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

Naked Wines plc Annual Report
and Accounts 2022

naked wines

Strategic report

Governance report

Financials

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 *three things* you should know about Naked Wines.

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

Page 2

2.
Our differentiated model; a leading proposition for both winemakers and customers.

Page 4

3.
We have a clear strategy for the future.

Page 6

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

We are making a real impact in the wine industry with a unique business model that allows independent winemakers the creative freedom to bring fantastic wines to consumers at great value and direct to their homes. We offer advance funding and large, regular orders to winemakers, which we believe is a strong competitive advantage in the marketplace that enables us to attract great winemakers.

After a challenging period for independent winemakers, we are happy to see a return to more normalised socialising, with winemakers and consumers again enjoying great wines together, supporting strong customer loyalty and repeat orders. This presents a tremendous opportunity to capture growth in a large and attractive market with favourable industry dynamics, supported by a secular shift to online purchases of wine.

Our business model
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As we've scaled the business, we've retained our broad commitment to positively impacting the wine industry as a whole. Consistently supporting independent wine producers since our inception, our entire team is dedicated to further building on our leading platform that enables winemakers to access a viable and highly beneficial alternative to the traditional distribution models that are failing them and leaving them exposed to the channel shift to online.

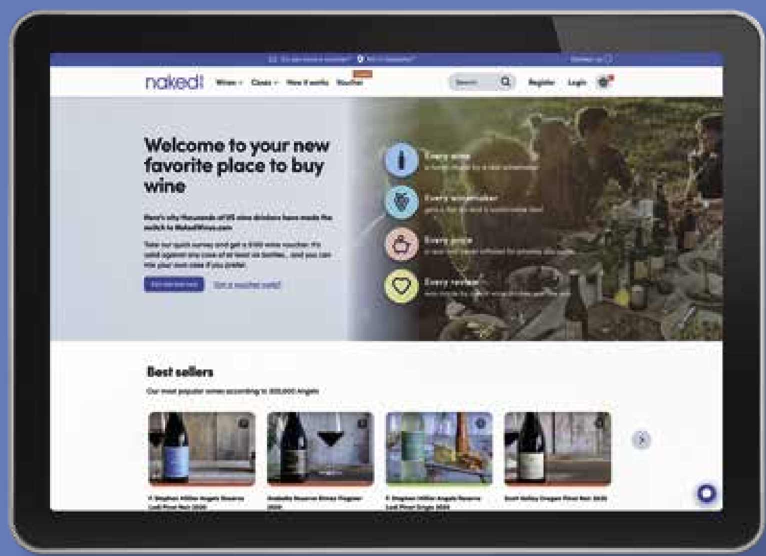
We also know our winemakers often need help navigating exceptional events. For instance, in FY22 through the sale of our Ahr Valley Rescue Case, we supported the people and winemakers of the Ahr Valley in Germany who had been hit by devastating floods. Also, in collaboration with Naked UK's Winemaker of the Year, Stefano Di Blasi, we have commissioned a research project with the University of Florence to examine sustainable winemaking with the goal of helping our winemakers transition to a more sustainable production future.

See our Australian case study
page 30

As we look to FY23 and beyond, we will continue to offer our independent winemakers secured funding and direct access to consumers, which we believe supports a virtual cycle of growth over time.

2. Our differentiated model; a leading proposition

for both winemakers and customers.



We seek to disrupt a wine marketplace that has not fundamentally changed in nearly a century and, we believe, disadvantages both winemakers and consumers. Good wine is generally priced too expensively for the end consumer, with many layers of distribution and retailers taking too much of the value away from both winemakers and customers.

To improve the value proposition for both winemakers and consumers, we are upending the status quo with our innovative online wine marketplace.

Through our subscription business model, we have garnered tremendous support from our community of 964,000 Active Angels across the UK, the US and Australia (who we define as active subscribers who have placed an order in the past 12 months) by providing them with an unparalleled value proposition and customer experience. In turn, the subscription contribution from our Angels enables us to help our roster of 266 winemakers with some of their biggest challenges: capital and distribution.

We connect our winemakers directly with our Angels via our website or mobile app, allowing for direct exchange of educational information about wines, feedback, ideas and product/customer service ratings, which is invaluable data that winemakers use to make even better wine. This model also allows for a unique, curated customer experience that deepens engagement and fosters customer loyalty and strong Repeat Customer sales. In a typical year, tens of thousands of Angels meet our winemakers in person on tour, at virtual events or in wineries. In FY22 we were thrilled to see the beginnings of a return to face-to-face occasions with our Angels when we hosted three wine-tasting events in the UK in November 2021, as well as continuing our very successful virtual wine tastings.

Due to the incredible value proposition we provide, we continue to grow our Angels each year while also attracting some of the world's top winemakers, including such recent additions as Ken Wright, Megan & Ryan Glaab, Andrew & Jamie Pike, Mitch Masotti and Daniel Baron. Daniel Baron, for example (page 24), is a Silver Oak winemaker who has been building his own iconic Napa brand and whose debut Francophone Cabernet was Naked's best-subscribed pre-sale ever, with over $675,000 pre-sold. Mitch Masotti (page 34), a former Bevan Cellars winemaker who recently joined our community, launched his own Napa & Sonoma label that generated 68% pre-sale of his debut wine and attracted more than 5,000 followers on launch day.

In FY22, we continued to invest in our business across markets, including elevating our brand positioning and value proposition in Australia, and enhancing our UK and US facilities to support the scaling of the business for many years to come. We built with scale in mind, with additional room to grow into our capacity in the medium term and support further expansion of the business.

3. We have a clear strategy for *the future.*

Our priority is to continuously elevate and expand the unique offering we provide to both winemakers and customers, with the goal of building our brand and expanding our reach to New Customers in what we believe is a large and attractive market ripe for disruption.

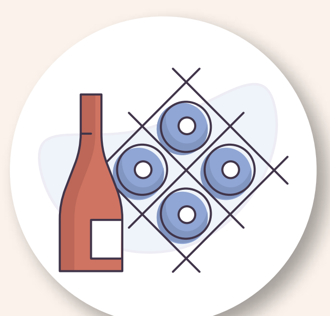
Ⓐ Continuing to maximise the customer proposition and quality perception to improve Lifetime Value (LTV) and attract New Customers

To maximise the customer and quality perception of our product offering, we are:

- Increasing recognition of wine quality on both our app and our site with more targeted and effective marketing communications
- Leading with the winemaker, rather than the value offering, to foster the community experience and support continuation of strong customer loyalty trends and Repeat Customer sales
- Expanding the number of winemakers and the wine range on our platform to allow more options for consumers
- Improving the availability and speed of our website and enhancing the core shopping experience
- Extending the scope of our Never Miss Out subscription offering and rolling out our Wine Genie offering at a greater scale

To improve LTV, we are focused on:

Enhancing the initial 90 days of the member experience, where we believe there is an opportunity to materially increase LTV



Driving higher conversion to second order, through increasing resource and organisational focus around this part of the experience

Reactivation of former members, where we have proven across markets and channels that LTV for former members is higher than first-time prospects and will be leveraging smart modelling

Ⓐ See information on alternative performance measure definitions on pages 118 and 119.

Focus on improving early retention and conversion of our Angels

Based on our years of experience, we know that once our Angels are on their second and third orders, they are more likely to stick around. Just like meeting someone for the first time, these early impressions are when instant opinions are formed that tend to be lasting ones. So, we are taking a closer look at our approach in these early engagements to make sure we're not only delivering a great experience but also capitalising on the opportunity for a lasting relationship.

This includes having the right offer, one that's personalised and transparent. We want to turn high potential customers into true Angels by delivering brilliantly on the Naked promise.

We are then focused on taking Angels further along the journey to being regular shoppers, so that Naked can become their "go to", and they use our offering in a way that meets their needs. We do this by focusing on better personalisation and flexibility for an all-round better experience and connection with our Angel community.

Broaden and enhance our go-to-market strategy

As we enhance the customer proposition and quality perception, we believe we have the opportunity to increase the efficiency of our investment in New Customer acquisition while maintaining attractive returns by enhancing our go-to-market strategy. In this area, for the coming year we are:

- Amplifying the impact of performance marketing via investment in our brand in order to change perceptions of Naked around quality and trust while increasing awareness and consideration of the Naked brand
- Implementing a regional approach to allow for extended measurement of both short- and long-term goals and extending our learnings from brand building campaigns in the UK, US and AUS
- Increasing the efficiency of New Customer investment with an eye towards structural improvements that deliver enduring benefits such as conversion rate optimisation and efficiency and increased investment in remarketing/owned channels
- Planning to invest £5 million in all markets in FY23 to increase the awareness, trust, quality and perception of our brand

Leverage scale to enhance value creation

Operating at scale further enhances our differentiated business model. See our virtuous circle on page 21 which shows the following:

- We have a global network of 266 world-class winemakers, which gives us the scale to commit volumes to our winemakers and unlocks predictable cost reductions
- This attracts more winemakers to our platform, increasing our range and volume capacity
- Ultimately, this means we are delivering even better wine and a stronger value proposition to our customers
- We also have 13 years of proprietary data around customer behaviour and wine preferences that informs our go-to-market strategy, a growing network of relationships with the world's best winemakers and production and distribution efficiencies that are shared with our winemakers and consumers
- As we grow our member base, we expect to deliver attractive returns on investment spend

Our business model
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Our business at a glance

Where the world's best winemakers make their best wine

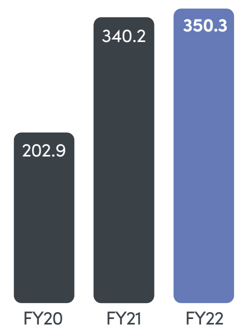
Financial Performance Summary

Sales for the year to 28 March 2022

£350.3m

Sales growth **3%** (5%cc*)

2YoY **73%** (78%cc*)

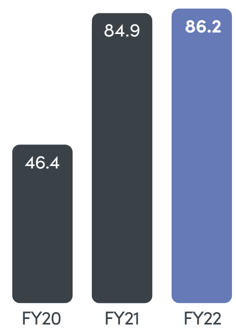


Ⓐ Repeat Customer Contribution profit

£86.2m

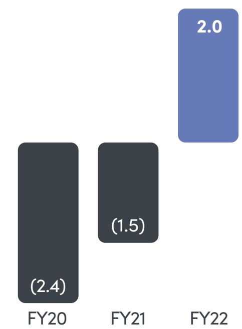
YoY **2%**

2YoY **86%**



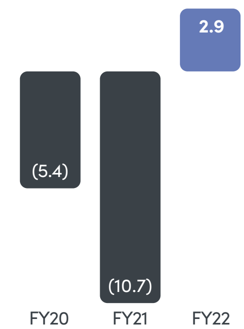
Ⓐ Adjusted EBIT

£2.0m

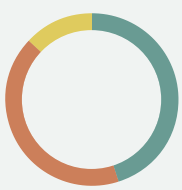


Profit/(loss) before tax

£2.9m



Sales by geography



US **45%**

UK **42%**

AUS **13%**

80%
Ⓐ Repeat Customer sales retention
(FY21: 88%)

1.5x
Ⓐ 5-Year Forecast Payback
(FY21: 2.6x)[1]

964,000
Active Angels
(FY21: 886,000)

24%
of Angels on subscription products Never Miss Out and Wine Genie
(FY21: 20%)

32.6m
reviews
(FY21: 28.9m)[2]

£21.2m
Ⓐ Standstill EBIT
(FY21: £39.3m)

1 Latest forecast, original forecast 3.0x. See page 13 for further details.
2 Total number of reviews in our database.

Ⓐ See information on alternative performance measure definitions on pages 118 and 119.

* cc – sales growth at constant currency

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

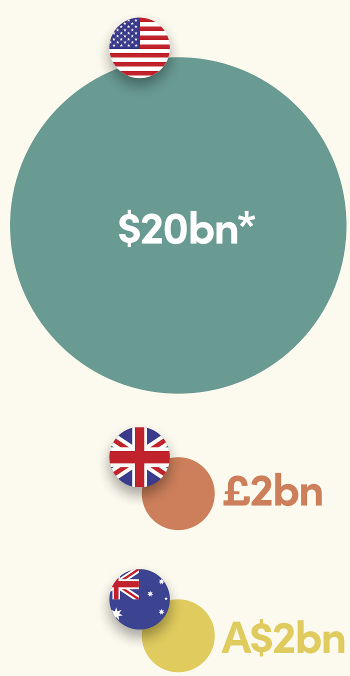
We pass these preferential prices on to our customers and customise our recommendations to them based on 32.6 million customer reviews, which helps to inform our Angels' decision making process and provide a more meaningful customer experience overall compared to the traditional wine purchasing channels.

Our purpose
Connect everyday wine drinkers with the world's best independent winemakers, building meaningful connections and providing an elevated value proposition to both.

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 the entire wine industry works by shaping our value proposition to both consumers and winemakers while building brand awareness and enhancing both the quality of our offerings and the overall user experience.

We see potential for market share gain in all our geographies. 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: internal research 2020

* Commenced shipment to Kentucky in FY22, Alabama license pending. Together these add an additional ~$0.3bn.

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 $25bn TAM

1 The 44 states Naked currently ships to represent more than 90% of consumers in the US.

Chairman's letter

Charting a course to responsible, sustainable growth

With a market ripe for disruption and our greater scale achieved over the past few years, this is a moment to be bold, but also thoughtful.

Darryl Rawlings
Chairman

This letter marks my first year since assuming the role of Chairman of Naked in August 2021.

Over the course of the past two years, Naked has thrived despite market and business challenges. Our team executed with diligence and drove substantial growth in both Active Angels and Winemakers from FY19-21, increasing our scale and giving us greater resources to invest in growth. In FY22, we consolidated these gains with incremental growth that, while below the expectations set out at the beginning of the year, further raised the platform on which we will execute against our large future growth opportunity.

In my role as Chairman, I'm aware that this is a key moment in determining how we utilise our platform to achieve our ambitions. Like any other business emerging from the pandemic, we must candidly revisit our goals, how we do business and how we apply the learnings of the past two years to best achieve our opportunities. For Naked's business, the team recognises that consumer behaviours will evolve and that we also must execute with discipline amid lingering challenges ranging from supply chain disruptions, recessionary economic conditions and global conflict.

Despite external unpredictability, there is significant good news for Naked: our central opportunity to disrupt the wine industry is as strong and realisable as ever. We estimate a $25 billion market opportunity and we have plenty of opportunities to grow in all our markets, especially the largest, the US.

With a market ripe for disruption and our greater scale achieved over the past few years, this is a moment to be bold, but also thoughtful. To achieve our ambitions, we cannot just grow for growth's sake; rather, we must chart a course for responsible, sustainable growth.

That starts with ensuring we fully appreciate our underlying strength and how best to optimise it in preparation for growth. The core of Naked's business, and our opportunity, is our value proposition to winemakers and to Angels. We are delivering to a high standard today, but it's management's assessment that we have much to improve upon and the Board agrees.

> “With a sharp focus on the quality and value of our customers, winemaker partners and the products we deliver, we believe we will be in the best position to drive intrinsic value creation for all of our stakeholders.

Unit economics matter in a consumer-driven business and over time Naked has proven its economic model. As the CEO of a US consumer-facing technology-driven company as well as Chairman of Naked, I greatly value Naked’s strong orientation to operating in a data-driven manner. Culturally and financially, this is very important to driving sustainable growth.

The team recognises that as we grow and consumer behaviours evolve, so must we. This starts with a sharper focus on driving improvement in the lifetime value (LTV) of our now 964,000 Active Angels. Naked has doubled its revenue over the past several years and has a large addressable market. We want to optimise the value we derive from that market; to do so you will see us adjust our go-to-market strategies toward driving higher LTV. Nick’s report covers these strategies in more detail; in the big picture they are designed to drive spending efficiencies and better results in both new customer acquisition and driving repeat order activity and “winbacks” of former members returning to Naked.

We are also focusing on quality across our range of products as we continue to introduce new relationships with well-known winemakers. This report highlights some of the exciting new wines we’ll be bringing to our Angels this coming year and beyond.

To an extent, our focus on quality relative to quantity informs the preliminary trading outlook we’ve provided for FY23. That said, we are confident that our approach will be in service to our objective of continuous commercial improvement that delivers a larger, and also more valuable, customer base over time.

Underneath the tweaks Nick, Shawn and their teams are making to the business model, our Board is taking fundamental steps to better position Naked to capture our largest opportunity in the US. Not only is our TAM larger in the US, our business model is tailor-made for that market. American consumers appreciate doing business with sustainable, responsible companies that can improve their lives by delivering higher quality experiences at lower cost and we believe wine is one of the dwindling number of large markets in the US that have yet to be significantly disrupted. Nearly a century after Prohibition in the US, the legal structure around the drinks industry affords ample room to distributors to benefit from economic inefficiencies in the transportation, sale and delivery of wine.

Driving intrinsic value creation for all stakeholders

We aim to dramatically close that gap. Achieving it will bring great benefits to shareholders but achieving it responsibly will bring even greater benefits to all of Naked’s stakeholders. This report outlines our substantial achievements in sustainability and I’m proud to represent a company with Naked’s track record.

Governance is also a critical component of growing responsibly. Naked’s regular refresh of its Board ensures we mix continuity with fresh opinion and insight. I want to thank David Stead and Katrina Cliffe for their outstanding work and contributions as non-Executive Directors over the past five and three years, respectively. I’m also greatly looking forward to partnering with our incoming independent Directors Deidre Runnette and Melanie Allen. Deidre and Melanie will bring deep experience in their fields to the Board and additionally their first hand experience enabling companies to successfully scale in the US market will be of great value to Naked at this stage of our development.

In Katrina’s final year with Naked, she has spearheaded a very important initiative in our responsible growth strategy. In her remuneration report she outlines our new Long-Term Incentive Plan (LTIP), designed to align equity compensation not just with financial performance but with the intrinsic value Naked creates as a corporation. The Board has observed that our prior LTIP did not optimally incentivise the interests of our people and those we hoped to recruit to the company. Our new approach is more aligned with US practice, with a central focus on intrinsic value creation, which we will now be measuring annually and our equity incentive structure will be aligned accordingly. I encourage you to review Katrina’s report to learn more.

Achieving our goals, responsibly

Our Board and team are energised entering FY23. The opportunity ahead is tremendous and we have a stronger foundation and greater scale to go after it. But how we go after it is as important as our business execution. Naked is committed to building a responsible, sustainable growth company, one with a strong focus on data-driven strategies, improving unit economics, aligned and properly incentivised people and smart capital allocation. With a sharp focus on the quality and value of our customers, winemaker partners and the products we deliver, we believe we will be in the best position to drive intrinsic value creation for all of our stakeholders.

Darryl Rawlings
Chairman

Chief Executive's review

Strong execution in the face of external headwinds

Naked navigated a dynamic consumer environment and inflationary pressures well in FY22 and consolidated the step change achieved in FY21.

Nick Devlin
Chief Executive Officer (CEO)

In the past year we have:

Consolidated last year's step change in scale and delivered 5% growth against challenging COVID-19 boosted comparatives on a constant currency basis (3% reported).

Increased Active Angels to 964,000 from 886,000 in the prior year.

