppliers mutually.

Another dimension of this belief is that we can play a positive role in supporting greater equality and diversity in our industry. In FY21 we took a number of major steps to further this, alongside doubling down on some long-standing partnerships:

- We have launched the Naked Emerging Vinter programme in collaboration with the Roots Fund which will mentor an aspiring winemaker from a minority background each year
- We have renewed our scholarship programme in Stellenbosch, SA and have added a new programme for access to the prestigious University of California, Davis, to support new minority winemaking talent
- We have founded a charitable trust in the UK to amplify the impact of our long-standing partnership with Carmen Stevens to raise money for kids in Western Cape, SA. I'm immensely humbled by the support of our Angels in helping us raise more than £750,000 in our April 2021 appeal

This was another year where the challenge of an evolving climate was ever present. We work in an agricultural business which is reliant on the climate so we cannot be bystanders in the debate around climate change and sustainability. The impact is real for our winemakers and colleagues who have been impacted in recent years by wildfires.

We have completed an end-to-end CO_2 carbon footprint audit to identify the biggest carbon emission drivers in our UK business and are in the process of rolling this out for our supply chain globally. Following this, we will be drafting a plan to raise the bar at Naked, and we hope to provoke conversations and wider change in the industry.

Sustainability page 56

World wine rescue

As part of the COVID Relief Fund, Naked bought rescue cases from winemakers whose routes to market had closed in France, Spain and South Africa among others.

Our investment philosophy

We remain committed to our core belief in how we drive long-term returns and value for shareholders.

We are enhancing key disclosures to make clearer how we measure progress against our philosophy.

We take a well-rounded and thoughtful approach to capital allocation.

For those of you who may be looking at Naked Wines for the first time, or are new investors to our business, it is important that we lay out clearly the investment philosophy to which we subscribe. We are committed to maximising the long-term value of the business and believe that we best achieve that aim through deployment of the appropriate level of investment, subject to delivery of our target levels of investment return. We have a consistent bias towards building a sustainable, high-quality business with high retention rates, and we optimise for the long term, not the short term. With a business model that invests up front to acquire customers in anticipation of future returns, our perspective on investment is inherently fundamental to our business success and so I believe it is worth expanding upon it here.

While our philosophy is not changing, we are making some changes to some of our associated disclosures and given the criticality of this issue it's important to explain why we are doing this.

From "Lifetime" to 5-Year Forecast Payback

We originated our 20-Year "Lifetime" Payback measure to reflect the very high levels of retention exhibited by our loyal customer base and to reflect our philosophical belief in a focus on building for the long term. However, we must acknowledge that 20 years is a long time to predict anything over and surely if 2020 has taught us anything it is that nothing is certain. We have been dual publishing a 5-Year Forecast Payback measure alongside our 20-year measure and from this point will transition fully to the 5-year measure.
We believe this has a number of benefits:

- 5 years is a time horizon for which we have multiple fully aged cohorts in all our markets
- The 5-Year Forecast Payback projections can be set against the disclosure we make on realised payback by year for the five most recent cohorts
- We believe it is a time horizon that appropriately balances a tangible ability to predict customer behaviour while maintaining a focus on building a business for the long term underpinned by high-quality, highly loyal customers

It is worth noting that while we have disclosed a Year 1 Payback measure to assist in projecting future business performance, internally our operational and investment decision-making is orientated around our longer-term payback performance. With the move to a 5-Year Forecast Payback, this will not change. To put it simply, where we have a choice between optimising for short-term metrics (i.e. driving the fastest possible payback on an investment) and maximising value over the medium to long term (i.e. higher 5-Year Forecast Payback), we choose the latter.

An agnostic investment approach

While historically our investment disclosure has focused on the direct spending to acquire new members (either through media costs or via subsidised first purchases), we are philosophically agnostic in terms of our assessment of investment opportunities. In practice, while the business was capital constrained and our returns from Investment in New Customers were limited by available capital there were limited practical investment choices to be made. Thankfully, the business today is in a different position and so it is useful here to share how we view some of the investment opportunities outside of direct New Customer acquisition.

When reviewing opportunities to invest in additional capability to enhance our customer proposition and technology, we adopt the same mindset of an evidence-based assessment of likely investment returns and a belief in investing to create sustainable long-term value. In short, our perspective is the same as for our direct New Customer acquisition investment. We are seeking to invest where we see opportunity to generate additional long-term value and are minded to focus more on returns over a 5-year horizon than look for immediate payback.

In terms of the last 12 months, the rapid scaling of Naked Wines' membership base has, in the view of the management team, had the impact of making additional investment in a number of areas substantially more attractive. When we assess, for example, the business case to invest more in digital products to accelerate the pace of innovation in our digital customer experience, we are considering the following factors:

- Do we have excess identified opportunities versus current resource levels?
- If yes, what additional opportunities would the investment enable? In what time frame?
- What is our best evidence of the likely value created? Where possible we seek to validate via proof of concept testing ahead of development
- What then is the likely annualised benefit vs the costs – and as such the likely return on incremental investment made through the general and administrative cost line?

Significantly, for this along with many of the investments we are evaluating, the benefit of the investment is a function of either New Customer traffic levels or Angel member numbers. In both these areas, our baseline has increased materially over the last year:

- Our new traffic baseline has more than doubled, driven by our increased customer acquisition spend
- Active Angels have increased by 53%

Therefore, the returns on investment in many areas are now substantially more attractive as the cost of developing a new experience or piece of functionality is largely fixed whilst the benefit scales with the number of New Customers or Angels.

It is for this reason that we have chosen to invest in the capability to build New Customer experiences in FY22 and are investing ahead of our prior guidance that general and administrative costs (previously classified as fixed costs) would grow at c.50% of the rate of sales growth. We continue to believe that, over the long term, Naked should achieve a large degree of cost leverage, but it is important not to dogmatically stick to policy when circumstances change, and currently we see multiple highly attractive opportunities to invest through the cost base and deliver our target levels of return with confidence.

Continuing to invest in uncovering new opportunity

We invested £3 million in Marketing R&D funds exploring ways to enhance our go-to-market strategy in FY21. Our focus was on testing and developing further marketing channels which we have not previously explored in order to discover which channels can produce good-quality customers and attractive returns for us. We have seen promising initial results with some of the testing helping to support the growth in productive investment across the year. In particular, we have successfully broadened our digital marketing approach to include multiple Native ad platforms, seen promising early results from both un-addressed and traditional direct mail in the UK and US and started to build an understanding of the relationship between above-the-line spending and the movement of our key brand equity metrics. We will continue this approach in the coming years, as we see Naked having the available cash to deploy through various marketing channels and a medium-term opportunity to extend beyond pure direct response investment.

Equally, we do not want to constrain growth options or compromise existing member experience, therefore we will invest in rebuilding stock levels to meet the demand expected from our higher Angel base and future New Customers, alongside improving the business by investing in technology and teams to increase capability and enhance the customer experience.

Nick and Shawn

Key performance indicators

Measuring our performance through enhanced disclosures

Financial

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Sales	£340.2 million (FY20: £202.9 million)	The GBP value of our sales to customers, and its change versus the prior year	The business has the opportunity to grow at scale. We intend to do this through continued investment in customer acquisition through tested channels, while exploring new channel effectiveness using Marketing R&D investment money	• Competition • Regulation • Investment
Sales growth	68% growth (FY20: 13.7% growth)			
Net cash	£85.1 million (FY20: £54.7 million)	The amount of cash we are holding, less debt at year end	Managing cash is essential to ensure that we have sufficient funds in place to execute our exciting growth plans over the medium term	• Financial/liquidity • Macroeconomic event

Customer experience

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Product availability	90% (FY20: 93%)	The average percentage of the products we have defined as core range available to our customers during the year	Maintaining availability of our top-selling products supports customer loyalty and maximises sales	• Business interruption • Supply chain • Third-party suppliers
Wine quality	91% (FY20: 91%)	The percentage 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% (FY20: 91%)	The percentage 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 sales retention	• Data security • Management/key staff

Subscription

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
(A) Investment in New Customers	£(50.0) million (FY20: £(23.5) million)*	Our total investment in acquiring New Customers in the year. Includes both the contribution profit/loss from sales to New Customers and advertising costs	We invest in customers from whom we expect to receive a payback in line with our target in future years. We are investing significantly to take advantage of the opportunity before us to maximise future value	• Investment • Regulation • Competition • Reputation
(A) 5-Year Forecast Payback	3.0x (FY21 20 yrs: 6.2x) (FY20: 2.6x, 20 yrs: 4.9x)	The ratio of projected future Repeat Customer Contribution profit we expect to earn from the new customers recruited in the year over the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm which weighs several characteristics including demographics, interactions and transactions forecast over a five year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes	We invest in New Customers which deliver payback at least in line with our medium-term payback target ensuring we create intrinsic value from our investments. Payback is calculated utilising the history we have of customer activity, enabling us to accurately forecast our investment returns and eliminate poor investments. Therefore, we are able to invest in attracting and retaining high-value customers who fit our target customer profile. As we stated in the FY20 Annual Report, in the current year the business has migrated from using a 20-Year to a 5-Year Forecast Payback period for internal and external reporting purposes. Reporting in this Annual Report is made on both a 5-year and 20-year payback to assist user comprehension. However, from the beginning of FY22, Naked will only report a five year payback metric	• Investment • Competition • Supply risks • Macroeconomic event
(A) Repeat Customer Contribution profit	£84.9 million (FY20: £46.4 million)*	The contribution earned from sales to Repeat Customers	The cost leverage we achieve as we grow will continue to drive Repeat Customer Contribution. Not only does this promote the long-term economics of the business, but contribution from repeat customers also provides us with the cash to reinvest into New Customer recruitment and to continue to support our independent winemakers	• Competition • Supply risks • Reputation • Tax and duties
(A) Repeat Customer sales retention	88% (FY20: 83%)	The proportion of sales made to customers who met our definition of "repeat" last year and who placed orders again this year, calculated on a monthly basis	Through a cultural relationship with existing Angels and new initiatives like 'Never Miss Out', we strive to continually improve our Repeat Customer sales retention rate. This results in the improving Lifetime Value of existing customers, which drives the long-term value of the business	• Competition • Supply risks • Reputation • Tax and duties
(A) Year 1 Payback	82% (FY20: 67%)	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	Continuing to watch this short-term payback measure closely gives us an early indication of the quality of the prior year cohort recruited	• Investment • Competition • Supply risks
(A) Standstill EBIT	£39.3 million (FY20: £9.6 million)	The Adjusted EBIT that would be reported if investment in new customers was reduced to the level needed only to replenish the current customer base lost to customer attrition See page 136 for the calculation of Standstill EBIT	As a subscription business that grows through marketing to New Customers, which is expensed through the profit and loss, we use this measure as an indicator of standstill profitability, should we choose to invest in acquiring only those customers necessary to replace existing customers lost through attrition Our focus on growth and attention to payback and customer retention rates ensures that we continue to maximise the growth in Standstill EBIT and hence the long-term value of the business	• Includes those reflected in the underlying metrics which feed into this calculation
(A) Active Angels	886,000 (FY20: 580,000)	The number of Angels (repeat subscription customers) placing an order in the 12-month period	Long-term growth will come from continued growth in the customer base and enhanced through other initiatives and products	• Investment • Competition • Regulation

(A) See information on alternative performance measure definitions on pages 133 to 134.

* FY20 Investment in New Customers and Repeat Customer Contribution profit revised to align with updated allocation basis used in FY21. See note 6 for details.

Growing together

An interview with

Nina Stocker

Q. When did you start working with Naked Wines?

A.

I have been working with Naked since 2015. I remember the date Naked asked us to come aboard. I was 39 ½ weeks pregnant with my son and had tidied all my work up so I could relax for a week before I gave birth – however, I then received an exciting, life-changing email a few days before I was due to give birth!

Q. Tell us about the last year

A.

Over the past year, the growth of our business has been phenomenal and unexpected. At the beginning of the pandemic, everyone was so unsure of its impact, mainly how we would sell and deliver our products. Naked's ability to navigate this on our behalf has made us feel extraordinarily lucky; some of our peers have not had this support, and were greatly restricted by the closures of restaurants and shops.

Victoria, Australia

Q. What kind of issues have you had to overcome?

A.

The fear of the unknown that the pandemic has brought, and other issues such as Brexit, have at times been hard to manage, particularly not knowing what their impact would be on the business. However, Naked helped us overcome any related issues seamlessly.

The changing environment here in Australia is a large, ongoing concern for us, like all winemakers. We are constantly monitoring the climate, particularly the risk droughts pose to our produce.

A bigger challenge has been the adaptation to scaling the business. However, these challenges are the parts of the work I really love.

Q. How do you use Naked's upfront funding?

A.

Naked's upfront funding allows us to pay our growers in advance, offering them security which they wouldn't necessarily receive otherwise. This is even more important for growers impacted by COVID-19 and the tariff hikes, and has clearly been a huge help to them.

For us, upfront funding has allowed us to grow our business beyond what would have been possible alone. It has removed a lot of stress from the process. The funding and the support from Naked has increased our ability to run the business well, allowing us to focus on sourcing the best grapes, making great wines the way we want to, getting these over to the Angels and telling our story.

Q. What difference has Naked made to you, your business and your community?

A.

This year I was a finalist for Naked winemaker of the year. It was a huge honour and very humbling! As a result, Naked provided funding for a special project. We chose to produce a new Cabernet, and the profits we make from this wine will be matched by Naked and donated to the Royal Children's Hospital in Melbourne. This organisation is very important to us; a close friend's child underwent successful treatment here and we want to give back as much as we can to the wonderful caregivers.

Q. How has Naked helped you to grow your brand and business in other ways?

A.

Growing a business relies on passion and authenticity and I began to dislike the impersonal elements of the direct-to-consumer area of the industry. For these reasons I was ready to step back and focus on being a mum and raising my two young children.

However, I went on a tour organised by Naked, with other like-minded winemakers who were passionate about what they do. This reignited my passion for producing something delicious with the purpose of making people happy and for celebration. Naked creates a wonderful community, not only with other winemakers, but with Angels too, who truly understand what we are trying to achieve. It's amazing to share a platform with peers who are on the same page and understand the challenges of growing a small business, as well as being encouraged and supported by Naked and the huge community of Angels, while providing them with such a great deal.

The 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

Problems for wine drinkers

- Unhappy with their level of choice and knowledge
- Told by the industry what to drink and what to like
- No input in the process
- Paying too much for good-quality wine

Problems for winemakers

- Under immense pressure to meet stringent cost levels and unrealistic production time limits
- Small business pains including funding, scalability and marketing

Good wine is too expensive. Despite this, winemakers are undervalued.

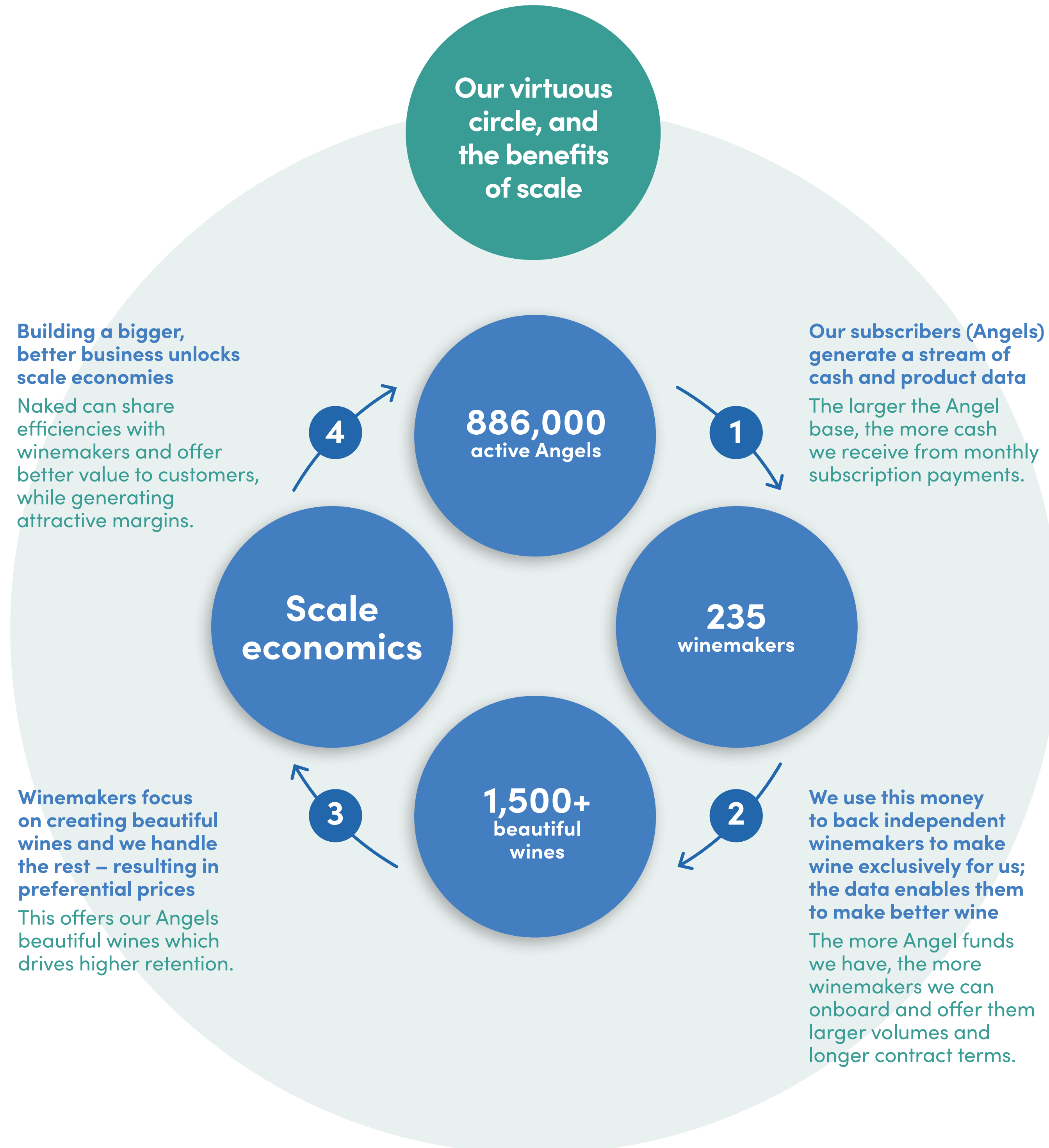
In a traditional model, winemakers have to buy their grapes, manufacture their product, bottle, label and market their goods – all before they get paid. Small producers are often forced into cutting corners and squeezing costs to achieve ever-diminishing margins, meaning quite often the quality of the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

At Naked, we build strong relationships with our winemakers. We agree orders in advance, with a fixed fee per bottle, so they have certainty of our commitment. Winemakers can be paid an advance upfront, empowering them to buy better-quality grapes. Naked also provides product data from our Angel base and the benefits of a scale producer for commodities like dry goods (bottles, corks, etc.), allowing winemakers the creative freedom to focus on what they do best – making amazing wine.

The solution

Naked Wines provides an ecosystem that connects everyday wine drinkers with the world's best independent winemakers. This community gives consumers insight into the wines they drink and who is making them, while winemakers can use the product data and feedback to make even better-quality wines.

We believe that the best results come from connecting consumers and producers. This gives our Angels access to the information and insights they desire, and a real sense of connection to the winemaking process.



Our differentiated model

Our model is hard to replicate

Our ecosystem is well established and the barriers to entry are high. Over Naked's 12 years we have:

Become well established
Our winemakers operate at scale, benefiting from an established and optimised network of marketing partners, and a large base of loyal, engaged customers.

Unrivalled tech
We own unique and valuable technology and data that enables warehouse and fulfilment providers, class leading customer service, and social interactions with winemakers.

Made sustained investment
It takes time and sustained investment to recruit winemakers, produce wine, build a distribution network and recruit customers.

An advantageous model
We operate in large and growing markets, with access to exclusive wines and winemakers.

Our critical assets

Deep relationships with:
- Our 235 independent winemakers
- Our 886,000 Angels
- Marketing partners
- Distribution networks

Great people with relevant experience
- Experienced Board (tech, innovation, retail, US, M&A, marketing)
- Strengthened team in the US
- Winemakers, wine buyers and data analysts driving the relevant parts of the business

Strong capital position
- Well funded with £85 million available cash
- Investing for growth to drive future value

Strong leadership and culture
- Innovative culture – nimble, disruptive
- Analytical – data-based decision-making and accountability
- Lean teams
- Community-focused (raised £750,000 for Carmen's Kids)

98% of 142 would buy it again

Data led
- 28.9 million ratings and reviews from customers
- Understanding of customer characteristics which improves targeted advertising
- Tech platform

Control & freedom. *I'll drink to that!*

An interview with

Scott Kelley

Pinot Noir superstar

Willamette Valley
Oregon, US

Q. Hi Scott, how did your journey with Naked Wines begin?

A. In 2013, I decided to leave a large-scale, corporate winery after 16 years, to go out on my own. I had previously worked with Naked's head of winemaking and he approached me about this new model for winemakers who were tired of corporate winemaking. Winemakers in the corporate world spend a lot of time on the road selling or in meetings, which for most of us is the opposite of what we enjoy. We want to be in the vineyard and in the cellar making wine! Sounds silly but I wanted to drive the forklift, work the crush pad, dig tanks and fill barrels like I did when I first got into the business. Naked Wines has allowed me to get back to my roots of hands-on winemaking and focusing on the craft! The rest is history, I have now been with Naked for 7 years, since the 2014 Vintage.

Q. What would you say is your biggest success over the past year?

A. The ability to expand our offering into Chardonnay has been a huge success over the last year. I am really excited to see what the Angel reception will be to the Oregon Chardonnay, and to introduce them to the different things we can do from Oregon.

The way that wines are introduced through the Naked platform, through real stories and cutting out the middle man, has enabled these exciting varieties to be hugely successful. Naked has allowed me to showcase my passions for winemaking and accelerate some of the creative things I have been working on, beyond what I could achieve working alone.

Q. This year has been tough in so many ways. What kind of challenges have you had to overcome?

A. Our challenge has been growing too fast! There are more grapes in Oregon than there are facilities to make wine. To solve this, we have put in place long-term contracts with Naked and our growers to ensure the consumption of produce.

These contracts have made a huge difference to our cash flow, with the guarantee of income and the ability to efficiently manage our working capital.

Q. We're really stoked that you've signed with Naked until 2024. Tell us why Naked Wines?

A. Naked Wines offers me the platform to introduce really incredible wines that no one would otherwise consider, in an authentic way. I think Naked is the most authentic company of its kind, finding winemakers, backing them, and bringing their stories and wines to the world.

We have been able to hire people locally, increasing employment opportunities in our community, particularly during harvest. Some of our best growers, who we invest in and have long-term contracts with, have been able to expand their operations and grow their businesses as a result of the returns from our relationship with Naked.

Naked has also allowed us to leverage growers and contracts, giving us the ability to explore different regions, broadening our purchase of fruit within Oregon. This is helping us grow our winery and wholesale brand. Oregon planted acreage is relatively small and wouldn't get the coverage it has without Naked.

Performance highlights

Enhancing our offering to both winemakers and wine drinkers

What we've done

Investment in New Customers

We have significantly increased our Investment in New Customers (+113%).

Why we've done it

There has been a shift towards online wine purchasing. We want to take advantage of this opportunity and drive intrinsic value.

The results so far

We have increased our Investment in New Customers to £50 million at a 3.0x 5-Year Forecast Payback. We have increased global digital investment by over three times in the last year.

What we've done

Diversifying advertising opportunities

We have explored new advertising opportunities, such as increased investment in digital and native, and tested traditional channels like TV and radio in the US and Australia.

Why we've done it

We are exploring different pools of opportunity to source high-quality customers, as well as building the brand among a larger audience.

The results so far

Global native investment increased by five times in the last year through scaling our current native channels and onboarding two native partners. This has been particularly successful in the US, with native now representing 25% of all order volumes. There has been an encouraging response to our initial TV test in the US, with response rates at or above expectations, and a path to achieving payback at or in line with other channels. 1 in 5 people remembered seeing the ad and the campaign, which drove us to become the #1 recognised online wine brand in our target cities.

What we've done

Brand positioning and awareness

We've made significant investments in making our brand simpler, easier to understand and more appealing. We launched our new brand positioning line "Where the world's best independent winemakers make their best wine", invested in winemakers and revamped our look and feel.

Why we've done it

We want to ensure we have a brand fit for the next stage of our growth journey, matching our aspiration to be known as a place where great winemakers make fantastic wines that appeal to a wide audience of wine drinkers.

The results so far

Our brand metrics have increased significantly in all markets, particularly in the US. We are now either the #1, #2 or #3 best known online wine brand in all of our markets, and scores on key drivers of consideration like wine quality and value for money increased by between 4% and 16%.

What we've done

Enhancing our New Customer offer

We have diversified our introductory offer, including a reduced case size and a luxury proposition.

Why we've done it

To better demonstrate the range of our products while appealing to a larger customer base.

The results so far

We see substantial upside in customer quality and investment efficiency from better differentiating our offers – for example, by reducing the initial trial case from 12 bottles to 6, we have seen efficiencies in the cost to acquire New Customers. We know there is further work to be done to tailor the introduction to Naked around each individual's unique tastes and preferences, and we will focus our efforts on that this year.

What we've done

Developing our online platform

We have delivered new and improved features and functionality to our website and app.

Why we've done it

To improve customer experience. We have been able to utilise the customer data and insights to inform our online features and capabilities.

The results so far

Our new app has 4.8* rating, with over 70% of repeat orders being placed on the app following the first order. There has been a 6% to 12% increase in the New Customer funnel conversion by market.

What we've done

Boosting technology capabilities

We have introduced the Product Model, a way of working that delivers incremental change without large-scale disruption. We have also invested in a transformation programme to move our core technology systems to a more scalable, flexible and resilient framework, preparing us for the next phase of our growth journey.

Why we've done it

To better support growth in the business and the associated priorities, so that we are fast, agile and scalable.

The results so far

The new and improved features we have delivered over the past year have contributed significantly to our core goals of: gaining New Customers, increasing Lifetime Value (LTV) through our customer initiatives such as our subscription offerings Never Miss Out and Wine Genie; and delivering internal efficiency initiatives in critical areas such as wine buying and warehouse management and delivery. While the technology transformation investment will reap the primary benefits of scale, flexibility and resilience over the next 2 to 5 years, there are several shorter-term benefits that we are seeing in terms of performance.

What we've done

Expanding our range

We have added more than 60 new winemakers to our portfolio over the last year, 36 via the COVID Relief Fund.

Why we've done it

To increase our range and volume capacity of high-quality wines from some of the best independent winemakers across the world, ultimately delivering even better value for our loyal Angels.

The results so far

We have launched debut vintages with some talented winemakers from around the world. We have leveraged our platform to support independent winemakers that were heavily impacted by the pandemic, and have subsequently agreed exclusive projects with a number of these following high customer ratings. We have received third party recognition for the quality of our products, including #1 wine club in the US for the second year running.