Achieved sales retention of 80%, well above our guidance for the year of mid-70s, as our differentiated model resonates with our members.

Invested in reinforcing the technology infrastructure of the business to support our rapid growth and establish the platform for the years to come.

Made significant progress against key areas of strategy to enhance our customer proposition.

Successful execution in a challenging environment

Over the last year, our teams have executed effectively to enable Naked to navigate a dynamic consumer environment and inflationary pressure to deliver a year which has seen Naked consolidate the rapid gains made during the pandemic and reinforce our platform for future growth.

Throughout the year we have been pleased to see the extent to which sales retention rates have exceeded our expectations. At Naked, sales retention is the analogue to same-store sales in a traditional retail business and looks at like-for-like repeat revenue on a constant set of Angels who were members throughout the comparison period. We envisaged a fall in retention given the "excess" frequency and order values generated during the pandemic highs of FY21. Whilst our achieved retention rate of 80% trails the 83% recorded in FY20, our last pre-pandemic comparison, it exceeded our expectations of a result in the mid-70s and reflects the extent to which Angels have discovered something better than the old way of approaching wine. In any recurring revenue business the retention rate is of the utmost importance and the results achieved this year reflect the sustained hard work of our teams and our continued investment in the range and customer experience.

The corollary to the high retention rate is the continued positive development of the returns on maturing cohorts. As business metrics stabilise it is instructive to look at the latest payback estimates for these cohorts.

- All cohorts up to and including FY21 have "paid back", i.e. payback >1x
- Realised returns remain well ahead of initial projections for FY17-19 cohorts
- Our expected 5-year return for FY16 through FY21 is 2.6x, materially ahead of our target range of 1.8 – 2.2x

> "Throughout the year we have been pleased to see the extent to which sales retention rates have exceeded our expectations.

The challenges of the year

Whilst there is much that I am pleased with in how we have navigated an economic and consumer environment during FY22 that was the most challenging that I have seen in my time with Naked, it is equally clear from the table below that we have fallen short of our payback goals this year. Whilst in time I believe we may realise better than the initial projection of 1.5x, this result is still one we are disappointed with, and therefore it is worth explaining the reasons for the results we achieved and the actions we are taking to address this.

The primary challenge we have faced has been one of volatility, with consumer sentiment and behaviour evolving rapidly as markets emerged from COVID-influenced restrictions at different rates and then in the latter part of the financial year as consumers began to feel the impact of inflationary pressures on household budgets.

At Naked our investment model is based on our ability to make upfront investments to acquire New Customers and then to convert those new customers into satisfied and loyal long-tenure members. That is the real-world version of our payback calculation: investment upfront to generate a forecastable and predictable stream of cash flows over the following five years. It is fair to say that the level of volatility observed, as well as the impact of cost pressure on Repeat Contribution margins, have provided a stern test of our ability to forecast mid-term returns.

There are elements of how we have handled this where we could have done better. In particular, we might have been quicker to acknowledge that the combined inflationary pressures we saw were likely to endure, at least for the mid-term, and as such could have accelerated measures to mitigate their impact on customer LTV. Whilst those measures are now underway, for example through "winback" initiatives, the reduction in margins we saw in FY22 is currently flowing through our models and impacting our projected payback levels.

That said, throughout the year our marketing teams have operated with good discipline in their investment decisions and we have rationally pulled back spend at times where marketing inflation has rendered some channels unattractive for periods of time. The shape of our payback in FY22 reflects this, with clear action taken through the year to respond to lower than targeted returns and an improved run-rate at the end of the year, with our key US market returning to its long-term payback range in the 4th quarter.

Cohort	Age at reporting date	Ⓐ Latest 5 year (forecast)	Ⓐ Original forecast	Payback to date
FY16	73-84 months	3.1x (actual)	3.1x	3.8x
FY17	61-72 months	2.5x (actual)	2.0x	2.8x
FY18	49-60 months	2.7x	2.1x	2.5x
FY19	37-48 months	2.3x	1.8x	1.9x
FY20	25-36 months	2.6x	2.6x	1.6x
FY21	13-24 months	2.6x	3.0x	1.2x
FY22	0-12 months	1.5x	–	0.3x

Ⓐ See information on alternative performance measure definitions on pages 118 and 119.

Continuing to strengthen our points of difference

Near term operational challenges are always to be expected, even if the specifics are hard to foresee. I am pleased to say that we have maintained our focus this past year on delivering against our strategy to strengthen the consumer and winemaker proposition at Naked to best capture our long-term growth opportunity.

Enhancing our consumer proposition

We have made substantial progress against our key goals for the customer proposition over the last 12 months.

Nowhere is this more clear than in our range of wines and winemakers

At Naked our driving motivation is to create a model that is a win for both customers and winemakers. We believe that in creating a direct route to the consumer for world-class independent winemakers, we are best able to create value for our members.

Over the last year I have been delighted to welcome to Naked a number of leading winemakers from around the world that reflect the excitement in the winemaking community for the unique proposition Naked can offer. To share a few highlights:

- Rudy von Strasser chose to move exclusively to working with Naked, allowing us to share his multi-award winning Diamond Mountain cabernets with our members in the US
- Biodynamic producers Kaufmann Wines – rated as one of Germany's rising stars are an especially exciting addition. Kaufmann offered their Riesling at a special price to include as part of our Ahr Valley rescue case (see our community good causes further below) and this formed the beginning of a flourishing relationship with more wines subsequently added to the Naked UK range and a US listing to follow
- This autumn we will release the debut Naked project from Willamette Valley icon Ken Wright – attracting one of the founding fathers of the Oregon Pinot Noir scene to make an exclusive project for Angels is further testimony to the growing appeal of our platform

We are focused on expanding the diversity of choice we offer Angels in all our markets, through an increased range of styles that deliver the value we're known for while also building a more complete offering at Luxury price points. These aren't new initiatives, however, when done with authenticity the development of winemaker partnerships takes time, and I'm delighted to see the dividends of much hard work being reflected in our performance over the past 12 months.

In Australia we saw average order values increase alongside gross margin enhancement as we saw the benefits of a full review of our range. In the US an expanded selection of Luxury wines offered in our holiday quarter saw bottles sold at price points over $25 per bottle increase by 110% versus the prior year.

We have long known that the Naked model has an acute ability to disrupt the Luxury part of the wine market, where the disconnect between production cost and retail price is most pronounced. The benefits to Naked as we show an ability to grow volume in these areas are multiple:

- An ability to invest in Luxury projects further enhances our appeal to winemakers
- Angels benefit through an expanded set of choices, especially for special occasions and longer-term cellaring, whilst also able to enjoy substantial savings versus like quality wines

- As we encourage more of our Angels to shop at these price points, we develop a powerful lever to expand share of wallet and enhance LTV
- Increasing average bottle prices also offers us contribution margin efficiency as we more effectively leverage the fixed costs associated with distribution of our wines

Of course, I firmly believe the best wine is the wine that you have yet to make. As I look ahead, I'm especially excited at a series of projects we are working on with Matt Parish to showcase some of the leading vineyard sites in Napa through an exclusive AVA designate series.

Gaining important recognition for our quality

Coincident with upleveling our range of wines, we've also set out to enhance our quality perception and I am pleased to say that we have made substantial progress this year. At Naked we track our brand perception in all our markets. Our latest set of results shows marked improvements for our key quality indicator – the belief Naked 'sells high quality wine'. Equally we are seeing improvements in brand comprehension and strengthening of our association with the support of independent winemakers.

Whilst we strongly believe that the greatest validation possible for our wines is found in the 32.6 million reviews on the Naked platform, we have set out over the last year to increase the level of 3rd party recognition for our wines primarily as a way to shape the perception of Naked in the market at large. I am delighted, although not surprised, with the results:

Decanter wine awards: 226 wines entered by our US business with 163 Bronze+ winners, including two platinum awards; 75 wines entered by our UK business with 54 Bronze+ awards and 13 Bronze+ awards from our Australian business

International Wine & Spirits Competition awards: 150 wines entered by our US business with 123 Bronze+ winners; 125 wines entered by our UK business with 102 Bronze+ winners

International Wine Challenge awards: 36 wines entered by our UK business with 34 award winners

Time and again, and in the most competitive of international awards, the pattern is clear. Naked's unique model lets winemakers focus on what they do best – making world-class wine – and does so in a way that strips out unnecessary costs. That translates into consistent success when their wines are blind tasted against those of their peers.

Improving our go-to-market strategy

The challenges in the digital marketing environment in the past 12 months have been well documented and extensively discussed. This has been a period of time where two elements have been important for Naked:

1. Diversity – we diversify investment across an array of customer acquisition channels, including unique direct partnerships with third parties to distribute physical vouchers
2. Discipline – we have demonstrated, including in the past financial year, that when markets occasionally get irrational, we will hold back capital. We will continue to do so in the future

Alongside our efforts in paid marketing channels we have begun to test a number of remarketing strategies in the 2nd half of the year. We believe that these strategies have the ability to scale substantially, and over time to represent up to 40% of total new membership additions. The results to date have been encouraging and give us confidence we can scale these initiatives in FY23:

- A proven ability to "winback" material numbers of former members, via a mixture of free and paid channels. The benefits are twofold. The cost of acquisition is substantially lower, and by leveraging our machine learning models to predict likely value of former members, we have been able to achieve consistently higher LTV on winback Angels versus first-time recruits
- Proof of concept of our ability to effectively remarket to leads we have generated via paid marketing who have not converted. We believe the ability here even extends to leads that we generated a relatively long time ago – which means we have an extensive lead pool, available at little or no cost, that we have not extensively exploited to date

In the final quarter of FY22 our aggregate remarketing efforts represented 34% of members acquired, an increase from 18% in the prior year. The traction achieved here, led by our US market, played a key part in returning payback in Q4 to our long-term payback range. We believe an increasing allocation of resources to support remarketing can yield further improvements in the year ahead.

> "Time and again, and in the most competitive of international awards the pattern is clear. Naked's unique model lets winemakers focus on what they do best – making world class wine – and does so in a way that strips out unnecessary costs.

Building with sustainability at our core

In all aspects we believe that building a sustainable business that looks to have a positive impact on the communities it operates in is not just the right thing to do: it's also good business. On pages 47 to 51 of this report you can learn more about our approach to a more sustainable future, but in the past year I've been delighted to see us make progress on a number of dimensions as well as continuing to support our teams and winemakers in giving back to their communities.

As a wine company, we are acutely aware of our reliance on the planet to produce the products we sell and our role in ensuring that it is sustainable for the long term. This year we have focused on a number of initiatives to reduce the carbon footprint of Naked:

- We have saved 673 tonnes of CO_2 through the introduction of lighter-weight glass bottles. Working directly with winemakers, we see their passion for finding ways to reduce the environmental impact of our industry in ways that have no impact on consumer enjoyment. Our ability to connect winemaker and consumer directly and explain the benefits of packaging innovation has enabled us to move rapidly in this area
- Another area of innovation over the past year has been the development of a range of premium boxed wines, initially launched in our UK market. Six of our leading wines have been made available in 2.25L box formats to date, with over 12,000 Angels choosing a boxed wine in FY22

The size and strength of the Naked Angel community also gives us a unique opportunity to amplify good causes and have a positive social impact. In total in FY22 Naked raised over £1.5 million for good causes. Among my personal highlights:

- The AHR Germany campaign, where our UK business sold 3,000 cases of a six bottle German wine 'rescue case' with all profits donated to the German Wine Institute-backed Ahr Valley relief fund
- Partnering Californian winemaker Macario Montoya in his Latino Winemakers Foundation, which focuses on mentoring and advancing the careers of Latino winemakers

Our Carmen's Kids 2022 appeal to provide daily nutritious meals to hungry children in South Africa's poorest communities launched on 6 May, and once again our Angels have shown how generous they are in supporting this charity. This year we have raised over £600,000 to feed more than 27,300 children.

The next horizon for growth

When I became CEO of Naked in January 2020, I inherited a great business with a unique consumer and winemaker proposition and compelling unit economics. However, Naked had been a capital constrained company and was sub-scale as a result. Looking back, our internal ambition at the time was to double the size of the business over a five-year time horizon.

At the end of FY22, Naked by our own metrics is 183% the size it was back in January 2020 (rolling 12 month constant currency sales). Undoubtedly, external factors beyond anything we contemplated at that point have played a part in the speed of that growth, but equally the ability to scale rapidly reflects the underlying strength of the Naked model, the resonance of the proposition and the quality of the winemakers we have brought on board. As we now start to see signs emerging of a post pandemic landscape – both for consumers and for the online wine market – now is the right time to outline our beliefs for the next five years for Naked Wines.

Those beliefs start with an affirmation of what we know and have proven over time. Today Naked is the world's #1 direct-to-consumer (DtC) wine business, connecting 964,000 customers directly to over 260 world-class winemakers. This direct connection is core to our differentiation. It enables us to put great wines in the hands of consumers without costly multi-level retail infrastructure, not only saving them money but affording them the powerful emotional benefits of discovery and proximity to the vintner.

For winemakers, Naked's model offers a distinct combination of autonomy, reward and scale. We're good for their businesses, and we help them build stronger relationships with the consumers of their product.

In this way we are not only differentiating our company, we are leading a transformation of the wine industry. The powerful economics of our model lower production costs, enable the sharing of scale benefits and disintermediate traditional retail distribution.

These are enormous wins for both winemakers and consumers. Of course, our shareholders are positioned to win as well. Our attractive unit economics are proven, and we think we can make them better. And we believe we are still in the early stages of our growth, with a $25 billion TAM in our targeted markets in which we have only a 2% penetration today. Our ability to increase that penetration is further supported by consumer behavioural trends, which favour migration to online purchasing and access to products of localised provenance. If "farm to table" has helped characterise consumer preferences in the dining trade, then Naked is providing a "vine to glass" model for consumers who want to discover great wines and feel closer to the artists who craft them, but without the premium cost often associated with local provenance.

We also believe that the key elements of competitive differentiation are substantially strengthened:

- We continue to grow our network of relationships with the world's best winemakers, and to deepen those relationships.
- Our continuing revenue growth reinforces our scale advantages in production and distribution.
- We have a great opportunity to more fully utilise 13 years of proprietary data around customer behaviour, LTV and wine preferences, for the mutual benefit of our winemakers, our Angels and our Company.
- Our $60 million credit facility signed after the year end on 31 March provides us with additional balance sheet strength and flexibility.

Over the next five years we see the opportunity to double the size of Naked again through a sustained focus on enhancing the differentiation of our proposition for consumers and winemakers.

By continuing to capture share of our $25 billion TAM, we can create substantial value for all our stakeholders. And we can do that by staying true to the approach that has brought us this far: disciplined investment in growth supported by a clearly differentiated model that offers a unique win-win for winemakers and wine drinkers.

The next opportunities we will focus on

As I recall from a distant past as an undergraduate historian, there is a danger to outlining five-year plans; the future has a habit of unfolding differently to how you imagine. However, there are a number of key parts to our thinking around the future opportunity for Naked that we can share with confidence.

One guiding thought is to recognise that the path to our goal will not be linear. In FY23 our focus will be on laying the foundation for our next five years and ensuring that Naked is robustly set up for sustainable growth. There are three important objectives as part of the first horizon of our long-term plan:

1 **Ensure our contribution economics support sustainable growth**

2 **Set the right balance between quality and volume**

3 **Increase investment in translating traffic to LTV**

1 Ensure our contribution economics support sustainable growth

We've been clear that as a management team we believe in the power of sharing the benefits of scale – with our customers and our winemakers – as a method to create long-term value. However, it is important to be clear that this is not the same as a belief that (i) prices need never increase nor indeed that (ii) a scaling business should not be able to realise some improvement in margins. Instead it reflects our philosophy that when presented with a choice, we are minded to favour the path of sharing gains with all stakeholders over that of maximising short-term returns.

The past year has seen sustained inflationary pressure impact our sourcing, our supply chain and our overhead base. In response to that, we are taking measures to ensure that our contribution economics are appropriate to convert customer lifetime revenue to lifetime value at a rate that supports our growth ambitions. In doing this, the Naked model offers a number of advantages. It is helpful to outline them briefly here in turn:

1. Vertically integrated production model = high control over products and input costs
2. Exclusive brands and products = no direct consumer price comparison
3. Efficient DtC model = well positioned to minimise inflationary impact
4. Measurable consumer surplus = room to sustainably take price
5. Ownership of sales channels = scope to drive margins via range and price point mix

These are precisely the characteristics that have allowed our Australian division to increase Repeat Customer Contribution margin from 24% in FY20 to 28% in FY22 (and 30% in the final quarter of FY22). This was achieved with no impact on our sales retention rates in Australia and without compromising on the consumer surplus we believe we should offer in all parts of our range.

Indeed, in October 2021 we promoted the leader of our Australian team, Alicia Kennedy, to the new role of Chief Operating Officer (COO) for the Group – and in that capacity Alicia will be working with our teams in the UK and US as we roll out the successful learnings to those markets.

2
Set the right balance between quality and volume

All aspects of Naked have seen tremendous growth over the past two years since FY20.

- Active Angels (+66%)
- New Customer Investment (+76%)
- Repeat Customer Contribution profit (+86%)
- And all our markets

While the level of growth achieved has been impressive, it's important that we consistently challenge ourselves with a view to the most efficient and value creating way to generate sustainable long-term growth.

In parts of our business over the last 12 months we haven't got the balance quite right. We have driven volume of new members at the expense of quality and in the UK in particular have allowed our market positioning to shift to become the lowest price online player – which is not consistent with our ambition to be the world's leading quality online wine platform. Some of the impact of this can be seen in our payback outcome reported for FY22 cohorts. Whilst the payback of 1.5x is in part a factor of short-term cost pressures, we would likely have fallen slightly short of our desired return range in any event.

We have commenced work to retest our formula for customer acquisition to reflect the changes we have seen in competitor and consumer environments as well as in our own cost base. We expect that the result of those changes, which will be most apparent in the UK, will be:

- A short-term reduction in New Customer Investment
- Improved margins on New Customer sales (reflecting a reduction in subsidy of initial orders)
- Increased payback as we orientate the business towards higher quality, sustainable growth
- A reduction in FY23 revenue growth rate, driven primarily by New Customer revenue

We will accompany this work with the steps to enhance repeat contribution margins outlined above to fully exploit the potential from repositioning towards a higher quality customer mix.

3 Increase investment in translating traffic to LTV

#1
We have built Naked into the world's #1 DtC wine business

964,000
Active Angels

260+
world class winemakers

The only sustainable way to build a high growth business is to be able to convert traffic effectively to customer lifetime value. In FY23 you will see us shift the balance of our new customer marketing investment further into our customer acquisition funnel, most notably lead conversion and initial trials. For a business like Naked, converting purchase intent is lower cost and therefore more payback accretive than, for instance, further increasing paid marketing to drive additional traffic. This is of course not a new reality, and in truth I believe we have underinvested here in recent years. In FY23 we intend to set about correcting that!

We believe we have three areas in which we can effectively allocate our resources to capture these benefits and therefore strengthen Naked's underlying economics.

The first of these will be investing more in our teams that focus on Conversion Rate Optimisation (CRO). CRO has been a consistently impactful value creation lever for Naked, but we believe that we have the opportunity to accelerate the rate at which we deliver value in this area. Under the leadership of our new Chief Operating Officer (COO), we are increasing investment in our Product teams in this area and taking a more coordinated global approach to our CRO roadmap. In the last six months we have seen encouraging results in our improved ability to match our initial conversion funnel experience and New Customer offer to different types of traffic, and this is one of the areas we believe can support our objectives to drive sustainable growth.

Our second area in which we are increasing investment and applying a coordinated global approach is the challenge of converting initial trial of the Angel model to ongoing loyal members. In a model with high Repeat Customer sales retention of 80%, the impact of better conversion to second order is highly leveraged. Equally, for a business with a unique consumer proposition and an exclusive product range, new members have different needs from our long-term Angel members. We believe a coordinated effort that looks at the requirements from a wine, digital product and marketing communications perspective for Angels in their first 90 days can yield a meaningful improvement. The impact on our cohort economics, and thus our ability to invest sustainably in growth, is substantial. Improving second purchase rates by 10% should drive a 3ppts improvement in cohort IRR. Why are we confident in our ability to achieve this? Put simply, this is the single area in which our underinvestment is most stark! To date we have had no dedicated resources aligned to this part of the journey, so we start with a relatively clean slate and a rich set of hypotheses to test.

The third part of our focus on sustainable growth economics is a continuation of work we have begun this year to better monetise the leads we already have in our business. As Naked has aged, we have amassed a large and valuable pool of leads, both (i) former members, who we have shown remain highly engaged and often willing to rejoin, and (ii) prospects we have details for who have never yet tried our wine. In FY22 we have made substantial progress in building effective and repeatable marketing campaigns to better realise value from these lead pools; however, I expect we will be able to make further progress here in the year ahead. To do so we will be allocating more internal resources to content generation and remarketing and ensuring that our internal incentives reward value creation via remarketing as effectively as the investment to acquire first-time new members.

Future prospects

We have built Naked into the world's #1 DtC wine business, connecting 964,000 customers to over 260 world class winemakers. Over the course of the two and a half years since we took the decision to dispose of our UK retail assets to focus on the growth of Naked globally, we have nearly doubled the size of Naked Wines.

At a time when consumers and winemakers around the globe are facing a challenging economic outlook, I believe Naked is more relevant than ever. Our differentiated model is a win for winemakers, offering them a path to scale, financial security and the platform to build the leading wine brands of the future. For consumers, our mission to strip out the unnecessary and non value-adding layers of intermediary and offer direct access to world-class wine has never been more relevant.

I'm more motivated than ever to build a better alternative to "wine as usual".

Nick Devlin
Chief Executive

Our mission

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 we are solving for wine drinkers

- Unhappy with their level of product choice and knowledge
- Told by the industry what to drink and what to like
- Lack of guidance provided in the buying process
- Paying too much for good-quality wine

Problems for winemakers

- Left exposed by the secular shift to online spending
- Difficulty securing long-term financing and regular orders
- Immense pressure to meet stringent cost levels and unrealistic production time limits
- Small business pains including scalability and high marketing costs due to lack of scale

Like their counterparts in any other industry, winemakers aim to continuously improve their products by seeking out consumer feedback, employing the latest techniques in winemaking and experimenting with new blends to create exceptional wines. They do all of this while trying to manage the challenges of incurring considerable upfront costs to produce their wines before eventually getting paid.

These challenges are compounded by the fact that there has been little change in the way wine is sold, especially in the US, for the past 100 years. This results in a lot of friction, and added cost, for both the winemaker and the consumer.

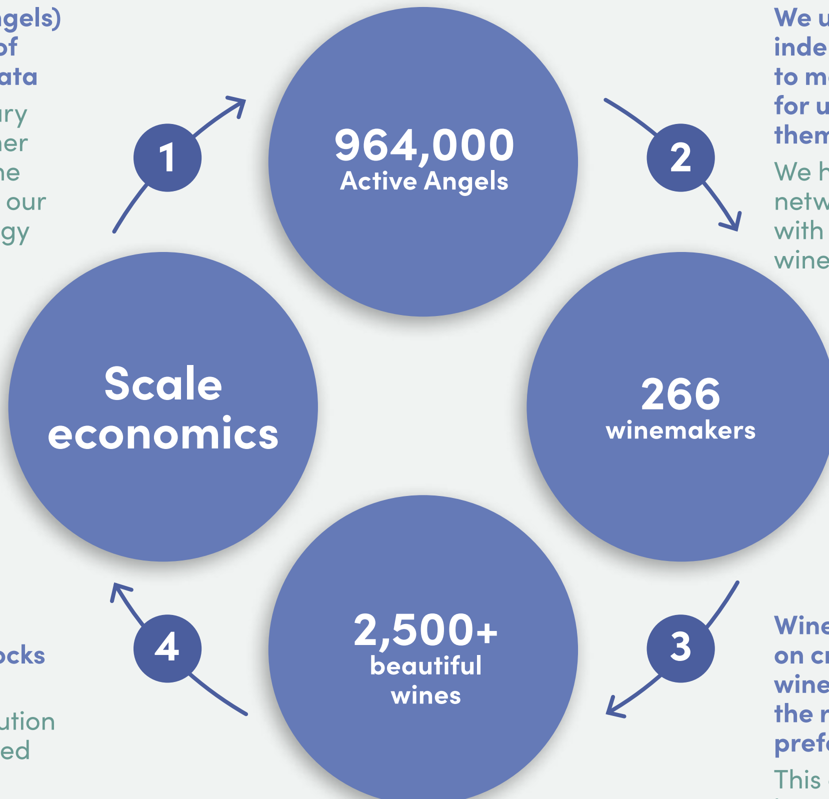
The solution

At Naked Wines, we are easing the friction by disrupting the wine industry. We enable our winemakers to focus on making great wines with security and stability, while offering our consumers those great wines at exceptional value. We do this by cultivating a community of Angels – rapidly approaching one million in number – who enjoy supporting our winemakers as much as they enjoy drinking their wine.

We build a culture of trust and support with our winemakers: we agree to orders in advance, with a fixed fee per bottle, so they have certainty of our upfront commitment. Winemakers can be paid in advance, empowering them to buy better-quality grapes. We also provide product purchasing data and feedback from our Angel base and the benefits of a scale producer for commodities like dry goods (bottles, corks, etc.).

Ultimately, what we have created is a virtuous circle that connects wine drinkers with the world's best independent winemakers. This circle facilitates information and insights for our Angels, connects them with winemakers and links the winemaking process and the winemakers directly to consumers. This leads naturally to scale benefits for all, including Naked Wines.

Our virtuous circle, and the benefits of scale



Our subscribers (Angels) generate a stream of cash and product data

13 years of proprietary data around customer behaviour, LTV & wine preferences informs our go-to-market strategy

We use this money to back independent winemakers to make wine exclusively for us; the data enables them to make better wine

We have built a growing network of relationships with the world's best winemakers

Winemakers focus on creating beautiful wines and we handle the rest – resulting in preferential prices

This offers our Angels beautiful wines which drives higher retention.

Building a bigger, better business unlocks scale economies

Production & distribution efficiencies are shared with winemakers & customers, while preserving attractive margins

Our differentiated model

Our model is hard to replicate

Our ecosystem is well established with high barriers to both entry and scale. Over Naked's 13 years in operation we have:

Been at the forefront of transforming the wine industry

In providing a compelling alternative to traditional wine distribution channels for both winemakers and consumers. Our business model enables scale, with quick delivery to our 964,000 Active Angels across our core geographies, who participate in an enthusiastic community that fosters discussion with our unbeatable network of fantastic winemakers.

Built unrivalled technology

We own unique and valuable technology and data that enables fulfilment providers, class leading customer service, and social interactions with winemakers that gets better every year informing customer purchasing decisions.

Sustained investments to support growth

It takes time and sustained investment to build a brand, recruit winemakers, produce wine, build a distribution network and recruit our community of Angels, all of which we have continued to pursue in support of long-term growth of the business.

Created a direct bond between customers and winemakers

We operate in large and growing markets with favourable industry dynamics, with access to exclusive wines and winemakers and an incredibly loyal customer base that drives Repeat Customer sales.

Deep relationships with:
- Our 266 independent winemakers
- Our 964,000 Active Angels
- Marketing partners
- Distribution networks

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

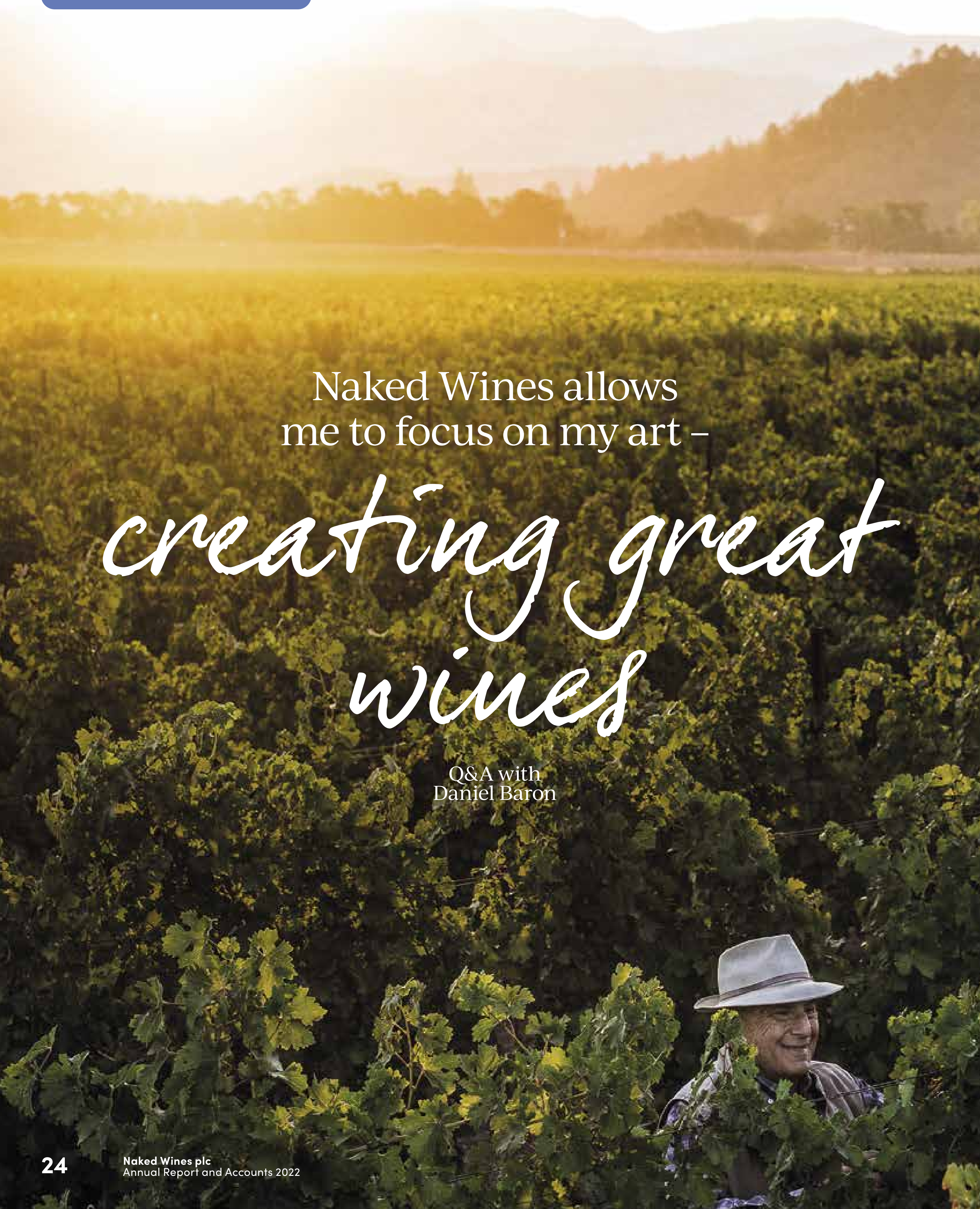
Our critical assets

Strong capital position
- £40 million available cash at year end
- Continued investments to support growth and drive future value

Strong leadership and culture
- Innovative culture that is both nimble and disruptive
- Analytical, data-based decision-making and accountability
- Lean team structure that enables greater scale as sales grow
- Community-focused

90%
of consumers would buy from us again

Data-informed strategy
- 32.6 million ratings and reviews from customers
- Understanding of customer characteristics that improves targeted advertising



Naked Wines allows me to focus on my art – *creating great wines*

Q&A with
Daniel Baron

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

A.

This year will be the fourth vintage with Naked Wines. It is incredible how quickly that has gone by and it has been extremely enjoyable.

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

A.

There are many highlights of course, but the interaction with the Angels is something I only get with being part of Naked Wines. I've been in the wine business for over 50 years and you meet a lot of people at events, but you rarely get to have such a close and direct involvement with the consumers. I've always had a vision of making exceptional wines of quality that are both accessible and affordable. Naked Wines allows me to do that and to hear straight away the consumer reaction, and that is so valuable. There is always an interesting tension in how we educate the consumer versus how we adapt to the consumer, and the feedback loop with Angels really creates an excellent forum for that interaction.

Q. How has Naked supported your business?

A.

With their support they have allowed me to have my own brand, something I've wanted to do my entire career. Creatives like me are rarely good at the commercial, financial, sales aspects of any business. With their support I can focus on my art, what I love to do, which is create great wines. I get to bring my personality into the wines, and the sense of humour and irreverence is there in my labels, although I am always serious about making great wine. Whereas before I was limited to making the house style, Naked empowers me to make my own style, which has been incredibly rewarding.

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

A.

I've always dreamed of going back to Bordeaux, and with Naked Wines we are exploring the possibility of bringing this dream to life. It is still early, but it is an exciting adventure to come full circle on my wine career, back to where I learned so much four decades ago. It is such a privilege to return to a classic home of fine wine.

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

A.

Naked has been very supportive in our community. In my life, I've always believed in the value of diversity. When we enjoy wine from other regions, we embrace an incredible amount of diversity. The more we explore, the more open we become to different expressions and tastes, and I believe this carries over into our lives.

Naked Wines recently partnered with The Roots Fund, a non-profit organisation dedicated to creating and building diversity for the BIPOC community within the wine industry. I was fortunate to be selected as a mentor to a young woman from Baltimore, Maryland, transitioning from her career as a teacher into becoming a winemaker. She is the first recipient of the Emerging Vintner Mentorship, and is producing her first vintages of Chardonnay – both Oaked and Unoaked. This is exciting for both of us!

Financial review

Consolidated the step change achieved last year to deliver continued growth in winemakers and Active Angels in FY22, as well as positive Adjusted EBIT

Naked Wines delivered another solid year in FY22, building on the scale we've implemented throughout the business and despite difficult comparisons to FY21. We are better positioned than ever to capture the tremendous opportunity ahead of us, with continued enhancements to our overall value proposition and planned investments in customer acquisition.

Shawn Tabak
Chief Financial Officer (CFO)

Group performance

Naked Wines continues to disrupt the wine industry with its superior value proposition for both winemakers and consumers. We've come a long way in building what today is a pre-eminent online wine marketplace. And we still have significant opportunity to grow and scale the business by capturing more of our estimated $25 billion total addressable market (TAM). We aim to do so by investing intelligently in customer acquisition and our value proposition, persistently employing a data-driven focus on unit economics.

In FY22, Naked Wines continued to increase sales on top of significant acceleration in the business in the prior year. Repeat Customer sales increased 13% over FY21 on a constant currency basis, driven by strong sales retention of 80% and execution in the business.

Our loyal Angel base continues to enhance our appeal to top winemaking talent. And as we've grown (78% constant currency sales growth comparing FY22 to FY20), we've been able to add even more talented winemakers producing beautiful wines that continue to improve and enhance the customer value proposition.

Our Angel subscriber base increased to 964,000 Active Angels, a 9% increase over FY21. Repeat Customer Contribution profit was £86.2 million, a £1.3 million increase over FY21, driven by the increase in Repeat Customer sales and offset by a decrease in our Repeat Customer Contribution margin driven by disruption in the global supply chain and increases in logistics and transportation costs.

We invested £41.3 million in acquiring New Customers in FY22 (FY21: £50.0 million, FY20: £23.5 million), lower than in FY21, when we increased investment spending to capture the decrease in acquisition costs during COVID-19 lockdowns. FY22 Investment in New Customers was 76% higher than FY20.

This year's investment delivered a 5-Year Forecast Payback of 1.5x (FY21: 2.6x, original forecast 3.0x), reflecting both the effects of easing lockdowns in our markets and a challenging consumer environment, and higher performance marketing and logistics and transportation costs.

Adjusted EBIT was £2.0 million (FY21: £(1.5) million), driven by strong Repeat Customer sales and expense control.

Solid FY22 performance

The Group delivered total sales of £350.3 million, an increase of 5% over FY21 on a constant currency basis (+3% on a reported basis). This year-on-year increase was driven by strong retention and demand from existing members, as Repeat Customer sales increased 13% on a constant currency basis to £315.1 million. This was partially offset by an expected decrease in New Customer sales of 38% on a constant currency basis compared to the high-volume environment seen during the height of the pandemic in FY21. On a two-year stacked basis, Group sales increased 78% over FY20 on a constant currency basis (+73% on a reported basis).

Gross profit was £141.7 million for the full financial year, with a gross profit margin of 40%, a 60 basis point increase over the prior year, driven by a higher mix of Repeat versus New Customer sales in the current year compared to the prior year and improvement in Australian gross margins.

Fulfilment costs were £62.6 million for FY22, representing 18% of total sales, a 70 basis point increase over the prior year. This increase was primarily driven by increased logistics and transportation costs. During the year, we implemented automation in our UK distribution centre and remodelled our US distribution network. The latter resulted in additional cost of approximately $1.5 million to transport inventory from our legacy Napa warehouse to four warehouses that are closer to both our distribution centres and our customers.

	FY22 £ million	FY21 £ million	FY20 £ million	YoY var	2YoY var
Total sales	**350.3**	**340.2**	**202.9**	**+3%**	**+73%**
Constant currency growth				+5%	+78%
Cost of sales	(208.6)	(204.7)	(125.3)	+2%	+66%
Gross profit	**141.7**	**135.5**	**77.6**	**+5%**	**+83%**
Gross profit margin	40%	40%	38%	60bps	220bps
Fulfilment costs	(62.6)	(58.3)	(35.0)	+7%	+79%
% of total sales	18%	17%	17%	70bps	60bps
Ⓐ **Contribution profit**	**79.1**	**77.2**	**42.6**	**+2%**	**+86%**
Contribution profit margin	23%	23%	21%	(10)bps	160bps
Advertising costs	(34.1)	(42.3)	(19.8)	(19)%	+72%
% of total sales	10%	12%	10%	(270)bps	Flat to FY20
General and administrative costs[1]	(43.0)	(36.4)	(25.2)	+18%	+71%
% of total sales	12%	11%	12%	160bps	(10)bps
Ⓐ **Adjusted EBIT**	**2.0**	**(1.5)**	**(2.4)**	**+233%**	**+183%**
Finance income/(costs)	1.0	1.0	(0.5)	Flat to FY21	N/A
Ⓐ **Adjusted profit/(loss) before tax**	**3.0**	**(0.5)**	**(2.9)**	**N/A**	**N/A**
Ⓐ Adjusted items	(0.1)	(10.2)	(2.5)	N/A	N/A
Profit/(Loss) before tax	**2.9**	**(10.7)**	**(5.4)**	**N/A**	**N/A**

1 General and administrative costs reported here are as per the income statement excluding £(1.3) million of acquisition related amortisation costs, £1.1 million of fair value adjustments relating to open FX contracts and £0.1 million of plc foreign exchange revaluations (see note 7 Adjusted items for further information). General and administrative costs reported here include £3.0 million of Marketing R&D and £1.1 million of share-based compensation.