What we've done

Connecting our community through the pandemic

Virtual events to engage our customers in innovative and compelling ways.

Why we've done it

To continue to engage our community in the absence of the ability to physically go out and meet them, maintaining customers' ability to explore our wines with the people who make them.

The results so far

We have hosted 10 virtual wine tastings through our virtual tour, allowing Angels and winemakers to continue to build personal engagement. We have held 26 Thirsty Toosdays, which was a light-hearted way to keep our community connected. On our website and app there have been 2.8 million customer posts, an increase of 2.5x on last year, with engagement being a key contributor to LTV. Finally, we are also really proud that we have achieved our highest ever net promoter score rating.

What we've done

Enhanced our subscription offering

We have invested in both developing and promoting our two auto shipment products – Never Miss Out and Wine Genie.

Why we've done it

Both products fulfil a real need for customers – to not miss out on some of their favourite wines, or themed cases, which are often in limited supply, and to get their wine shipped to them without having to lift a finger.

The results so far

Both products have been big hits with our Angel base. 1 in 5 of our Angels are now signed up to one of these products, previously 1 in 6.

Financial review

Strong growth, particularly in our US business

Naked Wines is disrupting the wine industry for the benefit of consumers and independent winemakers, and this is an exciting time to join Naked. The Company's differentiated business model delivers superior value to wine consumers in an online wine market with significant opportunity.

Shawn Tabak
Chief Financial Officer

Introduction

I joined Naked Wines as Chief Financial Officer in December 2020 and took my place on the Company's Board in January 2021 to replace James Crawford who moved to head up our UK business.

Shift to online wine purchasing drives growth

Naked Wines delivered strong growth in FY21. Growth accelerated in all three of our geographies, particularly in the US, which is our largest market opportunity and where our offering is most differentiated.

Many online businesses have benefited from COVID-19 as consumers adapted to government restrictions and lockdowns over the past year. The wine sector also shifted towards online, resulting in a larger customer base for Naked, higher customer retention, and more frequent purchases. Ultimately, we think the Naked model, in particular the value proposition we deliver to our consumers and our winemakers, will drive differentiation and win market share.

Our Angel subscriber base increased 53% over the last year, resulting in economies of scale that have reinforced our competitive position, enhancing our appeal to both customers and top winemaking talent. Additionally, the scale drove an increase in contribution margins across the business. Repeat Customer Contribution profit was £84.9 million, an 83% increase over the prior year.

	FY21 £ million	FY20 £ million	YoY %
Total sales	**340.2**	**202.9**	**+68%**
Cost of sales	(204.7)	(125.3)	+63%
Gross profit	**135.5**	**77.6**	**+75%**
Gross profit margin	40%	38%	+160bps
Fulfilment costs	(58.3)	(35.0)	+67%
% of total sales	17%	17%	(10)bps
(A) Contribution profit	**77.2**	**42.6**	**+81%**
Contribution profit margin	23%	21%	+170bps
Advertising costs	(42.3)	(19.8)	+114%
% of total sales	12%	10%	+270bps
General and administrative costs[1]	(36.4)	(25.2)	+44%
% of total sales	11%	12%	(175)bps
(A) Adjusted EBIT	**(1.5)**	**(2.4)**	**(37)%**
Finance income / (charges)	1.0	(0.5)	(300)%
(A) Adjusted loss before tax	**(0.5)**	**(2.9)**	**(82)%**

1 G&A costs reported here are as per the income statement excluding £3.6m of acquisition related amortisation costs, £2m of fair value adjustments relating to open FX contracts and £0.7m of PLC company foreign exchange revaluations (see note 7 for further information on these items). In FY21, G&A costs now include £1.0m of share-based payment charges, previously reported as adjusted items (FY 2020: £1.0m) and £3.0m of expenditure in Marketing R&D.

(A) See information on alternative performance measure definitions on pages 133 to 134.

This increase in Repeat Customer Contribution profit helped fund an increase in Investment in New Customers to £50.0 million, a 113% increase over the prior year, and delivering a 5-Year Forecast Payback for the FY21 cohort of 3.0x.

Adjusted EBIT loss of £1.5 million was relatively flat with the prior year, despite the increased investment spend.

Strong FY21 performance

The Group delivered total sales growth of +68% to £340.2 million, driven by 78% growth in the US, which now represents 48% of the total business. We saw a shift towards online wine purchasing in all our markets, as consumers adapted their purchasing habits following the COVID-19 related government restrictions and lockdowns. Total sales growth included an increase in Repeat Customer sales of 63% to £283.9 million.

Gross profit was £135.5 million, with a gross profit margin of 40%, a 160 basis point increase over the prior year. The increase in margin was due to a mix shift to the US, and product mix as we optimised the range to preserve quality of service during the peak of COVID-19.

Fulfilment costs were £58.3 million, remaining flat at 17% of total sales. In FY21, fulfilment costs benefited from lower stock levels and increased scale efficiencies, slightly offset by increases in transportation and logistics rates.

Contribution profit was £77.2 million, with a Contribution profit margin of 23%, a 170 basis point increase over the prior year, driven by Gross profit margin improvements.

Advertising costs were £42.3 million, representing 12% of total sales, a 270 basis point increase over the prior year. In FY21, we increased our investment across all channels and geographies, particularly digital channels in the US and UK markets. Please note that the vast majority of advertising costs are focused on acquiring New Customers, the New and Repeat Customer breakdown on the next page for additional details and note 6 to the accounts, segmental reporting.

Total general and administrative costs (previously named fixed costs) were £36.4 million, representing 11% of total sales, a 175 basis point decrease over the prior year. The cost increase reflects additional roles to support the growth of the Group.

Adjusted EBIT was a loss of £(1.5) million relatively flat with the prior year, driven by gross profit growth offset by advertising costs to drive intrinsic value through New Customer cohorts and an increased level of general and administrative costs.

The statutory loss before tax of £(10.7)million (FY20: £(5.4)million) is driven by:

- adjusted trading performance as set out above;
- the change in fair value net of settlement of deferred contingent consideration;
- fair value adjustments to open foreign exchange contracts and PLC foreign currency balances and;
- flat year on year charge for the amortization of acquired intangible assets.

KPIs and disclosures

We have completed a review of our disclosures and considered investor feedback. We have enhanced our reporting to give a 5-Year Forecast Payback measure and expanded trading disclosure within our statutory financial statements. Our segmental reporting analysis (IFRS 8) is now reported on a geographical basis in line with the markets in which we operate as well as analysing sales and profit between New and Repeat Customers. We have also included more detailed disclosures around the two primary components within Investment in New Customers, being New Customer Contribution profit/loss from sales to New Customers and advertising costs. Lastly, we have renamed fixed costs to general and administrative costs, which we think more accurately reflect the costs which are included in this line.

The Group's business model is to invest in new cohorts of customers and earn a return on that initial investment over the lifetime of the customer. The Group incurs two costs to acquire customers which make up the Investment in New Customers; we offer a discount on the first case of wine to New Customers and therefore typically incur a loss on the first case, and we incur advertising costs to acquire those customers. As customers subscribe to become an Angel and purchase additional cases of wine, the Group recognises this as Repeat Customer sales. The Group provides the following KPIs, to help investors understand business trends and the economics of New and Repeat Customers.

New and Repeat Customer breakdown

(A) New Customers

Investment in New Customers was £50.0 million, including New Customer Contribution loss of £7.7 million and advertising costs of £42.3 million.

5-Year Forecast Payback for the FY21 cohort was 3.0x, a 0.4x increase over the prior year. We benefited from lower customer acquisition costs in the first half of the year during the initial COVID-19 related government restrictions and lockdowns. Customer acquisition costs normalised as the year progressed.

We continue to have confidence in the quality of the FY21 cohort, with customers more likely to buy goods online, and customer retention, order frequency and community engagement metrics in line with expectations.

(A)	FY21 £ million	FY20 £ million[1]	YoY %
New Customer sales	56.4	29.2	+93%
New Customer Contribution loss	(7.7)	(3.8)	+105%
Advertising costs	(42.3)	(19.8)	+114%
Investment in New Customers	(50.0)	(23.5)	+113%
Repeat Customer sales	283.9	173.7	+63%
Repeat Customer Contribution profit	84.9	46.4	+83%
Repeat Customer Contribution margin	29.9%	26.7%	+320bps
KPIs			
Repeat Customer sales retention	88%	83%	+565bps
Active Angels (Repeat Customers)	886k	580k	+53%
5-Year Forecast Payback[2]	3.0x	2.6x	+0.4x
Year-1 Payback	82%	67%	+1,480bps
Standstill EBIT	39.3	9.6	+309%

1 Following a review of the allocation method for fulfilment costs in the current year, we have reallocated costs in the FY20 comparative figures on a consistent basis. This has resulted in a £0.7m movement of costs from Repeat to New Customer costs, which we think more accurately reflects the basis on which these costs arose.

2 As previously stated, we have shifted from the 20-year payback (FY21: 6.2x and FY20: 4.9x) to a 5-year payback, and will remove the longer-term metric from our disclosures going forward.

(A) Repeat Customers

Repeat Customer sales were £283.9 million, 63% growth over the prior year, reflecting the growing customer base, and increased frequency of Angel orders, which was even higher during COVID-19 related government restrictions and lockdowns.

We saw an increase in our subscription offers Never Miss Out and Wine Genie, designed and personalised to enhance our Angels' experience. Approximately 20% of our Angels have signed up to these programmes which drives incremental value.

Repeat Customer sales retention was 88%, a 565 basis points increase over the prior year, driven by higher customer retention, and an increase in the frequency of Angel orders. We had 886,000 active Angels at the end of FY21, a 53% increase over the prior year.

As New Customers converted to Angels more quickly than usual, combined with the early recruitment of these customers, the FY21 cohort contributed £27.3 million to the FY21 Repeat Customer Contribution profit, which far exceeds the usual first year payback.

Repeat Customer Contribution profit was £84.9 million, a £38.5 million or 83% increase over the prior year. Repeat Customer Contribution margin was 30%, a 320 basis point increase over the prior year, driven by increased scale efficiencies, product mix and the geographic mix shift with significant growth in our higher-margin US business. We expect approximately half of the increase to be an enduring uplift.

(A) Adjusted EBIT loss of £(1.5) million equals Repeat Customer Contribution profit of £84.9 million, less Investment in New Customers of £50.0 million and general and administrative costs of £36.4 million.

US Segment

£ million	FY21	FY20	YoY %
Total sales	161.7	90.9	+78%
Investment in New Customers	(33.4)	(14.7)	+128%
Repeat Customer Contribution profit	47.9	23.9	+100%
Repeat Customer Contribution margin	37%	33%	+417bps
Adjusted EBIT	2.0	1.4	+43%

Total US sales were £161.7 million, growth of 78%, driven by an increase in awareness and demand for our offering and increased order frequency from our Repeat Customer base.

US Adjusted EBIT was £2.0 million, and includes Repeat Customer Contribution profit of £47.9 million, Investment in New Customers of £33.4 million, and general and administrative costs of £12.5 million.

The US segment has the largest market opportunity, the highest growth and the highest Repeat Customer Contribution margin in the Group, which increased 420 basis points to 37% due to increase in gross margin due to range optimisation and increased scale efficiencies. The US segment benefits from the US market's 3-tier distribution system, which results in higher wine prices for consumers. Naked's unique model means that it is able to deliver better value wine to customers and still maintain beneficial gross margins.

UK Segment

£ million	FY21	FY20	YoY %
Total sales	133.1	80.0	+66%
Investment in New Customers	(11.1)	(5.9)	+88%
Repeat Customer Contribution profit	27.3	15.7	+74%
Repeat Customer Contribution margin	24%	22%	+193bps
Adjusted EBIT	10.9	6.0	+81%

Total UK sales were £133.1 million, growth of 66%, also driven by an increase in awareness and demand for our offering and increased order frequency from our Repeat Customer base.

Adjusted EBIT was £10.9 million, and includes Repeat Customer Contribution profit of £27.3 million, Investment in New Customers of £11.1 million, and general and administrative costs of £5.3 million.

The UK segment is our most mature business and has the highest sales retention among the Group.

Australia Segment

£ million	FY21	FY20	YoY %
Total sales	45.5	32.0	+42%
Investment in New Customers	(5.5)	(2.9)	+89%
Repeat Customer Contribution profit	9.7	6.8	+44%
Repeat Customer Contribution margin	25%	24%	+137bps
Adjusted EBIT	0.9	1.3	-24%

Total Australia sales were £45.5 million, growth of 42%, also driven by an increase in demand for our offering and increased order frequency from our Repeat Customer base.

Adjusted EBIT was £0.9 million, and includes Repeat Customer Contribution profit of £9.7 million, Investment in New Customers of £5.5 million, and general and administrative costs of £3.3 million.

The Australian segment was least impacted by COVID-19 and lockdowns in FY21. We continue to see better year-on-year mature customer retention in Australia, even as the restrictions lifted and the economy returned toward normal.

Standstill EBIT

Our calculated Standstill EBIT, the Adjusted EBIT which we would report if we had only invested in New Customers to replenish the current customer base rather than for growth, increased 309% to £39.3 million. This increase is predominantly driven by a £38.5 million increase in Repeat Customer Contribution profit in the year.

This measure is enhanced by the higher order frequency we saw in the year. This trend is unlikely to continue in FY22 as customers revert to historic behaviours, therefore this measure will show a high replenishment cost required to maintain the existing Repeat Customer Contribution profit. After FY22, we expect this measure to again reflect the underlying profitability of the business.

Financing costs and tax

Interest income was £1.0 million, an increase of £1.5 million over the prior year. This income is derived from our cash held on deposit with a range of banks and the non-cash amortised interest income on the loan note created as part of the disposal of the Majestic business.

Total tax credit was £0.6 million, a reduction of £1.9 million over the prior year, with the statutory tax rate of (5.9)%. In FY21, we incurred a write-down of the fair value of the deferred contingent consideration from the disposal of the Majestic business, on which we have not recognised a deferred tax asset and we continued to follow the established Group policy of not recognising deferred tax assets in UK Group companies while they remain likely to continue to be loss making.

Cash and cash flow drivers

Cash at 29 March 2021 was £85.1 million (30 March 2020: £54.7 million). We seek to maintain sufficient cash and liquidity to operate the business, given the seasonality in our inventory purchasing cycle and our sales. We allocate capital between organic and inorganic growth investments, such that we deliver returns in excess of our weighted average cost of capital (WACC) and internal hurdle rate. If we identify that we have excess capital, above what is needed to run the business and invest in growth opportunities, this will be returned to shareholders.

Given this capital philosophy, we are focused on utilising our capital to invest in growth. This includes investments in customer acquisition, as well as in our customer proposition and our go-to-market strategy, and investing in inventory to increase availability, deliver our growth plans, and our strategic objectives around enhancing the customer proposition. As a result of the significant investment opportunities we see before us, we are not proposing any distributions or returns of capital to shareholders at this time.

We generated £30.6 million of free cash flow, with an Adjusted EBIT loss of £1.5 million and a net working capital inflow of £32.3 million. This net working capital inflow was driven by increases in deferred income of £28.2 million and trade payables of £15.6 million, offset by an increase in inventory holdings of £9.2 million.

Adjusted items relating to non-acquisition items totalled a charge of £6.5 million, an increase of £7.7 million from £1.2 million credit in FY20[1].

Brexit

The UK's exit from the European Union has included plans to mitigate potential issues arising from new procedures and arrangements now in force. Delays at ports could limit our range, so we communicate regularly with freight forwarders and winemakers to make sure they can provide the required documents to ensure smooth passage at the border. In advance of the end of the Brexit transition period, we had hedged our foreign currency requirements ahead of our usual policy to bridge the transition period and avoid any potential exchange rate shocks.

Looking ahead, there are potential legislation changes which could impact labelling. However, no changes will be required until September 2022 at the earliest, so we will work with winemakers to ensure they are registered correctly and able to comply with any changes.

Outlook

We delivered a strong trading performance through FY21 in all geographies, particularly in the US, driven by demand for our direct-to-consumer wine subscription model and an accelerated shift in consumer behaviour towards online wine purchases.

We have seen a continued strong performance in our Repeat Customer base in the first two months of FY22, with total sales +8% year on year on a constant currency basis. Repeat Customer sales grew over 30%, which has been partially offset by the normalisation of New Customer sales given the strong comparative in the prior year and lower level of investment spend. Performance for the first two months of the year versus the same period in FY20 has significantly increased, with total sales +96%, Repeat Customers sales +107% and New Customer sales +30%, on a constant currency basis.

We are focused on executing against our strategic initiatives and continuing to drive growth and intrinsic value in the business. Our priorities are i) to invest in New Customers at attractive payback; ii) to enhance the customer proposition to improve LTV; iii) to leverage our scale to enhance value creation; and iv) to broaden and enhance our go-to-market strategy, driving growth.

Our FY22 guidance is as follows:

- Total Group sales expected to be in the range of £355 million to £375 million. Please note we will lap strong comparatives with FY21.
- We will continue to invest in the market opportunity, particularly in the US. Investment in New Customers is expected to be in the range of £40 million to £50 million. We will continue to have a disciplined and data-driven approach toward investing, with a focus on profitable growth and intrinsic value.
- Repeat Customer Contribution profit is expected to be in the range of £85 million – £90 million with the margin expected to decline slightly as we expect around half of the increase in FY21 to be enduring, while sales retention is expected to be in the mid-70%'s, below our long-term average of 83%.
- We expect general and administrative costs[2] to increase over FY21 as we invest in the strategic initiatives outlined in this report. General and administrative expenses are expected to be in the range of £46 million to £49 million.

We have a sufficient amount of cash available to execute against our FY22 Plan, which includes Investment in New Customer acquisition subject to our returns criteria, inventory purchases to meet our plans, and investment in strategic initiatives and building operational capacity to support this.

1 FY20 non acquisition adjusted items have been revised vs disclosed in the prior year to align with the inclusion of share based payment charges within adjusted EBIT in FY21.
2 General and administrative cost guidance excludes amortisation.

Naked Wines allows me to

tell my story

An interview with

Johan Kruger

Stellenbosch,
South Africa

Q. How long have you been working with Naked Wines?

A. I have been working with Naked since 2015. I am astounded by the success that winemakers can achieve through Naked. It has been an amazing experience for me personally and a fantastic business adventure.

My family has grown alongside my business with three sons born since I've joined Naked. Each of my sons, Mattias, Maxime and Lucas, now have a reserve named after them for which I have won awards. My family, my business, and my relationships with Naked and the Angels have all evolved together.

Q. What's your biggest highlight over the past year?

A. The highlight of the past year has been the response to the pandemic by my colleagues and by Naked. Naked has made up for the lack of physical vineyard tours by organising interactive tastings with Angels. I have loved meeting people who are so willing to participate, and their warmth, in the absence of a tour where you can physically meet one another. It's great to get feedback offered by Angels in these tastings too.

Q. What has surprised you about working with Naked?

A. My relationship with Naked has provided me with the means to help my peers who were not able to sell their incredible wines. Naked enabled these South African winemakers – through the South African rescue case – as well as fulfilment companies, to sell and distribute wines to Angels at fantastic prices throughout the pandemic when they otherwise would have not been able to. I doubt another company would go to the lengths that Naked did to support winemakers in need, while giving Angels bang for their buck. This help undoubtedly prevented job losses.

Q. How have the government restrictions impacted you?

A. For the large part of the year the South African government has imposed restrictions on the export of wines, as well as a local ban on alcohol sales. This has resulted in surplus wine stuck in tanks at wineries and bottles at the ports. Naked Wines account for around 95% of my exports and therefore I have been able to largely avoid the issues common to other winemakers who are now unable to sell their produce to the restaurants and shops in the country. I am very lucky to be in this position working with Naked.

Q. Has upfront funding from Naked supported your business?

A. The upfront funding has allowed me to invest time and money in accessing and developing old vines that would otherwise be ripped down. This has resulted in several wines being produced that have achieved very high Angel ratings, and I am very humbled by the Angel funding that supported this project. The support goes beyond my business, we are able to share the love with the farming community that grow our grapes too.

Q. Why is working with Naked different?

A. Marketing and funding are important, but I believe it is the stories that sell wine, and the Naked platform allows this. I stumbled across unused old vines Cinsaut, planted in 1952, making them the third oldest Cinsaut vines in South Africa. The owners had sentimental attachment to the vines and therefore had not pulled them out. I was able to revive this gem of a find and I produced 600 bottles this year. Naked has allowed me to expand my range of wines which would not have been possible alone.

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

Our stakeholders are helping us to grow faster

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.

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

Step change for growth of the DtC channel

Deep in Naked Wines' ethos is the principle that growth is the engine that benefits all our stakeholders and the Company has seen that brought to life in the last 12 months, a period which has represented a step change in scale with enduring benefits for our business and shareholders.

The most important consequence of the pandemic has been the rapid acceleration of demand online for wines, most notably in the US market, which is where the Board believes the Group will add the most substantial value in the future. The trend toward shopping online has been apparent for years. The pandemic has combined this with a period of time where people have been more frequently at home, looking for safer and more convenient ways to buy the things they want. In the US many customers simply did not know that they could order wine online to be delivered to their door until COVID-19 motivated them to search for other channels to purchase wine through. This is evidence of consumer recognition that DtC models offer genuinely better convenience and value and it is within this segment that the Company continues to thrive.

This step change has resulted in the Company's sales growing substantially this year. Naked Wines has delivered very strong revenue growth from new and existing customers this year across its three markets and particularly in the US. Management and the Board have seen little evidence of the trend reversing.

Looking ahead, the Board is of the view that the Company is ideally positioned to continue to grow in the US with favourable market conditions, positive customer retention and order patterns, ongoing heightened consumer awareness and the benefits of scale enhancing our business economics. This supports the Company's decisions to open further customer acquisition channels and scale its existing channels as marketing effectiveness is enhanced by an expanded addressable consumer base willing to buy online.

Given this outlook the Board believes there remains substantial growth headroom whilst maintaining strong investment returns. Consequently, the Board took the decision to continue to invest aggressively in growth and to expand our share of the online market in all our three markets.

COVID Relief Fund and other initiatives to support our communities

During the reporting period, the Company took a number of steps to serve our communities and support the wine industry throughout the COVID-19 pandemic.

In the summer of 2020, as demand from on-premises retailers collapsed for quality independent winemakers, we launched a $5 million COVID Relief Fund aimed at assisting impacted winemakers and growers. This resulted in Naked Wines sourcing 105 new wines from 36 new winemakers, a number of which have now become permanent in the range following high customer ratings.

We have also supported other communities that have been affected by the pandemic. In the UK, we donated £115,000 to meals for the NHS, and 715 cases of wine to NHS workers. In the US, our "Cellar Cru" red blend project raised $127,000 for the Kenwood Volunteer Firefighters' Association and our collaboration with star winemaker Daryl Groom on DRG "Wine with Heart" has raised a further £31,000 this year.

Living by our pledge to support diversity and the underprivileged in the wine industry, we have been acutely aware of the challenges minorities face in entering the wine industry. Alongside our sponsorship of the South African winemaking scholarship, we have partnered with The Roots Foundation to launch a full winemaking scholarship to University of California Davis and have recently launched a mentor programme to support new minority winemaking talent in the US.

Other initiatives that we have undertaken to support our communities during this difficult year have been:

- Fed over 1,000 key workers and in need locals in partnership with local restaurants in California
- Recognised hundreds of key workers as part of our Nominate a Hero campaign
- Worked with our winemakers in Australia and the US to manufacture hand sanitiser for those in need

Capital allocation and excess capital

The Company publicly re-stated its capital allocation policy in November 2020 in connection with the release of its half-year results, where we indicated that we continue to believe that the Company will create the most value for our shareholders by investing in high return growth opportunities. This approach has served us well, providing us with the confidence to scale up during the course of 2021.

At this point in time, with such a high degree of growth opportunity and with the continued global macroeconomic uncertainty, we see our balance sheet as a strategic asset, allowing us to be focused on realising the growth opportunities present in a time of disruption. Consequently, the Company is not planning any distributions or returns to shareholders at this time. We will, however, remain committed to returning surplus cash to our shareholders in the most efficient way, should the circumstances arise in the future.

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 supporting 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 provider would be better suited to deliver a better service to our capital markets stakeholders. In addition to having the services of Equitory to draw on, the Board and Committees Chairmen, the CEO, the CFO and Company Secretary are all engaged in day-to-day investor relations management and engagements as and when necessary.