Ⓐ See information on alternative performance measure definitions on pages 118 and 119.

Contribution profit was £79.1 million for the full financial year, with a Contribution profit margin of 23%. This is approximately flat to FY21, as fulfilment cost headwinds were offset by a higher mix of Repeat versus New Customer sales in the current year compared to the prior year. Where possible, we have sought to mitigate or absorb cost pressures through efficiencies from scale and cost savings initiatives.

Advertising costs were £34.1 million in FY22, representing 10% of total sales, a 270 basis point decrease over the prior year. Advertising costs predominantly relate to the acquisition of New Customers. This spend was lower than initially planned as we responded to the lower 5-Year Forecast Payback of customer cohorts.

Total general and administrative costs in FY22 were £43.0 million, representing 12% of total sales, a 160 basis point increase over the prior year primarily driven by a step up in technology-related costs to improve the customer experience and to support the significant growth in the business over the past two years, as well as anticipated future growth. Total general and administrative costs as a percent of sales was flat to FY20. We invested £3.0 million in Marketing R&D primarily related to testing opportunities to increase the awareness, quality perception and trust in our brand.

Adjusted EBIT was £2.0 million (FY21: £(1.5) million loss), reflecting Repeat Customer Contribution profit of £86.2 million and other contribution of £0.1 million, less Investment in New Customers of £41.3 million and general and administrative costs of £43.0 million.

The statutory profit before tax of £2.9 million (FY21: £(10.7) million loss) was driven by:

- Adjusted trading performance as set out above, plus net finance income
- Fair value adjustments to open foreign exchange contracts and plc foreign currency balances; and
- The amortisation of acquired intangible assets

New and Repeat Customer breakdown

In FY21 we saw extraordinary circumstances driven by lockdown restrictions related to the pandemic, which drove lower acquisition costs in FY21 as well as a spike in customer demand and higher order frequency as people remained at home at levels never seen before. Due to this dynamic, year-over-year comparisons for FY22 relative to FY21 reflect normalisation of customer behaviours coming out of the height of the pandemic. Overall the business has grown substantially from pre-Covid levels and we continued to grow the business in FY22.

A	FY22 £ million	FY21 £ million	YoY var
New Customer sales[1]	34.0	56.4	(40)%
New Customer Contribution loss[2]	(7.2)	(7.7)	(6)%
Advertising costs	(34.1)	(42.3)	(19)%
Investment in New Customers	(41.3)	(50.0)	(17)%
Repeat Customer sales[1]	315.1	283.9	+11%
Constant currency growth			+13%
Repeat Customer Contribution profit[2]	86.2	84.9	+2%
Repeat Customer Contribution margin	27.4%	29.9%	(250)bps
Key performance indicators (KPIs)			
Repeat Customer sales retention	80%	88%	(800)bps
Active Angels	964k	886k	+9%
5-Year Forecast Payback	1.5x	2.6x	(1.1)x
Year 1 Payback	68%	82%	(1,400)bps
Standstill EBIT	21.2	39.3	(18.1)

1 Total sales = New sales + Repeat sales + other revenue of £1.2m (FY21: nil) relating to the non core disposal of wine volumes to maintain optimal inventory.
2 Total Contribution profit = New Customer Contribution loss + Repeat Customer Contribution profit + other contribution of £0.1 million (FY21: nil) relating to the non core disposal of wine volumes to maintain optimal inventory.

A New Customers

Investment in New Customers was £41.3 million in FY22 compared to £50.0 million in FY21. Our FY22 investment spend reflects New Customer Contribution loss of £7.2 million and advertising costs of £34.1 million. This compares to New Customer Contribution loss of £7.7 million and advertising costs of £42.3 million in FY21. In FY22, we decreased our advertising spend to account for the lower payback of New Customer cohorts.

Our 5-Year Forecast Payback was 1.5x in FY22, below our prior year 5-Year Forecast Payback of 2.6x, primarily driven by changes in the consumer environment as well as the inflationary pressures noted.

We utilise a number of diverse marketing channels, which provides us with flexibility in adjusting channel priorities based on market conditions and shifts in consumer behaviour. Our offline voucher channel remains a strong channel, with over 800 partners globally. Our online channels, including social, search and affiliates, represent growth opportunities as we optimise our unit economics for these channels, including strategies to improve the conversion of customers from website traffic to first purchase, as well as the early life retention of customers. We expect to continue to invest in Marketing R&D, including testing to understand the impact of brand investments; we expect that brand investments will increase the awareness, quality perception and trust in the brand, thereby enhancing the effectiveness and efficiency of performance marketing investments.

A Repeat Customers

Repeat Customer sales were £315.1 million, a 13% increase on a constant currency basis over the prior year (+11% on a reported basis). We continue to enhance our customer proposition with a broader range, and by adding more talented winemakers who are making beautiful wines.

We saw an increase in our subscription offers Never Miss Out to 366,000 annual subscriptions (FY21: 295,000) and Wine Genie to 18,000 subscriptions (FY21: 17,000), which continue to add further value for our Angels. On average, Never Miss Out customers have 1.9 active subscriptions. These subscriptions increase customer lifetime value, and we continue to review further enhancements to these and to roll them out at greater scale.

Repeat Customer sales retention was 80% in FY22 (FY21: 88%), a decrease over the prior year reflecting the strong comparative to the higher order frequency and lower cancellations experienced during COVID-19 lockdowns last year.

Repeat Customer Contribution profit was £86.2 million in FY22, a £1.3 million increase over the prior year. Repeat Customer Contribution margin was 27%, a 250 basis point decrease compared to the prior year driven by higher storage, transportation and logistics costs in the US and the UK, as well as non-recurring costs for the US distribution network remodel, offset by a higher gross margin in Australia.

A US segment

£ million	FY22	FY21	YoY %
Total sales[1]	157.4	161.7	(3)%
Constant currency growth			+2%
Repeat Customer sales	138.7	129.8	+7%
Constant currency growth			+11%
Investment in New Customers	(23.2)	(33.4)	(31)%
Repeat Customer Contribution profit	46.6	47.9	(3)%
Repeat Customer Contribution margin	34%	37%	(330)bps
Adjusted EBIT	8.6	2.0	+330%

Total US sales were £157.4 million in FY22, a 2% increase over the prior year on a constant currency basis (3% decrease on a reported basis). The year-over-year increase on a constant currency basis was driven by an increase in Repeat Customer sales of 11% on a constant currency basis (+7% increase on a reported basis), partially offset by a decrease in New Customer sales as a result of lower investment spend on New Customers during the year.

US Adjusted EBIT was £8.6 million, reflecting a Repeat Customer Contribution profit of £46.6 million and other contribution of £0.1 million, less Investment in New Customers of £23.2 million and general and administrative costs of £14.9 million.

US Repeat Customer Contribution margin was 34%, the highest in the Group, driven by the three-tier distribution model in the US market, which drives up prices. The margin decreased 330 basis points over the prior year, driven by higher storage, transportation and logistics costs, as well as the US distribution network remodel.

Foreign exchange rates offset reported growth in the US segment, as the average monthly rate for FY22 was USD/GBP 1.368, a 5% increase over FY21.

A UK segment

£ million	FY22	FY21	YoY %
Total sales	147.0	133.1	+10%
Repeat Customer sales	135.6	115.8	+17%
Investment in New Customers	(13.5)	(11.1)	+22%
Repeat Customer Contribution profit	28.2	27.3	+3%
Repeat Customer Contribution margin	21%	24%	(280)bps
Adjusted EBIT	8.1	10.9	(26)%

Total UK sales were £147.0 million in FY22, representing growth of 10% compared to FY21 driven by an increase in Repeat Customer sales of 17%, partially offset by a decrease in New Customer sales.

UK Adjusted EBIT in FY22 was £8.1 million, reflecting Repeat Customer Contribution profit of £28.2 million less Investment in New Customers of £13.5 million and general and administrative costs of £6.6 million.

UK Repeat Customer Contribution margin was 21%, a 280 basis point decrease over the prior year driven by higher transportation and logistics costs.

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

A Australia segment

£ million	FY22	FY21	YoY %
Total sales	45.9	45.5	+1%
Constant currency growth			+2%
Repeat Customer sales	40.8	38.3	+7%
Constant currency growth			8%
Investment in New Customers	(4.6)	(5.5)	(16)%
Repeat Customer Contribution profit	11.3	9.7	+16%
Repeat Customer Contribution margin	28%	25%	+240bps
Adjusted EBIT	2.9	0.9	+222%

Total Australia sales were £45.9 million in FY22, representing growth of 2% over FY21 on a constant currency basis (1% increase on a reported basis), also driven by an increase in Repeat Customer sales, partially offset by a decrease in New Customer sales.

Australia Adjusted EBIT was £2.9 million in FY22 reflecting Repeat Customer Contribution profit of £11.3 million less Investment in New Customers of £4.6 million and general and administrative costs of £3.8 million.

Australia Repeat Customer Contribution margin was 28%, a 240 basis point increase over the prior year, driven by gross margin improvements. The improvements in gross margin were driven by price increases across the range as well as through rationalisation of the wine in the portfolio.

Foreign exchange rates did not have a material impact in the Australia segment, as the average monthly rate for FY22 was AUD/GBP 1.850, a modest 1% increase over FY21.

1 Total sales = New sales + Repeat sales + other revenue.

Ⓐ Standstill EBIT

Standstill EBIT, the Adjusted EBIT which we would report if we had invested in New Customers to replenish the current customer base only, rather than for both replenishment and growth, was £21.2 million in FY22 (FY21: £39.3 million). This metric can help investors understand the steady state EBIT that the business would generate if we chose not to invest for growth and is indicative of the cash generation profile of the business. Additionally, this metric is an estimate based on KPIs that drive long-term value. As a result of the pandemic, some of these KPIs have deviated from their long-term averages. As a result, we have provided a pro-forma Standstill EBIT which uses three-year trailing averages for these KPIs. See page 120 for the calculation of our Standstill EBIT.

Financing costs and taxes

Net finance income was £1.0 million in FY22, similar to the prior year. This income was derived principally from the non-cash amortised interest income on the loan note created as part of the disposal of the Majestic business in 2019 and from cash held on deposit with a range of banks.

Tax charges totalled £0.5 million in FY22, reflecting an effective tax rate of 17.1%. This is made up of a £2.0 million current tax charge, made up almost exclusively by corporate tax borne in our US and Australian markets, offset by a deferred tax credit largely driven by the recognition of a deferred tax asset of previous capital losses expected to crystallise in the next financial year.

Cash and cash flow drivers

Cash at 28 March 2022 totalled £39.8 million compared to £85.1 million at the end of FY21. We employ a balanced capital allocation strategy, prioritised by maintaining sufficient cash and liquidity to operate the business, given the seasonality in our inventory purchasing cycle and our sales. We balance this with investing in strategic growth, where we see compelling opportunities at attractive returns in excess of our weighted average cost of capital (WACC) and internal hurdle rate. We would expect to return any excess capital beyond those priorities to shareholders.

Growth investments are geared towards customer acquisition, our customer proposition and our go-to-market strategy, as well as investing in inventory to increase product availability and deliver on our growth plans and key strategic objectives. Given the investments we plan to make in the growth opportunities we see before us in the coming year, we are not anticipating any distributions or returns of excess capital to shareholders at this time.

Given the challenges presented by supply chain disruptions combined with the higher demand seen in FY21, we invested £61.2 million of cash in FY22 to grow our inventory in order to maintain product availability and ensure an excellent customer experience for our Angels. We will continue to run the business at a higher inventory level as needed to support our anticipated growth, while carefully managing levels to demand.

On 31 March 2022, we raised a $60 million credit facility with a syndicate of banks. Under the facility we may borrow against our US inventory. Borrowings bear interest between Secured Overnight Financing Rate (SOFR) +325bps and +375bps. On completion of the facility, the Group drew, and continues to draw, $21 million consistent with the facility cash deposit covenant. Management has assessed covenant compliance in respect of the facility over the next 12 months and while the base case forecast highlights sufficient liquidity over this time period, in a downside scenario there is uncertainty over compliance with covenants in future quarters. See page 39.

In FY22, we utilised £43.6 million of free cash flow, primarily driven by an increase in inventory holdings of £61.2 million, offset by cash inflow of £3.6 million and £12.9 million from increases in deferred income and trade payables, respectively. See page 120 for the calculation of free cash flow.

Outlook

There are a few themes that are relevant to our FY23 guidance. First, we have seen and continue to expect a measure of enduring inflationary pressure in all markets. Second, consumer sentiment has been impacted by inflation and the geopolitical environment, which we expect to continue to some measure. And finally, as we shift our UK business toward a more premium offering, we expect to invest approximately £5 million less in Investment in New Customers with relatively flat year-on-year sales in that segment as we reposition the customer base toward higher quality revenue.

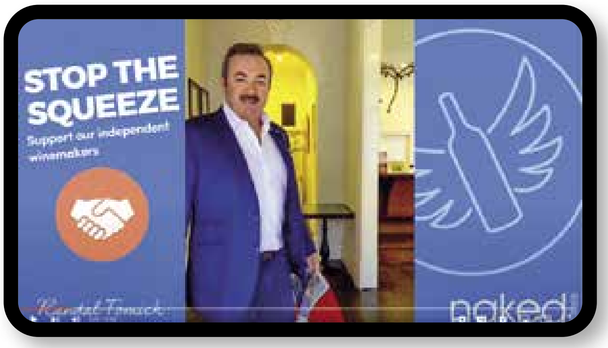
Given the current macroeconomic environment, which has greater uncertainty, we expect to manage to on or around a break-even adjusted EBITDA (excluding share-based compensation and non-cash charges). Additionally, given this uncertainty, we provide the following guidance and will update as the year progresses:

- Total Group sales expected to be in the range of £345 million to £375 million (-4% to +4% on a constant currency basis). This sales guidance is based on a USD/GBP exchange rate of 1.299. Furthermore, we expect year-on-year sales growth to accelerate throughout the year.[1]
- Investment in New Customer acquisition expected to be in the range of £30 million to £40 million, as we maintain our disciplined approach to investment spending.
- Repeat Customer Contribution profit is expected to be in the range of £83 million to £93 million.
- General and administrative costs are expected to be in the range of £45 million to £48 million. Additionally we expect to invest £5 million in Marketing R&D and incur £4 million of share-based compensation.

Shawn Tabak
Chief Financial Officer

1 Please note that FY23 is a 53-week year (occurs every seven years given our 4-4-5 retail fiscal calendar), which adds approximately £5 million of sales or two percentage points of growth.

Supporting our *communities* in Australia



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Stop The Squeeze

With a new tariff on wine exports to Australia of up to 212% for at least five years, Naked Wines launched its Stop the Squeeze campaign at the end of 2020 to support Australian winemakers to sell their premium wines at a fair price, with a AUD5 million rescue fund. Our Aussie Angels couldn't wait to get behind the winemakers and support.

To date, we've sold over $2 million, seeing a 30% uplift versus normal Angel buying behaviour. With 10 winemakers involved and five already sold out, we are pleased with the results and the support we've been able to provide.

Flood Relief

Record flooding across Australia saw New South Wales declare a state of emergency in the region. With over 8,000 Angels directly impacted by floods, Naked supported its Angels with an option to pause payments for flood impacted postcodes as well as a special Flood Relief case, with 100% of profits donated to support flood relief programmes.

Our Customer Happiness team has worked with over 250 Angels to pause their payments and sold over 2,000 Flood Relief cases, supporting a relief donation to help those in need.

Octaster Harvest, Cellar Door

We set out to bring community wine events to our Angels during a period of restrictions. Over four weeks we held free Angel-exclusive virtual events with 30 Aussie and Kiwi winemakers, aimed at educating and connecting our Angels.

Over 2,000 of our Angels signed up with over half of attendees purchasing the Octaster tasting pack. We saw great engagement, with 83% saying they enjoyed the event and 85% signing up for further wine tasting and education events.

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Growing our pool of productive investment

Over the last year we have had the opportunity to continue to grow our pool of productive investment, stretching beyond our heritage of direct response marketing and increasingly looking to communicate our story and differentiated proposition via different media channels.

Q. What was our aim?

A. Our aim was to understand if we could use TV campaigns, both media and direct response, as well as outdoor campaigns, including billboards, to grow the public's comprehension of Naked and drive favourable movement in several key metrics, including quality perception. We wanted people to not just know about Naked, but to know the right things about us, as we believe this will translate into higher quality customers in the future.

Q. What did we do?

A. We ran an eight-week campaign across three regions to learn which channels provide the best responses, are affordable and have the potential to provide a solid and measurable payback.

Q. What were the results?

A. We defined several measures to assess the success of our trial – we had goals around improving awareness, comprehension and quality perception of the Naked Wines brand.

By leading campaigns with our winemakers, we improved our key metrics, endearing our audiences by showcasing the actual creators behind the products offered by Naked Wines, generating a rich emotional response and strongly predisposing people towards us as an online retailer.

8 week
TV ad campaign and four weeks Out of Home

3.4m
total audience reached, aired in three regions

Q. What's next?

A. We learned some key and useful lessons from our testing in Australia which we can carry on into the next phases of our Australian, UK and US campaigns. We are confident in our ability to optimise media, particularly direct response TV. We will build on our conviction, ensuring careful investment over both time and geography to continue to obtain measurable and demonstrable impact.