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. Although we could not hold a physical AGM last year due to government-imposed restrictions on travel, shareholders were given an opportunity to put questions to the Directors in advance of the meeting. We are hoping to re-engage with our shareholders face-to-face and look forward to welcoming them at the AGM in August this year.	• The outcome of the voting at the 2020 AGM is set out at the bottom of this section • At the AGM in 2020 the Company sought shareholder approval on the adoption of a new set of Articles of Association, which was overwhelmingly supported by the shareholders • All other resolutions, including the special resolution on the disapplication of pre-emption rights, were approved
Board Chairman CEO CFO	**Institutional investors engagement** • We engage regularly with our institutional investors and seek their views on matters relating to remuneration, capital allocation and compliance with best practice on corporate governance • During the year, the interim Chairman worked closely with institutional investors on the recruitment of a new Chairman • The Chairman, CEO and CFO also engaged through institutional shareholder letters and a number of investor conversations • 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 • Due to the government-imposed restrictions on travel, we had to carry out virtual roadshows this year. We look forward to resuming physical roadshows once travel restrictions are lifted	As a result of these consultations: • The Board continued to have fruitful discussions on capital allocation in light of feedback received from institutional investors • The Company successfully recruited Darryl Rawlings as a new Non-Executive Director in April 2021. Darryl will take over the Chairmanship role at the end of the AGM in August this year
Chairman Senior Independent Director Remuneration Committee Chair	• During the year, shareholders were able to engage directly with the Chairman, the SID and the Remuneration Committee Chair	• The SID wrote to the top 10 shareholders to introduce himself in the new role and to establish a direct line of communications where the shareholders felt it necessary to approach him directly

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 charities • Annual employee engagement surveys • Consultation with specific groups or individual to ensure that their views are 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 Even as all of our staff have worked from home for the vast majority of the year, we have continued our regular engagement initiatives remotely in 2021.	• 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 • Extended eligibility of annual Share Incentive Plan (SIP) awards to all staff • We have created a Global Services working group to allow staff who work across all three markets to be directly engaged • Equipped staff with kit to sustainably and successfully work remotely creating more flexible future work pattern options • Moved people reward and praise framework to a remote model • Feedback from the engagement survey has allowed staff to provide direct input into the employee benefit structure and work environment. Management has responded to this input by: – Building a flexible working environment around the needs of work and personal pressures of working from home – Providing salary benchmarking and policy transparency in the UK – Offering continued training to employees

Suppliers

Who engaged	How we engaged	Outcomes
CEO CFO MDs of subsidiaries Supply chain teams	• 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 best practice 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	• During an exceptionally challenging period, our platform has supported over 235 independent winemakers • Developed multi-functional team to plan, monitor and manage potential disruption in the supply chain post-Brexit • Leveraged strong relationships and active dialogue with winemakers and the Wine Standard Board • Engaged additional shippers to diversify risk post-Brexit and in light of COVID-19 • Suppliers are required 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 work and engage with our suppliers to address this risk • We have reviewed and updated the terms upon which we contract with winemakers in the UK • 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 enhancements to customer helplines with dedicated Customer Happiness teams for each business	• Alignment of interests in producing best-quality wine at the best price • Held a number of virtual wine tastings to allow customers to get a better understanding of our products and have an opportunity to meet and engage with the winemakers • By knowing who made their wine and that they played a part in making it, we give customers a closer sense of connection with their wine • Started offering six-pack boxes of wine in some of our markets • Better use of customer data to drive wine recommendations to our Angels (feedback leading to update of product range) • Worked with research partners to test our brand positioning to make sure that we engage with our customers in the most meaningful and engaging ways • Our Customer Happiness Teams across the Group achieved overall 91% 5* service feedback • Assist customers with any requests or questions relating to the way we control and process their personal data

Regulators and government

Who engaged	How we engaged	Outcomes
Company Secretary CFO Group FD Head of Assurance	• Continued our preparations for Brexit and ongoing consideration after the end of the transition period on 1 January 2021 • Legal and regulatory landscape is risk assessed as part of our risk management framework • Ongoing engagement with regulators through correspondence or meetings to discuss various key issues pertaining to the business • Ensure that our Group tax policy is reviewed annually and published on our website	• 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 US, the UK and Australia, the impact of Brexit on the Group has been modest. The UK team continues to monitor regulatory changes to ensure the most efficient compliance with new laws and regulation • Appropriate regulation is considered in all Board decision-making • Adapting to regulatory and best policy changes during 2020 and beyond • Joined the Wine and Spirit Trade Association (WSTA) in the UK for further Brexit insight and to support government campaigning • Reviewed and updated our tax policy as part of the Group's risk management process

Community and environment

Who engaged	How we engaged	Outcomes
Board CEO Sustainability teams	• Established a 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, updated and published our Modern Slavery Statement • Rollout of Group's Code of Conduct on annual basis • Published Gender Pay Gap Report

Outcome of voting at AGM 2020

No	Type	Nature	% in favour
1	Ordinary	Receipt of the Strategic report, Directors' report, Auditor's report and financial statements of the Company	100.00
2	Ordinary	Re-election of retiring Director – Justin Apthorp	92.67
3	Ordinary	Re-election of retiring Director – David Stead	99.99
4	Ordinary	Re-election of retiring Director – Katrina Cliffe	99.99
5	Ordinary	Appointment of auditor	99.99
6	Ordinary	Authorisation to Board to fix auditor's remuneration	99.99
7	Ordinary	Directors' authority to allot securities	81.98
8	Special	Disapplication of pre-emptive rights	79.98
9	Special	Amend Articles of Association of the Company	83.00
10	Ordinary	Remuneration report (advisory)	90.79

Risk management and control environment

Principal risks and uncertainties

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 elements of our risk management control system and processes are as follows:

- The management team of each business segment has responsibility for its own local risk register and reviews it periodically
- The risks identified by the business segments are assigned a mitigation strategy, a local risk owner and mitigation actions
- The most material risks are presented to the Board or Audit Committee during the year and progress updates of the local risk registers are provided to the Audit Committee on a regular basis
- An assessment and aggregation of the risks identified by the business segments is carried out once a year by the Group General Counsel for the purpose of identifying the most significant Group risks
- The Board determines the principal risk items for the Group following a 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 the local management teams

The Board is satisfied that, through the processes set out above, it is able to effectively identify, assess and manage the risks. 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 management 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.

Risk impact assessment

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, we 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). Based on its assessments, the Board believes that the Group is well placed to withstand the impact of realisation of reasonably foreseeable risks over the forecast period through a combination of the mitigation in place, the strong balance sheet we closed FY21 with and our ability to make adjustments to our plans, should they be required.

Characterisation of key risks

The Board considers both strategic and operational risks and for each risk considers the likelihood of its occurrence and the scale of adverse impact it could have on the business.

Strategic risks are those which could threaten the long-term success of the business model and will typically unfold over an extended period of time. Strategic risks are reviewed periodically by the Board as part of its ongoing development process.

The strategic risks which the Board deems most significant are:

1. Changes in customer behaviour
2. Customer acquisition cost
3. Competition
4. Regulatory framework

Operational risks arise from the possible occurrence of specific events. They will typically have an impact on the business and its performance which is either immediate or will play out over a relatively short period of time. Operational risks may arise from external or internal causes.

The mitigation for externally driven operational risks is normally in the form of a contingency plan, and insurance cover is also taken out to protect against such risks where appropriate.

The operational risks due to external causes which the Board deems most significant are:

5. Cyber security attack
6. Financial
7. Business interruption

Management seeks to put in place active mitigation for internally driven operational risks, balancing cost and risk as appropriate.

The operational risks due to internal causes which the Board considers most significant are:

8. Ineffective management of inventory
9. Failure of a key IT system
10. Dilution of business culture
11. Failure to comply with regulation, including tax

COVID-19, Brexit, climate change and sustainability

One of the consequences of the COVID-19 pandemic has been the rapid acceleration of demand online in the wine category (most notably in the US market). Whilst COVID-19 has had a significant impact on the way in which the businesses in the Group have operated in the last year, it has represented a step change in scale for our DtC model and reshaped our addressable market, particularly in the US.

Similarly, the Group has not been materially impacted by Brexit due to its preparations during the year, the implementation of the free trade agreement between the UK and the European Union and the fact that the Group does not have trading operations in the European Union.

The Board recognises that climate change creates potential risk for the Group. Indeed, within this financial year wine producers in the US and Australia have had to contend with difficult fire seasons.

The Board has considered climate change as part of the Group's risk management process. However, the Board is of the view that the risk of climate change is embedded within the key risks listed in this report and, as such, has decided not to list climate change as a standalone risk. In particular, the Board recognises that we are exposed to climate change risks in at least two of the areas listed:

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

2. Supply risks, mitigated by having a diverse and geographically dispersed sourcing and supply chain network.

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 initiatives. We are committed to growing our business in a sustainable way and continue to seek ways to quantify and reduce our environmental impact. Please refer to our sustainability report for details of our initiatives in this area.

Approach to managing risk

Our approach to managing risks consists of:

- Top down – Key risks that threaten the Strategic Plan or could have an operational impact
- Bottom up – Territory-level key risks
- Check that they are broadly consistent
- Identify key risks across the whole Group = Global risks

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

The risks listed on the following pages are the principal strategic and operational risks identified by the Board this year. While they are not the only ones facing our business, they 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.

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.

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

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

Strategic risk

Customer acquisition cost

Sustained increase in acquisition cost across all channels, resulting in lower than expected profitability

Performance objectives

- Revenue
- Investment in new customers
- Payback

Likely causes

- Over-dependency and reliance on individual marketing partners
- Media providers assert greater power
- Weakening of the repeat customer metrics

Likely impact

- Higher acquisition costs decrease margins and hence profitability
- Investment in customer acquisition fails to drive sufficient additional new customer growth
- Investment in customer acquisition could potentially not produce the desired return on investment and result in wasted cash and excess stock
- Material changes in investment performance can result in substantial stock variances
- Liquidity impact, resulting in constrained growth or damage to customer experience

Controls/mitigation

- Investments are constantly monitored and capital redeployed if they are not producing the target returns
- Detailed deal-level reporting, monthly performance reviews
- Diversify the customer acquisition mix by opening up new channels of investment

Risk impact	3	Control effectiveness	1
Risk likelihood	2	Residual risk	6
Inherent risk	6		

Changes in customer behaviour

leading to reduced appetite for wine consumption

Performance objectives

- Relevant KPI revenue general and administrative costs
- Product availability

Likely causes

- Channel shift to online purchases which has been partly contributed by COVID-19 may not continue as a result of easing of lockdown restrictions
- Macroeconomic event leading to increased cost of wine
- World or regional event resulting in closure/disruption to supply of goods and restrictions on travel
- Trade barriers or tax tariffs increasing the cost of wine
- Our assumptions prove to be wrong and the trend to online reverses

Likely impact

- Uneconomic marketing decisions and investments
- Increase in costs as a result of tariff changes, customs costs, transport delays etc
- Reduced profitability impacting investor confidence and our ability to access finance
- Restricted business environment due to uncertainty and reduced demand
- Bulk withdrawal of funds by Angels
- Disruption to supply chain

Controls/mitigation

- Scenario planning for supply chain changes and development of mitigation strategies with key partners including the rephasing of inbound stock movements as a result of changing market demand
- Ability to reduce marketing costs to match customer demand with stock supply so to continue to meet customer service expectations

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Strategic risk

Competition

Threat from new or existing competitor

Performance objectives

- Revenue
- Customer contribution
- Investment in new customers
- Repeat customer sales retention

Likely causes

- Threats range from the discounters, where wine can be used as a loss leader, to a range of more tailored online retailers and subscription offerings
- New entrant into the DtC wine market with access to significant funding and the patience to build a large market share
- Large players entering the market challenging or threatening to disrupt our growth
- Third party using the mark "Naked Wines" or passing itself off copying the Group's brand look and feel

Likely impact

- Persistent aggressive competitive pressure could impact on our ability to grow sales and our customer base and/or our margin
- New entrant impacts on sales forecasts resulting in stock overhang and constrained liquidity

Controls/mitigation

- Our buying and marketing teams continually monitor our competitors' activity
- We are focused on delivering a unique selling proposition which is more aligned with consumer tastes than our competitors, e.g. crowd funded winemakers making wine exclusively for Naked Wines resulting in better value for money, better service and more engagement with the winemakers
- Trade barriers to entry, especially in the US market where three-tier wine distribution legislation requires a vertically integrated operation in order to make DtC sales
- We have appropriate teams and advisors in place to handle third-party use of our intellectual property and will take steps to oppose or prevent it

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Regulatory framework

Non-compliance with core legal and regulatory requirements relevant to the wine industry

Performance objectives

- Revenue
- Product availability
- Customer contribution

Likely causes

- Changes in licensing and tax regulations
- Increased scope of legislative and regulatory provisions – data protection, advertising, distribution, consumer law
- Mobile operating system privacy changes have limited the effectiveness of online paid media campaigns
- Potential increased governance oversight in respect of alcohol consumption
- Age verification/signature requirements for alcohol delivery

Likely impact

- Failure to comply with changes to the US three-tier system of wine distribution results in a diminished ability to trade in our biggest growth market
- Reduced ability to operate efficiently that could result in increased costs
- Impact on 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

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 our regulatory teams continue to work closely with the winemaking and planning teams 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)
- We maintain tight Service Level Agreements with our carriers and be clear on our expectations on areas such as legal compliance for delivery of alcohol
- We are implementing with third-party providers a technical solution to meet age verification requirements

Risk impact	3	Control effectiveness	3
Risk likelihood	1	Residual risk	1
Inherent risk	3		

Operational risk (external)

Cyber security attack

Failure of IT systems to deal with a data security/data breach occurrence

Performance objectives

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

Likely causes

- Systems become unfit for purpose as we grow and complexity increases
- Failure to successfully upgrade or maintain 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 and processes not performing effectively

Likely impact

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

Controls/mitigation

- Ongoing investment in back-end technology systems and processes
- Dedicated systems security resources in place to provide assurance across multiple businesses in the Group
- Third-party Cloud-hosted systems used to support maximum availability
- Continuing to formalize and improve our disaster recovery plans so that the business can recover from any interruptions with minimal impact
- The main trading websites and 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
- We have doubled the limit of our Group's cyber security insurance cover from £5 million to £10 million
- Increased size of Cyber Security team globally

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Financial

Inability to collect the principal and interest arising from vendor loan note issued as part of the disposal of the Majestic Wine businesses

Performance objectives

- Cash
- Investment in new customers

Likely causes

- Failure to receive the ongoing interest and/or principal of the 2024 vendor loan note issued to the purchaser of the Majestic businesses

Likely impact

- Expected realisation of disposal of Majestic Wine is less than expected

Controls/mitigation

- We are regularly in contact and have an open and ongoing dialogue with the management of Majestic Wine
- The vendor loan note contains financial covenant conditions and the VLN holder has ongoing covenant confirmation reporting obligations to Naked

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Operational risk (external)

Business interruption

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

Performance objectives
- Revenue
- Repeat customer sales retention
- Payback
- Customer contribution
- Investment in new customers

Likely causes
- Unforeseen event (e.g. natural disasters – extreme weather, flooding, fire, including as a result of climate change etc) affecting the Group's sites or operations
- Material contractual non-performance or breach by one of our key suppliers
- Unexpected and sudden withdrawal from the market of main partner in our supply chain
- Failed crops in wine-producing regions
- Systems infrastructure failure and power outages
- Protracted lockdown restrictions preventing staff to return to working in an office environment

Likely impact
- Ongoing performance of our operations
- Negative impact on the Group's profitability or liquidity
- Reduced customer demand
- Fire damage/smoke taint impacts yearly production
- Prolonged remote working results in operating inefficiencies
- In the US, we are reliant on a single national warehouse, disruption to which may impact on the ability of the business to fulfil customer demand
- In the UK, we are reliant on a single warehouse and carrier
- Reputational damage
- Angels lose confidence in the business

Controls/mitigation
- Develop clear guidelines and expectations for how to handle situations related to natural disasters and public safety power shutdowns
- Diversifying mix of suppliers where there is exclusive or material reliance on single contractor
- Looking at implementing alternative solutions aimed at tackling potential single point of failure in our supply chain
- In the US, we have installed power generators in office and winery to deal with power outages
- We have Cloud-based VPN set up
- Grape contracts include a smoke taint clause
- Working with suppliers to spread production over more than one facility
- 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
- We have procured inventory for additional growth (above budgeted growth)
- Business interruption insurance cover in place

Risk impact	3	Control effectiveness	3
Risk likelihood	1	Residual risk	1
Inherent risk	3		

Operational risk (internal)

Ineffective management of inventory

Particularly relevant during a period of significant growth

Performance objectives
- Revenue
- Product availability
- Customer contribution
- Repeat customer sales retention
- Liquidity

Likely causes
- Supplier capacity/production constraints
- Misalignment of demand and production plans leading to inventory shortfall/ overhang
- Warehouse fails to deliver capacity or innovation (e.g. automation) creating delays and disruption
- Natural disasters or climate change result in impact on affected regions constraining wine production and supply in line with forecast demand

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
- Long-term commitments to inventory could result in a prolonged over or under stocked position, particularly in the US which has to give long-term stock purchasing commitments and has a long production lead time.

Controls/mitigation
- Wine supply
  - Embed tighter governance with winemakers and suppliers to ensure on time and in full deliveries
  - Ensure diversification of wine across countries and winemakers
  - Encourage winemakers to embed strong grower-winery relationships
  - Increase finished good stock forward cover target from 2–3 to 3–4 months
  - Increase inventory planning resource to enable greater nimbleness on volume planning and phasing
  - Retain flexibility with winemakers and suppliers to re-phase incoming stock and work in progress inventory
- Warehouse automation:
  - Develop in-house datasets to improve operating efficiency and effectiveness
  - Commit dedicated internal resource to lead warehouse automation improvement project
  - Invest in best-in-class inventory management system and examine opportunities to improve demand planning tools

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Operational risk (internal)

Failure of a key technology system

Including ineffective processes, global functionality and/or performance

Performance objectives
- Revenue
- Sales to new customers
- Repeat customer sales retention
- Customer contribution
- Cash

Likely causes
- Systems become unfit for purpose as we grow and complexity increases
- Reliance on in-house developed systems with risk of loss of intellectual capital if key staff leave
- Reliance on, and exposure to, insufficiently robust third-party provider software and systems
- Failure to successfully upgrade or replace core technology systems
- Disaster recovery systems not performing effectively
- Staff no longer have the required skillset as the business grows in size and complexity
- Loss of data or breach caused by technical or human error leading to breach of data protection laws

Likely impact
- As a pure online wine retailer, we are heavily reliant on our core technology systems
- Downtime could affect ability to trade online impacting business and customer loyalty
- Loss of personal data/sensitive business information could result in fines and reputational damage
- Loss of shareholder/investor confidence impacting on the value of the business
- Loss of customer confidence and resultant loss of New Customer acquisition and decline in repeat customer retention (including a material outflow of Angel funds)
- Threat to our standing as an authentic producer of high-quality wine

Controls/mitigation
- Large investment in backend systems and processes is under way
- Critical systems are backed up regularly, hosted on third-party data centres with appropriate backup/redundancy
- Disaster recovery systems are tested regularly
- We have an experienced and dedicated IT team, and use external consultants where we need to

Risk impact	3	Control effectiveness	2
Risk likelihood	2	Residual risk	3
Inherent risk	6		

Operational risk (internal)

Dilution of business culture

Performance objectives

- Revenue
- Investment in new customers
- Repeat customer retention

Likely causes

- Considerable growth in new staff recruitment as a result of the continued growth of the business
- Ongoing remote working reduces the collegiate bond between staff
- Increased staff turnover due to continuous rapid changes in the business

Likely impact

- Slowing sales and profitability as a result of reduced customer appeal due to the loss of the Naked culture within customer engagement
- Increased operational friction resulting in slower business operation and change
- Breakdown of systems, processes or controls following staff turnover
- Turnover of key staff could lead to continued change in processes and strategy leading to poor execution

Controls/mitigation

- Business culture is actively maintained and embedded in the way Naked Wines behaves as a company
- Emphasis of the Naked culture acts as a natural attractor of likeminded new talent
- 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
- Regular staff satisfaction surveys which are reported back to staff and which are acted on
- We offer all staff the opportunity to participate in share scheme compensation to align staff motivations and encourage staff retention
- Emphasis on staff support during the COVID-19 pandemic, as a result of which no member of staff has been furloughed because of COVID-19

Risk impact	2	Control effectiveness	2
Risk likelihood	2	Residual risk	2
Inherent risk	4		

Regulatory compliance

Legal, regulatory and tax compliance, especially in the complex US market

Performance objectives

- Revenue
- Customer contribution and investment in new customers
- Payback

Likely causes

- Risk of change in legal and tax rules, especially in the US
- Increased compliance focus of fiscal authorities in all our markets in the face of post-COVID government deficits
- Existing third-party software may not be able to meet our compliance/tax needs as we continue to grow
- Failure to comply with new post-Brexit tax and duty regulations
- Increased focus of state and local fiscal authorities in the US as we become a bigger and more visible business
- Large-scale data protection breach

Likely impact

- Potential fines
- 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
- Reputational damage

Controls/mitigation

- In-house legal resources in our key markets to ensure sufficient capability to meet ongoing regulatory burden
- Recruited a dedicated senior global and US tax resource
- We work with outside legal, accounting and tax experts to navigate and best respond to inquiries and regulatory developments
- We continue to invest in third-party software and systems where this will benefit our regulatory and tax reporting requirements
- It is the Group's policy not to engage in aggressive or seemingly aggressive tax planning strategies
- Annual review of the Group's tax strategy by the Audit Committee

Risk impact	3	Control effectiveness	2
Risk likelihood	1	Residual risk	1.5
Inherent risk	3		

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.

A Head of Assurance was appointed during FY21. Activities undertaken during this time include the development of a detailed risk and control framework and development of associated new internal controls. Identified deficiencies in internal controls are presented to the Audit Committee and flagged as pending until satisfactorily resolved.

Annual reviews of each business segment 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 legal and fiscal compliance controls, a dedicated resource is located in the US allowing local management and compliance with regulations and alcohol licensing. 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
- Treasury Policy

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 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 assurance 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

Sustainability

Our approach to a more sustainable future

Introduction

We started the year with a deeper understanding of how to make a material difference in the twenty two areas of impact that we have identified as part of our sustainability programme.

Level 1 initiatives	
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Benefits	5
Water	2 3

Level 4 initiatives	
Training	4
Rights of local communities	3

We recognise that we have four principal stakeholder groups who both support and are driving us to accelerate and expand our work on environmental sustainability:

Our staff
As a value-driven business, environmental responsibility is a key issue for many of our staff.

Investors
As an AIM listed company, we are conscious of the increasing scrutiny by the investment community of ESG performance, particularly from institutional investors.

Customers
Given the nature of our product and our customer profile, climate change and protection of the environment are a key concern of many of our customers; and

Suppliers
We try to work with suppliers that share our goals and aspirations in terms of sustainable objectives

Adopting and building on the practices we laid out in last year's report, and firmly embedding them into the culture of the re-sized Group, has allowed us to focus our efforts on previously under-invested areas of sustainability.

During the year, we have engaged 3Keel as consultants to help assess a more operational strategy to tackle issues like climate change and packaging. 3Keel conducted research and engaged colleagues from all three markets, although the project was primarily run out of the UK. This support provided us with guidance on priority issues to address and, more importantly, gave us the confidence to make material progress in areas we have more control over and could turn into immediate actions. We have recently recruited a Sustainability Lead to support the implementation of our initiatives and execute the plan.

The results and proposals have led us to focus on three key areas:

Optimising bottle weights
Reviewing and reducing our average bottle weights will provide direct material savings and reduction in logistics emissions.

Committing on climate
We are looking to play an important role in supporting climate action with science-based targets set to mobilise and focus the business.

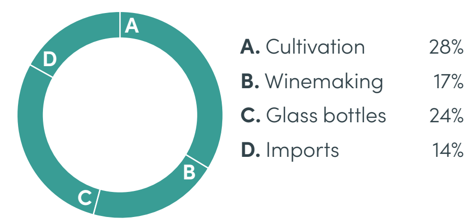
Embarking on sustainability with our winemakers
Any meaningful approach to sustainability must explore how improvements can be identified and adopted by winemakers and growers.

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

Level 1 initiatives

Sustainable winemaking

The result of the carbon footprint analysis carried out last year showed us four key areas that we can tackle to significantly reduce greenhouse emissions (GHG). The numbers below show the percentage impact that each area can have on the GHG in our supply chain.



We are committed to decarbonisation through science-based targets, not just carbon offsetting. Whilst our decarbonisation plan is not fully formed, there are many signs that our winemakers are keen to drive these changes. For example, when we suggested that one of our winemakers, David Tofterup, make a carbon offset donation for the use of 1,800 heavier than average glass bottles which he produced for our Fine Wine Club, his response was to do it for the entire production of the 6,600 bottles of the wine (not just the bottles we bought). Examples like these that tell us we have the partnerships and influence to make a difference to the way the wine sector tackles sustainability challenges.

We are excited to engage our winemakers and draw on their passion and experience in this area. Here's what Franck Massard has to say about sustainability.

Growing sustainably

To support our winemakers and growers we have outlined a structure where we aim to help them grow sustainably.

“I've been making wines for so many years, which has brought me closer to nature. I try to eat and drink as organically as possible so in the next two years I'm aiming for all of my wines to be organic. It's not just about organic wines, I try to encourage biodiversity in the vineyard. In my vineyard in the Priorat, we've built ponds for the amphibians and we've planted over 20 different types of plants, many of which are aromatic plants which can pollinate, so they are great for the bees and many other insects.

Franck Massard
Winemaker

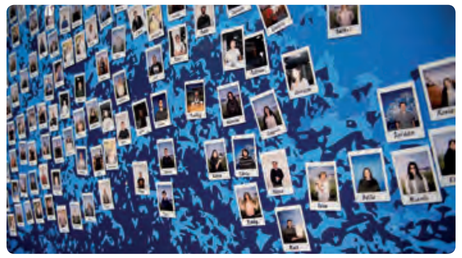
People

Never has there been a year where the goodwill and Naked spirit has been called upon to the extent it was. When it became clear that COVID-19 was leading to national lockdowns, we took rapid action to get everyone across the global business working from home, where possible. Our principal priority was to protect our colleagues and partners and put their safety at the centre of everything.

One of the ways we did this was to apply suppression methods to manage the increased demand from new customers and ensure that we could continue to safely ship, pick, pack and deliver customers' favourite wines. This was particularly relevant in the UK and US due to the warehouse demands (moving to a larger UK warehouse in the summer eased the pressure).

We adapted well and took the opportunity to introduce a personalised workplace fitting to measure how people felt about the quality of their work station and environment. Engagement was high (81%) and this led to a further investment in home-working equipment, laptops for all employees and the creation of a working group to explore the future ways of working that would best suit the team in the coming months and years.

In spite of COVID-19, our employee engagement scores and retention have maintained the high levels we have come to expect. We are delighted that both are higher than they have been in recent years, with a global staff retention of 86% and that we've



had the opportunity to continue to grow the team, helping talented people whose careers have been adversely affected by the economic consequences of COVID-19.

In the UK, we remain committed to paying the real living wage as an accredited company. Colleagues 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. In California, where the minimum wage is $13/hour, starting pay for entry-level roles is $17.50/hour. In Sydney, where the minimum wage is A$19.84, our entry-level roles start at A$23.

Gender pay gap
With growth in our Technology team, we have the opportunity to bring more women into technology roles and we are pleased to say that we have doubled the number of women in these roles in the last 12 months and will continue progress in this area with the aim of reducing the gender pay gap.

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 whistleblowing.

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 understand and adhere to the Code of Conduct.

Responsible drinking

We try 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.

To give customers even greater control over the digital advertising of alcohol they are shown, we have added information to our website FAQs which helps them switch off adverts through social media platforms.

Colleagues who attend the alcohol awareness induction training have recently provided feedback suggesting improvements to the information we share on the website. This will include more sign-posting for those looking specifically for support with problematic drinking.

In addition to educating and supporting our customers, winemakers and employees, we have strong links with national wellbeing services and 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.

We continue to support The Drinks Trust, formerly The Benevolent, a drinks industry charity that exists to support members of the UK drinks industry facing a variety of difficult circumstances including serious illness, disability, debt or family crisis.

THE DRINKS TRUST EST. 1886

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Level 2 initiatives

Diversity and equality

One of our key objectives has been to look for sustainable ways for Naked Wines to support an inclusivity agenda. As such, our intent is that all of our diversity and equality initiatives must be ongoing and sustained; we want to make them a first step in supporting lasting change.

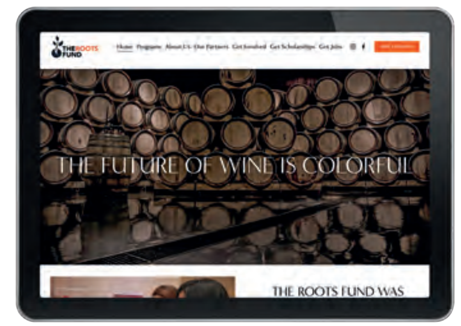
We are conscious that as a company we currently do not have the most diverse leadership team and as such we feel that it would be valuable to have a specialist partner support us in improving the current situation. Having reviewed a number of options, we have engaged Exponential to assist us in the organisation's current workplace diversity, equity, inclusion and anti-racism practices. The outcome of this assessment will lead to a full recommendation plan, which will allow us to develop and implement an Equality, Diversity and Inclusion programme. We expect this will include:

- Training for People/HR, managers, US/UK/AUS leadership teams and the Global leadership team
- Consulting on recruitment and hiring procedures
- Guidance and assistance implementing communications and marketing strategy to customers and our supply chain
- Creating an Employee Culture and Diversity Team to:
  - Sponsor and complement any external consultant recommendations
  - Guide, contribute to and promote organisational "buy-in" and participation in the EDI and anti-racism plan

We have embarked on a number of other initiatives to support diversity within the wine industry, which are detailed below.