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	**£350.3 million** (FY21: £340.2 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 potential new channel opportunities depending on anticipated effectiveness using Marketing R&D investment money.	• Competition • Regulation • Investment
Sales growth	**3% growth** (FY21: 68% growth)			
Net cash	**£39.8 million** (FY21: £85.1 million)	The amount of cash we are holding, less debt at year end.	Managing cash is essential to ensuring that we have sufficient funds in place to execute our growth plans in the medium term.	• Financial performance • Investment spending and capital requirements • Liquidity • Macroeconomic events

Customer experience

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Product availability	**88%** (FY21: 90%)	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.	Maintaining availability of our top-selling products supports customer loyalty and maximises sales.	• Business interruption • Supply chain interruptions and costs • Third-party suppliers
Wine quality	**90%** (FY21: 91%)	The percentage of customer ratings received in the year indicating that the customer would buy the product again.	Ensuring customers love our exclusive wines and are happy to buy them again supports strong customer loyalty and sales retention.	• Business interruption • Supply chain • Third-party suppliers • Consumer tastes and preferences • Quality perception
5* customer service	**92%** (FY21: 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 • Customer service experience

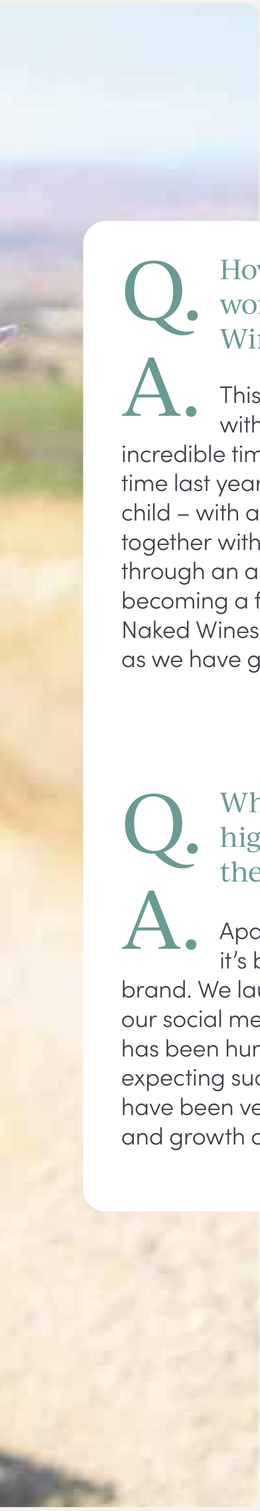
Subscription

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
A Investment in New Customers	£(41.3) million (FY21: £(50.0) million)	Our total investment in acquiring New Customers throughout the year. Includes the contribution profit/(loss) from sales to New Customers less costs related to associated advertising to recruit those customers.	We invest in customers from whom we expect to receive a payback in line with our target payback levels in future years. We are investing meaningfully to take advantage of the opportunity we see before us to maximise future value.	Investment Regulation Competition Reputation Customer acquisition costs
A 5-Year Forecast Payback	1.5x (FY21: 2.6x)	The ratio of projected future Repeat Customer Contribution profit we expect to earn from New Customers recruited in the year, over the investment spend related to acquiring those New Customers. We forecast contribution at the customer level using a machine learning algorithm that weighs several characteristics including demographics, interactions and transactions forecast over a five-year time horizon. This is then aggregated to a monthly then annual cohort level for reporting purposes.	We invest in New Customers that are expected to deliver payback at least in line with our medium-term payback target in an effort to ensure 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.	Investment Competition Supply risks Macroeconomic event
A Repeat Customer Contribution profit	£86.2 million (FY21: £84.9 million)	The contribution earned from sales to Repeat Customers.	The cost leverage we expect to achieve as we grow will continue to drive Repeat Customer Contribution. Not only does this promote the long-term economics of the business model, but contribution from Repeat Customers also provides us with the cash to reinvest into New Customer recruitment and to continue support of our independent winemakers.	Competition Supply chain risks Reputation Taxes and duties
A Repeat Customer sales retention	80% (FY21: 88%)	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 initiatives like "Never Miss Out", we strive to continually improve our Repeat Customer sales retention rate. This results in improving the 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	68% (FY21: 82%)	The contribution realised in this financial year from customers recruited in the prior financial year, divided by the investment made in recruiting those customers.	Continuing to closely monitor this short-term payback measure gives us an early indication of the quality of the cohort recruited in the prior year.	Investment Competition Supply chain risks Inflationary pressure Customer acquisition costs
A Standstill EBIT	£21.2 million (FY21: £39.3 million)	The Adjusted EBIT that would be reported if Investment in New Customers was reduced to levels needed only to replenish the portion of the customer base that was lost to customer attrition during the period. See page 120 for the calculation of Standstill EBIT.	As a subscription business that grows through marketing to New Customers, the cost of which is reflected in our profit and loss, we use this measure as an indicator of standstill profitability, should we choose to invest only in acquiring those customers necessary to replace those lost through attrition during the period. Our focus on growth, managing payback levels and customer retention ensures that we continue to maximise growth in Standstill EBIT and, hence, the long-term value of the business.	Includes those reflected in the underlying metrics that feed into this calculation
Active Angels	964,000 (FY21: 886,000)	The number of Angels (or repeat subscription customers) that have placed an order in the prior 12-month period.	Long-term growth overall is expected to come from continued growth of the customer base and to be enhanced through implementation of other initiatives and product introductions and enhancements.	Investment Competition Regulation

A See information on alternative performance measure definitions on pages 118 and 119.

Naked Wines have been *a safety net* of support

Q&A with
Mitch Masotti



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

A. This has been our first year with Naked. It has been an incredible time as it's been a blink – this time last year my wife and I had our first child – with an incredible time working together with Naked while also going through an amazing personal journey becoming a father. The momentum of Naked Wines has been a fun quick ride, as we have grown with the team.

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

A. Apart from becoming a father, it's been the launching of the brand. We launched on a weekend and our social media went crazy. The response has been humbling. We were not expecting such a great response, and we have been very pleased with the launch and growth of the brand.

Q. How has Naked supported your business?

A. They have been that safety net and support. If we don't have a following and traction, it is tough for winemakers. Naked Wines takes the weight off our shoulders and just allows us to create great wine and facilitate that connection with customers.

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

A. In these troubling times, it is refreshing to have the support of Naked to continue to create and grow our business through disruption. Their reach, through the Angels, allows us to do what we do so successfully.

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

A. The relationship with the Angels is personal. The breadth and depth of questions is great. It's something I sit down and enjoy responding to, with a glass or two of our wine, and hearing the wonderful ways people are enjoying our wines. It's fun – I get great ideas for new recipes, and such pride from seeing people enjoy our wines. Friends and family from across the country have been reaching out, sharing photos of themselves enjoying our wine. I didn't know they were on Naked, and they didn't know our wine was on Naked. It's been great.

Stakeholder engagement (inclusive of section 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 considered 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.

US expansion

The Board continues to believe that the US market will add significant value for shareholders. To support ongoing growth in this market, the Company has expanded its US operations to include an office in Denver, Colorado, in addition to its Napa, California, headquarters. Denver is a rich market for high technology, finance and marketing talent, and opening a Denver office has allowed the Company to successfully recruit high-performing employees in these areas.

Hybrid workplace

The Company recognises that its employees are among its most valuable resources and has taken steps to support them during the ongoing COVID-19 pandemic. To foster collaboration while still acknowledging the need in certain cases for continued remote work, the Company has established a hybrid workplace, wherein employees work with team members in the office on certain days and optionally from home on other days. This hybrid workplace provides employees with the flexibility they need to both optimise their work performance while balancing their personal and family obligations.

Investor relations

The Company continues to outsource the Investor Relations function and has recently appointed Ellipsis (https://www.ellipsisir.com) to manage this activity. Ellipsis is an investor relations management company based in New York, with experience supporting small to mid-cap companies. In addition to having the services of Ellipsis 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)** The AGM remains the primary method of engagement with our private shareholders, through both the distribution of the Annual Report and attendance at the meeting.	• The outcome of the voting at the 2021 AGM is set out at the bottom of this section • All resolutions were approved
Board 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 • The CEO and the CFO also engaged through institutional shareholder letters and a number of investor conversations • The CEO and the CFO also made presentations to the institutional shareholders and analysts following the release of both half year and year end results	• The Board has the benefit of investor feedback in making business decisions • Shareholders are apprised of Company strategy and performance

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 via regular communications (e.g. half year and year end results, etc.) • Company updates • Giving employees a say each year in the selection of our sponsored charity • Annual employee engagement surveys • Consultation with specific groups or individuals to ensure that their views can be taken into account in making decisions about matters that affect them • Participation in the Company's share scheme • Disclosure of gender pay gap and pay comparison	• Employees are apprised of Company strategy and performance • Employee participation in the Company share scheme aligns employee and shareholder interests and allows employees to hold a stake in the business • Employees have the opportunity to provide direct input and make suggestions to senior management • Senior management has responded to this feedback by: – Allowing a flexible working environment – Providing salary benchmarking and policy transparency – Providing training for all employees

Suppliers

Who engaged	How we engaged	Outcomes
CEO **CFO** **MDs of subsidiaries** **Wine Team**	• 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 wine • We follow best practice to make sure we are looking after our suppliers • Our Responsible Supplier Policy requires our supplier network to conduct their businesses in line with the principles embraced by Naked Wines	• Over the past year, our platform has supported over 260 independent winemakers • We've prioritised engagement with our winemakers, hosting an annual winemaker conference, sending out monthly winemaker newsletters and inviting US winemakers to a "thank you" party at our winery in Kenwood, California • We require our suppliers to comply with our Responsible Supplier and Anti-Modern Slavery policies • We have zero tolerance for modern slavery in our supply chain and continue to work and engage with our suppliers to address this risk • The Board reviews and approves key terms for material contractual agreements

Customers

Who engaged	How we engaged	Outcomes
CEO **MDs of subsidiaries** **Customer Happiness Team** **Wine Advisor Team**	• The Naked Wines business model connects our customers with the world's best independent winemakers • Our websites enable our customers to give the Company and our winemakers candid feedback and to interact with our winemakers directly • Our Customer Happiness Team is available by phone, email and chat to address any customer problems or concerns • We follow all applicable data protection laws to ensure our customers' personal information is safe	• By connecting consumers and winemakers, we improve the customer experience and give customers a sense of connection to their wine • Our Customer Happiness Teams achieved overall 92% 5* service feedback across markets • Through our privacy policies we explain to customers how we process and use their data and effectuate their data privacy rights on request

Regulators and government

Who engaged	How we engaged	Outcomes
Company Secretary/ Global General Counsel CFO Group FD Head of Assurance Head of Tax and Treasury	• We continuously assess legal and regulatory risk • We engage with regulators on an ongoing basis through correspondence or meetings to discuss key issues pertaining to the business • We 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 the sale of alcohol in the US • The UK team continues to monitor regulatory changes to ensure the most efficient compliance with post-Brexit laws and regulation • Appropriate regulation is considered in all Board decision-making

Community and environment

Who engaged	How we engaged	Outcomes
Board CEO Sustainability Teams	• We've made an ongoing commitment to promote responsible drinking • We've made an ongoing commitment regarding ethical behaviour and responsible corporate citizenship • We've reduced carbon emissions by nearly 10% by reducing the weight of our glass bottles	• We've adopted various sustainability initiatives (see Sustainability on pages 47 to 51) • We ensure compliance around sale and marketing of alcohol (see Risk management and control environment on pages 39 to 46) • We roll out the Group's Code of Conduct on an annual basis

Outcome of voting at AGM 2021

No	Type	Nature	% in favour
1	Ordinary	Receipt of Annual Report and Accounts	100
2	Ordinary	Re-election of retiring Director (Nick Devlin)	97.67
3	Ordinary	Re-election of retiring Director (Justin Apthorp)	91.98
4	Ordinary	Election of Director (Shawn Tabak)	97.70
5	Ordinary	Election of Director (Darryl Rawlings)	96.62
6	Ordinary	Appointment of Auditor	99.99
7	Ordinary	Remuneration of Auditor	99.99
8	Ordinary	Directors' authority to allot shares	99.83
9	Special	Disapplication of pre-emption rights	96.51
10	Special	Company's authority to purchase its own shares	96.96
11	Special	Amendments to Articles of Association – Directors' fees	99.91
12	Ordinary (Advisory)	Directors' remuneration report	98.89

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 Audit Committee 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 key 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 indicators (KPIs) that they are likely to impact if crystallised. As part of our going concern analysis, as well as our overall risk impact analysis, we have considered the likely magnitude of the realisation of major risks on the balance sheet and cash flow forecasts, manifesting themselves in the business through sales volume variances.

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. Inflationary pressure on customer acquisition cost
2. Macroeconomic headwinds
3. Competition
4. Reputational damage

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 risk
6. Business interruption
7. Vendor loan note recoverability

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. Liquidity
9. Retention and acquisition of talent
10. Regulatory and tax compliance

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Group from existing cash reserves and from our Asset Backed Lending facility (ABL) and (iii) potential variations in the cash requirements of the Group taking into account severe yet plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook.

As set out in note 31 Events after the balance sheet date, the Group entered into an Asset Backed Lending facility on 31 March 2022 which provides up to $60 million of additional borrowing secured against the stock holding of the US business.

Management has prepared cash flow forecasts extending for 12 months from the date of this report to assess the base case liquidity of the Group. Under this base case scenario, the Group has sufficient liquidity over this time period, although it is the intention to draw a minimum amount to meet conditions of the facility itself around a minimum cash holding.

Under a downside scenario where New Customer investment declines by 10% and therefore the Group acquires fewer New Customers, the Group would retain liquidity and again would not require funding from the ABL. It should be noted that under this scenario cash reserves would be reduced increasingly throughout the evaluation period. However, management has multiple available levers to improve cash generation should evidence of this downside scenario become apparent.

The Board has also reviewed the potential impact of other reasonably plausible downside scenarios. In particular, should Repeat sales show a progressive deterioration versus our expectations (-5% in Q2, -7.5% in Q3, -10% in Q4 of FY23 and -10% in Q1 of FY24), cash reserves would be further reduced. If no management actions were taken, additional sources of funding would be required in Q4 of FY23 and Q1 of FY24. However, management has multiple available levers to improve cash generation should evidence of this downside scenario become apparent, as discussed further below.

The ABL is subject to three covenants: a current ratio test, minimum cash held at a bank within the syndicate, and a minimum quarterly Repeat Customer Contribution profit test. The Repeat Customer Contribution profit covenant is with reference to an absolute level, rather than a ratio. Consequently, it is most sensitive to macroeconomic factors and, under a downside scenario, there is a risk that the Company could breach this covenant, with headroom versus the covenant most limited in Q1, Q2 and Q4 of FY23.

Management has assessed covenant compliance over the next 12 months based on a detailed forecast model that projects an income statement, balance sheet, and cash flow statement based on key drivers of the business including, *inter alia*, assumptions on New Customers, customer retention/attrition by tenure, order frequency, average order value, gross margin and fulfilment costs per order. Sensitivity analysis was also performed on this base case forecast. Under the base case, the forecast model projects that all covenants will be met over the next 12 months. A downside scenario resulting in a 7.5% to 20% sensitivity against the base case forecast for Repeat Customer sales could result in a breach of this covenant. When taking into account actual trading results to date which are below forecast, a downside scenario of 3.7% against forecast would result in a breach of this covenant at June 2022 and as a result of the sensitivity in the downside scenario, management have identified a material uncertainty on meeting this covenant. Under certain downside scenarios there is uncertainty over covenant compliance in future quarters. In the case of a breach of this covenant, management would approach the bank and request a waiver for this covenant breach. However, the Board cannot predict with certainty how the banks would respond.

Even under a severe downside scenario, management have identified multiple additional levers that would conserve cash without access to the ABL. These levers include the deferral or reduction of incoming inventory purchases, the disposal of unbottled wine on the bulk wine market, the reduction of capital expenditure, the renegotiation of supplier terms, the reduction of discretionary marketing investment and reductions of general and administrative expense. It is the view of the Board that, together, these levers offer in excess of £30 million of mitigation of downside risk, which is set against a maximum cash requirement of up to £10 million under a severe downside scenario.

On this basis the Board believes it is appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the Group's ability to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business.

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 and the overall impact on the business, after taking into account the mitigating effect of the implemented controls.

Climate change and sustainability

The Board recognises that climate change creates potential risk for the Group.

The Board has considered climate change as part of the Group's risk management process. The Board is of the view, however, 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 within "Business interruption", which is mitigated through having multiple sites for key activities.

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 through 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 Sustainability on pages 47 to 51 for details of our initiatives in this area.

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	£500k–£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 (risk impact multiplied by 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 (inherent risk divided by control effectiveness) is then rated as follows:

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

Strategic risks

Inflationary pressure on customer acquisition cost

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

Performance indicators

- Sales
- Investment in New Customers
- Payback
- Active Angels
- Net cash

Likely causes

- Over dependence and reliance on individual marketing partners
- Media providers assert greater power
- Demand for digital media space increases

Likely impact

- Higher acquisition costs decrease margins and adversely impact profitability
- Investment in customer acquisition fails to drive sufficient New Customer growth to sustain the business model
- Investment in customer acquisition does not produce the target return on investment and represents a misallocation of capital
- Material investment underperformance results in inventory misalignment comparative to demand
- Adverse impact upon liquidity, constraining our ability to maintain/enhance the customer experience

Controls/mitigation

- Regular monitoring of investment and redeployment of capital where it is not delivering target returns
- Detailed deal-level reporting, monthly performance reviews
- Exploring new growth channels to target optimal customers relative to investment

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

Macroeconomic headwinds

Pressure on consumer discretionary spend and inflationary uplifts to our cost base impact profitability

Performance indicators

- Sales
- Net cash
- Payback
- Repeat Customer Contribution profit
- Repeat Customer sales retention
- Standstill EBIT
- Active Angels

Likely causes

- Cost of living increases reduce customer discretionary spend
- Sustained inflation, particularly in the supply chain, increases the cost base

Likely impact

- Acquisition of New Customers is increasingly difficult and slows growth
- New Customers search for introductory offers but do not place repeat orders, impacting sales retention
- Repeat Customers spend more cautiously, impacting contribution
- Inflationary pressure on the cost base impacts margin

Controls/mitigation

- Unique customer proposition to encourage Angel engagement and loyalty
- Scenario planning and mitigation strategies in light of changing demand

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

Strategic risks

Competition

Threat from a new or existing competitor impacts profitability

Performance indicators

- Sales
- Payback
- Repeat Customer Contribution profit
- Investment in New Customers
- Repeat Customer sales retention
- Active Angels
- Net cash

Likely causes

- Threats range from discounters leveraging wine as a loss leader, to 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 copying the Group's brand ethos
- Failing to innovate and offer a compelling proposition

Likely impact

- Persistent aggressive competitive pressure impacts our ability to grow sales and our customer base
- Competitive pressure impacts our ability to retain Angels and deliver Repeat Customer metrics
- Weakening demand results in inventory misalignment comparative to demand and squeezes liquidity

Controls/mitigation

- Leadership teams regularly monitor our competitors' activity
- Unique customer proposition encourages Angel engagement and loyalty
- Trade barriers to entry, especially in the US market, where three-tier wine distribution legislation requires a vertically integrated operation to make DtC sales
- Appropriate teams and advisors in place to prevent and challenge third-party use of our intellectual property

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

Reputational damage

Failure to meet stakeholder expectations impacts reputation and credibility

Performance indicators

- Sales
- Product availability
- Wine quality
- 5* customer service
- Active Angels
- Net cash

Likely causes

- Failure to listen to and be transparent with our employees to foster a safe and collaborative working environment
- Mistreatment of our winemakers, growers and strategic partners
- Due diligence of our winemakers, growers or strategic partners fails to identify ethical/working practice concerns
- Failure to execute our mission for the benefit of our customers
- Failure to identify and address concerns in respect of the environment, sustainability and community

Likely impact

- Dilution of the Naked culture impacts our ability to attract and retain the best talent
- Failure to support winemakers and partners erodes our customer proposition, driving our customers to competitors
- Poor reputation for environmental stewardship impacts our ability to attract and retain customers who increasingly value sustainable companies

Controls/mitigation

- Regular company updates and engagement surveys with our employees gather suggestions and drive informed actions
- Operating a Responsible Supplier Policy and fund winemakers via our differentiated business model
- Ad hoc initiatives to support our winemakers, e.g. our Ahr Valley relief fund
- Requiring our suppliers to agree to Group policies, including Anti-Modern Slavery
- Using our differentiated business model to make our customers our partners and foster a community of wine drinkers and winemakers
- Developing focus groups to actively identify areas for improvement and propose solutions
- Ongoing commitment to responsible drinking and marketing of alcohol
- Ongoing commitment to ethical behaviour and responsible corporate citizenship
- Initiation of a global Equality, Diversity and Inclusion (ED&I) programme

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

Operational risks (external)

Cyber security risk

Failure of IT systems to deal with a data security issue/data breach impacts our ability to trade

Performance indicators

- Sales
- 5* customer service
- Repeat Customer Contribution profit
- Product availability
- Repeat Customer sales retention
- Investment in New Customers
- Net cash

Likely causes

- Systems become unfit for purpose as we grow and complexity increases
- Failure to successfully upgrade or maintain core IT system security
- Malicious incidents are increasing in frequency and complexity
- Increased attacks on UK and US businesses by Russian perpetrators
- Poor systems access control
- Reliance on, and exposure to, third-party software and systems

Likely impact

- Security breaches lead to significant costs and/or restrictions on our ability to operate the business
- Loss of personal data/sensitive business information results in fines and reputational damage
- Loss of personal data impacts customer confidence and impacts profitability

Controls/mitigation

- Ongoing investment in technology systems and processes
- Dedicated systems security resources in place to provide assurance across the Group
- Due diligence of vendors who cannot provide security accreditation
- IT systems, whether procured from third parties or developed internally, are tested for security against attack and periodic penetration exercises are performed
- Third-party Cloud-hosted systems used to support maximum availability
- Continuing to formalise 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
- Use of external consultants where required

Risk impact	3	Control effectiveness	2
Risk likelihood	3	Residual risk	5
Inherent risk	9		

Business interruption

Loss/interruptions of site/head office due to an unforeseen event impacts our ability to trade

Performance indicators

- Sales
- Product availability
- Wine quality
- 5* customer service
- Repeat Customer Contribution profit
- Repeat Customer sales retention
- Payback
- Net cash

Likely causes

- Unforeseen event including extreme weather or natural disaster as a result of climate change affecting the Group's sites and/or supply chain operations (including grape growers and winemakers)
- Material contractual non-performance or breach by key suppliers
- Unexpected and sudden withdrawal of key suppliers from our supply chain
- Systems infrastructure failure and power outages
- Sustained pressure on supply chain logistics post-COVID-19

Likely impact

- Destruction of finished and in-progress inventory, impacting availability
- Destruction/damage of wine making raw materials (e.g. crops) inflates costs, impacting availability and/or quality
- Systems failure constrains operations, impacting customer service
- Adverse impact on the Group's profitability and liquidity
- Inability to identify replacement suppliers and shift operations
- Continued supply chain cost inflation impacts profitability
- Unreliable logistics impact availability and customer service

Controls/mitigation

- Developing clear guidelines and expectations for how to handle situations related to natural disasters and unforeseen events
- Diversifying mix of suppliers where there is exclusive or material reliance on single contractors
- Geographical diversification of suppliers/ operations
- Power generators installed in our office and winery in the US to deal with power outages
- Continuing to formalise and improve our IT disaster recovery plans so that the business can recover from any interruptions with minimal impact
- Cloud-based infrastructure reducing the risk of physical destruction
- Inclusion of an adverse quality clause in grape contracts
- Third-party warehousing either has multiple sites or is operated by a third party with access to backup capacity
- Business interruption insurance cover in place

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

Operational risks (external)

Vendor loan note recoverability

Inability to recover the £10.5m carrying value of the vendor loan note issued as part of the disposal of the Majestic Wine business

Performance indicators

- Investment in New Customers
- Net cash

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

- Ultimate proceeds from the disposal of Majestic Wine are less than expected, impacting net cash
- Inability to deploy expected capital to acquire New Customers

Controls/mitigation

- Regular contact and ongoing dialogue with the management of Majestic Wine
- The vendor loan note contains financial covenant conditions, and the holder has ongoing covenant reporting obligations to Naked

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

Operational risks (internal)

Liquidity

Liquidity squeeze prevents the effective allocation of capital

Performance indicators

- Sales
- Net cash
- Product availability
- Repeat Customer Contribution profit
- Repeat Customer sales retention
- Standstill EBIT
- Active Angels
- Investment in New Customers

Likely causes

- Misalignment of demand and production plans
- Inability to deliver New Customer acquisitions in line with plan
- Bulk withdrawal of funds by Angels
- Inability to effectively control costs
- Inability to offer a compelling range of products

Likely impact

- Long-term commitments to inventory result in a prolonged over- or understocked position, particularly in the US, which has to give long-term stock purchasing commitments and has a long production lead time
- Liquidity squeeze as a result of capital being invested in inventory for which projected demand is not realised
- Inability to deploy capital to acquire New Customers
- Increased cost base puts pressure on working capital available
- Existing and potential customers look to competitors to meet their purchasing preferences

Controls/mitigation

- Increased inventory planning resource to enable greater nimbleness on volume planning and phasing
- Investment in inventory management and demand planning tools
- Increased frequency and interrogation of wine demand planning
- Cash flow and commercial forecasting to identify and proactively address risks before they are realised
- Increased focus on cost control across the business
- Asset Backed Lending facility (in place)
- Range reviews and evaluation against competitors
- Flexibility with winemakers and suppliers retained to rephase incoming inventory and work in progress

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

Operational risks (internal)

Acquisition and retention of talent

Inability to attract and retain the best talent to support our growth objective

Performance indicators

- Sales growth
- 5* customer service
- Payback
- Repeat Customer Contribution profit
- Repeat Customer sales retention

Likely causes

- Inability to offer competitive remuneration and benefits in an increasingly remote digital working environment
- Inability to offer competitive remuneration and benefits due to inflationary pressures
- Inability to adapt to new ways of working post-COVID-19
- Inability to maintain an attractive business culture

Likely impact

- We do not retain or attract the best talent which is required to deliver strategic objectives
- Negative impacts on morale, resulting in inefficiency, impacting growth and service
- Disengaged workforce that is resistant to change and business expansion

Controls/mitigation

- Regular communication and engagement with employees
- Development of values and behaviours that underpin the way we work
- Paying market-competitive remuneration
- A business that focuses on staff welfare and culture
- Evaluating and acting upon our regular staff satisfaction surveys
- Offering all staff the opportunity to participate in share compensation schemes

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

Regulatory and tax compliance

Non-compliance with legal, regulatory and tax requirements, especially in the complex US market

Performance indicators

- Sales
- Investment in New Customers
- Repeat Customer Contribution profit
- Repeat Customer sales retention
- Active Angels

Likely causes

- Risk of change in legal, regulatory and tax rules (especially in the US) that may require us to reconsider the existing business model
- Increased challenge and reinterpretation of regulation by fiscal authorities in all our markets in the face of post-COVID-19 government deficits
- Existing software and systems 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

- Fines/penalties and trading restrictions
- Reduced ability to operate efficiently, impacting profitability
- Inability to respond to tax audits in a timely and adequate manner
- Inability to pay tax liabilities as they fall due

Controls/mitigation

- Monitoring of regulatory developments to enable timely identification, evaluation and appropriate action
- In-house legal and tax resources to ensure sufficient capability to meet ongoing regulatory burden
- Working with outside legal, accounting and tax experts to navigate and best respond to inquiries and regulatory developments
- Continuing to invest in 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	2	Residual risk	3
Inherent risk	6		

Internal controls

The Group has an effective governance framework which includes a system of both financial and non-financial controls that 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, is summarised below. The Board has reviewed the internal controls and considers them to be appropriate given the size, complexity and risk profile of the Group.

Throughout FY22 the Head of Assurance (appointed FY21) has developed a risk control matrix and management have implemented additional internal controls where unmitigated risks have been identified.

A broad scope of controls has been tested and control deficiencies reported to management and the Audit Committee.

Identified deficiencies in internal controls are presented to the Audit Committee and flagged as "pending remediation" until satisfactorily resolved.

To further strengthen our legal and fiscal compliance controls, a dedicated legal resource is located in the US, allowing local management to ensure compliance with regulations and alcohol licensing. The Group General Counsel oversees the regulatory control environment for the US 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
- Risk Management
- Tax Strategy

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, the 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 which is approved by the Board. Actual performance of the business is compared to the approved plans and reported quarterly to the Board with variance reports versus the budget along with comparisons against previous year performance. Revised forecasts for the remainder of the financial year are prepared quarterly
- 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 investment evaluation, 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

We continue to advance our sustainability programme, focusing our efforts on the five programmes of action and 22 initiatives outlined below.

Five programmes of action

22 Initiatives

Level 1	
Responsible drinking	1
Ethical behaviour	5
Sustainable winemaking	2 3
Responsible marketing	5
People	4

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

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

Level 4	
Training	4
Rights of local communities	3

We recognise that we have four principal stakeholder groups who support us 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.

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

In the coming year, alignment of sustainability across the global business will be a key focus. As a global business, we need to utilise our unique proposition and expertise to ensure each of our business units is meeting the growing sustainability expectations of Naked's stakeholders. Taking a single-minded, cohesive approach will magnify our positive impacts and help accelerate change within our business and broader industry.

Level 1 initiatives

Sustainable winemaking

We've advanced our decarbonisation efforts over the past year by focusing on the four areas identified in last year's report – (i) cultivation, (ii) winemaking, (iii) glass bottles and (iv) imports – with primary emphasis on glass bottles. Indeed, in the UK, we've committed to reducing the weight of 3.5 million wine bottles by the end of 2022, as well as ensuring that a further 2.5 million bottles contractually remain as light as they are. For these 6 million bottles, we estimate that lifecycle carbon emissions will reduce by nearly 10%. Equally in the US, we have saved more than 670 tonnes of CO_2 through the introduction of lighter weight glass moulds.

Lightening the load

Reducing bottle weights across some of our most popular wines means we can quickly drive meaningful change. The changes made to the bottle for Christian Patat's Appassimento wine, now 200g lighter, will save more than 100 tonnes of glass (not to mention the carbon savings from production, shipping and end-of-life disposal).

"

Stefano Di Blasi was Naked UK's Winemaker of the Year 2020. Stefano's aspiration of producing a biodynamic, no-sulphur wine was voted for by thousands of Angels. The wine was named "La Sparenza" (Italian for "the Hope") following a public vote which saw 25,000 Angels get involved. Alongside the wine, Stefano is working closely with Naked and the University of Florence to develop the research in sustainable winemaking. The knowledge this project builds will be shared broadly so others can also learn from the findings.

Stefano Di Blasi
Winemaker

"

We've been planting lots of trees around the vineyard to help bring back more insects and birds. We've repopulated bats nearby too, and each bat can eat around 50,000 bugs a night, including grape moths, which are a pest, and that balanced environment is just better for the vines.

Benjamin Darnault
Winemaker

People

The Company recognises that its employees are among its most valuable resources and has taken steps to support them during the ongoing COVID-19 pandemic. To foster collaboration while still acknowledging the need in certain cases for continued remote work, the Company has established a hybrid workplace, wherein employees work with team members in the office on certain days and optionally from home on other days. This hybrid workplace provides employees with the flexibility they need to both optimise their work performance and fulfil their personal and family obligations.

Ethical behaviour

We are committed to strong, ethical and fair business dealings, and promote a corporate culture which is non-sectarian, non-political and 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 continue to understand and adhere to the Code of Conduct.

We are a Living Wage Employer

Cost of living

Naked Wines UK is proud to continue to be a Real Living Wage Employer. This accreditation carries real significance, as it means we're committed to paying staff fairly based on an independent calculation which factors in the cost of living and location.

Level 2 initiatives

Responsible drinking

We do everything possible to ensure that our products are enjoyed responsibly – not because we are told to, but because we recognise that alcohol abuse continues to be a challenge for societies across the globe and we want to make a difference. For example, in the US, we continue to enforce age verification, via online background checks and identification checks on delivery. And in the UK, we continue to support The Drinks Trust, 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.

Responsible marketing

We take steps to ensure that our labels and advertisements comply with all legal requirements, are accurate and are presented to adult (rather than minor) audiences.

Diversity and equality

We support a number of initiatives that promote diversity within the wine industry, a few of which are discussed below. In the US, for example, we've made a five-year, $500,000 investment in marginalised communities to realise our shared goal of "Making the Wine World More Colorful". This investment funds several of the programmes discussed below.

We've also made efforts to consider how we're considerate of diversity and equality within Naked Wines: globally we have partnered with Exponential Talent, who have supported us to understand our current approach and culture using activities such as employee workshops. We'll be developing an action plan for improvements which we will be rolling out across the year.

THE DRINKS TRUST EST. 1886

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The Roots Fund

We continue to partner with The Roots Fund, a non-profit organisation dedicated to increasing the representation of people of colour in the wine industry on two main initiatives – the "Stay Rooted in California" scholarships and the "Naked Wines/Roots Fund Emerging Vintner Program".

Stay Rooted in California. To date, we have funded $65,000 in scholarships for seven Latinx, Indigenous and Black students pursuing advanced wine education in the United States. The scholarship recipients include full-time students, educators and wine entrepreneurs.

> I want to make wines for a changing world.
>
> **Samuel Dhiman**
>
> Stay Rooted in California Scholarship Recipient, 2021

Emerging Vintner Program. Through this programme, we mentor emerging winemakers, coaching them through the wine production and marketing process and ultimately offering them the opportunity to sell their wine on our website. Our first Emerging Vintner, Kyle Burke (2021), is an African-American woman from Baltimore, Maryland who is being mentored by Naked Wines winemaker, Daniel Baron, formerly of Silver Oak and Dominus. Kyle is set to launch two Sonoma Chardonnays – her inaugural wines, funded by Naked – in 2022.

Latino Winemakers – Macario Montoya

In partnership with one of Naked USA's founding winemakers, Macario Montoya, an independent Mexican-American winemaker with his own wine brand in Napa Valley, we are in the process of raising an estimated $129,000 in order to launch a new mentorship programme focused on advancing the careers of Latino winemakers. Macario will serve as a lead advisor and aims to elevate long-term winemaking staff (cellar masters, harvest leads) looking to take the next step in their careers and develop wine brands of their own.

As has been the case in California's wine history since the 1960s, Latinos make up a significant percentage of the wine industry, having been behind some of the most successful and famous wines in the US, yet are vastly underrepresented as winemakers. Through this mentorship programme, we hope to advance their winemaking careers and give more Latino winemakers the chance to run their own brands and businesses.

Women's History Month – and the Women's Movement in Wine

In honour of Women's History Month, for the second year running Naked emphasised the contributions of its female winemakers, promoting their wines and highlighting them in our social media and in 24 interviews hosted on our blog, The Naked Truth (https://news.nakedwines.com). The winemakers highlighted include Nova Cadamatre, Camille Benitah, Irene Paiva, Ondine Chattan, Anne Dashe, Jacqueline Bahue, Penelope Gadd-Coster, Sharon Weeks, Carmen Stevens, Françoise Gazeau, Katie Jones, Ana Diogo-Draper, Claudia Quevedo, Megan Glaab, Montse Reece, Claudia Small, Jen Pfeiffer, Nicky Parish, Patricia Benitez, Karen Birmingham and Alex Farber.

Of the 4,200 bonded wineries in California as of 2020, only 14% report a woman as lead winemaker and less than 10% are Head Winemakers. Naked surpasses that average by 11%: as of 2022, 57 of our Angel-funded winemakers are women.

Women in tech conference
Naked was proud sponsor of the DevelopHER Awards – an annual not for profit awards ceremony recognising women who work in the technology sector in East Anglia, UK. The DevelopHER awards aims to raise the profile of women in technology, creating role models to inspire the next generation to become developers, technicians, project managers, testers and digital experts.

> I am so proud to be a part of this and an honour – can't wait for the day when we can all share a glass together.
>
> **Penelope Gadd-Coster**
> Naked winemaker

> This is eye-opening work and I had no idea how much impact Naked was making in the community.
>
> **Cathy Huyghe**
> Forbes Contributor, founder, A Balanced Glass

> Yesssss! WOMEN IN CONTROL! I am very proud to be an Angel after seeing this.
>
> **Karla**
> Angel

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

Inspired Energy was appointed to independently assess our submission in accordance with the UK Government's '*Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance*'. The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage.

Where actual data was missing, estimates of consumption have been made using CIBSE benchmarking data or landlord-specific kWh/desk data. The operational control approach has been used. Intensity metrics have been calculated using employee numbers and turnover of Naked Wines UK.

The following table summarises the GHG emissions for the reporting year. The baseline year and this year's assessment results are provided for comparison.

Level 3 initiatives

Giving back

Naked Wines and our Angels have contributed towards a number of excellent causes, including:

- $129,000 to launch a "first of its category" Latino winemaker mentorship programme, led by independent winemaker and Mexican-American Macario Montoya
- Over the past six years, Angels have donated £2,195,466 to provide nearly 52 million meals to hungry children in South Africa through Carmen's Kids, an initiative founded by South African winemaker Carmen Stevens.

In addition, we continue to operate 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. Over the past six months, the Trust has donated more than £13,000 to 38 charities, including £5,000 to Princess Trust and £2,000 to Norfolk Family Carers. The trust has also donated wine to a host of causes, such as the British Heart Foundation, Great Ormond Street Hospital, Kenninghall Kicking Cancer, Bowthorpe Scouts Group and the Air Ambulance.

Element	Current year 2021/22 (tCO_2e)	Baseline year 2019/20 (tCO_2e)
Direct emissions (Scope 1) – natural gas	**0.78**	**0.00**
Indirect emissions from purchased electricity (Scope 2)	**35.57**	**57.55**
Total tCO_2e (Scope 1 & 2)	**36.35**	**57.55**
Other indirect emissions (Scope 3) – grey fleet travel and hired vehicles	**10.91**	**5.57**
Overall gross total[1]	**47.26**	**63.12**
Intensity metric: tCO_2e per employee	**0.27**	**0.34**
Intensity metric: tCO_2e per £m turnover	**0.32**	**0.87**
Total energy consumption[2] (kWh)	**217,646**	**247,913**

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).

Volunteer days
Members of one of Naked's newest teams, Business Intelligence, got into the Naked spirit and used their volunteer day to help The Felix Project. The team helped sort food and prepare meals – they even helped break The Felix Project's record of over 4,800 meals prepared in a day!

> It was a fantastic day and we were all a little overwhelmed by the scale of such an amazing organisation and also how friendly and welcoming everyone was. It was great spending a day doing something different as well as having the chance to give back to the local community.
>
> **Rachel Wallace**
> Naked Wines

Shawn Tabak
Chief Financial Officer
Approved for issue by the Board of Directors
22 June 2022

Board of Directors

An experienced team to take us forward

Darryl Rawlings N A R

Nick Devlin

Shawn Tabak

David Stead A R N

Justin Apthorp

Katrina Cliffe R A N

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

Darryl Rawlings (53)

Non-Executive Chairman

Appointment date: April 2021

Committees:
Nominations Committee (Chair); Audit Committee (Member); Remuneration Committee (Member)

Darryl is founder and CEO of Trupanion Inc., an industry leading, 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 the 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:
Attended all

Nick Devlin (37)

Chief Executive Officer

Appointment date: 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 #1 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 an advocate for the role of Naked in transforming the shape of the wine industry.