Scholarship for students in South Africa
We have extended our scholarships for underprivileged winemaking students in Stellenbosch, South Africa. We will be funding two students per year through the Naked Wines Bursary, which we started in 2018 to mark Naked Wines UK's 10th birthday.

Partnership with the Roots Fund
We have signed a partnership with the Roots Fund (therootsfund.org) to launch a new fully paid scholarship for a winemaking degree at the prestigious UC Davis in California.



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Women in Leadership – US social media campaign
In March 2021, to celebrate Women's History Month, we took part in "Women in Wine: The Female Future" with Naked winemakers leading the way. Moderated by Wine Business Monthly's Erin Kirshenmann, six of the world's leading independent winemakers discussed their biggest goals for the future and hopes for women entering the industry.

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to find out more online

Carmen's Kids
Carmen's Kids is an initiative founded by South African winemaker Carmen Stevens, which we have supported since 2016. Over the past five years, Angels have donated £1,593,158 to feed regular nutritious meals to 65,291 hungry children in South Africa.

We will be continuing our work in partnership with Carmen Stevens in South Africa to support underprivileged kids in the Western Cape (and are looking at ways to amplify our fundraising efforts this year).

65,291
nutritious meals for hungry children in South Africa

£1,593,158
donated by Naked Angels over the past five years

Energy consumption

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, 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.

Energy and Greenhouse Gas Report

We have appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess our GHG emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

CO_2e Assessed
Organisation

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and using the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

The following tables summarise the GHG emissions for the reporting year. This is the second year Naked Wines has assessed its emissions. The baseline year, and this year's assessment results are provided for comparison.

The first table contains information relating to the mandatory disclosure of UK SECR-required elements only. It should also be noted that the electricity has been estimated using the average kWh per m2 floor area benchmark, in line with the previous year.

Element	Baseline year 2019/20 (tCO_2e)	Current year 2020/21 (tCO_2e)
Direct emissions (Scope 1) – natural gas	0.00	0.00
Indirect emissions from purchased electricity (Scope 2)	57.55	52.49
Total tCO_2e (Scope 1 & 2)	57.55	52.49
Other indirect emissions (Scope 3) – grey fleet travel and hired vehicles	5.57	0.00
Overall Gross Total[1]	63.12	52.49
Intensity metric: Tonnes of CO_2e per employee	0.34	0.28
Intensity metric: Tonnes of CO_2e per £M turnover	0.87	0.46
Total energy consumption[2] (kWh)	247,913	225,152

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

In addition to the mandatory UK-based disclosure, we have voluntarily chosen to report our full global footprint within this report. The table below includes the SECR required information, together with additional voluntary information.

Scope	Activity	Global (excl. UK) tCO_2e	UK only tCO_2e
Scope 1	Site gas	49.34	0.00
	Site diesel	9.90	0.00
	Site LPG	5.45	0.00
Scope 1 Sub Total		64.70	0.00
Scope 2	Electricity generation	193.91	52.49
Scope 2 Sub Total		193.91	52.49
Scope 3	Sea freight	1,695.73	2,103.99
	Rail freight	2,033.17	0.00
	Well-to-Tank fuel emissions	1,004.62	554.90
	Lorry freight (outsourced)	670.12	0.00
	Outsourced sites – energy use	0.00	179.45
	Home-workers[3]	95.52	0.00
	Flights	14.41	0.00
	Electricity transmission & distribution	9.11	4.52
	Rail travel	<0.01	0.53
	Hire cars	0.00	0.36
	Taxi travel	0.04	0.08
	Ferry travel	<0.01	0.00
Scope 3 Sub Total		5,522.72	2,843.83
Total tonnes of CO_2e		5,781.33	2,896.32
Tonnes of CO_2e per employee		38.54	15.66
Tonnes of CO_2e per £M turnover		27.91	21.76
Total Energy Consumption (kWh)		785,031[†]	225,152

† Includes building energy consumption and hire car usage for global sites/operations (excl. UK).
3 Home-workers emissions only relates to US and Australia staff. Data was not obtained for UK staff.

Human and worker protection

In 2021 Naked Wines in the UK was awarded 30th place in the '100 Best Large Companies to Work For' category, which showcases the very best in workplace engagement.

Naked Wines has been an accredited Disability Confident Employer since October 2018. As a Disability Confident Employer we have demonstrated that we: (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.

Level 3 initiatives

Giving back

In April 2020, we launched our COVID Relief Fund, putting up $5 million to support winemakers in difficulty outside the Naked tent.

Stop the Squeeze

The tariffs on Australian wine imports imposed by China at the end of last year were an especially crushing blow to Australian independent winemakers and came on the back of an already tough year.

Leaving the politics to one side, our attention was directed towards the people affected and we publicly announced three key commitments. They are designed to support quality Australian independent winemakers and positively influence Australia's wine industry and market at large:

- Certainty for winemakers: We will honour the commitments we have made to all our independent Australian winemakers. We won't drop contracts with our winemakers and their growers to take advantage of cheaper sources (we never would).
- Fair prices for all: We will continue delivering fair prices to winemakers and customers so that everybody wins. This principle has been central to our unique business model since the Company was founded.
- AUD$5 million Winemaker Rescue Fund: We launched our Winemaker Rescue Fund in December 2020 to support talented Australian independent winemakers impacted by the new tariffs. This fund offered them a new home on which to sell their wines at a fair price, with a direct connection to our network of more than 100,000 Australian and over 750,000 global customers.

What $5M funding means for...

Simon 'Sorby' Adams

Simon was instrumental (firstly as Senior, then Chief Winemaker) at Yalumba for twenty years.

These two programs were destined to be served in restaurants, but due to the pandemic, they were stuck with 80% of their inventory.

Wines we are bringing on...

Sorby Adams Jellicoe Barossa Cabernet Sauvignon 2017, $16.99

Sorby Adams Jellicoe Barossa Shiraz 2017, $16.99

McKahn Family Cellars Charles McKahn

Due to COVID, McKahn Family Cellars had the tough decision to shut their tasting room permanently.

On top of that, their wholesale accounts have completely dried up due to restaurant closures.

With our funding, we are able to help them out by introducing angels to their stellar red blend.

Wines we are bringing on...

McKahn Family Cellars Morning Glass Amador Red Blend 2018, $24.99

Cillar de Silos Amelia Aragon

Northern Spain is the food capital of Spain. Santander has one of the highest concentration of Michelin stars in the world. And where there's good food, there's good wine.

So when restaurants closed – the local premium wineries of Northern Spain found themselves in a terrible spot. No government help, furlough, or parachute cheques to help out.

We have literally kept Amelia's business alive by helping them through the Covid fund.

Wines we are bringing on...

Cillar de Silos Torresilo Ribera del Duero 2018, $36.99

Marta & Miguel

When Covid hit, the top restaurants who proudly stocked their wines all closed overnight.

Small quality producers like Valdaya rely almost entirely on restaurants to keep them afloat.

Valdaya was about to close down entirely, before Naked came in and bought one third of their entire production in one go.

Wines we are bringing on...

Valdaya Ribera del Duero 2018, $29.99

Eternum Viti Toro 2017, $14.99

Volunteer days

This year has been challenging for colleagues to take advantage of the volunteer day and in the UK we decided to partner with OnHand, an app that helps to support volunteering. We have 50 colleagues who are currently part of a trial with OnHand and volunteering in different ways, an hour or so at a time. This can be in the form of food drops, companionship calls and youth mentoring. As we emerge out of the COVID-19 restrictions, we look forward to a wider variety of volunteering opportunities being available.

Nominate a Hero

While it may have been challenging for our teams to get out and volunteer, this year gave Naked the opportunity to show the world how strong our desire to make a difference to the lives of others really is.

In the UK, our Nominate a Hero campaign helped to say thank you to key workers doing their bit to take care of the whole country. We asked customers to tell us about anyone who deserved a treat to receive six bottles of wine or a personalised thank-you message from one of our winemakers – over 800 customers benefitted.

Meals for NHS

The UK business also donated over £115,000 to Meals for NHS, a UK charity initiative feeding front-line workers, and in the United States our US business fed over 1,000 key workers and in need locals in partnership with local restaurants in California.

Contributions to charities

To date, Angels have helped Daryl and Colby Groom contribute a lifetime $1.6 million in fundraising dollars to support heart health and health advocacy charities, including The Children's Heart Foundation, the American Heart Association, and more. Thanks to Angel donations of over $100,000 back in 2019, Colby Groom has since co-founded the Liam Ward Research Project – in partnership with The Children's Heart Foundation – to help cure those born with congenital heart disease. The project funds continued research into self-growing, self-expanding biodegradable heart valves. The 2020 vintage is set to raise $64,000 more for heart-health charities.

Many of our winemakers stepped up during the COVID-19 pandemic, with winemakers in Australia working with us to manufacture hand sanitiser for those in need.

Set up our own charity

During the year, we set up the Naked Wines Charitable Trust in the UK as a registered charity. The Naked Wines Charitable Trust is focused on disadvantaged people and communities – both in winemaking regions, and in the UK. The charity aims to create a more stable wine industry which may be through donating to charities whose aim is supporting basic needs in that local area, or supporting charities that provide educational support. As a registered charity, we will be able to claim Gift Aid and hence provide an enhanced level of support on all eligible future donations to our chosen charities.

Responsible sourcing/ Modern slavery

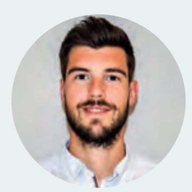
Each year, we send suppliers a survey which serves as an audit to ensure that we are complying with the Modern Slavery Statement. The results not only tell us that our suppliers are following the guidelines we set out in our responsible supplier policy and take issues relating to modern slavery seriously, it also helps us to identify the communities that might need the most help and support. We then use this information to guide us when deciding which communities to support through giving initiatives so we can help to strengthen those communities and improve working conditions.

Level 4 initiatives

Training

Investing in future talent also continues with our sponsorship of another colleague embarking on his MBA studies at the UEA in Norwich, albeit remotely.

> "Having been sponsored through the completion of my CIMA accountancy studies when I first joined Naked Wines in 2015, I was looking to build on these foundations and develop the leadership skills and understanding needed for the next step in my career. I am extremely grateful to have been selected and offered a place on a fully funded Part-Time Executive MBA at UEA.
>
> I am joined on the programme by a diverse range of leaders from different businesses where we have been able to share experiences and ideas from our careers so far while developing knowledge and skills in a range of topics such as economics, operations, strategy, digital technologies and big data and marketing.
>
> The programme's practical nature has allowed me to apply theory and research taught to projects and initiatives I am involved in in the workplace, to develop a wider and deeper understanding.



Matt Buxton
Group Commercial Finance Manager

Two former wine advisors in the US have successfully progressed their careers with Naked Wines since joining.

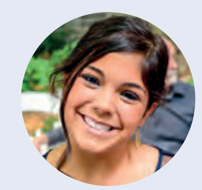
Sean has progressed from advising customers on the best wines for their taste buds to logistics coordinator – he's recently been promoted to a senior role and is now taking his first steps into managing his own team. Sean made use of his $500 personal pathway budget to complete WSET 3.

> "For me, I've had a few different roles, starting with Wine Advisor and moving to wine production coordinator and most recently moving from Senior Analyst, Transportation Planning to Transportation Manager. Before coming on board to Nakedwines I had completed my CSW (Certified Specialist of Wine) and was able to continue my education through personal pathways to complete my WSET 3.

Sean Rogan

Laura, another former wine advisor, took an opportunity in our planning team and has recently secured the role of Wine Portfolio Manager, a key member of the buying team. She's used her personal pathways on a number of different wine education courses to help her progress.

> "I have held a few other roles after becoming a Wine Advisor. I was a merchandiser, then demand planner and most recently Wine Portfolio Manager on the Wine Buying team. Thanks to personal pathways, over the course of my 6 years with the company, I've been able to earn my Certified Specialist of Wine and California Wine Appellation Specialist. I've also had the opportunities to take blind tasting intensive classes with MWs and Master Sommeliers at San Francisco Wine School, Compline in Napa and La Compagnie des Vins Surnaturels in New York City.



Laura Bacharach

Beyond our financial contributions through scholarships we will also be working with the Roots Fund to create a mentoring programme for promising winemakers and wine business owners of colour. This represents a $500,000 multi-year relationship to support diversity in the wine industry. The vision is for Naked Wines to share our expertise, contacts and industry knowledge to help winemakers succeed. This is not just about winemaking; we plan to help mentor people in multiple areas:

- Digital marketing experience – how to build a wine brand DtC / communicate with your customers
- Sourcing & procurement – including extending access to preferential terms we enjoy
- Broader business advice, including managing budgeting, cash flow, etc
- Connecting wine drinkers to our incredible network of superstar winemakers

Our aim over time is for this programme to help us discover talent that could potentially go on to become winemakers for our Angels.

Ian Harding
Chairman
On behalf of the Board
June 2021

Board of Directors

An experienced team to take us forward


Ian Harding N R A


Nick Devlin ○


Shawn Tabak ○


David Stead A R N


Justin Apthorp ○


Katrina Cliffe R A N


Darryl Rawlings ○

R Remuneration Committee member A Audit Committee N Nominations Committee ● Committee Chairman ○ Invitee to Board committees

Ian Harding (56)

Chairman (since 6 August 2020)

Appointment date: June 2013

Committees:
Nominations Committee: Chair
Audit: Member
Remuneration: 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 and communication

Sector experience:
Finance and retail

External appointments:
None

Attendance at Board meetings:
Attended all

Nick Devlin (36)

Chief Executive Officer

Appointment date: 8 June 2019

Committees:
None as he is an Executive Director, but can attend as a member of the management team.

Nick was appointed Director of the Board in June 2019 and was promoted to the CEO role in January 2020. Since then, Nick has led Naked through a rapidly evolving operational and customer environment to deliver a step change in growth in 2020. Previously and as President of Nakedwines.com, Nick had grown and professionalised our US business and established it as the number one DtC wine business in America. Nick has a background in corporate strategy, having previously worked in OC&C's consumer practice in London. He 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 a deep knowledge of the US wine market

Sector experience:
UK and US wine sector

External appointments:
None

Attendance at Board meetings:
Attended all

Shawn Tabak (41)

Group Chief Financial Officer

Appointment date: 1 January 2021

Committees:
None as he is an Executive Director, but can attend as a member of the management team.

Shawn joined Naked Wines as CFO in December 2020 and was appointed to the Board on 1 January 2021. He leads Investor Relations, FP&A, Accounting, Treasury, HR, and Legal across the Company.

Shawn was previously Vice President of Finance at Upwork Inc., the world's largest work marketplace that connects businesses with independent talent. He has also worked as Vice President of Investor Relations and Treasury at Shutterfly and CFO at Clean Power Finance. Shawn spent 10 years at KPMG focusing on the technology and internet sectors.

Skills brought to the Board:
Finance, Direct-to-consumer, investor relations

Sector experience:
Finance, investor relations, capital markets, M&A

External appointments:
None

Attendance at Board meetings:
Attended all since appointment

David Stead (63)

Non-Executive Director and Senior Independent Director (since 6 August 2020)

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

Katrina Cliffe (54)

Non-Executive Director

Appointment date: May 2019

Committees:
Remuneration: Chair (since 6 August 2020)
Audit: Member
Nominations: 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, Senior Independent Director – HomeServe Plc

Attendance at Board meetings:
Attended all

Justin Apthorp (59)

Non-Executive Director

Appointment date: January 2016

Committees:
None as is considered non-independent

Justin spent 25 years as an employee of Majestic Wine, retiring from his executive role in 2015, having spent the last 10 years of his employment as 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 ecommerce delivery

External appointments:
HM Deputy Lieutenant of Hertfordshire
Trustee of John Apthorp Charity
Trustee of Friends of St Peter's

Attendance at Board meetings:
Attended all

Darryl Rawlings (52)

Non-Executive Director

Appointment date: 13 April 2021

Committees:
Audit: Member
Remuneration: Member
Nominations: Member

Darryl is founder and CEO of Trupanion Inc., an industry leading, direct-to consumer (DtC), monthly subscription business that provides medical insurance for cats and dogs throughout the United States and Canada.

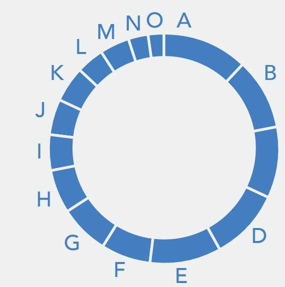
Skills brought to the Board:
20 years' experience in operating and scaling a subscription DtC business in US, mentoring

Sector experience:
Direct-to-consumer

External appointments:
Trupanion Inc., Trupanion Australia Pty Ltd, Canada Pet Health Insurance Services Inc., Gallant Pet Inc., Baystride Inc., Seattle Academy of Arts and Sciences, Trupanion Administration Canada, Inc., Trupanion Alberta Holding Company, ULC, Trupanion Canadian Shareholders, Ltd

Attendance at Board meetings:
None as his appointment followed the reporting period

Board activities



A	Strategy (financial and operational)	12%
B	Board appointments, including succession planning	10%
C	Remuneration Policy and remuneration matters	10%
D	Risk management and mitigation	10%
E	Business updates	10%
F	External reporting	7%
G	Trading updates and financial performance	7%
H	Budgeting and plans	6%
I	Employee share scheme	5%
J	Investor relations	5%
K	Legal and tax matters	5%
L	Auditor reports, appointment and fees	4%
M	Sustainability	4%
N	Key policies and governance including Alternative Investment Market (AIM) compliance	3%
O	Capital allocation	2%

Business updates

	Board	Audit	Rem	Nom
2020				
Apr	●	○	●	○
May	●	○	●	○
Jun	●	●	○	○
Jul	○	○	●	○
Aug	●	○	○	○
Sep	●	○	○	●
Oct	●	○	○	●
Nov	●	●	○	○
Dec	○	○	●	○
2021				
Feb	●	●	○	●
Mar	●	●	●	●

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company has been a member of the QCA since 2018 and has adopted the QCA Code on the basis that it is the corporate governance code most suited to the requirements and size of the business. Set out below is a summary of what we have done to comply with the 10 principles of the QCA Code and will continue to do. Further information on the application of the QCA Code by the Company is set out in our Statement of Compliance with the QCA Corporate Governance Code, which 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 QCA 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 driven LTV by harnessing our increasing scale and as a result have created the largest DtC wine businesses in the US Please see Strategic report (pages 2–13), Our business model (page 28) and Governance report (page 69)	Increasing our investment in new customer acquisition and looking at expanding our market share even further
2 **Seek to understand and meet shareholder needs and expectations**	• The Directors held regular calls with institutional investors to provide opportunities to hear their views • Direct engagement of our Chairman and Chair of the Audit Committee with principal investors • Although we were unable to meet the shareholders physically over the last year, we have kept shareholders abreast of developments through video calls, bilateral and group meetings, results announcements and regulatory announcements Please see Stakeholder engagement (page 43)	Unlike last year due to social distancing restrictions, we are looking at holding a physical AGM and engaging directly with our shareholders Continue to provide both virtual and physical opportunities to meet and communicate with shareholders in a transparent and clear manner
3 **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	• Increased the support available to support our winemakers through the establishment of a COVID-19 fund • Engaged periodically with our suppliers, sharing our values and ethical principles • Collected sizeable donations to support communities we work in, e.g. for South African school children • Set up a Naked Wines charity in the UK to advance charitable purposes in winemaking regions across the world • Supported winemakers in Australia in light of recent increases in tariffs Please see Stakeholder engagement (pages 44–46) and Sustainability report (pages 57–62)	Live up to our purpose of connecting everyday wine drinkers with the world's best independent winemakers Continue to engage with our stakeholders Continue to support our winemakers in a socially responsible manner
4 **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	• Appointed a Head of Assurance with responsibility for risk management across the Group • Carried out an assessment of and identification of significant Group risks • Regular reporting of the risk management to the Board and the Audit Committee Please see Risk management and control environment (pages 47–55)	Continue to develop and enhance 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 Chairman**	• Appointed a new interim Chairman and a new CFO during the reporting period • The Executive team worked closely with the Non-Executive Directors outside of formal Board meetings • Delegation of responsibilities to the three Committees of the Board Please see Governance report (page 68)	Improve diversity of Board composition
6 **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	• Carried out an assessment of current skill set and strengths of the Board and identified areas of deficiency • Directors are encouraged to attend workshops and roundtables organised by the QCA to enhance understanding of regulatory environment • Regular AIM Rules updates are provided by the Company's Nominated Advisor Please see Governance report (pages 68–69)	Looking at adding one or two additional members to increase the size of the Board and fill gaps in experience, skills and capabilities Continue to attract suitable talent to add to the skill set of the team as and when required
7 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	• Addressed shortcomings identified by internal Board assessment • Secured appointment of a new Chairman in first half of 2021, being one of the set objectives Please see Governance report (page 69)	Carrying out independent Board evaluation in FY22 Non-Executive Directors to be directly involved in performance assessments of CEO and other members of the leadership team
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 initiatives • Supported winemakers and other communities in need during the COVID-19 pandemic Please see Sustainability report (pages 58–62) and Governance report (page 69)	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**	• Proactively engaged with Angels to highlight the option to withdraw funds from their accounts to help with financial difficulties in light of COVID-19 • Adopted a Treasury policy that provides reassurance to investors and our Angel customers • Oversight of Executive by the Non-Executive Directors • Delegation of responsibilities between Board and Committees of the Board Please see Governance report (pages 68–69)	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 (pages 42–46) and Sustainability report (pages 43–46)	Continue to communicate with all stakeholders and to maintain a dialogue

QCA Please refer to this symbol throughout the Governance 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 64-65.

- 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 Chief Executive Officer, as well as all Non-Executive Directors (NEDs) 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 the Chairman and the Chief Executive Officer. It also clarifies the role of the Senior Independent Director ("SID"), David Stead. 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 stake building or potential public offers for the Company.
- During the year, Ian Harding replaced John Walden as Chairman and Shawn Tabak replaced James Crawford as Chief Financial Officer.
- 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 Justin Apthorp and Nick Devlin will retire by rotation and, being eligible, will offer themselves for re-election. Ian Harding will retire from the Board at the conclusion of the 2021 Annual General Meeting.
- Directors' contracts are available for inspection at the Company's registered office and will be made available at the 2021 Annual General Meeting. These are summarised in the Remuneration
- The Company holds directors' and officers' liability insurance cover for any claim brought against the 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 ad hoc 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. Minutes are taken at all meetings, shared with the Directors for comments, and any actions are followed up and reviewed at the next meeting.
- The Board and Committees receive appropriate notice prior to meetings and are provided with relevant information in advance of the meetings. More specifically, NEDs are regularly kept abreast of financial and operational performance or new material developments relating to the business. The Company reports on its monthly headline performance against its agreed budget and the Board reviews variances at each meeting.
- The Board held nine meetings during the year as detailed on page 65. All but one of the meetings took place remotely because of the COVID-19 travel restrictions. It is our intention to resume holding physical meetings (including in each of our markets) as soon as it is safe to do so. Whilst we remain cognisant of the environmental and financial costs associated with travel, holding Board meetings in local markets allows the Board members the opportunity to familiarise themselves with all operations. 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 the SID. During the year, the advice of recruitment and remuneration consultants was sought in relation to the recruitment and remuneration of a number of senior management roles, including the CFO and new Chairman.
- 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 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 for safeguarding the relevant interests of all stakeholders (see Stakeholder engagement on pages 42-46) 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.

QCA 1 6

Succession planning

This year saw significant changes to the Board with the appointments of a new CFO and a new Chairman. In July 2020, we announced John Walden's intention to step down from the Board for personal reasons at the conclusion of the Annual General Meeting on 6 August 2020 and that Ian Harding, Senior Independent Director and Chair of the Remuneration Committee, would be appointed as Chairman until Ian's scheduled retirement from the Board in the summer of 2021. At the same time, we announced that David Stead, Chair of the Audit Committee, would be appointed Senior Independent Director and that Katrina Cliffe, NED and member of the Remuneration Committee, would become Chair of the Remuneration Committee. On 17 November 2020, we announced the appointment of Shawn Tabak as Group CFO with effect from 7 December 2020. Shawn took over the role of CFO from James Crawford, who was appointed Managing Director of the Naked UK business during the year.

The Board is aware of the issues relating to gender and ethnic diversity in board compositions and the Directors have highlighted this as an area of focus for the Board in the coming months. The Board continues to be committed to continuing to identify suitable succession candidates.

A summary of the Board's skills and experience is set out on pages 64-65.

QCA 5 9

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. Each of the individual Terms of Reference were reviewed during the reporting period. The membership of each of the Committees is set out on pages 64-65.

Audit Committee – the report of the Audit Committee under the chairmanship of David Stead is available on pages 80-81.

Remuneration Committee – the report of the Remuneration Committee under the chairmanship of Katrina Cliffe is available on pages 70-79.

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 and executive roles, 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

The Board has also set up a Bid Committee comprised of certain members of the Board to assess and deal with any potential takeovers of the Company. This Committee is only convened when circumstances require.

QCA 7

Board assessment

During the reporting period, the Board conducted an assessment of the Board by means of a questionnaire prepared by the Company Secretary and circulated to each of the Directors. Responses and feedback on these were compiled and shared on an anonymised basis with the Chairman and the Chair of the Audit Committee. The outcome was then shared with the full Board.

QCA 8

Ethical values and behaviour

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 all of 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).

Internally, we drive a culture of respect, fairness and non-discrimination. We have a number of policies which underpin this approach including our Anti-Bullying and Harassment, Equal Opportunities, Anti-Bribery, Competition, Data Protection, Share Dealings, Anti-Money Laundering, Health and Safety, Substance Abuse, Maternity Benefits, Recruitment and Discipline policies, all of which supplement and integrate our Code of Conduct. We have a Whistleblowing Policy and procedure to assist staff bringing transgressors to our attention.

We have an employee share participation scheme which is offered to all members of staff and is a way for us to incentivise our staff, to allow them to directly reap the rewards of their hard work and give them a sense of ownership of the business.

Externally, our suppliers are seen as part of the Naked Wines family. We therefore expect our winemakers, as well as other suppliers, to adhere to our standards 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. It is our position that we will assist our suppliers to address shortcomings and will look for ways to help them to understand and meet our expectations as set out in our policy.

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.

Directors' Remuneration report

Strong performance in a year of change

The Group has delivered strong performance across all three geographies during the year. We are delighted with the business performance this year and look forward to continuing our recent momentum.