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

Sector experience:
US and UK wine sector

External appointments:
None

Attendance at Board meetings:
Attended all

Shawn Tabak (42)

Chief Financial Officer

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

Skills brought to the Board:
Finance, capital markets, M&A

Sector experience:
Consumer internet, direct-to-consumer, e-commerce

External appointments:
None

Attendance at Board meetings:
Attended all

Justin Apthorp (60)

Non-Executive Director

Appointment date: January 2016

Committees:
None, as he is considered non-independent.

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

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

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

External appointments:
HM Deputy Lieutenant of Hertfordshire, Trustee of Friends of St Peter's Gt Berkhamsted

Attendance at Board meetings:
Attended all

Katrina Cliffe (55)

Non-Executive Director

Appointment date: May 2019

Committees:
Remuneration Committee (Chair); Audit Committee (Member); Nominations Committee (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 and Board experience

Sector experience:
Finance and retail

External appointments:
Non-Executive Director – London and Country Mortgages Limited, Non-Executive Director – HomeServe plc

Attendance at Board meetings:
Attended all

David Stead (64)

Non-Executive Director

Appointment date: November 2017

Committees:
Audit Committee (Chair); Remuneration Committee (Member); Nominations Committee (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.

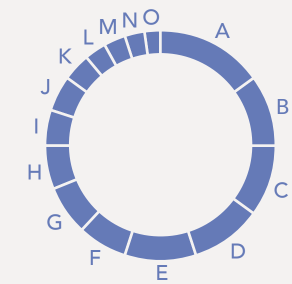
Skills brought to the Board:
Finance and public markets, extensive Board experience

Sector experience:
Finance and retail

External appointments:
Non-Executive Director – ProCook Group plc, Non-Executive Director – Joules Group plc

Attendance at Board meetings:
Attended all

Board activities



A	Strategy (financial and operational)	15%
B	Remuneration Policy and remuneration matters	10%
C	Employee share scheme	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	Investor relations	5%
J	Legal and tax matters	5%
K	Board appointments, including succession planning	4%
L	Auditor reports, appointment and fees	3%
M	Sustainability	3%
N	Key policies and governance, including Alternative Investment Market (AIM) compliance	3%
O	Capital allocation	2%

Board Meetings

	Board	Audit	Rem	Nom
2021				
Apr	●	○	○	●
May	●	○	○	○
Jun	●	●	●	○
Jul	○	○	●	○
Aug	○	○	○	○
Sep	●	○	○	○
Oct	○	○	○	○
Nov	●	●	○	○
Dec	○	○	○	○
2022				
Jan	●	○	○	○
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**	Continued investment in growth across all markets, with an emphasis on the US (largest market opportunity)	Explore additional growth opportunities, including new products and new markets
2 **Seek to understand and meet shareholder needs and expectations**	Met with shareholders during 2021 AGM Participated in calls with shareholders Sought shareholder input with respect to remuneration, capital allocation and governance	Continue to address shareholder questions and solicit shareholder input as needed
3 **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Promoted equity and diversity through US partnership with The Roots Fund (see Sustainability on pages 47 to 51) Decreased overall glass use and increased use of recycled glass (see Sustainability on pages 47 to 51) Promoted responsible drinking and alcohol marketing (see Sustainability on pages 47 to 51) Appointed Global Sustainability Lead to guide Group sustainability efforts	Explore further initiatives to promote minority representation in the wine industry Continue efforts to increase sustainability within the supply chain
4 **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Conducted regular risk assessments across all markets Reported risks and risk mitigation efforts to the Board	Continue to assess and evaluate risk as needed
5 **Maintain the Board as a well-functioning, balanced team led by the Chairman**	Held quarterly Board meetings to discuss Group performance and strategy	Recruit new Board members to complement skills and experience of existing Board members Increase Board diversity
6 **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	Maintained qualified Board members with experience applicable to the business Provided training as necessary	Recruit new Board members to complement skills and experience of existing Board members Increase Board diversity

Principle	In short – what we did	What we are going to do
7 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	• Executive Directors received feedback on performance from NEDs	• Evaluate NEDs in connection with efforts to recruit complementary new Board members
8 **Promote a culture that is based on ethical values and behaviours**	• Promoted Company policies across the business – from employees to suppliers • Promoted diversity and sustainability initiatives in line with Company culture (see Sustainability on pages 47 to 51)	• Explore additional diversity and sustainability initiatives with the goals of increasing diversity in the wine industry and reducing our carbon footprint
9 **Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	• NEDs provided oversight of Executive Directors • Maintained Treasury Policy to mitigate financial risk to investors and customers • Maintained robust Group Statement of Authorities to ensure receipt of Board approvals where necessary	• Maintain independent NEDs on the Board to provide oversight. Maintain and enforce robust governance policies
10 **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	• Engaged with stakeholders through a variety of methods (see Stakeholder engagement on pages 36 to 38)	• Continue to engage with stakeholders as needed

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 52 and 53.

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. 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 the Audit, Remuneration and Nominations Committees.

During the year, Darryl Rawlings replaced Ian Harding as Chairman.

The Company's Articles of Association require that one third of the Directors retire annually. This year, David Stead and Katrina Cliffe will retire from the Board at the conclusion of the 2022 AGM and will not stand for re-election.

Directors' contracts are available for inspection at the Company's registered office and will be made available at the 2022 AGM. These are summarised in the Directors' remuneration report.

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 and 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 seven meetings during the year, as detailed on page 53. 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/Global General Counsel, Group CFO and any member of the management team.

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.

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 36 to 38) 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/Global General Counsel 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 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 was reviewed during the reporting period. The membership of each of the Committees is set out on pages 52 and 53.

Audit Committee – the Audit Committee report under the chairmanship of David Stead is available on pages 68 and 69.

Remuneration Committee – the Directors' remuneration report under the chairmanship of Katrina Cliffe is available on pages 58 to 67.

Nominations Committee – The Nominations Committee 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.

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.

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, and Recruitment and Discipline policies, all of which supplement and integrate our Code of Conduct. We have a Whistleblowing Policy and procedure to assist staff in 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 and Anti-Modern Slavery policies. It is our position that we will assist our suppliers to address shortcomings and look for ways to help them to understand and meet our expectations, as set out in our policies.

Our sustainability plan has clearly identified responsible drinking as one of our priorities. The public concerns around alcohol misuse, underage drinking and general health risks are taken very seriously. While we want to increase the sale of wine, we want to be encouraging our customers to enjoy their alcohol responsibly. We provide strict guidelines on responsible drinking for our staff together with a policy to assist with support and education. We acknowledge that changing social norms and attitudes towards alcohol present a risk to our business, and thus our commitment to responsible drinking remains a top priority.

QCA 1 6

Succession planning

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 identify suitable succession candidates.

A summary of the Board's skills and experience is set out on pages 52 and 53.

A strong year for Repeat sales and Active Angels

FY22 demonstrated the value of our customer base, yielding growth in both Repeat sales and the number of Angels.

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 28 March 2022. FY22 highlighted the value of the Company's loyal customer base, whose repeat purchases drove business growth. While the Company did not achieve anticipated growth numbers, Group sales increased 5% year-on-year on a constant currency basis (3% reported).

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 2022 AGM.

FY22 incentive plan payouts

While overall performance in FY22 did not track to ambitions, the Company achieved meaningful growth in Repeat sales and Active Angels. Repeat sales grew 11% over the course of the year and the number of Active Angels grew by 78,000 (from 886,000 at the end of FY21).

Employee bonuses are low in light of lower than expected growth numbers across markets. US and shared service employees will receive a discretionary bonus, of approximately $2,000 per employee. UK employees will receive 70% of their bonus target. Australian employees will receive 135% of their bonus target, as Australia exceeded growth expectations in FY22.

The long-term incentive award granted in June 2019 is based on performance over three years and vested in June 2022. This award is based on a Total Shareholder Return (TSR) measured against a peer group of AIM- and FTSE-listed retailers and vested at 100%.

In addition to these long-term incentive awards, during the year we also made a free share award to the entire workforce worth £796,000 to recognise employee efforts 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 FY22. Furthermore, performance targets for the incentives were not adjusted.

Remuneration Policy changes for FY23

Recognising the continuing pivot of the business away from the UK, the Committee has reviewed the current Remuneration Policy and in particular our current UK-centric approach to long-term incentives. This approach is proving increasingly uncompetitive as we look to recruit and retain executive and senior management talent, especially in the US and digital markets. The key change to the policy is a move away from a conventional UK-style Long-Term Incentive Plan (LTIP) to an all-employee equity scheme, where strong annual performance against long-term performance drivers will deliver Restricted Share awards (to be held long term). The rationale and key terms of the New LTIP are summarised in this statement, with the details set out below.

New LTIP

At Naked Wines, we pride ourselves on taking approaches that reflect the Naked DNA and reinforce a model in which all our stakeholders' incentives are aligned. In that spirit, we've relied on three key principles in reviewing our share-based incentive remuneration strategy:

1. Alignment of Incentives: The New LTIP ensures that the interests of our shareholders and employees are aligned by increasing employee share ownership over time

2. Pay for Performance: At Naked, we are passionate about capital allocation and linking action to performance. It is crucial our long-term incentives are consistent with this principle. The New LTIP balances the opportunity for greater reward with strong protection for shareholders against cost and dilution in the event of mediocre performance

3. Equity: Since our first share award in 2016, we have taken pride in offering incentives to all employees. The New LTIP will allow us to broaden and deepen employee ownership by providing meaningful benefits for all eligible employees

Additionally, the New LTIP addresses two obstacles in our existing LTIP approach that inhibit our ability to attract and retain talent in key areas, especially in the US:

1. Certainty: Our existing plan – conditional share awards with a three-year cliff vesting subject to long-term TSR performance – has proven difficult for employees to value and, as a result, is not as effective at driving behaviour and retention as we intended

2. Time to Value: Our current LTIP awards typically take more than three years to confer tangible value to employees. This limits the awards' effectiveness in acquiring and retaining talent in the US

With this in mind, we propose a bespoke, all-employee equity arrangement that will enable the management team to recruit and retain high quality talent at all levels of the organisation. Subject to strong Company performance, equity will be a meaningful part of total remuneration, delivered if key long-term business KPIs are achieved on an annual basis.

The proposed New LTIP incorporates the following features:

- Each year, the Committee will determine the annual change in the value of the business (calculated on a 'per share' basis) using a Discounted Cash Flow (DCF) model developed with KPMG (and verified annually by an independent third party). The model considers intrinsic long-term value drivers of investment in (i) New Customer acquisition, (ii) sales forecast for Repeat Customers, (iii) Repeat Customer Contribution margin and (iv) general and administrative costs. The basis for the calculation will be disclosed at the end of each year
- If the increase in annual value under the DCF model is 10% or more, a value pool is created, the magnitude of which is determined on a sliding scale from 0.15% (10% growth) to 4.00% (40% growth). No value pool is created below 10% annual growth, providing strong protection against cost and dilution for shareholders. The value pool will not exceed the level created at 40% growth.
- At the end of each year, the value pool will be divided by the share price at that time to determine a number of Restricted Shares. The Committee will distribute the share awards across all eligible employees based on seniority, individual performance and contribution. In exceptional circumstances Stock Options may be granted instead of Restricted Shares

- Once granted, 25% of the Restricted Shares will vest on the first anniversary of grant and then 6.25% per quarter thereafter (full vesting over four years), subject to continued employment
- The Remuneration Committee will determine the award levels to Executive Directors and senior management. Award levels of Restricted Shares will not exceed 300% of base salary unless there are genuinely exceptional circumstances, in which case there will be full disclosure in the Directors' remuneration report
- There is a dilution limit of 15% of issued share capital over any 10-year period (increased from 10%) to cater for high performance and, consequently, larger Restricted Share awards
- The first performance year will be FY23, with the first award of Restricted Shares in early FY24. However, to provide additional and immediate lock-in and to kick-start the equity programme, we propose to grant a one-off award of Stock Options to all eligible employees immediately following the AGM (and subject to shareholder approval of the plan). The maximum grant level to Executive Directors will be 100% of base salary at fair value (calculated by the Board using the Black-Scholes method). The grant of Stock Options rather than Restricted Shares is considered appropriate, recognising the current short-term weakness in the share price. The award granted to Executive Directors will be subject to a performance condition requiring share price growth of at least 33.3% (measured over any 30-day average period) before the options may be exercised and the award will vest no sooner than three years after grant (subject to the achievement of the performance condition)
- There will be Committee discretion to override the formula-driven outturn of the DCF model in exceptional circumstances, if it fails to take into account wider performance issues or other factors
- Robust malus and clawback provisions will apply. Malus provisions will be employed if necessary to reduce unvested awards if short-term performance under the DCF model used to deliver the award is not sustained in the view of the Committee. Clawback provisions will enable recovery of vested awards on a similar basis
- The share ownership requirements for Executive Directors will be increased from 100% of salary to 200% of salary
- The New LTIP will be subject to formal shareholder approval at the 2022 AGM, alongside the resolution to approve the new remuneration policy and this Directors' remuneration report

This New LTIP has the following benefits for Naked Wines and its shareholders:

- A conventional UK-style, three-year LTIP is not suitable for the diverse markets in which we are competing. Our objective in proposing the New LTIP is to enable us to compete head-on in the US, while still linking incentives to performance and incorporating necessary investor safeguards
- The New LTIP focuses on the long-term KPIs that are most important to Naked, its shareholders and other stakeholders
- The New LTIP distributes equity to all eligible employees that must be held long term, fostering a sense of ownership and togetherness
- The plan aligns incentives by offering protection against dilution through a high-barrier to entry for LTIP awards
- The plan encourages a long-term ownership mindset among employees, with a clear focus on maximising long-term intrinsic value as opposed to short-term performance
- The plan emphasises sustained year-on-year annual growth, as well as caps to control the level of gearing and the level of remuneration payable to Executive Directors
- By measuring annually, we ensure that high growth in one year sets a high baseline the next year, which must then be exceeded by 10% to generate subsequent value. This will limit the quantum payable, and level of dilution, in a single year. Dilution is further mitigated by shares being awarded at the end of a period of strong performance, when the share price is expected to be higher (rather than the start of the performance period under a conventional UK-style LTIP)
- A 15% dilution framework, over a 10-year period, is normal for a US-based business and is potentially necessary if the awards are granted at a high level. However, dilution would only ever be running at this level if significant value had been created. We believe this represents a fair trade-off for shareholders

We are conscious that the proposed New LTIP is unusual by UK market standards, but having stress tested the proposals with management, KPMG and separate independent (UK-based) external remuneration advisors, all of whom have helped shape the proposals, we are convinced that this is the right incentive model for Naked Wines.

Other policy changes

There will be no changes to the base salaries for Nick Devlin and Shawn Tabak, which will remain at $400,000. Benefits and pension (4% of salary, in line with the workforce) will also remain unchanged.

In order to offset the potentially-higher award levels under the New LTIP (albeit subject to more stretching targets), the annual bonus will be reduced from 100% to 62.5% of salary and payable in cash (with no deferred shares element, recognising the potential reweighting to equity under the New LTIP).

Consultation with shareholders

We consulted during the year with our major shareholders in relation to the New LTIP and were pleased that the majority of feedback was positive, enabling us to proceed to the AGM to seek formal shareholder approval for the plan.

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.

The Remuneration Committee is committed to having an open and constructive dialogue with investors. At our forthcoming AGM, there will be an advisory vote on this Annual Report on Remuneration and a separate vote of the New LTIP. I would be very pleased to receive any feedback you may have on this proposal and look forward to your support at the AGM.

Katrina Cliffe
Chair of the Remuneration Committee
June 2022

The Remuneration Committee

Who

- The Remuneration Committee comprises me, as Chair, together with David Stead and Darryl Rawlings (Board 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

- Develop the Remuneration Policy in line with the business strategy and monitor the ongoing effectiveness of this
- 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

- Implemented share plan for the new Chairman, Darryl Rawlings
- Set performance criteria targets for annual bonus and LTIP
- Determined the achievement of the performance criteria for vesting of shares and payment of bonuses
- Approved vesting of 2018 LTIP and Share Incentive Plan (SIP) to staff
- Developed the New LTIP and engaged with shareholders

How

- Remuneration Committee Terms of Reference
- External services
  - Tapestry continues to provide ongoing support in respect of the various share schemes
  - 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 52 to 53).

The Remuneration Policy

In this section, we describe the elements of our remuneration policy together with a clear link to our strategy. We further explain our implementation of each element, including the maximum an executive may 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 substantially consistent across our structure, with individuals generally being differentiated only on amount, level of responsibility, skills and performance.

We have considered the best way to ensure full transparency and accountability to shareholders and have determined that there should be a single advisory shareholder vote at the 2022 AGM on this Directors' remuneration report, which includes the policy, its operation and the amounts payable for service and performance in FY22. Also, we consider it important to give shareholders the opportunity to vote on the New LTIP, thereby memorialising their support of the plan in a separate, binding resolution.

1. Introduction

The Remuneration Policy offers fair, competitive and attractive reward packages that are consistent with the scale and performance of the Company. It is aligned with our strategy, KPIs, risk management processes and business model.

2. Policy statement

We will seek to attract and retain talent through fair rewards, 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 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 people 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 and cash alternatives to pension

Limitation:
The CEO and the 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 a 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 the 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 for the achievement of a stretching but achievable level of performance.

If stretch targets are achieved above a target level, a bonus level of up to 62.5% salary may be payable.

Bonuses are payable in cash.

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.

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:
- The LTIP is described in detail on pages 58 and 59 of this Report.

Limitation:
The Remuneration Committee will determine the award levels to Executive Directors and senior management at the end of each year, and the award levels of Restricted Shares will not exceed 300% of base salary unless there are genuinely exceptional circumstances, in which case there will be full disclosure in the Directors' remuneration report.

How it is linked to performance:
- Subject to sustained growth in value and share price performance
- The Executive Directors are subject to minimum shareholding requirements, meaning that they must hold equity in the Company equivalent to 200% base salary (increased from 100% as part of the new policy), 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 more junior executives and other employees.

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:

- The current incumbent's package
- The skills and expertise of the candidate
- The jurisdiction from which the person is recruited and their location of employment
- The appropriate structure of the package
- Comparable market compensation packages

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

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
- "Buyout" 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 contract includes a 12-month notice period by either the Company or the executive, and the 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
- Where possible, any compensation payments for loss of office will be subject to mitigation, including phased payments and offset against earnings in any new role

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. Payment is made on a monthly basis.

As noted last year, under a special arrangement, the new Chairman, Darryl Rawlings, will be paid three years' worth of his fee entirely in shares (£380,000 (equivalent of $525,000 using a preceding 28-day average USD/GBP FX rate at 5 August 2021) worth of shares awarded when the preceding 28-day average share price at 5 August 2021 was £8.223). Under this arrangement he also purchased £130,000 worth of shares and in return received a 1:1 matching award.

10. External appointments

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

- 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 attached 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), as well as oversight of how these are applied.

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 and 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

Annual report on remuneration

This section describes the remuneration payments in respect of the financial year ended 28 March 2022 and the operation of the policy for the forthcoming year.