Katrina Cliffe
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the report on Directors' remuneration for the financial year ended 29 March 2021. This is my first report as Chair of the Remuneration Committee and I am delighted to be able to report on a year of excellent business performance and strategic execution, which has generated significant shareholder value.

I hope that you find this report clear and insightful and that the report demonstrates pay for performance at Naked Wines. In line with best practice, this report will be subject to a vote on its adoption at the 2021 Annual General Meeting.

Impact of COVID-19 on business performance and remuneration considerations

The Group has delivered strong performance across all three geographies during the year, particularly in the US. This performance is in part driven by an increase in demand for the direct-to-consumer (DtC) wine subscription model but also due to the shift in consumer behaviour as a result of the COVID-19 pandemic.

We were able to continue to operate throughout the pandemic, and were delighted with the flexibility and positive attitude shown by all our staff as they adapted to working from home. I am pleased to report that no staff have been furloughed, the Company has not required any additional funding from the government, and all our suppliers continued to be paid in full and on time.

FY21 incentive plan payouts

Annual bonuses for FY21 were driven both by return on investment in new customers and profitability on sales to our repeat Angels. As set out in last year's report, stretch bonus targets were introduced this year which, if achieved, result in payout of 200% of the target bonus opportunity. Based on strong business performance during FY21, the bonus will pay out at the maximum performance level.

The third tranche of the long-term incentive award granted in July 2016 and the award granted in July 2018 will both be eligible to vest in July 2021. These awards are based on a Total Shareholder Return (TSR) measure against a peer group of AIM and FTSE listed retailers. We are close to the end of the performance periods for each award and the estimated vesting is full vesting for both the July 2016 and July 2018 awards. Final vesting details for these awards will be confirmed in next year's report. This outcome is reflective of the excellent TSR we have delivered over these periods.

In addition to these share awards to senior executives, during the year we also made a free share award to the entire workforce worth £380,000, to recognise the outstanding performance delivered and to encourage more widespread share ownership.

The Remuneration Committee is satisfied the policy has operated as intended and confirms that no discretion was exercised in determining the incentive outcomes for FY21 and, furthermore, that performance targets for the incentives were not adjusted.

Board changes

As announced in June 2020, James Crawford, former Chief Financial Officer, was appointed Managing Director of the Naked UK business and therefore stepped down from the Board during the year. We were delighted to appoint Shawn Tabak as James's successor, on 7 December 2020. After a brief handover, James stepped down from the Board on 31 December 2020 and Shawn was appointed to the Board on 1 January 2021.

In anticipation of the appointment of a new CFO, the Remuneration Committee reviewed the remuneration package, mindful of the fact that James's successor would be US-based and with a technology background.

As a result of this review, Shawn's remuneration package on appointment comprises a salary of $400,000, a pension contribution of 4% of salary and benefits in line with policy. Shawn's maximum annual bonus opportunity is 100% of salary, and he is entitled to receive a Long Term Incentive Plan (LTIP) award each year. In addition, Shawn also received a "buy-out" of awards forfeited from his previous employer on joining Naked Wines, which is payable in FY21 and FY22.

During the year, we also announced John Walden's intention to step down as Chairman of the Group following the 2020 Annual General Meeting. Ian Harding succeeded John as interim Chairman and will hold this role until his scheduled retirement from the Board in the summer of 2021. We were pleased to announce shortly after our year end that Darryl Rawlings had agreed to join the Board as a Non-Executive Director and will succeed Ian as Chairman at the 2021 Annual General Meeting. Darryl brings extensive experience in operating and scaling a subscription DtC business, which will be invaluable to the Group and will have a key strategic role as the Group continues its expansion over the next few years. The design of Darryl's package takes into consideration these factors and we were delighted that Darryl proposed taking his Chairman's fees exclusively in equity, which will align his entire remuneration with the performance of the business and the long-term interests of shareholders.

Darryl's remuneration on appointment as Chairman will comprise:

- A conditional share award grant worth $525,000, being the equivalent value of three years' worth of annual fees at $175,000 p.a. The award will vest, subject to continued service, in equal one-third tranches on the first, second and third anniversaries of his appointment as Chairman and he will not sell the shares for four years from appointment
- In addition, Darryl will have the opportunity to acquire further shares on a co-investment basis, up to a maximum of $175,000 worth of shares. The Company will match shares purchased on a 1:1 basis, and these matching shares must be held for Darryl's initial three-year term and for a further one-year period

As our Articles of Association currently do not permit Non-Executive Directors' fees to be paid in shares, we are seeking shareholder approval at our 2021 Annual General Meeting by way of a special resolution to amend certain Articles to enable this package to be awarded to Darryl and for flexibility to offer an equity component to the package for other Non-Executive Directors in the future.

Remuneration Policy changes for FY22

The annual bonus opportunity will remain at a target opportunity of 50% of salary and a stretch opportunity of 100% of base salary for both Executive Directors. The performance measures and weightings have been amended slightly such that performance will be based on an equal one-third weighting between Revenue, Repeat EBIT and value creation, with stretching target ranges set for each performance condition. Following a review of the structure of bonus deferral, from FY22 Executives will be required to invest one-third of any bonus in shares of the Company and hold them for a period of two years. The change from cash-based deferral to deferral through investment in shares will enable Executive Directors to build their shareholdings in the Company quicker. These shares will not be forfeited in the event an Executive leaves the Company.

The Remuneration Committee is in the process of reviewing the award of LTIPs to the Executive Directors and the wider Group, in light of the recent step change in the scale of the business and the increasing focus on the US as the key growth driver. At the date of this report, the review has not been finalised. However, it is anticipated that changes to our LTIP policy will be effective for FY22 and we are likely to move to a mix of LTIP awards and Restricted Shares for all participants, including Executive Directors. Full disclosure of any changes to the policy in relation to the LTIP will be included in the FY22 Directors' Remuneration report, alongside the performance conditions and targets.

Consultation with shareholders

We consulted during the year with our major shareholders in relation to the fee structure for our Chairman and were pleased that the feedback was positive.

We intend to consult again in relation to the proposed change to our LTIP policy to a mix of LTIP awards and Restricted Shares, before proceeding with any proposal to grant Restricted Shares.

Closing comments

The Remuneration Committee ensures that our Executive Directors and all employees continue to be appropriately rewarded for performance that benefits the future of the business for all our stakeholders. We are delighted with the business performance this year and look forward to continuing our recent momentum.

The Remuneration Committee is committed to having an open and constructive dialogue with investors. At our forthcoming Annual General Meeting, there will be a resolution for a proposed amendment to the Articles of Association to enable the remuneration package to be delivered to Darryl and there will also be the usual advisory resolution approving this report. I would be very pleased to receive any feedback you may have on these proposals and look forward to your support at the AGM.

Katrina Cliffe
Chair of the Remuneration Committee
June 2021

The Remuneration Committee

Who

- The Remuneration Committee comprises me, as Chair, together with David Stead (Senior Independent Director) and Ian Harding (Interim Chairman)
- Executive Directors and other Non-Executive Directors may attend meetings as invitees, but play no role in decisions relating to their own remuneration
- None of the members of the Remuneration Committee have any conflict of interests, nor do they have any personal financial interests other than as shareholders. Subject to these qualifications, the Remuneration Committee is considered independent

What

Responsibilities, in summary

- Determine and recommend to the Board the Remuneration Policy and monitor ongoing effectiveness thereof
- Determine specific targets and objectives for any performance-related bonus or pay schemes for Executive Directors
- Determine targets for any performance-related bonus or share schemes for staff
- Review and approve Executive Directors' packages upon appointment and any termination payments

Main activities for review period

- Set performance criteria targets for annual bonus and LTIP
- Considered performance criteria for vesting of shares and payment of bonuses
- Approved vesting of LTIP and Share Incentive Plan (SIP) to staff
- Approved new CFO compensation and benefits
- Recommended to the Board the basis upon which the new Chairman-elect's fees are set and paid
- Reviewed proposed compensation for other senior hires, including MD of Naked Wines US

How

- Terms of Reference (Remuneration Committee ToRs)
- External services
  - Tapestry continues to provide ongoing support in respect of the various share schemes, although we did not incur any costs during the reporting year
  - External head-hunters were appointed to support the search for the new CFO and new Chairman roles
  - Korn Ferry was appointed in March 2021 to provide advice to the Remuneration Committee on remuneration matters

When

- The Remuneration Committee meets as required and the list of meetings and attendance is contained in the Governance report (see pages 64 and 65)

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.

In this report, we describe the elements of our remuneration together with a clear link to our strategy and explanations as to how we implement each element operationally, setting out the maximum that an Executive can earn. While this policy is specific to our Executives, the Company prides itself on its simple and equal approach. We have thus included a column to indicate where a specific element of reward offered to Executive Directors differs substantially from that offered to other employees. The rewards are in fact significantly consistent across our structure with individuals generally being differentiated only on amount, level of responsibility, skills and performance.

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

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 with 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 fair rewarding 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, and establishes and reinforces the outputs and behaviours required in order to achieve strategic business objectives and results.

3. Application

The Remuneration Policy is applicable to 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 salaries 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 schemes so that we all think and act like business owners

5. Remuneration Policy

Each element of the Remuneration Policy for Executive Directors is summarised in the following tables.

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
- Experience
- Competitive salaries relative to the market and jurisdiction
- 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 twice monthly in line with local custom)

Limitation:
Maximum increases are no greater than the workforce average 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.

Fixed — 2. 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:
- Payments in defined contribution schemes

Limitation:
The CEO and CFO receive a pension contribution equivalent to 4% of salary.

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:
None.

Fixed — 3. Benefits

Policy

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

Operation – What we offer:
- Paid annual leave
- Enhanced maternity benefits
- Credits to spend on wine
- Company car or car allowance
- Private medical insurance
- Life insurance
- Relocation expenses

Limitation:
Level of benefits are set to be 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:
All employees are entitled to the same suite of benefits, with the exception of company car or car allowance and relocation expenses.

Variable — 4. Bonus

Policy

Purpose and link to strategy/KPIs:
Reward 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
- Bonus targets are set at the start of the financial year and performance is reviewed regularly and assessed at the end of the financial year to determine whether targets have been reached
- The Remuneration Committee may apply discretion to the final bonus payout taking into account performance against targets and underlying performance of the Company
- Robust clawback and malus provisions apply

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:
Executive Directors' target bonus levels are set at 50% of salary.

If stretch targets are achieved, up to 200% of the on-target bonus can be earned.

Executive Directors are required to invest one-third of any bonus payable in shares of the Company. These shares must be held for a period of two years and will not be forfeit in the event the Executive leaves the Company.

How it is linked to performance:
The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic or individual targets.

Significant differences between Executive Directors and the main body of employees:
Executive Directors and some senior executives receive the highest level of potential bonuses, currently set at 50% of base salary for target bonus. The bonus for Executive Directors has an element of deferral to encourage the Executives to build their shareholdings.

At local level, we incentivise staff based on local market performance rather than Group performance.

Variable — 5. Shares – LTIP

Policy

Purpose and link to strategy/KPIs:
Incentivise and retain staff by delivering shares as part of their package, subject to performance, while aligning management interests with the value creation interests of shareholders.

Operation – What we offer:
- Nil cost awards made annually up to a fixed percentage of salary
- Either structured as LTIP awards, Restricted Shares (or a mix of both). We will consult with shareholders before any move to granting Restricted Shares to our Executive Directors
- LTIP awards will have a performance condition measured over a three-year period
- Restricted Share awards may vest in annual tranches over a multi-year vesting period, subject to the achievement of a performance underpin, as determined by the Remuneration Committee
- Robust clawback and malus provisions apply, whereby awards may be reduced or cancelled

Limitation:
Award levels will be determined by the Remuneration Committee for each grant.

How it is linked to performance:
- LTIP awards will be linked to performance conditions which are based on the creation of absolute value in a digital, direct business, as well as rewarding staff when the Company delivers superior TSR relative to our peers. Both measures have a sliding scale of vesting, with 25% vesting for threshold performance and 100% vesting for maximum performance achievement
- Restricted Shares will create a strong alignment of interest with shareholders from the outset, with a focus on long-term shareholder value
- The vesting of Restricted Share awards will be subject to a performance underpin, requiring the Remuneration Committee to be satisfied with financial performance and strategic execution before awards may vest

Clawback/malus provision
- At discretion of the Remuneration Committee
- Triggers are misconduct, misstatement, error and corporate failure during the clawback period (three years from grant to vesting)
- The amount is determined on a basis that the Remuneration 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

The Executive Directors are subject to minimum shareholding requirements, meaning that they must hold equity in the Company equivalent to 100% base salary, to be built up over time for new recruits.

Significant differences between Executive Directors and the main body of employees:
Award levels as a percentage of salary are lower for less senior executives and may be subject to a different mix between LTIP awards and Restricted Shares.

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:
- Awards are determined in accordance with period of continuous employment and/or job grading of employee
- Awards are made annually at the discretion of the Remuneration 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 £3,600 (or the equivalent in local currency outside the UK) for Executive Directors.

How it is linked to performance:
- Awards encourage share ownership and align interests with shareholders
- The Remuneration Committee has discretion to change the percentage of salary awarded in the event of poor performance
- Participants must remain in continued employment for the shares to vest

Significant differences between Executive Directors and the main body of employees:
None.

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 Remuneration 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 Remuneration Committee takes into account:
- Current incumbent package
- Skills and expertise of the candidate
- Jurisdiction from where the person is recruited and location of employment
- The appropriate structure of the package
- Comparable market compensation packages

In doing this, the Remuneration Committee may consider the "buy-out" of existing equity or other elements of remuneration forfeited on leaving a previous employer.

The Remuneration Committee utilises the services of external recruitment consultants and its advisors in determining relevant remuneration packages.

The limitations the Remuneration Committee imposes on recruitment are as follows:
- The remuneration package will be limited to base salary, pension 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

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 the CEO's service contracts include a 12-month notice period by either the Company or the Executive and the Group CFO's service contract includes a six-month notice period by either the Company or the Executive.

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 Remuneration 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 Remuneration 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 Remuneration Committee may waive the need for an executive to work any notice period and may make a payment in lieu thereof
- If an executive is deemed a "good leaver", shares due to vest in the next 12 months will typically be accelerated. In the case of the LTIP this is subject to performance criteria being achieved. If the executive 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 to the provisions of the Board Charter, the terms of reference of the various committees and the Governance Codes adopted by the Company from time to time.

Remuneration

The remuneration for NEDs is paid as an all-inclusive fee with no split between base and attendance fees. The remuneration does not include any additional benefits, and currently specifically excludes the participation by NEDs in any share scheme. However, in light of the proposed remuneration for the new Chairman of the Board, we are seeking shareholder approval at our 2021 Annual General Meeting to amend Article 63 to enable the package to be awarded to Darryl. Flexibility will also be built in to permit awards of equity as part of the fees for other NEDs in the future if this is considered appropriate by the Board.

Payment is made on a monthly basis.

10. External appointments

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 the Company
- Appointments to external boards must be declared to the Remuneration Committee and must be referred to the Board for approval with a recommendation from the Remuneration 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 Remuneration 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 how these are applied. Some such examples include the criteria for accelerated vesting of shares awarded to good leavers under the relevant share schemes, the criteria for awarding SIPs, 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 Remuneration Committee will apply the following guiding principles:

- Always explain use of discretion, including how and why it is 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 grant of bonuses and shares awarded under the share schemes, the position of the Remuneration Committee is that discretion should be used to address the effect of unforeseen challenges and not as the norm.

In this regard, the Remuneration Committee will endeavour to reach a discretionary decision which will be applicable for an agreed period of time (example: accelerated vesting of shares for good leavers).

12. Review and amendment of the policy

The Remuneration Committee has discretion to amend the terms of the policy. Where any amendments are required, the Remuneration 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. Shareholders will therefore be asked to vote on the Remuneration Policy at the Annual General Meeting in 2022.

Annual Report on Remuneration

This section describes the remuneration payments in respect of the financial year ended 29 March 2021 and the operation of the policy for the forthcoming year.

Executive Remuneration for FY21 (audited)

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives[3] £'000	Company pension contribution £'000	Other[4] £'000	Total 2021 £'000	Total Fixed 2021 £'000	Total Variable 2021 £'000
Nick Devlin	CEO	306*	9	306	283	9	4	917	324	593
Shawn Tabak[1]	CFO (current)	94*	2	95	–	–	38	229	96	133
James Crawford[2]	CFO (former)	157	13	160	282	29	4	645	199	446

* Remuneration has been converted from US dollars to sterling based on an exchange rate of 1.306 for FY21 and 1.272 for FY20.
1 Shawn Tabak joined the Company as Chief Financial Officer on 7 December2020 and was appointed to the Board from 1 January 2021.
2 James Crawford stepped down from the role of Chief Financial Officer on 7 December 2020 and from the Board on 31 December 2020.
3 LTIP comprises the estimated vesting of the July 2016 and July 2018 awards for Nick Devlin and the July 2016 awards for James Crawford based on performance up to March 2021 and valued using the average share price over Q4 of FY21 of 719.4p. Based on current performance, 100% of the awards are expected to vest which is 39,398 shares for Nick Devlin and 39,181 shares for James Crawford.
4 Other comprises the value of SIP shares awarded during the year and the value of a buy-out award Shawn Tabak received on joining.

Executive Remuneration for FY20

	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payments £'000	Long-term incentives £'000	Company pension contributions £'000	Total 2020 £'000	Total Fixed 2020 £'000	Total Variable 2020 £'000
Nick Devlin[1]	CEO (Current)	229	5	103	53	7	397	241	156
James Crawford	CFO	206	42	174	115	38	575	286	289

1 Nick was appointed CEO on 13 June 2019.

Annual bonus for FY21

The target annual bonus opportunity for FY21 was 50% of salary for all Executive Directors. Achievements against the performance conditions and targets are set out in the table below.

Performance condition	Weighting	Target	Maximum	Actual performance	Outturn (% of element)
Repeat EBIT	40%	18,346	20,181	38,531	80%
Payback from New Customer investment	40%	92	102	191	80%
Net inventory per Repeat Customer (£)	20%	57	51	12	40%
Total	100%				200%

Bonus outcomes for Executive Directors

The bonuses payable to the Executive Directors are set out in the table below. Shawn and James' annual bonus opportunities are pro-rated based on the period of the financial year served as Chief Financial Officer. Bonuses for FY21 are payable 50% in cash and the remaining 50% is deferred in cash for 12 months.

Executive Director	Target annual bonus opportunity	Total bonus payable for FY21 (% of salary)	Total bonus payable for FY21 £'000
Nick Devlin	50% of salary	100% of salary	306
Shawn Tabak	50% of salary	100% of salary	95
James Crawford	50% of salary	100% of salary	160

Long-term incentives with performance periods substantially completed in FY21

The performance period for the LTIP awards granted in July 2016 (third tranche) and July 2018 to Nick Devlin and the LTIP awards granted in July 2016 (third tranche) to James Crawford will end in 2021. Performance for each award is based solely on TSR performance relative to a comparator group of UK-based store retailers. Based on performance up to March 2021, it is expected that both the July 2016 and July 2018 LTIP awards will vest in full. The performance targets and current performance against these targets is set out in the table below. Actual performance and the final vesting will be provided in next year's report. Subject to the determination of final performance, which is measured to July 2021, these awards will vest in July 2021.

Award	Threshold TSR target (25% vesting)	Maximum TSR target (100% vesting)	Naked Wines performance up to March 2021	Estimated vesting (% of max)
22 July 2016	Median	Upper quartile	Above upper quartile	100%
9 July 2018	Median	Upper quartile	Above upper quartile	100%

Long-term incentive awards granted during the year

Conditional share awards were granted to Nick Devlin and James Crawford during the year on 29 July 2020.

	Date of grant	% salary grant	Shares awarded	Share price for grant*	Face value of award £'000	% vesting at threshold performance	End of performance period
Nick Devlin	July 2020	150%	136,708	395p	£540	25%	July 2023
James Crawford	July 2020	100%	53,090	395p	£210	25%	July 2023

* Number of shares determined by reference to the preceding three-month average share price to 29 July 2020.

These awards are eligible to vest in 2023 subject to the achievement of the following performance conditions:

Performance condition	Weighting	Threshold target (25% of element vests)	Maximum target (100% of element vests)
Standstill EBIT	25%	£15.1m	£20.3m
Relative TSR[1]	75%	Median	Upper quartile

1 TSR performance is measured against a group of international direct retailers comprising:

Farfetch	Stitch Fix	Wayfair	Zooplus
AO World	ASOS	Zalando	Hotel Chocolat
Overstock.com	Shop Apotheke	HelloFresh	boohoo.com
Gear4Music	Ocado Group	Blue Apron	

Directors' shareholdings and share interests

The table below sets out the interests of the Directors (including those of their connected persons) who served on the Board during the year.

	Total beneficially owned shares					
Director	30 March 2020	29 March 2021	Unvested LTIP shares (subject to performance conditions)	Unvested shares (subject to continued employment only)	Shareholding required % of salary	Shareholding at 29 March 2021 % of salary
Nick Devlin	37,907	82,364	258,533	911	100%	618%
Shawn Tabak	N/A	N/A	N/A	N/A	100%	–
James Crawford[1]	138,499	156,672	N/A	N/A	N/A	N/A
Justin Apthorp	150,000	50,000				
Katrina Cliffe	15,000	15,000				
Ian Harding	12,000	12,000				
David Stead	–	–				
John Carl Walden[2]	26,300	26,300				

1 James Crawford stepped down from the Board on 31 December 2020. Share interests are shown as at the date of stepping down.
2 John Walden stepped down from the Board and his role as Chairman on 6 August 2020. Share interests are shown as at the date of stepping down.

Non-Executive Directors' remuneration for FY21 (audited)

The table below sets out the fees received by Non-Executive Directors for FY21 and the prior year. Non-Executive Directors are not entitled to receive any other remuneration except from fees.

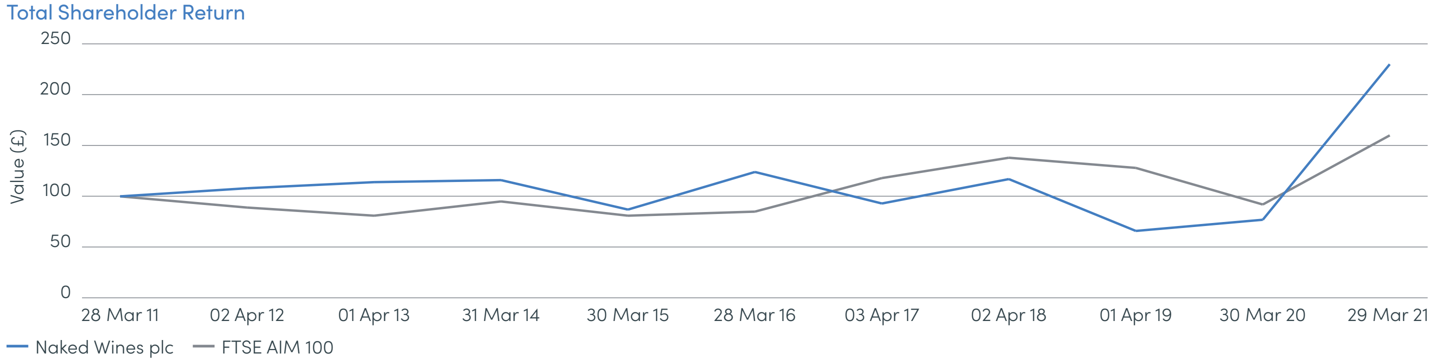
Name	Position	Total fixed fees 2021 £'000	Total fixed fees 2020 £'000
John Carl Walden[1]	Chair of Board	35	80
Ian Harding[2]	NED/SID/Remuneration Committee Chair/Chairman	85	58
David Stead	NED/SID/Audit Committee Chair	53	45
Justin Apthorp	NED	40	40
Katrina Cliffe	NED/Remuneration Committee Chair	43	35
Gregory Hodder	NED	–	47
Total remuneration		256	305

1 John Walden stepped down from the Board and his role as Chairman on 6 August 2020.
2 Ian Harding was appointed Chairman of the Board on 7 August 2020.

Total Shareholder Return performance

The chart below shows the Company's Total Shareholder Return performance over the last 10 years compared with the FTSE AIM 100 Index. Naked Wines is a constituent of this index and therefore it is considered an appropriate comparator index to use.

Total Shareholder Return



Operation of the Remuneration Policy in FY22

Executive Directors

Salaries for the Executive Directors will remain unchanged for FY22, being $400,000 for each of Nick Devlin and Shawn Tabak. Pension contributions are 4% of salary for both Executive Directors.

Annual bonus opportunity will continue to be 50% of salary at target with the opportunity to earn 200% of target subject to the achievement of stretch targets during the year. Performance conditions for FY22 have been reviewed and reweighted to include a sales revenue performance condition weighted one-third of the opportunity. The payback from net inventory per Repeat Customer condition has been removed such that performance conditions and weightings for FY22 are:

- Sales revenue – 33.3%
- Adjusted EBIT from Repeat Customers – 33.3%
- Value creation from Investment in New Customers – 33.3%

The Remuneration Committee considers the actual performance targets to be commercially sensitive and therefore will disclose them retrospectively in next year's report.

The bonus deferral structure has changed for FY22 onwards to encourage Executive Directors to build their share ownership quicker. Executive Directors will be required to invest one third of any bonus earned in shares in the Company. These shares must then be held for a period of two years.

As indicated in the annual statement, the Remuneration Committee is currently in the process of reviewing the awards of LTIP to the Executive Directors. Full disclosure of the LTIP for FY22 will be included in next year's Remuneration Report.

Non-Executive Directors

Non-Executive Directors' fees for FY22 will remain unchanged with the exception of the remuneration arrangements for the new Chairman of the Board, Darryl Rawlings, who will succeed Ian as Chairman at the 2021 Annual General Meeting. As set out earlier in this report, Darryl's remuneration on appointment will comprise the following:

- A conditional share award grant worth $525,000, with the number of shares determined by reference to the average share price over the 28 trading days prior to the date of Darryl's appointment as Chairman. The award will vest, subject to continued service, in equal one-third tranches on the first, second and third anniversaries of his appointment as Chairman
- In addition, Darryl will have the opportunity to acquire further shares on a co-investment basis, up to a maximum of $175,000 worth of shares. The Company will match shares purchased on a 1:1 basis in the form of a conditional share award. Any matching shares will be required to be held for the duration of the period of service as Chairman and for a further one-year period

Darryl will not be entitled to receive any other fees or benefits in kind in his role as Chairman.

The Non-Executive Directors' fee structure, with the exception of the new Chairman's fee, remains unchanged for FY22 as follows:

	FY22	FY21
NED	£40,000	£40,000
Committee Chair	+£5,000	+£5,000
SID	+£13,000	+£13,000

Katrina Cliffe
Remuneration Committee Chair
On behalf of the Board
June 2021

UK gender mix and gender based pay analysis

% UK employment men : women

	Men	Women
First quartile	71	29
Second quartile	67	33
Third quartile	69	31
Fourth quartile	26	74
Total	58	42

UK gender pay facts

	Men	Women	Unit
Hourly mean pay rate 2021	28.31	18.23	£
Hourly mean pay rate 2020	27.60	17.49	£
Mean bonuses paid 2021	14.3	4.0	£'K
Mean bonuses paid 2020*	15.7	3.5	£'K
Portion of employees receiving bonus 2021	78.0	69.0	%
Portion of employees receiving bonus 2020*	70.0	63.0	%

* FY20 figure recalculated for consistency with FY21 basis.

Our UK gender-based pay analysis shows some positive year-on-year development but continues to be influenced by two distorting factors:

- The Group employs a high proportion of technology and IT roles in the UK where, despite progress in this area this year, our team and the market from which we recruit remains under-represented by female staff
- The last of the historic management acquisition "lock-in" shares vested during the year. These shares rewarded founders of Naked Wines for achieving a minimum value creation over the period after Naked was acquired by Majestic Wine in 2015. As per last year's analysis, the bonus figures for the current year are distorted as a result of an unequal gender split of the founders of Naked Wines

The Group remains actively engaged in initiatives to promote gender pay equality.

In the year, we have commissioned an audit of our current policies and procedures, for example around recruitment and appraisal, to ensure gender pay equality, and the business will act on its findings.

In order to further address gender pay equality, Naked is working in collaboration with external consultants to explore and address areas of cultural bias that may be continuing to influence our recruitment and remuneration policy application.

Audit Committee report

A systematic approach to controls and risks

The appointment of a Group Head of Assurance has enabled a more systematic approach to mapping internal controls and rectifying control weaknesses.

David Stead
Chair of the Audit Committee

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

A significant development in the course of the year has been the appointment of a Group Head of Assurance. This has enabled a more systematic approach to mapping internal controls and rectifying control weaknesses, and will bring increased rigour to assessing the operation of those controls across all geographies in which the Group does business.

Implementation of the Group's new accounting system has now been successfully completed covering all parts of the Group other than Australia. A project is now under way to replace the Group's inventory management system, and the Audit Committee will receive regular updates on progress of this important development, including independent external assurance as appropriate.

David Stead
Chairman of the Audit Committee
June 2021

Key responsibilities

The objective of the Audit Committee is to provide oversight and governance to the Group's financial reports, its internal controls and processes in place, its risk management systems and the appointment of and relationship with the external auditor.

In accordance with its 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, effectiveness and integrity of the internal control and risk management systems
- Oversee the relationship with the external auditor, reviewing performance and providing a fair and balanced assessment to the Board on their appointment and remuneration
- Review management's and the internal auditor's reports to ensure the independence and effectiveness of systems for internal financial control, financial reporting and risk management, together with monitoring management's responsiveness to internal audit findings

The Terms of Reference are available on Naked Wines plc website at https://www.nakedwinesplc.co.uk/about-us/our-board-corporate-governance/committees/

Audit Committee governance

The Audit Committee is chaired by David Stead, who is also the Company's Senior Independent Director. David 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 are Ian Harding and Katrina Cliffe.

In addition to the permanent members and Company Secretary, at the invitation of the Audit Committee, during the year meetings were also attended by Nick Devlin, Shawn Tabak, James Crawford (former CFO and now MD of the UK business), the external auditors, the Group Finance Director and the Group Head of Assurance, where relevant.

The Audit Committee meets a minimum of three times per year, including at least twice a year with the external auditors 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 below.

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. Following the appointment of a suitably qualified Group Head of Assurance in the course of the year, a comprehensive control mapping exercise has been carried out. Various recommendations were made as a result of this exercise and these are being implemented by management.

The Group Head of Assurance has commenced a series of reviews of the operating units within the Group to validate the operation of controls in practice. In addition, specific "deep dive" topics have been selected for review by the Group Head of Assurance in the coming year. The results of all these reviews will be reported to the Audit Committee and implementation of recommendations will be monitored.

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

Management conducts regular reviews to identify and evaluate the risks faced by the Group, and to ensure that mitigation is appropriate. This process was reviewed by the Audit Committee and is considered appropriate.

The Board carries out an annual review and assessment of key risks. The Review of the year on pages 10 to 63 includes further detail as to the key business risks identified and actions being taken.

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 fair value of the Vendor Loan Note issued as part of the disposal of the Majestic Businesses in FY20
- 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 is 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 36 to 39 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 14 on pages 107 and 108 for details.)

The Audit Committee and the Board has considered the Going Concern paper presented by management and was satisfied that the Group will have adequate resources to continue as a going concern across the forecast period of more than 12 months from the signing of these accounts.

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 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 in 2019. There is also an active, ongoing dialogue between the Audit Committee and the external auditors on improvements to 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.

Directors' report

As required under the Companies Act, the Directors present their report and Group financial statements for the year ended 29 March 2021

a) Results and review of the business

The Group income statement is set out on page 89. 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 63, 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 33 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 pages 36–39. Information about the use of financial instruments by the Company and its subsidiaries is given in note 25 to the financial statements.

b) Dividends

The Company will not be declaring a final dividend during the reporting period. The Directors' intention continues to be 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 63, 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 announced the appointment of Darryl Rawlings as Director on 13 April 2021. Darryl joined the Board as Non-Executive Director and will become Chairman at the conclusion of the 2021 AGM, subject to shareholders' approval of his election as director.

At the time of signing the Annual Report and Accounts, the Directors note that the markets in which the Group operates are showing positive signs of economic recovery following the Covid 19 pandemic in the year. There have been no events since the end of the financial year which would have a material impact on the performance or financial position of the Group.

e) Articles of Association and applicable legislation

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Board Terms of Reference and the Corporate Governance Statement available on the Company's website.

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

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, is shown in note 27 to the financial statements.

In accordance with the AIM Rule 2, in so far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands as at 17 May 2021 is 0.22%. This percentage comprises the holdings of Directors and related parties.

g) Major shareholders

At 17 May 2021, 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
Conifer Capital Mgt (New York)	6,246,610	8.54
JMX Capital	5,675,206	7.76
Punch Card Mgt (Florida)	5,380,461	7.35
Morgan Stanley (London)	5,137,411	7.03
Anthorp Family	4,086,600	5.59
Baillie Gifford & Co	2,436,863	3.33

h) Political donations

No political donations were made during the reporting period.

i) 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.

j) Annual General Meeting

The Annual General Meeting will be held at 4:30pm on 5 August 2021 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. 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.

k) Approval of the Directors' remuneration report at the last AGM

The Directors' remuneration report was last tabled for approval by the shareholders of the Company at the last Annual General Meeting held on 6 August 2020 by means of a non-binding advisory vote. The shareholders approved the resolution relating to the 2020/21 Directors' remuneration by a majority of 90.74%, with 9.20% of votes cast against and 0.06% votes withheld. Shareholders will be asked to vote on the Directors' remuneration policy at the Annual General Meeting in 2022.

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 at least once during the financial year. The key trading aspects of the business are monitored weekly and internal management 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 25 to the financial statements.

m) Modern slavery

We take the issue of modern slavery very seriously. This is addressed as part of our Sustainability Report and our anti-slavery statement is available here: https://www.nakedwinesplc.co.uk/about-us/our-board-corporate-governance/corporate-governance/

n) Key performance indicators

The Group monitors a number of performance indicators, both financial and non-financial. See pages 24–25 for a full list of KPIs.

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 64 and 65.

q) Stakeholder engagement

Please refer to the section 172(1) statement on page 42 and to the stakeholder engagement initiatives mentioned on pages 43 to 46 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 60 for our accreditation as a Disability Confident Employer.

s) Greenhouse gas emissions reporting

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations. Starting from this year, the Company is now reporting its energy use and associated greenhouse gas emissions on a global basis, not just for the UK. Details of our report are set out on page 60 of the Strategic Report.

Energy efficiency actions taken:

During the reporting period we have taken a number of steps to improve energy efficiency. These include:

- Worked closely with our winemakers, growers and suppliers towards achieving a more sustainable winemaking in our supply chain aimed at significantly reducing greenhouse emissions (GHG) in the following areas:
  - Cultivation
  - Winemaking
  - Glass bottles
  - Imports
- Reduced our average bottle weights to provide direct material savings and reduction in logistics emissions
- Some of our winemakers have actively produced organic wines and encouraged biodiversity in the vineyard

Reporting boundary and methodology

We have followed the 2019 UK Government Environmental Reporting Guideline. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

Statement of Directors' responsibilities

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 10 June 2021 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 10 June 2021

Shawn Tabak
Chief Financial Officer 10 June 2021

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 29 March 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared 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; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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 of controls over manual adjustments.
Materiality	The materiality that we used for the group financial statements was £3.5 million which was determined using group revenue as the key benchmark.
Scoping	We have performed full scope audit procedures over 100% of the Group's revenue, 99% of the Group's loss before tax, and 94% of net assets. The remaining areas not in scope were subject to analytical procedures.
Significant changes in our approach	There have been no significant changes in our approach in the period to 29 March 2021 compared to the prior period.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining independent confirmations of the Group's significant cash on hand position, combined with the absence of any financing facilities, and assessed its ability to independently meet its liabilities as they fall due.
- Evaluation of management's cash flow forecasts and challenge of key assumptions used in their preparation, through comparison to historic performance and external data sources. This included evaluation of the business model and medium-term risks, including Covid-19, Brexit and climate change, to assess whether the recent significant growth trends are considered likely to continue going forwards.
- Consideration of the amount of headroom in the forecasts, including sensitised downside scenarios, to assess the likelihood of conditions arising which result in the Group's inability to meet its liabilities as they fall due.
- Evaluation of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 of controls over manual adjustments

Key audit matter description	The group generated revenue from continuing operations of £340.2m in the period ended 29 March 2021 (2020: £202.9m). 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 receives ongoing scrutiny externally and internally due to management's growth strategy for the online retail business. Consistent with prior year, we 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 in order to manipulate results. The accounting policy for revenue recognition is on page 98.
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 recognition of revenue and management override. • Assessing 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 agreed these to supporting evidence . • 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 manual revenue adjustments had been recognised appropriately in accordance with the revenue recognition policy and accounting standards and were not indicative of bias or fraud effected by management override.

6. Our application of materiality

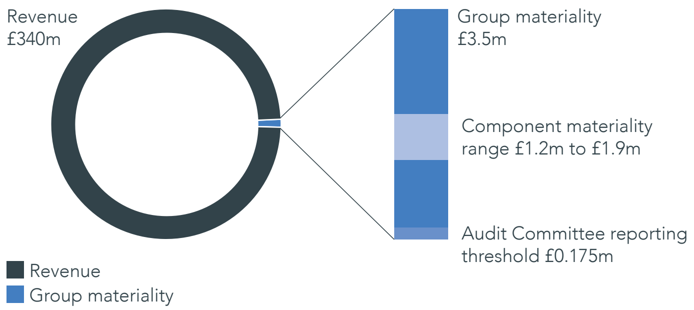
6.1. Materiality

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	£3.5m (2020: £2.5m)	£1.9m (2020: £1.2m)
Basis for determining materiality	1.1% of Group revenue.	Parent company materiality equates to 1.8% of net assets, which is capped at 80% of group materiality.
Rationale for the benchmark applied	In line with the previous year we determined materiality based on revenue from continuing operations given that the 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.	As the parent company is non-trading and there are no sales or profit measures, 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 financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We have set performance materiality at this level reflecting the following factors, namely: • No significant changes in the nature of the business. Consistent with prior year, following the disposal of the high street and fine wine divisions, the Group is simplified and 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. • The quality of the control environment. We do not place reliance on internal controls.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £175k (2020: £125k), 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.

Our group audit was scoped on a subsidiary 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 100% of the Group's revenue, 99% of the Group's loss before tax, and 94% of net assets.

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, with all entities using a materiality lower than group materiality. Component materiality applied ranged from £1.2 million to £1.9 million (2020: £875k to £1.2 million).

At the parent entity level, we tested the consolidation process including any consolidation adjustments. Procedures performed to test consolidation adjustments included assessing the business rationale for the entries and agreeing to supporting evidence. We have 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.

7.2. Working with other auditors

We have engaged with component audit teams to perform work over the USA and Australia 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 held calls with component audit teams, including close meetings 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 on a selective basis and have reviewed component reporting documents.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

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. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1.Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit, those charged with governance, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT, and financial instruments specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Risk of fraudulent recognition of revenue through management override. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM rules, tax legislation and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included local licensing and alcohol laws, and the UK Bribery act.

11.2.Audit response to risks identified

As a result of performing the above, we identified risk of fraudulent recognition of revenue through management override as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. This included use of data analytics tools over revenue and inventory to 100% reconcile the general leger population to supporting evidence.
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing any correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.

13.2. 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.

14. 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

10 June 2021

Group income statement

For the year ended 29 March 2021

	Note	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Continuing operations			
Revenue	6	**340,226**	202,911
Cost of sales		**(204,732)**	(125,352)
Gross profit		**135,494**	77,559
Fulfilment costs[1]		**(58,294)**	(34,955)
Advertising costs[2]	6	**(42,334)**	(19,757)
General and administrative costs		**(42,675)**	(27,721)
Fair value loss arising on deferred contingent consideration net of settlement	7	**(3,868)**	–
Operating loss	8	**(11,677)**	(4,874)
Net finance income/(charges)	10	**1,002**	(501)
Loss before tax from continuing operations		**(10,675)**	(5,375)
Analysed as:			
Adjusted loss before tax[3]		**(514)**	(2,896)
Adjusted items*:			
– Non-cash charges relating to acquisitions	7	**(3,646)**	(3,646)
– Other adjusted items	7	**(6,515)**	1,167
Loss before tax from continuing operations		**(10,675)**	(5,375)
Tax	11	**635**	(1,310)
Loss from continuing operations		**(10,040)**	(6,685)
Discontinued operations			
Profit from discontinued operations, net of tax	30	**–**	14,837
(Loss)/profit for the period		**(10,040)**	8,152
Loss per share – continuing operations			
Basic and diluted	13	**(13.8p)**	(9.3p)
(Loss)/earnings per share – total Group			
Basic	13	**(13.8p)**	11.3p
Diluted	13	**(13.8p)**	11.1p

1. Previously disclosed as distribution costs. The description has been changed to fulfilment costs as it is more relevant to the function and nature of the costs.
2. As the business has expanded, advertising expenditure has become a very significant portion of the Group's general and administrative costs. As such, the Directors have chosen to disclose amounts spent on media and associated spend separately on the face of the income statement (see note 3.7 for further details). General and administrative costs and advertising spend in the prior year have been reanalysed accordingly on this basis.
3. Share based payment charges have been reclassified in the period from adjusted items and are included within adjusted loss before tax in the year ended 29 March 2021. Comparatives have been reclassified accordingly.

Group statement of comprehensive income

For the year ended 29 March 2021

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
(Loss)/profit for the period	**(10,040)**	8,152
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(1,282)**	(1,320)
Other comprehensive losses	**(1,282)**	(1,320)
Total comprehensive (loss)/income for the period	**(11,322)**	6,832

The total comprehensive loss for the year and the profit for the prior year are wholly attributable to the equity holders of the parent company, Naked Wines plc.

Group statement of changes in equity

For the year ended 29 March 2021

	Note	Called-up 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 1 April 2019		5,411	21,116	(17)	363	2,701	79,577	109,151
Adjustment on initial application of IFRS 16		–	–	–	–	–	36	36
Profit for the period		–	–	–	–	–	8,152	8,152
Other comprehensive losses for the period		–	–	–	–	(1,320)	–	(1,320)
Total comprehensive profit for the period		–	–	–	–	(1,320)	8,152	6,832
Shares issued	27	55	46	–	–	–	(53)	48
Credit to equity for equity-settled share based payments	29	–	–	–	–	–	1,695	1,695
Dividends paid	12	–	–	–	–	–	(3,786)	(3,786)
Deferred tax on share based payment	11	–	–	–	–	–	(397)	(397)
At 30 March 2020		5,466	21,162	(17)	363	1,381	85,224	113,579
Loss for the period		**–**	**–**	**–**	**–**	**–**	**(10,040)**	**(10,040)**
Other comprehensive losses for the period		**–**	**–**	**–**	**–**	**(1,282)**	**–**	**(1,282)**
Total comprehensive loss for the period		**–**	**–**	**–**	**–**	**(1,282)**	**(10,040)**	**(11,322)**
Shares issued at par	27	**21**	**–**	**–**	**–**	**–**	**(21)**	**–**
Credit to equity for equity-settled share based payments	29	**–**	**–**	**–**	**–**	**–**	**777**	**777**
Transfer of shares to employee benefit trust account	27	**–**	**–**	**17**	**–**	**–**	**(17)**	**–**
Deferred tax on share based payment	11	**–**	**–**	**–**	**–**	**–**	**331**	**331**
At 29 March 2021		**5,487**	**21,162**	**–**	**363**	**99**	**76,254**	**103,365**

Group balance sheet

As at 29 March 2021

	Note	29 March 2021 £'000	30 March 2020 £'000
Non-current assets			
Goodwill and intangible assets	14	**33,982**	35,996
Property, plant and equipment	15	**1,452**	1,234
Right-of-use assets	16	**2,780**	5,289
Investment property	17	**855**	899
Deferred tax assets	11	**3,993**	3,309
Other receivables	19	**9,520**	13,005
		52,582	59,732
Current assets			
Inventories	18	**76,130**	69,935
Trade and other receivables	19	**7,168**	5,737
Financial instruments at fair value	25	**41**	539
Cash and cash equivalents		**85,148**	54,736
		168,487	130,947
Assets classified as held for sale	20	**–**	953
		168,487	131,900
Total assets		**221,069**	191,632
Current liabilities			
Trade and other payables	21	**(40,757)**	(26,046)
Deferred Angel and other income	22	**(69,902)**	(43,632)
Lease liabilities	24	**(645)**	(1,165)
Provisions	26	**(1,570)**	(1,165)
Bond financing	23	**(30)**	(84)
Financial instruments at fair value	25	**(1,405)**	(143)
		(114,309)	(72,235)
Non-current liabilities			
Provisions	26	**(393)**	(348)
Lease liabilities	24	**(2,231)**	(4,198)
Deferred tax liabilities	11	**(771)**	(1,272)
		(3,395)	(5,818)
Total liabilities		**(117,704)**	(78,053)
Net assets		**103,365**	113,579
Shareholders' funds			
Called-up share capital	27	**5,487**	5,466
Share premium	27	**21,162**	21,162
Capital reserve – own shares	27	**–**	(17)
Capital redemption reserve	27	**363**	363
Currency translation reserve	27	**99**	1,381
Retained earnings		**76,254**	85,224
Equity shareholders' funds		**103,365**	113,579

The financial statements of Naked Wines plc (company registration number 02281640) were approved by the Board and authorised for issue on 10 June 2021 and were signed on its behalf by Shawn Tabak.

Group cash flow statement

For the year ended 29 March 2021

	Note	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Cash generated by operating activities			
Cash generated/(used) by operations	32	**34,207**	(117)
UK income tax paid		**274**	(276)
Overseas income tax paid		**(880)**	(268)
Net cash generated/(used) by operating activities – continuing operations		**33,601**	(661)
Net cash generated by operating activities – discontinued operations		**–**	22,290
Net cash generated by operating activities		**33,601**	21,629
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed of		**–**	63,761
Interest received, including interest received on the vendor loan note		**559**	–
Purchase of property, plant and equipment		**(845)**	(569)
Purchase of intangible fixed assets		**(1,824)**	(544)
Proceeds received on settlement of deferred contingent consideration		**175**	–
Proceeds from sale of asset held for resale		**953**	–
Net cash (used in)/from investing activities – continuing operations		**(982)**	62,648
Net cash used in investing activities – discontinued operations		**–**	(2,430)
Net cash (used in)/from investing activities		**(982)**	60,218
Cash flows from financing activities			
Interest paid (including lease interest)		**(116)**	(344)
Issue of ordinary share capital		**–**	53
Repayments of principal under lease liabilities		**(904)**	(1,153)
Repayment of borrowings		**(54)**	(22,459)
Equity dividends paid		**–**	(3,786)
Net cash used in financing activities – continuing operations		**(1,074)**	(27,689)
Net cash used in financing activities – discontinued operations		**–**	(6,625)
Net cash used in financing activities		**(1,074)**	(34,314)
Net increase in cash		**31,545**	47,533
Cash and cash equivalents at beginning of year		**54,736**	6,997
Effect of foreign exchange rate changes		**(1,133)**	206
Cash and cash equivalents at end of year	32	**85,148**	54,736

Notes to the financial statements

1 General information

Naked Wines 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 Company's registered address is Norvic House, Chapel Field Road, Norwich, NR2 1RP. The Group's principal activity is the direct to consumer retailing of wine. The Company's principal activity is to act as a holding company for its subsidiaries.

2 Adoption of new and revised standards

The following new amendments that are required to be adopted in annual periods beginning on 1 January 2020, did not have an impact on the financial statements of the Group:

IFRS	Subject
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Impact of the initial application of Covid-19-Related Rent Concessions
Amendments to References to the Conceptual Framework in IFRS Standards	
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Effective date	IFRS	Subject
1 June 2020	Amendment to IFRS 16	COVID-19-Related Rent Concessions
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
1 January 2022	Amendments to IFRS 3	Reference to the Conceptual Framework
	Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
	Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
	Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
1 January 2023	Amendments to IAS 1	Classification of Liabilities as Current or Non-current
	IFRS 17	Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The financial statements have also been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group's financial reporting year represents the 52 weeks to 29 March 2021 and the prior financial year, 52 weeks to 30 March 2020.

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.

As part of the Group's going concern assessment, management has produced forecasts that have been sensitised to model plausible but severe downside scenarios and their impact on the Group and its global markets, which have been reviewed by the Audit Committee and the Board of Directors. These forecasts demonstrate that the Group has access to sufficient cash reserves (net cash £85.1m at 29 March 2021), for the forecast period of more than 12 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.

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 7.

3.5 Revenue

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, specifically to the Group, consideration that may be subject to refund and return, is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the related uncertainty is resolved. A provision is made on the basis of observed experience to adjust revenue for the element of sale which is still subject to performance uncertainty. 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.

No warranties or related obligations are offered.

Sale of goods

Revenue from the sale of goods represents the sale of principally wine and some spirits through the Group's direct to consumer ecommerce channel.

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.

3.6 Cost of sales

Cost of sales consists of the cost of the product, primarily wine, including excise duties, credit card processing charges and online selling teams' costs.

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.

3.7 Advertising costs

Advertising costs comprise the cost of media spend, partner spend, cost of inserts and other advertising and marketing spend related to the acquisition of new customers.

3.8 General and administrative costs

General and administrative costs principally comprise salaries and bonus costs for global support and Group corporate functions and global technology and legal and professional costs. General and administrative costs includes staff and other support costs of global advertising and marketing functions.

3.9 Finance income and charges

Finance charges comprise interest on lease liabilities. Finance income comprises interest receivable on funds invested, positive cash balances and accrued income on the vendor loan note (see 3.23 below).

3.10 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 Accounting policies (continued)

3.11 Tax

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.

3.12 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.

3.13 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.

3.14 Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to administrative expenses in 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
Facilities and trademarks	8 years

Customer lists and relationships arise only on acquisition of the Naked business. Brands arise on both the acquisition of the Naked business and subsequent brand and trademark purchases.

3.15 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 14 Goodwill and Intangible Assets for further explanation of the basis of impairment testing.

3.16 Property, plant and equipment, and right-of-use assets

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.

3.17 Investment property

The Group has elected to use the cost model for investment property.

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
Equipment, fittings and vehicles	2 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

3.18 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.

3.19 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 22 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.

3.20 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.

3.21 Leases

Group as lessee

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 the Group's incremental borrowing rate. If no rate is available, the Group will use the rate implicit in the lease.

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.

3 Accounting policies (continued)

3.21 Leases (continued)

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.

Group as lessor

The Group has a freehold asset which is leased out under an operating lease and is included in investment property with depreciable assets depreciated over their useful lives and is let for a peppercorn rent.

3.22 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.

3.23 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.

The Group acquired a vendor loan note in the course of the disposal of the Majestic Wine businesses in the prior year. This was 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 remeasured at fair value at subsequent reporting dates. For derivative financial instruments not designated as a hedge, the gain or loss on remeasurement to fair value is immediately recognised in the income statement.

There were no derivatives accounted for using hedge accounting during the year.

3.24 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. See note 27 for further details.

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 that there are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Revenue

Revenue represents the total amount receivable for the sales of goods and services, net of discounts and excluding sales taxes sold, in the ordinary course of business. See accounting policy note 3.5.

6 Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). During the course of the year and following the accelerated growth and maturation of the business, the Board has determined that the Executive Directors of the Company are now the CODM of the business. Previously, the CODM was determined to be the Board. This is on the basis that the Executive Directors have primary responsibility for the allocation of resources between segments and the assessment of performance of the segments. In line with the information presented to the Executive Directors of the Company, the Group now presents its segmental analysis based on the three geographic locations in which the Group operates rather than one operating segment which it was previously based on.

Performance of these operating segments is assessed on continuing revenue, adjusted EBIT (being operating profit excluding any adjusted items) and adjusted PBT (being profit before taxation excluding any adjusted items), as well as analysing the business between New Customer and Repeat Customer lines of business.

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 segments. Adjusted items are not allocated to the operating segments as this reflects how they are reported to the CODM.

The table below sets out the basis on which the performance of the business is presented to the CODM. The CODM considers that, as a single route to market and solely consumer facing business in three geographically and economically diverse locations, the business comprises three operating segments. The Group reports revenue from external customers as a single product group being wine and associated beverages.

Goodwill has been allocated to the segments based on value in use, see note 14 for further details.

Costs relating to global Group functions are not allocated to the operating segments for the purposes of assessing segmental performance and consequently global costs are presented separately. This is consistent with the presentation of those functions to the CODM.

Prior year comparatives have been represented accordingly.

Revenues are attributed to the countries from which they are earned. The Group is not reliant on a major customer or group of customers.

Year ending 29 March 2021	Naked Wines USA £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue					
New Customer sales	31,908	17,303	7,160	–	56,371
Repeat Customer sales	129,797	115,755	38,303	–	283,855
	161,705	133,058	45,463	–	340,226
New Customer Contribution loss	(3,275)	(3,585)	(852)	–	(7,712)
Advertising costs	(30,163)	(7,529)	(4,642)	–	(42,334)
Investment in New Customers	(33,438)	(11,114)	(5,494)	–	(50,046)
Repeat Customer Contribution profit	47,870	27,301	9,741	–	84,912
	14,432	16,187	4,247	–	34,866
General and administrative costs[1]	(12,445)	(5,279)	(3,303)	(15,355)	(36,382)
Adjusted EBIT	1,987	10,908	944	(15,355)	(1,516)
Finance income	10	–	–	1,108	1,118
Finance charges	(85)	(14)	(17)	–	(116)
Adjusted profit/(loss) before tax	1,912	10,894	927	(14,247)	(514)
Adjusted items:					
Non-cash items relating to acquisitions	–	–	–	(3,646)	(3,646)
Other adjusted items	–	–	–	(6,515)	(6,515)
Profit/(loss) before tax	1,912	10,894	927	(24,408)	(10,675)
Depreciation	859	315	227	49	1,450
Amortisation	1	–	–	3,837	3,838

Year ending 29 March 2021	**USA £'000**	**UK £'000**	**Australia £'000**	**Total £'000**
Geographical analysis				
Revenue	161,705	133,058	45,463	**340,226**
Non-current assets excluding deferred current assets	3,516	44,597	476	**48,589**

1. General and administrative costs – Per income statement excluding £3,646,000 of acquisition related amortisation costs, £1,966,000 of fair value adjustments relating to open FX contracts and £681,000 of PLC company foreign exchange revaluations.

6 Segmental reporting (continued)

Year ending 30 March 2020*	Naked Wines USA £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue					
New Customer sales	17,910	7,445	3,881	–	**29,236**
Repeat Customer sales	72,994	72,548	28,133	–	**173,675**
	90,904	**79,993**	**32,014**	**–**	**202,911**
New Customer Contribution loss	(485)	(2,422)	(849)	–	**(3,756)**
Advertising costs	(14,200)	(3,500)	(2,057)	–	**(19,757)**
Investment in New Customers	(14,685)	(5,922)	(2,906)	–	**(23,513)**
Repeat Customer Contribution profit	23,877	15,713	6,770	–	**46,360**
	9,192	**9,791**	**3,864**	**–**	**22,847**
General and administrative costs[1]	(7,806)	(3,777)	(2,614)	(11,045)	**(25,242)**
Adjusted EBIT	**1,386**	**6,014**	**1,250**	**(11,045)**	**(2,395)**
Finance income	–	–	–	321	**321**
Finance charges	(101)	(57)	(21)	(643)	**(822)**
Adjusted profit/(loss) before tax	**1,285**	**5,957**	**1,229**	**(11,367)**	**(2,896)**
Adjusted items:					
Non-cash items relating to acquisitions	–	–	–	(3,646)	**(3,646)**
Other adjusted items	–	–	–	1,167	**1,167**
Profit/(loss) before tax	**1,285**	**5,957**	**1,229**	**(13,846)**	**(5,375)**
Depreciation	856	559	208	15	**1,638**
Amortisation	–	–	–	3,698	**3,698**

Year ending 30 March 2020	USA £'000	UK £'000	Australia £'000	Total £'000
Geographical analysis				
Revenue	90,904	79,993	32,014	**202,911**
Non-current assets excluding deferred current assets	4,161	51,637	625	**56,423**

* The allocation of variable costs has been changed from nine litres of wine to a hybrid basis of allocation which better reflects the correct allocation of variable costs between nine litre equivalent and six bottle cases which have become a larger part of the business in the current year. Prior year comparatives are stated on a consistent basis.

1. General and administrative costs – Per income statement excluding adjusted items of £2,479,000 (see note 7 for details).

The segmental analysis for the discontinued operations for the year ending 30 March 2020 can be found in note 30.

7 Adjusted items

The Directors believe that adjusted profit/(loss) 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.

Reclassification of share based payment charges

As the Group has built up a consistent rolling three years of LTIP and SIP schemes, current year and prior year share based payment charges are now more comparable. For the first time, in the year ended 29 March 2021, these charges have been reclassified from adjusted items to adjusted EBIT and the comparative statements have been restated accordingly (2020: £1.0m). Share based payment charges are therefore no longer reported in adjusted items.

In the year, the adjustments made to reported loss before tax are:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	**(3,646)**	(3,646)
	(3,646)	(3,646)
Other adjusted items		
Fair value loss arising on deferred contingent consideration net of settlement	**(3,868)**	–
Fair value movement through P&L on foreign exchange contracts and associated unrealised foreign currency inventory	**(1,966)**	396
Foreign exchange movements on plc company currency bank balances	**(681)**	771
	(6,515)	1,167
Total adjusted items	**(10,161)**	(2,479)

Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business in 2015. 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.

Fair value loss arising on deferred contingent consideration net of settlement

During the year, the Directors were approached by CF Bacchus Holdco Limited, the holder of the deferred contingent consideration obligation issued as part of the disposal of the Majestic business. In the light of restrictions on travel and as a result of the new duty-free allowances which came into force on 1 January 2021, the Directors accepted an offer of £175,000 in full settlement of the Group's deferred contingent consideration in respect of the disposal of Majestic's French retail business. This settlement was received on 19 March 2021.

The deferred contingent consideration was valued in the books at £4,043,000 at the end of last year and a fair value adjustment was taken earlier in the year bringing the value down to £nil. After proceeds of £175,000 was received, a loss of £3,868,000 was taken to the Income Statement and disclosed in adjusted items.

Fair value movement on foreign exchange contracts and associated unrealised foreign currency inventory

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 this and associated foreign currency inventory revaluation out as to better reflect our trading profitability.

Foreign exchange movements on funding currency bank accounts

The Group holds 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 29 March 2021, the FX revaluation of foreign currency balances held in the Group were reported as adjusted items so as not to distort the picture of the underlying business cost base.

8 Operating loss

Operating loss for the year has been arrived at after charging/(crediting):

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Depreciation of property, plant and equipment and investment property	507	475
Amortisation of intangible fixed assets	3,838	3,698
Depreciation of right-of-use assets	943	1,163
Loss on disposal of fixed assets	51	86
Net currency exchange losses	(277)	(88)
Expenses on short-term and low-value leases	168	111
Auditor's remuneration		
Fees payable for the audit of the Company's subsidiaries	422	359
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	20	20
Total audit fees	442	379
Audit-related assurance services	40	35
Other taxation advisory services	–	41
Total non-audit fees	40	76
Total fees paid to the Company's auditor	482	455

9 Staff costs

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

	Year ended 29 March 2021 number	Year ended 30 March 2020 number
Administrative and distribution	184	193
Sales	199	140
	383	333

Their aggregate remuneration comprised:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Wages and salaries	22,703	17,337
Social security costs	1,858	1,627
Contributions to defined contribution pension plans	608	585
Share based payment charges	777	834
	25,946	20,383

Directors' emoluments comprised:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Salary and benefits	839	1,004
Bonuses accrued and paid in the year relating to the current year	599	337
Payments in lieu of pension contributions to money purchase schemes and contributions to money purchase scheme (401(k))	37	72
Emoluments before share based payment charges	1,475	1,413
Share based payment charges	262	145
	1,737	1,558

The highest paid Director's emoluments comprised:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Salary and benefits	315	248
Bonus accrued	306	174
Pension contributions to money purchase schemes	9	38
Emoluments before share based payment charges	630	460
Share based payment charges	189	64
	819	524

Detailed disclosure of Directors' remuneration is set out in the Remuneration Report on page 76.

10 Finance income and charges

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Finance charges		
Interest payable on bank overdraft	–	(23)
Interest payable on revolving credit facility	–	(567)
Interest on lease liabilities	(116)	(156)
Amortisation of debt issuance costs	–	(76)
Finance charges	(116)	(822)
Finance income		
Financial instruments measured at amortised cost		
Bank interest receivable	191	18
Other interest receivable	9	28
Interest income on vendor loan note	918	275
Finance income	1,118	321
Net finance income	1,002	(501)

11 Tax

(a) Tax charge

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Current income tax		
UK income tax	1	12
Overseas income tax	(547)	(324)
Adjustment in respect of prior periods	176	(2,427)
Current income tax charge	(370)	(2,739)
Deferred tax		
Origination and reversal of temporary differences	1,464	1,159
Adjustment in respect of prior periods	(459)	246
Effect of change in tax rate on prior period balances	–	24
Total deferred tax credit	1,005	1,429
Total income tax credit/(charge) for the year	635	(1,310)

11 Tax (continued)

(b) Tax reconciliation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The reasons for this are detailed below:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Loss before tax	**(10,675)**	(5,375)
Tax credit at the standard UK corporation tax rate of 19% (2020: 19%)	**2,028**	1,021
Adjustments in respect of prior periods*	**(283)**	(2,181)
Overseas income tax at higher rates	**(66)**	95
Disallowable expenditure	**(82)**	–
Income not taxable	**212**	–
Deferred tax not previously recognised	**(1,606)**	(755)
Share based payments	**138**	410
Change in tax rate on prior period deferred tax balances	**–**	100
Foreign exchange	**294**	–
Total income tax credit/(charge)	**635**	(1,310)
Effective tax rate	**5.9%**	-24.4%

* Adjustments in respect of 2020 mainly relate to Group tax relief for losses surrendered to discontinued operations in previous years.

(c) Tax on items recorded in reserves

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Deferred tax credit/(charge) on share based payments	**331**	(397)
Total tax on items credited/(charged) to equity	**331**	(397)

(d) Deferred tax

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
At beginning of year	**2,037**	2,039
Adjustment in respect of prior years	**(459)**	246
Credited to the income statement in the year	**1,464**	1,183
Credited/(charged) to other comprehensive income in the year	**331**	(397)
Disposal of subsidiaries	**–**	(1,106)
Foreign exchange	**(151)**	72
At end of year	**3,222**	2,037

The Group has recognised deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. These do not include any uncertain tax positions. The basis of the creation of these assets is the examination of underlying documents and relevant law and regulation for temporary timing differences and future profitability forecasts set out in the business plans approved by the Board.

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	29 March 2021 £'000	30 March 2020 £'000	29 March 2021 £'000	30 March 2020 £'000
Fixed assets	**–**	–	**(771)**	(1,272)
Share based payments	**696**	240	**–**	–
Tax losses carried forward	**227**	59	**–**	–
Inventories	**1,287**	1,634	**–**	–
Deferred income	**80**	245	**–**	–
Accruals	**623**	250	**–**	–
Provisions	**250**	283	**–**	–
Unrealised foreign exchange differences	**830**	598	**–**	–
	3,993	3,309	**(771)**	(1,272)

The movement in recognised deferred tax assets and liabilities during the year is shown below:

	30 March 2020 £'000	Recognised in income statement £'000	Recognised in OCI £'000	Foreign exchange £'000	29 March 2021 £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Fixed assets	(1,272)	471	–	30	**(771)**	**–**	**(771)**
Share based payments	240	131	331	(6)	**696**	**696**	**–**
Tax losses carried forward	59	167	–	1	**227**	**227**	**–**
Inventories	1,634	(208)	–	(139)	**1,287**	**1,287**	**–**
Deferred income	245	(181)	–	16	**80**	**80**	**–**
Accruals	251	410	–	(39)	**622**	**622**	**–**
Provisions	282	(36)	–	5	**251**	**251**	**–**
Unrealised foreign exchange differences	598	251	–	(19)	**830**	**830**	**–**
	2,037	1,005	331	(151)	**3,222**	**3,993**	**(771)**

Deferred tax on losses of £26.8m (2020: £15.5m) 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. An amount of £3,868,000 relating to the fair value loss arising on deferred contingent consideration net of settlement is not included in the deferred tax losses as the timing and the crystallisation of any future capital gains is unclear. There is no expiry date on these unrecognised losses.

(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 United States of America and Australia are taxed at 21% and 30% 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.

12 Dividends

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Amounts recognised as distributions to shareholders in the year:		
2020 special dividend: 5.2p	**–**	3,786
Equity dividends paid	**–**	3,786

No final dividend is proposed (2020: nil).

13 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 146,814 (2020: 243,055) shares held by the Naked Wines plc Share Incentive Plan Trust (which have been treated as dilutive share based payment awards).

The dilutive effect of share based payment awards is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. All outstanding share based payment award grants have been included in the dilutive earnings per share calculation as they are potentially dilutive at the year end. In the prior year, 365,626 ordinary shares were not included in the dilutive earnings per share calculation which relate to share option schemes which subsequently lapsed in the current financial year. See note 29 (a) and (b) for further details of these schemes.

A negative diluted EPS equals a negative basic EPS as it would have an anti-dilutive effect if the dilutive shares are included in the calculation.

	Continuing operations		Group including discontinued operations
	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000	Year ended 30 March 2020 £'000
(Loss)/earnings per share			
Basic (loss)/earnings per share	**(13.8p)**	(9.3p)	11.3p
Diluted (loss)/earnings per share	**(13.8p)**	(9.3p)	11.1p

	Year ended 29 March 2021	Year ended 30 March 2020
Weighted average number of shares in issue	**72,896,800**	71,909,151
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	**1,496,174**	1,552,166
Weighted average number of shares for the purpose of diluted earnings per share	**74,392,974**	73,461,317
Total number of shares in issue	**73,161,485**	72,874,018

If all the Company's share schemes had vested at 100% the Company would have 74,763,497 issued shares.

14 Goodwill and intangible assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
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**
Additions	**–**	**1,607**	**–**	**–**	**217**	**1,824**
At 29 March 2021	**29,162**	**1,607**	**14,300**	**10,100**	**2,483**	**57,652**
Accumulated amortisation						
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)**
Charge for the year	**–**	**(50)**	**(2,383)**	**(1,263)**	**(142)**	**(3,838)**
At 29 March 2021	**–**	**(50)**	**(14,241)**	**(7,546)**	**(1,833)**	**(23,670)**
Net book value						
At 29 March 2021	**29,162**	**1,557**	**59**	**2,554**	**650**	**33,982**
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

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 three segments 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	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Naked Wines US	21,648	1,557	44	1,896	3	25,148
Naked Wines UK	5,859	–	12	513	–	6,384
Naked Wines Australia	1,655	–	3	145	–	1,803
Unallocated	–	–	–	–	647	647
At 29 March 2021	**29,162**	**1,557**	**59**	**2,554**	**650**	**33,982**

14 Goodwill and intangible assets (continued)

Amortisation

Intangible fixed assets are amortised on a straight-line basis through the income statement, based on the estimated useful lives as disclosed in note 3.14.

Impairment testing

Cash generating units (CGU)

Consistent with the Board's re-evaluation of its operating segments, being the three geographic markets in which the Group operates, the Directors now recognise these as the CGUs of the business.

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 does not anticipate that the Group will be significantly cash generative until the later stages of 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 believes it is appropriate to use a single common discount rate for the testing of the Naked Wines goodwill and intangible assets as the Directors believe there is not a materially different WACC for each of the three CGUs. The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing.

At 29 March 2021, the pre-tax rate used to discount the forecast cash flows has been determined to be 12.0% (2020: 10.1%).

The Group has carried out a sensitivity analysis on the impairment test of the Naked Wines goodwill and intangible assets for each of its three CGUs. 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 between 39.1% and 65.7% would cause the carrying value of the goodwill in the Naked Wines Group operating segments to equal its recoverable value.

Impairment of software incurred in the year to 30 March 2020 related to investments made in Group systems which related to businesses disposed of during that year.

15 Property, plant and equipment

	Land & buildings				
	Freehold £'000	Long leasehold £'000	Leasehold improvements £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost					
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	(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**
Transfers	**–**	**(35)**	**35**	**–**	**–**
Additions	**–**	**–**	**–**	**845**	**845**
Disposals	**–**	**–**	**–**	**(238)**	**(238)**
Foreign currency	**–**	**–**	**2**	**(209)**	**(207)**
At 29 March 2021	**–**	**–**	**129**	**3,325**	**3,454**
Accumulated depreciation					
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)**
Transfers	**–**	**33**	**(33)**	**–**	**–**
Charge for the year	**–**	**–**	**(12)**	**(451)**	**(463)**
Disposals	**–**	**–**	**–**	**187**	**187**
Foreign currency	**–**	**–**	**(3)**	**97**	**94**
At 29 March 2021	**–**	**–**	**(112)**	**(1,890)**	**(2,002)**
Net book value					
At 29 March 2021	**–**	**–**	**17**	**1,435**	**1,452**
At 30 March 2020	–	2	28	1,204	1,234
At 1 April 2019	31,594	5,597	5,055	12,055	54,301

The gross value of fully depreciated assets in use was £601,000 (2020: £627,000).

Impairment of property, plant and equipment

CGUs are reviewed at least annually to identify 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. 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 not considered to be higher than average long-term industry growth rates.

16 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**
Disposals	**(1,551)**	**–**	**(1,551)**
Foreign currency	**(256)**	**(13)**	**(269)**
At 29 March 2021	**4,333**	**125**	**4,458**
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)**
Charge for the year	**(926)**	**(17)**	**(943)**
Disposals	**197**	**–**	**197**
Foreign currency	**47**	**10**	**57**
At 29 March 2021	**(1,575)**	**(103)**	**(1,678)**
Net book value			
At 29 March 2021	**2,758**	**22**	**2,780**
At 30 March 2020	5,247	42	5,289
On transition at 2 April 2019	58,473	964	59,437

Impairment of right-of-use assets

The Group leases several buildings for use as offices and a winery. The group also lease some and plant and equipment. The average lease term is seven years. The total cash flow for leases was £1,020,000 (2020: £980,000).

The maturity analysis of lease liabilities is presented in note 24.

17 Investment property

	Freehold property £'000
Cost and valuation	
At 30 March 2020 and 29 March 2021	**899**
Depreciation	
At 30 March 2020	–
Charge for the year	**(44)**
At 29 March 2021	**(44)**
Net book value	
At 29 March 2021	**855**
At 30 March 2020	899

The Directors are adopting the cost model for the value of this asset which was recorded on acquisition at the transferred net book value. The Directors of the Company have assessed the fair value of the property and consider it to be broadly in line with the book value.

The property is being let for a peppercorn rent until the disposal of the property is completed. The tenant is liable for operating expenses as they fall due. The letting agreement of the property allows for the termination of this lease by either party immediately prior to completion of the sale of the property or to the benefit of the tenant 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.

18 Inventories

	29 March 2021 £'000	30 March 2020 £'000
Raw materials	**192**	426
Work in progress	**35,571**	30,234
Finished goods	**40,367**	39,275
	76,130	69,935

Recognising the Company's control of this asset, all inventory has been reported as a current asset in the Balance Sheet. Note, £2.6 million (prior year comparative not readily available) of this relates to work in progress where the wine is expected to be received from winemakers more than 12 months from the balance sheet date.

The cost of inventories recognised as an expense during the year was £204,732,000 (2020: £125,352,000).

Inventory of £89,000 (2020: £71,000) was expensed through the income statement in the year relating to samples and tasting products.

19 Trade and other receivables

Due within one year

	29 March 2021 £'000	30 March 2020 £'000
Trade receivables	**95**	293
Vendor loan note	**360**	360
Other debtors	**4,849**	3,662
Prepayments and accrued income	**1,864**	1,422
	7,168	5,737

19 Trade and other receivables (continued)

Due after more than one year

	29 March 2021 £'000	30 March 2020 £'000
Vendor loan note	**9,520**	8,962
Deferred contingent consideration	**–**	4,043
	9,520	13,005

The vendor loan note will mature in December 2024 unless repaid in full before that date. The loan note bears interest of 3% p.a. for the first three years, 4% in year four and 5% in year five, to be paid annually. The payment for the first year was received in December 2020. The terms of the Loan Note limit distributions (or certain other payments) by Majestic Wines unless a base level of EBITDA generated by Majestic Wines is maintained.

20 Assets classified as held for sale

The Group has no assets classified as held for sale in the current year. At 30 March 2020, the Group had property classed as an asset held for sale at an amount of £953,000 on which the sale was completed on 10 June 2020.

21 Trade and other payables

	29 March 2021 £'000	30 March 2020 £'000
Trade payables	**15,405**	11,310
Other taxes and social security	**3,056**	2,546
Accruals and other payables	**22,296**	12,190
	40,757	26,046

Amounts payable in respect of defined contribution pension schemes were £42,000 (2020: £47,000).

22 Deferred Angel and other income

	29 March 2021 £'000	30 March 2020 £'000
Angel funds	**65,825**	38,422
Other deferred income	**4,077**	5,210
	69,902	43,632

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. This is disclosed within deferred Angel and other income on the face of the balance sheet.

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 website.

23 Other borrowings due within one year

	29 March 2021 £'000	30 March 2020 £'000
Customer bond finance	**30**	84
Total bank and other borrowings due within one year	**30**	84

24 Lease liabilities

The Group leases warehouse and office facilities. The leases run for a period between one and 10 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 one 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.

	29 March 2021 £'000	30 March 2020 £'000
Maturity analysis		
Due within 1 year	**726**	1,318
Due between 1 and 2 years	**719**	1,146
Due between 2 and 3 years	**424**	1,139
Due after 3 years	**1,271**	2,253
	3,140	5,856
Less: unearned interest	**(264)**	(493)
	2,876	5,363

	29 March 2021 £'000	30 March 2020 £'000
Current	**645**	1,165
Non-current	**2,231**	4,198
	2,876	5,363

25 Financial instruments

The Group's financial instruments, other than derivatives, comprise cash 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.

The Group did not hold any borrowing facilities at 29 March 2021 (2020: £nil).

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 29 March 2021	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	4,944	–	–	–	**4,944**	**4,944**	**–**
Vendor loan note	360	–	–	9,520	**9,880**	**9,880**	**–**
Forward foreign currency assets	41	–	–	–	**41**	**–**	**41**
Cash and cash equivalents	85,148	–	–	–	**85,148**	**–**	**85,148**
	90,493	**–**	**–**	**9,520**	**100,013**	**14,824**	**85,189**
Financial liabilities							
Trade and other payables	(37,701)	–	–	–	**(37,701)**	**(37,701)**	**–**
Deferred Angel and other income	(69,902)	–	–	–	**(69,902)**	**(69,902)**	**–**
Forward foreign currency liabilities	(1,405)	–	–	–	**(1,405)**	**–**	**(1,405)**
Lease liabilities	(645)	(659)	(381)	(1,191)	**(2,876)**	**(2,876)**	**–**
Customer-funded bond	(30)	–	–	–	**(30)**	**(30)**	**–**
	(109,683)	**(659)**	**(381)**	**(1,191)**	**(111,914)**	**(110,509)**	**(1,405)**

25 Financial instruments (continued)

Liquidity risk (continued)

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	14,230	59,318
Financial liabilities							
Trade and other payables	(23,500)	–	–	–	(23,500)	(23,500)	–
Deferred 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)

Financial assets consist of cash and cash equivalents, trade and other receivables, the vendor loan note and forward foreign currency assets. All financial assets with the exception of forward foreign financial assets (held at fair value), are recognised on an amortised cost basis using the simplified approach to expected credit losses.

Financial liabilities held at amortised cost consist of trade and other payables, deferred income and customer-funded bond. See note 22 for an explanation of the nature of the funding made by "Angels" and Naked Wines' rights and obligations in respect of these amounts. All financial liabilities are held at amortised cost with the exception of forward foreign financial liabilities which are held at fair value.

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 29 March 2021				
Outflow	(29,315)	–	–	**(29,315)**
Inflow	27,951	–	–	**27,951**
	(1,364)	**–**	**–**	**(1,364)**
At 30 March 2020				
Outflow	(15,707)	(1,294)	–	(17,001)
Inflow	16,079	1,318	–	17,397
	372	24	–	396

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 receivable from CF Bacchus Holdco Ltd, the owner of the Majestic Wine businesses and relating to the vendor loan note as set out in note 3.23, Accounting policies.

In addition, the Group is exposed to credit risk in relation to restricted cash of £300,000 included in cash and cash equivalents which relates to a guarantee to HMRC for customs duties for the UK trading subsidiary.

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. The Group does not have 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 receivables.

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 information and any other new information that becomes available.

The Group does not utilise any reverse factoring or supplier financing.

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 29 March 2021	**95**	**92**	**–**	**–**	**3**
At 30 March 2020	293	284	–	–	9

There are no indicators of impairment for those debtors that are neither past due nor impaired.

Movements in the provision for impairment of trade receivables are as follows:

	29 March 2021 £'000	30 March 2020 £'000
At beginning of year	**–**	(137)
Disposal of subsidiary	**–**	137
At end of year	**–**	–

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 foreign exchange forward contracts are reputable, large institutions with acceptable risk ratings.

Interest rate risk

The Group's interest rate risk arises primarily from its deposit of net funds with reputable financial institutions.

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	29 March 2021	30 March 2020
Australian dollar : GBP		
Period end	**1.805**	2.017
Average	**1.825**	1.864
US dollar : GBP		
Period end	**1.377**	1.242
Average	**1.306**	1.272

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.

25 Financial instruments (continued)

Foreign currency exchange rates (continued)

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 29 March 2021			
Australian dollar : GBP	5%	(81)	89
Euro : GBP	5%	(1,135)	1,113
US dollar : GBP	5%	(64)	71
Other currencies : GBP	5%	(111)	136
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

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.

We assumed a 5% sensitivity as it is in excess of currency markets.

	29 March 2021 £'000	30 March 2020 £'000
Australian dollar	15,601	5,192
Euro	117	330
US dollar	31,608	3,119
Other currencies	201	39
	47,527	8,680
Group's functional currency:		
GBP	37,621	46,056
Total	85,148	54,736

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.

In 2020, the Group held a contingent consideration asset at fair value of £4.0m which has now been settled. Refer to note 7 for details on the 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 are due within one year. The fair value of the forward currency contracts was determined using quoted forward exchange rates matching the maturities of the contracts and includes counter party credit risk. The Group's measurement of its financial instruments meets the criteria of Level 2 and hence all have been included in this classification.

	At 29 March 2021			At 30 March 2020		
		Fair value			Fair value	
	Nominal value £'000	Assets £'000	Liabilities £'000	Nominal value £'000	Assets £'000	Liabilities £'000
Forward foreign currency contracts						
AUD	1,692	3	–	1,023	–	(46)
EUR	23,802	–	(1,312)	12,207	466	–
NZD	1,677	–	(33)	1,522	–	(45)
USD	1,404	–	(60)	1,671	73	–
ZAR	740	38	–	578	–	(52)
Total forward foreign exchange contracts	29,315	41	(1,405)	17,001	539	(143)
Deferred contingent consideration	–	–	–	5,000	4,043	–

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.

The Group's capital allocation policy is currently to:

1. Maintain a healthy balance sheet

2. Invest in growth in a disciplined manner and

3. Return to shareholders any funds in excess of the level reasonably 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 Group is not subject to externally imposed capital requirements.

26 Provisions for liabilities

	Dilapidations £'000	Store closures £'000	Social security costs £'000	Refund liability provision £'000	Total £'000
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
Provided in the year	–	–	181	954	1,135
Released in the year	–	–	–	(561)	(561)
Utilised in the year	–	–	(72)	–	(72)
Foreign currency	–	–	–	(52)	(52)
At 29 March 2021	–	–	600	1,363	1,963

26 Provisions for liabilities (continued)

Provisions have been analysed between current and non-current as follows:

	29 March 2021 £'000	30 March 2020 £'000
Current	**1,570**	1,165
Non-current	**393**	348
	1,963	1,513

Social security costs on share based payment awards

Social security costs which will become payable on exercise of share based payment awards have been provided. The share based payment awards will vest at various dates from the balance sheet date to 15 December 2023. The value of social security costs payable on the vesting of share based payment awards is dependent on the Group's share price at the date of vest of those share based payment awards. 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 awards, has been calculated on the share price at the balance sheet date of £7.49 and the assumption that 100% of employees will take up their vested share based payment award and that the rate of social security is 13.8% for UK employees, 7.65% for US employees and 0% for Australian employees.

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. The Group uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. The resulting outflows are expected within six months.

27 Share capital and reserves

	29 March 2021		30 March 2020	
	Number of shares	£'000	Number of shares	£'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	**72,874,018**	**5,466**	72,137,402	5,411
Issue of shares on the vesting of share based payment schemes/award of share options	**231,138**	**17**	89,965	7
Issue of shares into the Naked Wines plc Share Incentive Plan	**56,329**	**4**	130,468	10
Issue of acquisition related shares	**–**	**–**	516,183	38
At end of year	**73,161,485**	**5,487**	72,874,018	5,466

During the year, 287,467 (2020: 736,616) ordinary shares of 7.5p each were allotted for a consideration of £22,000 (2020: £101,000). These shares were allotted under the terms of the Company's share option schemes which are described in note 29.

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

At 30 March 2020, the Group held shares in an employee share ownership trust. The reserve represented the cost of acquired shares that had not fully vested with employees. These shares related to a deferred bonus scheme no longer in existence and on 21 August 2020, the shares were transferred to an employee benefit trust account which acquires shares in Naked Wines plc to satisfy awards under the Naked Wines plc Long Term Incentive Plan (LTIP) (see note 29 (c)).

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.

28 Employee Share Ownership Trust

The Employee Share Ownership Trust acquired shares in Naked Wines plc to satisfy awards under the deferred bonus scheme. The shares were distributed to participants of the scheme at the end of a two-year deferral period. This scheme is no longer in existence and on 21 August 2020, the trust transferred 3,934 shares to an employee benefit trust account which acquires shares in Naked Wines plc to satisfy awards under the Naked Wines plc Long Term Incentive Plan (LTIP) (see note 29 (c) below).

At the year end 30 March 2020, the trust held 3,934 shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 and the market value of these shares at 30 March 2020 was £10,000.

29 Share based payments

The charge recognised in the income statement in respect of share based payments, including social security, is £935,000 (2020: £965,000 for continuing operations, £1,857,000 for the total Group) relating to share schemes.

	Continuing operations		Total Group
	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000	Year ended 30 March 2020 £'000
Share schemes	**777**	833	1,695
NIC provided on share schemes	**158**	132	162
At end of year	**935**	965	1,857

The Company operated four share schemes during the year, all of which are equity-settled.

a) The Naked Wines 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 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.

Following the completion of the disposal of the Majestic and Lay & Wheeler businesses, all participants who were granted shares in this scheme ceased to hold office or employment with Naked Wines plc. The participants had the option to exercise any option in this scheme during the six months after the date of such cessation, after which the options lapsed. All outstanding shares lapsed by 10 June 2020.

The following table shows the number of shares outstanding by share scheme:

	Year ended 29 March 2021 number	Year ended 30 March 2020 number
2006 Approved scheme	–	307,850
2006 Unapproved scheme	–	96,450
Outstanding at the end of the year	–	404,300

The following table reconciles the number of share outstanding and the weighted average exercise price (WAEP) for both schemes:

	Year ended 29 March 2021		Year ended 30 March 2020	
	Options	WAEP	Options	WAEP
Outstanding at the beginning of the year	**404,300**	**£4.45**	526,300	£4.44
Exercised	–	–	(24,000)	£2.02
Lapsed	**(404,300)**	**£4.45**	(98,000)	£4.77
Outstanding at the end of the year	–	–	404,300	£4.45
Exercisable at the end of the year	–	–	404,300	£4.45
Weighted average remaining contractual life in years	–	–	0.20	£0.00
Range of exercise prices	–	–	£2.02 – £5.41	£0.00

29 Share based payments (continued)

c) The Naked Wines plc Long Term Incentive Plan (LTIP) was adopted on 20 July 2016. The first grant of shares under the rules of the scheme was made in July 2016. This scheme is unapproved.

The following table reconciles the number of share outstanding and the weighted average price on vesting for the LTIP scheme:

	Year ended 29 March 2021		Year ended 30 March 2020	
	LTIP shares	Weighted average price on vesting	LTIP shares	Weighted average price on vesting
Outstanding at the beginning of the year	**1,501,172**	**–**	1,609,621	–
Exercised	**(189,419)**	**£4.22**	(198,015)	£2.33
Lapsed	**(456,118)**	**–**	(1,438,651)	–
Granted	**794,071**	**–**	1,528,217	–
Outstanding at the end of the year	**1,649,706**	**–**	1,501,172	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average remaining contractual life in years	**1.58**	**–**	1.65	–
Range of exercise prices	**£nil**	**–**	£nil	–

Based on the share price of £7.49 at the year end, the Group expects to transfer an estimated amount of £554,000 to the tax authorities to settle the employees' tax obligation.

d) The Naked Wines plc 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.

The following table reconciles the number of share outstanding and the weighted average price on vesting for the SIP scheme:

	Year ended 29 March 2021		Year ended 30 March 2020	
	SIP shares	Weighted average price on vesting	SIP shares	Weighted average price on vesting
Outstanding at the beginning of the year	**101,439**	**–**	198,027	–
Exercised	**(22,998)**	**£3.91**	(248,299)	£2.17
Lapsed	**(23,882)**	**–**	(40,745)	–
Granted	**89,201**	**–**	192,456	–
Outstanding at the end of the year	**143,760**	**–**	101,439	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average remaining contractual life in years	**1.77**	**–**	1.55	–
Range of exercise prices	**£nil**	**–**	£nil	–

Based on the share price of £7.49 at the year end, the Group expects to transfer an estimated amount of £46,000 to the tax authorities to settle the employees' tax obligation.

The fair value of equity-settled shares is estimated as at the date of grant using the Black-Scholes option pricing model for (c) and (d).

The following table lists the range of assumptions applied to the share based payment awards granted in the respective periods shown.

	Year ended 29 March 2021		Year ended 30 March 2020	
	Long Term Incentive Plan	Share Incentive Plan	Long Term Incentive Plan	Share Incentive Plan
Weighted average share price at grant	**£4.31**	**£4.26**	£2.81	£2.71
Expected life of options (years)	**3**	**3**	3	3
Contractual life (years)	**3**	**3**	3	3
Volatility (%)	**39.0% to 39.7%**	**39.0%**	35.5% to 39.7%	38.6%
Dividend yield (%)	**N/A**	**N/A**	0.0%	N/A
Risk free interest rate (%)	**-0.12% to -0.04%**	**-0.12%**	0.54% to 0.56%	0.5%
Weighted average fair value of shares granted during the year	**£3.51**	**£4.26**	£2.65	£2.71

The expected life of the shares 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.

30 Disposal of subsidiaries

There has been no disposal of subsidiaries during the year ended 29 March 2021.

During the year ended 30 March 2020, the Group completed two sale agreements. Following those disposals, Naked Wines became a single brand online business 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 and L&W operations which have been included in the consolidated income statement as discontinued in the year to 30 March 2020, were as follows:

	Year ended 30 March 2020 £'000
Revenue	216,278
Expenses	(214,108)
Gain from operating activities	2,170
Tax	659
Gain from operating activities, net of tax	2,829
Gain on sale of discontinued operations	12,008
Gain from discontinued operations	14,837
Earnings per share	
Basic	20.6p
Diluted	20.2p

The segmental analysis of the operations discontinued in the year to 30 March 2020 was as follows:

	Retail £'000	Commercial £'000	L&W £'000	Total £'000
Third-party revenue	177,021	31,564	7,693	216,278
Movement in en primeur sales	–	–	477	477
Reported third-party revenue	177,021	31,564	8,170	216,755
Segment result – Adjusted EBIT	3,947	733	298	4,978
Finance income	1	–	10	11
Finance charges	(1,271)	–	(12)	(1,283)
Adjusted profit/(loss) before tax	2,677	733	296	3,706
Adjusted items:				
Non-cash items relating to acquisitions	–	–	–	(113)
Other adjusted items	–	–	–	(1,423)
Profit/(loss) before tax	2,677	733	296	2,170
Depreciation	9,731	–	64	9,795
Amortisation	199	–	179	378
Impairments	740	–	–	740

Geographical analysis	UK £'000	Rest of Europe £'000	Total £'000
Reported third-party revenue	211,185	5,570	216,755
Non-current assets	–	–	–

30 Disposal of subsidiaries (continued)

During the year ended 30 March 2020, the discontinued operations contributed £22,290,000 to the Group's net operating cash flows, paid £2,430,000 in respect of investing activities and paid £6,625,000 in respect of financing activities.

The net assets at the date of disposal were as follows:

	Majestic At 10 December 2019 £'000	L&W At 1 October 2019 £'000	Total £'000
Goodwill and intangible assets	4,238	954	**5,192**
Property, plant and equipment	51,290	165	**51,455**
Right-of-use asset	50,414	94	**50,508**
Other non-current assets	2,723	2,098	**4,821**
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**
Gain on disposal	**5,333**	**6,675**	**12,008**
Total consideration	**85,654**	**10,210**	**95,864**
Satisfied by:			
Cash and cash equivalents	**71,611**	**10,210**	**81,821**
Deferred consideration	**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

31 Commitments

	29 March 2021 £'000	30 March 2020 £'000
Future minimum amounts payable under non-cancellable operating leases:		
Within one year	**64**	87
	64	**87**

Total of future minimum payments expected to be received under non-cancellable under-lettings is £nil (2020: £nil). The investment property is being sublet for a peppercorn rent until the property is disposed of. Refer to note 17 Investment property for further details.

32 Notes to the cash flow statement

(a) Reconciliation of profit to cash generated/(utilised) by operations

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Cash generated/(used) by operations		
Operating loss	**(11,677)**	(4,874)
Add back:		
Depreciation and amortisation	**5,288**	5,336
Loss on disposal of fixed assets	**51**	71
Fair value loss arising on deferred contingent consideration net of settlement	**3,868**	–
Fair value movement on foreign exchange contracts	**1,760**	(935)
Share based payment charges	**777**	833
Operating cash flows before movements in working capital	**67**	431
Increase in inventories	**(8,984)**	(13,291)
Increase in customer funds in deferred income	**28,244**	5,312
(Increase)/decrease in trade and other receivables	**(1,445)**	594
Decrease in trade and other payables	**16,325**	6,837
Net cash generated/(used) by operating activities	**34,207**	(117)

(b) Cash and cash equivalents

	29 March 2021 £'000	30 March 2020 £'000
Cash and cash equivalents	**85,148**	54,736

Included in cash and cash equivalents is a restricted amount of £300,000 which relates to a guarantee to HMRC for customs duties for the UK trading subsidiary.

(c) Analysis of movement in net cash

	30 March 2020 £'000	Cash flows £'000	Non-cash movements £'000	29 March 2021 £'000
Cash and cash equivalents	**54,736**	**31,545**	**(1,133)**	**85,148**
Borrowings – customer funded bond	(84)	54	–	(30)
Borrowings – IFRS 16 lease liabilities	(5,363)	904	1,583	(2,876)
Gross borrowings	**(5,447)**	**958**	**1,583**	**(2,906)**
Total net cash/(borrowings)	**49,289**	**32,503**	**450**	**82,242**

33 Events after the balance sheet date

There were no post balance sheet events that have a material impact on the financial position and performance of the Group.

34 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 9.

There are no other related party transactions which require disclosure (2020: none).

35 Investments in subsidiaries

Details of the Group's subsidiaries at 29 March 2021 are as follows:

Subsidiary	Primary activity	Place of incorporation and operation	% and class of shares held
Naked Wines Employee Share Ownership Trust Limited *	Trustee company	United Kingdom	100% ordinary shares
Naked Wines International *	Holding company	United Kingdom	100% ordinary shares
www.nakedwines.com Limited	Retailing of wines	United Kingdom	100% ordinary shares
Naked Wines Prepayments Trustee Company Limited	Trustee company	United Kingdom	100% ordinary shares
Nakedwines.com Inc.	Retailing of wines	United States of America	100% ordinary shares
Nakedwines.com Prepayment Protection Company LLC	Trustee company	United States of America	100% ordinary shares
Naked Wines Australia Pty Limited	Retailing of wines	Australia	100% ordinary shares
NWA (Prepayments) Pty Limited	Trustee company	Australia	100% ordinary shares
Naked Fine Wine Bonds plc	Funding company	United Kingdom	100% ordinary shares

* 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.

The subsidiaries have the same reporting date and cover the same period as that of the consolidated financial statements.

Company balance sheet

As at 29 March 2021

	Note	29 March 2021 £'000	30 March 2020 £'000
Non-current assets			
Investments in subsidiaries	39	**57,671**	56,986
Loan notes receivable from subsidiaries	40	**44,631**	28,573
Investment property	41	**855**	899
Right-of-use assets	42	**5**	10
Intangible fixed assets	43	**648**	575
Deferred tax assets	44	**578**	242
Other receivables	45	**9,520**	13,005
		113,908	100,290
Current assets			
Trade and other receivables	45	**835**	750
Cash and cash equivalents		**64,235**	42,871
		65,070	43,621
Assets classified as held for sale	46	**–**	953
Current assets		**65,070**	44,574
Total assets		**178,978**	144,864
Current liabilities			
Trade and other payables	47	**(55,548)**	(18,766)
Lease liabilities	48	**(4)**	(5)
Provisions	49	**(207)**	(143)
		(55,759)	(18,914)
Non-current liabilities			
Provisions	49	**(393)**	(348)
Lease liabilities	48	**–**	(4)
		(393)	(352)
Total liabilities		**(56,152)**	(19,266)
Net assets		**122,826**	125,598
Shareholders' funds			
Called-up share capital	50	**5,487**	5,466
Share premium	50	**21,162**	21,162
Capital redemption reserve		**363**	363
Retained earnings		**95,814**	98,607
Equity shareholders' funds		**122,826**	125,598

For the year ended 29 March 2021, the Company reported a loss of £3,815,000 (2020: profit of £85,033,000).

The financial statements of Naked Wines plc were approved by the Board of Directors and authorised for issue on 10 June 2021. They were signed on its behalf by Shawn Tabak.

Company statement of changes in equity

For the year ended 29 March 2021

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2019		5,411	21,116	363	16,132	43,022
Profit for the period		–	–	–	85,033	85,033
Total comprehensive profit for the period		–	–	–	85,033	85,033
Shares issued	50	55	46	–	(53)	48
Share based payment charges – subsidiary employees	29	–	–	–	533	533
Share based payment charges – Company	29	–	–	–	1,161	1,161
Dividends paid	12	–	–	–	(3,786)	(3,786)
Deferred tax on share based payment	44	–	–	–	(413)	(413)
At 30 March 2020		5,466	21,162	363	98,607	125,598
Loss for the period		**–**	**–**	**–**	**(3,815)**	**(3,815)**
Total comprehensive loss for the period		**–**	**–**	**–**	**(3,815)**	**(3,815)**
Shares issued	50	**21**	**–**	**–**	**(21)**	**–**
Share based payment charges – subsidiary employees	29	**–**	**–**	**–**	**685**	**685**
Share based payment charges – Company	29	**–**	**–**	**–**	**92**	**92**
Deferred tax on share based payment	44	**–**	**–**	**–**	**266**	**266**
At 29 March 2021		**5,487**	**21,162**	**363**	**95,814**	**122,826**

Notes to the Company financial statements

36 Significant accounting policies

Details of the Company are disclosed in note 1 of the Consolidated notes to the financial statements.

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.

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 the estimated useful life of the asset. These assets relate to software and are charged to the income statement over five years.

Property, plant and equipment and right-of-use assets

Refer to note 3.16 Property, plant and equipment and right-of-use assets for depreciation methods, useful lives and depreciation rates used for each class of asset.

Investment property

Refer to note 3.17 Investment property for depreciation methods, useful lives and depreciation rates used for each class of asset.

Impairment review of loan notes receivable from subsidiaries

Impairment reviews in respect of loan notes receivable from subsidiaries are performed at least on an annual basis and furthermore when an event indicates that an impairment review is necessary.

37 Key accounting judgements and estimates

In the preparation of these accounts, the directors consider that there are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

38 Staff costs

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

	Year ended 29 March 2021 number	Year ended 30 March 2020 number
Administrative and distribution	**83**	76

The aggregate remuneration comprised:

	Year ended 29 March 2021 £'000	Year ended 30 March 2020 £'000
Wages and salaries	**8,557**	5,821
Social security costs	**606**	639
Contributions to defined contribution pension plans	**249**	320
Share based payment charges	**92**	1,161
	9,504	7,941

Directors' emoluments are as disclosed in note 9 Staff costs.

39 Investments in subsidiaries

	£'000
Cost or valuation:	
At 30 March 2020	56,986
Net movement on share options granted/(lapsed) to subsidiary companies' employees	685
At 29 March 2021	**57,671**
Amounts provided for:	
At 30 March 2020 and 29 March 2021	**–**
Net book value	
At 29 March 2021	**57,671**
At 30 March 2020	56,986

Details of the Company's subsidiaries at 29 March 2021 are disclosed in note 35.

40 Loan notes receivable from subsidiaries

Inter-company balances held in the Company largely relate to investment in its trading subsidiaries through the provision of loan amounts. As such, these amounts are disclosed as loan notes receivable from subsidiaries reported within non-current assets.

41 Investment property

	Freehold property £'000
Cost and valuation	
At 30 March 2020 and 29 March 2021	**899**
Depreciation	
At 30 March 2020	–
Charge for the year	(44)
At 29 March 2021	**(44)**
Net book value	
At 29 March 2021	**855**
At 30 March 2020	899

Refer to note 17 of the Group financial statements for details.

42 Right-of-use assets

	Equipment, fittings and vehicles £'000
Cost	
At 30 March 2020 and 29 March 2021	**12**
Accumulated depreciation	
At 30 March 2020	**(2)**
Charge for the year	**(5)**
At 29 March 2021	**(7)**
Net book value	
At 29 March 2021	**5**
At 30 March 2020	10

Total cash outflow for leases was £5,459 (2020: £5,459).

43 Intangible assets

	Software £'000
Cost	
At 1 April 2019	822
Additions	544
At 30 March 2020	**1,366**
Additions	**214**
At 29 March 2021	**1,580**
Accumulated amortisation	
At 1 April 2019	–
Charge for the year	(51)
Impairments	(740)
At 30 March 2020	**(791)**
Charge for the year	**(141)**
At 29 March 2021	**(932)**
Net book value	
At 29 March 2021	**648**
At 30 March 2020	575

44 Deferred tax assets

	30 March 2020 £'000	Recognised in income statement £'000	Recognised in OCI £'000	29 March 2021 £'000
Provisions	89	(3)	–	**86**
Share based payments	153	73	266	**492**
	242	**70**	**266**	**578**

Deferred tax assets arising from timing differences are recognised to the extent that these amounts are recoverable through the reversal of the timing difference in the foreseeable future.

Deferred tax on losses of £8,329,000 (2020: £755,000) 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. An amount of £3,868,000 relating to the loss arising on the fair value loss arising on deferred contingent consideration, net of settlement, is not included in the deferred tax losses as the timing and the crystallisation of any future capital gains is unclear. There is no expiry date on these unrecognised losses.

45 Trade and other receivables

	29 March 2021 £'000	30 March 2020 £'000
Trade receivables	**91**	284
Vendor loan note	**360**	360
Prepayments and accrued income	**384**	106
	835	750

Other receivables due after more than one year

	29 March 2021 £'000	30 March 2020 £'000
Vendor loan note	**9,520**	8,962
Deferred contingent consideration	**–**	4,043
	9,520	13,005

The vendor loan note was initially measured at fair value and subsequently measured at amortised cost less any provision for impairment.

The deferred contingent consideration was initially recognised at a fair value of £4,043,000. During the year, the Board agreed on a sum of £175,000 in settlement of this asset which was paid during March 2021. Refer to note 7 Adjusted items for further details.

46 Assets classified as held for sale

The Company had no assets held for resale at the end of the year. Refer to note 20 of the consolidated financial statements for details.

47 Trade and other payables

	29 March 2021 £'000	30 March 2020 £'000
Trade payables	**378**	253
Other taxes and social security	**–**	58
Amounts due to Group undertakings	**50,412**	13,865
Accruals and other payables	**4,758**	4,590
	55,548	18,766

The amounts due to Group undertakings have no fixed payment terms and are interest free.

48 Lease liabilities

The Company leases a motor vehicle and the lease runs for a period of four years. The maturity analysis of the lease is shown below.

	29 March 2021 £'000	30 March 2020 £'000
Due within 1 year	**4**	5
Due between 1 and 2 years	**–**	4
	4	9
Less: unearned interest	**–**	–
	4	9
Analysed as:		
Current	**4**	5
Non-current	**–**	4
	4	9

49 Provisions

	Social security costs £'000
At 1 April 2019	906
Charged in the year	(415)
At 30 March 2020	491
Credited in the year	**109**
At 29 March 2021	**600**

	29 March 2021 £'000	30 March 2020 £'000
Current	**207**	143
Non-current	**393**	348
	600	491

Social security costs on share based payment awards

Social security costs which will become payable on exercise of share based payment awards have been provided. The share based payments will vest at various dates from the balance sheet date to 15 December 2023. The value of social security costs payable on the vesting of share based payment awards 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 £7.49 and the assumption that 100% of employees will take up their vested share based payment award and that the rate of social security is 13.8% for UK employees and 7.65% for US employees.

50 Share capital and share premium account

Refer to note 27 Share capital and reserves for details of share capital. Refer to notes 27 and 28 for details of own shares.

51 Share based payments

Refer to note 29 Share based payments for:

- A description of each type of share option and share based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement
- The weighted average share price at the date of exercise for share options exercised and share based payment awards vesting during the period
- The range of exercise prices and weighted average remaining contractual life for share based payment awards outstanding at the end of the period.

52 Post balance sheet event

There were no post balance sheet events that have a material impact on the financial position and performance of the Company.

53 Related party transactions

The Company has identified the Directors of the Company as related parties for the purpose of FRS 101. The compensation of key management personnel is disclosed in note 9 Staff costs. 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. There are no other related party transactions which require disclosure (2020: none).

54 Ultimate controlling party

The Company, Naked Wines plc, is the ultimate controlling party of the Naked Wines Group.

Shareholder information

Annual General Meeting

The AGM will be held at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD on 5 August 2021 at 4.30 p.m. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

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Joint Corporate Broker
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3 Forbury Place
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Banker
HSBC UK Bank PLC
1 Centenary Square
Birmingham B1 1HQ

Definitions and Customer experience KPIs

Definitions	
AGM	Annual general meeting
Angel	A customer who deposits funds into their 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 fulfillment and servicing (e.g. credit card fees, delivery costs, customer-facing staff costs). We often split contribution into that from new and repeat customers as they can have different levels of profitability.
DtC	Direct to Consumer
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
Marketing R&D	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities.
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 as a repeat customer.
New Customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation of total sales to New Customer sales is shown in note 6.
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 of total sales to Repeat Customer sales is shown in note 6.
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 136 for calculation from constituent Group KPIs and APMs.
Total Addressable Market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.

Customer experience KPIs	
Product availability	% of targeted range available on our 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.
5* customer service	The number of service ratings scoring 5* (out of 5) as a % of total ratings in the past 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, 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 plus net finance income.
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and tax. A reconciliation of free cash flow is shown on page 135.
Net cash	The amount of cash we are holding less debt at year end.

Investment measures	
Investment in New Customers	The Investment in New Customers during the year, including contribution profit/loss from New Customer sales and advertising costs. Please note we have updated the description of this term to elaborate on its components, but the underlying calculation has not changed.
New Customer Contribution loss	The contribution earned from sales to New Customers. An explanation of why this is used is on page 25. A reconciliation of adjusted EBIT to New Customer Contribution loss is shown in note 6.
5-Year Forecast Payback	The ratio of projected future Repeat Customer Contribution Profit we expect to earn from the new customers recruited in the year divided by the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm which weighs several characteristics including demographics, interactions and transactions forecast over a five-year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes. An explanation of why this is used is on page 25. 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 updatethe expected returns from prior year investment (see page 37). For this year, we will also show the lifetime payback for comparative purposes but we then intend to report only the 5 year forecast payback in future.
5-Year Lifetime Value	The future Repeat Customer Contribution Profit 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 profit	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 25. A reconciliation of adjusted EBIT to Repeat Customer Contribution profit is shown in note 6.
Repeat Customer sales retention	The ratio of sales made to customers who met our definition of "Repeat" last year that were realised again this year. 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.
Year 1 Payback	This short-term payback measure shows the actual return in this financial year of our investment in the prior year.

Free cash flow

	29 March 2021 £m	30 March 2020 £m
Adjusted EBIT	**(1.5)**	(2.4)
Add back depreciation and amortisation (excludes amortisation of acquired intangibles included in adjusted items)	**1.7**	1.8
Add back IFRS 2 charges	**0.8**	0.8
Adjusted EBITDA	**1.0**	0.2
Working capital movement		
Inventories	**(9.2)**	(13.3)
Deferred income	**28.2**	5.3
Trade and other receivables	**(1.4)**	0.6
Trade and other payables	**15.6**	7.1
Repayments of principal under lease liabilities	**(0.9)**	(1.2)
Working capital movement	**32.3**	(1.5)
Pre-tax operating cash flow	**33.3**	(1.3)
Capital expenditure	**(2.7)**	(1.1)
Pre-tax operating cash flow/"Free cash flow"	**30.6**	(2.4)
Reconciliation to statutory cash flow statement		
Free cash flow	**30.6**	(2.4)
Capital expenditure	**2.7**	1.1
Repayments of principal under lease liabilities	**0.9**	1.2
Net cash generated/(used) by operating activities	**34.2**	(0.1)

Standstill EBIT calculation

	29 March 2021 £m	30 March 2020[1] £m
Standstill EBIT is calculated as		
Repeat Customer Contribution profit (a)	**84.9**	46.3
Less: replenishment spend (e)	**(12.2)**	(11.5)
Less: General and administrative costs[2]	**(33.4)**	(25.2)
	39.3	9.6

A (a) Repeat Customer Contribution profit	**84.9**	46.3
A (b) Repeat Customer sales retention	**88.2%**	83.3%
(c) Repeat Customer Contribution profit lost to attrition (a x (1–b))	**10.0**	7.7
A (d) Year 1 Payback	**82.0%**	67.0%
(e) Spend to replenish lost Repeat Customer Contribution profit (c/d)	**12.2**	11.5

1. The basis of the cost allocation has been updated in the current year and prior year comparatives are stated on a consistent basis.
2. General and administrative costs exclude £3.6m amortisation, £2.0m fair value adjustments, £0.7m adjustment for FX and £3.0m marketing R&D spend.

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Designed and produced by **Friend**
www.friendstudio.com
Print: Pureprint Group

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