Executive remuneration for FY22 (audited)

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives[1] £'000	Company pension contribution £'000	Other[2] £'000	Total 2022 £'000	Total Fixed 2022 £'000	Total Variable 2022 £'000
Nick Devlin*	CEO	293	6	–	393[1]	11	–	703	310	393
Shawn Tabak*	CFO	293	15	–	–	–	110	418	308	110

* Remuneration has been converted from US dollars to sterling based on an exchange rate of 1.3675 for FY22 and 1.306 for FY21.
1 LTIP comprises the estimated vesting of the June 2019 award based on performance up to March 2022 and valued using the average share price over Q4 of FY22 of 476.6p. Based on current performance, 100% of the awards are expected to vest, which is 82,427 shares for Nick Devlin.
2 "Other" comprises the value of an equity equivalent buyout award that Shawn Tabak received for joining Naked Wines.

Executive remuneration for FY21

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives £'000	Company pension contribution £'000	Other £'000	Total 2021 £'000	Total Fixed 2021 £'000	Total Variable 2021 £'000
Nick Devlin	CEO	306	9	306	319	9	4	953	324	629
Shawn Tabak	CFO	94	2	95	–	–	38	229	96	133
James Crawford	CFO (previous)	157	13	160	282	29	4	645	199	446

Annual bonus for FY22

The target annual bonus opportunity for FY22 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)
Total sales	33%	389.2	400.0	351.0	0%
Repeat EBIT	33%	52.8	64.5	47.4	0%
Value creation[1]	33%	134.3	178.0	61.8	0%
Total	100%				0%

* Actual performance is calculated at budget FY22 FX rates.
1 Value creation is the 5-Year Payback generated from New Customer investment.

Bonus outcomes for Executive Directors

The bonuses payable to the Executive Directors are set out in the table below.

Executive Director	Target annual bonus opportunity	Total bonus payable for FY22 (% of salary)	**Total bonus payable for FY22 £'000**
Nick Devlin	50% of salary	0% of salary	–
Shawn Tabak	50% of salary	0% of salary	–

Long-term incentives with performance periods substantially completed in FY22

The performance period for the LTIP awards granted in June 2019 will end in June 2022. 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 2022, it is expected that these LTIP awards will vest in full. The performance targets and current performance against these targets are 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 June 2022, these awards will vest in June 2022.

Award	Threshold TSR target (25% vesting)	Maximum TSR target (100% vesting)	Naked Wines performance up to March 2022	Estimated vesting (% of max)
14 June 2019	Median	Upper quartile	Above upper quartile	100%

Long-term incentive awards granted during the year

Conditional share awards were granted to Nick Devlin, Shawn Tabak and Darryl Rawlings during the year.

	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 2021	170%	61,091	797p	487	25%	July 2024
Shawn Tabak	July 2021	242%[2]	86,982	797p	693	25%	July 2024
Darryl Rawlings – conditional share award[1]	August 2021	N/A	46,194	822p	380	100%	N/A
Darryl Rawlings – matching share award[3]	August 2021	N/A	15,868	822p	130	100%	N/A

1 Vesting occurs equally in August 2022, August 2023 and August 2024.
2 Mr Tabak's grant includes incentives associated with his offer of employment.
3 Vesting occurs on the third anniversary of his appointment and shares must be held for a further year before sale.

The July 2021 awards are eligible to vest in 2024, subject to the achievement of the following performance conditions:

Performance condition		Weighting	Threshold target (25% of element vests)	Maximum target (100% of element vests)
Nick Devlin	Standstill EBIT	50%	£30m	£40m
Nick Devlin	Relative TSR[2]	50%	Median	Upper quartile
Shawn Tabak[1]	Standstill EBIT	25%	£30m	£40m
Shawn Tabak	Relative TSR[2]	25%	Median	Upper quartile

1 As noted in last year's Chairman's Letter, during FY22 the Committee determined that a mix of Performance Shares and Restricted Shares should be operated for FY22. Ultimately the award to Nick Devlin was 100% based on Performance Shares, but reflecting his newness to the role, Shawn Tabak's award was based 50% on Performance Shares and 50% on Restricted Shares. Also, noting the delay to the first LTIP award since his appointment, during which time the share price had increased significantly, the award level was determined using a reference share price from the prior December.
2 TSR performance is measured against a group of international 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 2021	28 March 2022	Unvested LTIP shares (subject to performance conditions)	Unvested shares (subject to continued employment only)	Shareholding required % of salary	Shareholding at 28 March 2022 % of salary
Nick Devlin	82,364	111,644	280,226	1,355	100%	140%
Shawn Tabak	–	–	43,491	43,935	100%	35%
Darryl Rawlings	–	15,868	–	62,062	N/A	N/A
Justin Apthorp	50,000	50,000				
Katrina Cliffe	15,000	15,000				
Ian Harding	12,000	N/A				
David Stead	–	–				

Non-Executive Directors' remuneration for FY22 (audited)

The table below sets out the fees received by non-Executive Directors for FY22 and the prior year. Non-Executive Directors are not entitled to receive any other remuneration other than fees.

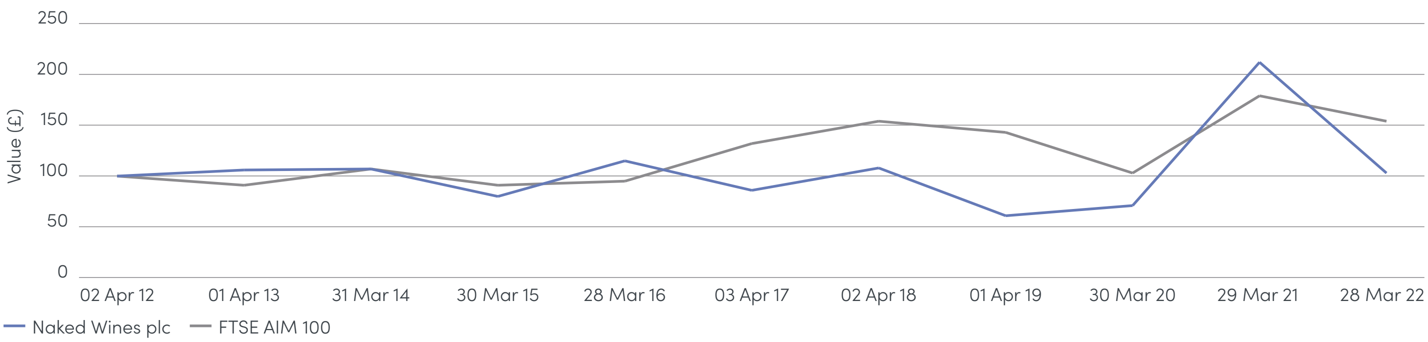
Name	Position	Other 2022 £'000	Total fixed fees 2022 £'000	Total fees 2022 £'000	Other 2021 £'000	Total fixed fees 2021 £'000	Total fees 2021 £'000
Ian Harding[1]	NED/SID/Remuneration Committee Chair/Chairman	–	42	42	–	85	85
David Stead	NED/SID/Audit Committee Chair	–	58	58	–	53	53
Justin Apthorp	NED	–	40	40	–	40	40
Katrina Cliffe	NED/Remuneration Committee Chair	–	45	45	–	43	43
Darryl Rawlings[2,3]	NED/Chairman	507	13	520	–	–	–
Total remuneration		507	198	705	–	221	221

1 Ian Harding stepped down as Chairman of the Board on 5 August 2021.
2 Fixed fee as non-Executive Director between appointment to the Board on 13 April 2021 and appointment as Chairman on 5 August 2021.
3 As set out previously in this remuneration report, the Chairman was awarded shares vesting over a three-year period on his appointment as Chairman on 5 August 2021.
The charge reported here represents the full $525,000 value of the award translated at the date of award, which will vest as three equal tranches annually on the anniversary of Darryl Rawlings's appointment as Chairman of the Board.
This charge also includes a further matching award of $175,000, translated at the date of award, as the co-investment condition for this award was met at Darryl's appointment as Chairman of the Board.
Both awards are subject to a continued service condition. Further details of this award are disclosed in the 2021 Annual Report and Accounts Directors' remuneration report.
Darryl Rawlings received or will receive no other fees or benefits in kind in his role as Chairman of the Company.

Total Shareholder Return performance

The chart below shows the Company's Total Shareholder Return performance over the last 10 years as 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 FY23

Executive Directors

Salaries for the Executive Directors will remain unchanged for FY23, being $400,000 for each of Nick Devlin and Shawn Tabak. Pension contributions are 4% of salary.

Annual bonus opportunity will be 50% of salary at target with the opportunity to earn 62.5% of salary for the achievement of stretch performance. Performance conditions and weightings for FY23 are:

- Group sales – 30%
- Repeat Customer Contribution profit for the year – 50%
- New business payback with an investment in new business investment level floor – 20%

Bonuses are payable in cash (the deferred shares element used in prior years where there was a higher bonus opportunity has been removed, recognising the potentially higher equity element under the New LTIP).

As noted above, an award of Stock Options will be granted in FY23, subject to AGM approval for the New LTIP. The award will be 100% of base salary (fair value) and will vest no sooner than three years after grant (subject to the achievement of the performance conditions).

FY23 will also be the first performance cycle for the New LTIP, with performance measured over the year against long-term KPIs and Restricted Share awards made in early FY24.

Non-Executive Directors

Non-Executive Directors' fees remain unchanged for FY23 as follows:

	FY23	FY22
NED	£40,000	£40,000
Committee Chair	+£5,000	+£5,000
SID	+£13,000	+£13,000

The Chairman's fee was subject to a special share based award as set out earlier in this report. Accordingly, he will receive no fees during FY23.

Katrina Cliffe
Remuneration Committee Chair
On behalf of the Board
June 2022

UK gender mix and gender based pay analysis

% UK employment men : women

	Men	Women
First quartile	70	30
Second quartile	69	31
Third quartile	53	47
Fourth quartile	18	82
Total	53	47

UK gender pay facts

	Men	Women	Unit
Hourly mean pay rate 2022	28.89	17.93	£
Hourly mean pay rate 2021	28.31	18.23	£
Mean bonuses paid 2022	13.3	6.1	£'000
Mean bonuses paid 2021	15.7	4.0	£'000
Portion of employees receiving bonus 2022	74.0	65.0	%
Portion of employees receiving bonus 2021	78.0	69.0	%

We are pleased to report that our UK gender-based pay analysis continues to show positive year-on-year development, supported by several initiatives to address areas outlined last year.

In the UK overall, we have seen an increase in the proportion of the female headcount year-on-year (FY22: 47%, FY21: 42%)

- Most of the new hires in the Customer Happiness Teams (CHT), which has grown by 34% year-on-year, were female
- Five departments grew year-on-year due to female new hires (Technology, Finance, Analytics, Marketing and CHT)
- Decrease in hourly mean pay rate due to increase in female/male mix in the CHT

The Group continues to employ a high proportion of Technology and IT roles in the UK, which has historically been under-represented by female staff. It is in this team that we have seen our biggest increase in headcount year-on-year.

Our Global Technology team sponsored the DevelopHER awards and has implemented a remuneration framework which includes clear salary ranges for all roles. These initiatives, along with several other activities, have led to a 6% increase in female headcount.

In contrast to last year's analysis where we highlighted that bonus figures had been distorted as a result of an unequal gender split of the founders who received management acquisition "lock-in" shares, we now see a correcting trend which explains why mean bonuses paid decreased for men and increased for women.

The Group remains actively engaged in initiatives to promote gender pay equality. In the year, voluntary focus groups were run by external consultants, Exponential Talent, to understand the employee experience of inclusion at Naked and gain insight to apply to our Equality, Diversity and Inclusion (ED&I) strategy. The report is currently being compiled with recommendations due to be shared in the coming months.

In the meantime, we have established three ED&I groups across the globe. These informed staff-led groups aim to represent all our key stakeholders to influence authentic and meaningful change.

Strengthening controls to reduce risk

We have made significant progress in FY22 in formally documenting and testing controls and making improvements where needed.

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.

Following the appointment of a Group Head of Assurance in FY21, good progress has been made in documenting the control standards expected across the Group and in testing their operation and driving for improvement. In addition, the Group Head of Assurance has commenced a series of deep-dive reviews of key functions and processes within the business. The Committee is confident that these reviews will bring valuable learnings and that, as a result, both the effectiveness and efficiency of operations will be enhanced.

We noted last year that a project was underway to replace the Group's inventory management system. The project has continued to progress well, and the new system is expected to go live in H1 of FY23. The Committee expects that this will further strengthen both financial and operational controls.

David Stead
Chairman of the Audit Committee
June 2022

Key responsibilities

The objective of the Audit Committee is to provide oversight and governance of 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 regarding their appointment and remuneration
- Review reports by management and the Head of Assurance to ensure the independence and effectiveness of systems for internal financial control, financial reporting and risk management, together with monitoring management's responses to control findings

The Terms of Reference are available on the Naked Wines plc website at https://www.nakedwinesplc.co.uk/about-us/board-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; David also chairs the Audit Committee of Joules Group plc.

The other members of the Audit Committee are Darryl Rawlings 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, the external auditors, the Group Finance Director and the Group Head of Assurance. Presentations were also given by individual members of the Group's senior leadership team on relevant topics.

The Audit Committee meets a minimum of three times per year, including at least twice a year with the external auditor 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 key accounting controls, and adherence to these standards is monitored by the Group Head of Assurance. Various recommendations have been made as a result of the Group Head of Assurance's work, and these are being implemented by management.

During the year, the Group Head of Assurance carried out deep-dive reviews of the customer services functions across all business units. The results of these reviews have been 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 also carries out its own annual review and assessment of key risks. Risk management and control environment on pages 39 to 46 includes further detail as to the key business risks identified and actions being taken. During the year the Audit Committee has received a presentation on each key risk, and the mitigating actions in place, from the relevant management team member.

Significant reporting issues and judgements

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

These matters included:

- The presentation of "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. The approach has been applied consistently in FY21 and FY22 and the rationale is clearly disclosed (see note 7 to the financial statements)
- The carrying value of goodwill and other intangible assets to determine whether any impairment has 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 had been made

The Audit Committee and the Board have considered carefully the cash flow forecasts and scenarios prepared by management to support the going concern basis of accounting. They have noted that in the event of a severe downside scenario, there is technically a risk that the Group could be in need of additional funding in Q4 of FY23 and Q1 of FY24; and that whilst additional funding has been secured via an Asset Backed Lending facility (ABL), there is a risk that that facility could be withdrawn if one of the covenants is breached. The Committee and the Board consider that the likelihood of the severe downside scenario is low; they note that significant additional cash resources could in any event be generated through identified management actions; and they believe that the ABL covenants will be met but acknowledge that under certain reasonably possible downside scenarios there is a risk that the Repeat Customer Contribution covenant would not be met. See note 3.2 for further details. The Board has included reference in its report to a material uncertainty in the Group's ability to continue as a going concern.

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 auditor since 2014/15 has 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; the next such rotation will be in 2024. 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 AGM.

In addition to their statutory duties, Deloitte LLP may also be 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 28 March 2022

(a) Results and review of the business

The Group income statement is set out on page 77. The Directors' report should be read in conjunction with the Strategic report on pages 1 to 51, which includes 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 31 to the financial statements. An indication of likely future developments in the business of the Company are included in the Financial review on pages 26 to 29. 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 51, 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

On 31 March 2022, the Directors signed a senior secured credit facility with Silicon Valley Bank. See note 31 Events after the balance sheet date for further details of this transaction.

On 5 May 2022, the Company received £5.85 million sale proceeds before costs and tax in respect of the asset held in the Company's books as an investment property. See note 31 Events after the balance sheet date for more details of this transaction.

There have been no other 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 19 May 2022 is 0.27%. This percentage comprises the holdings of Directors and related parties.

(g) Major shareholders

At 3 May 2022, 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
Baillie Gifford & Co (Edinburgh)	9,715,066	13.23
Punch Card Mgt (Florida)	6,628,538	9.02
Conifer Capital Mgt (New York)	6,246,610	8.50
Morgan Stanley (London)	5,791,414	7.88
JMX Capital (Hamburg)	4,325,161	5.89
Apthorp Family (England)	4,062,942	5.53

(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 3pm on 25 July 2022 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 AGM. 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 AGM, held on 5 August 2021, by means of a non-binding advisory vote. The shareholders approved the resolution relating to the 2021/22 Directors' remuneration by a majority of 98.89%, with 1.11% of votes cast against and 0.00% votes withheld. Shareholders will be asked to vote on the Directors' Remuneration Policy at the AGM 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 rebudgeting 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/corporate-governance/

(n) Key performance indicators

The Group monitors a number of performance indicators, both financial and non-financial. See page 118 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.

Statement of Directors' responsibilities

(p) Board of Directors

Details of the Board of Directors can be found on pages 52 and 53.

(q) Stakeholder engagement

Please refer to the section 172(1) statement on page 36 and to the stakeholder engagement initiatives mentioned on pages 36 to 38 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

Naked Wines has been an accredited Disability Confident Employer since October 2018. As a Disability Confident Employer we have documented 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.

(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. Details of our report are set out on page 51 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:

- Working closely with our winemakers, growers and suppliers towards achieving more sustainable winemaking in our supply chain aimed at significantly reducing GHG emissions 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 Guidelines. 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.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation, and have also chosen to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

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

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

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

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

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 22 June 2022 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 22 June 2022

Shawn Tabak
Chief Financial Officer 22 June 2022

Registered in England and Wales No. 02281640

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 28 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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 53.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards 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. Material uncertainty related to going concern

We draw attention to note 3.2 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern.

The group entered into a $60m Asset Backed Lending facility post year end that was subject to three financial covenants including a covenant on repeat customer contribution tested quarterly. This covenant is with reference to an absolute level, rather than a ratio. Consequently, it is most sensitive to macroeconomic factors and under a downside scenario there is a risk that the company could breach this covenant. Management's base case forecast indicates that the covenants will be met throughout the going concern period. However, a reasonably possible downside scenario gives rise to a material uncertainty over the group's ability to meet the repeat customer contribution covenant.

When taking into account actual trading results to date which are below forecast, a downside scenario of 3.7% against forecast would result in a breach of this covenant in June 2022 and as a result of the sensitivity in the downside scenario, a material uncertainty has been identified on meeting this covenant. Further, under certain reasonably possible downside scenarios there is uncertainty over compliance with this covenant in future quarters.

As stated in note 3.2, these events or conditions, along with the other matters as set forth in note 3.2 indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. The Audit Committee has included the adoption of the going concern basis of accounting as a key risk on page 69.

Our opinion is not modified in respect of this matter.

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:

- testing the mechanical accuracy of the model used to prepare the group's going concern forecast;
- evaluating the consistency of management's forecasts with other areas of the audit (e.g.: goodwill impairment);
- obtaining independent confirmations of the Group's cash on hand position;
- obtaining confirmation of the revolving credit facility entered into post 28 March 2022 to understand repayment terms and covenant requirements;
- evaluating management's cash flow forecasts and challenging key assumptions used in their preparation, through comparison to historic performance and external data sources. This included evaluating the business model and medium-term risks, economic factors and climate change, to assess whether the recent significant growth trends are considered likely to continue going forwards;
- evaluating the amount of headroom under the forecast covenants, including sensitised downside scenarios, to assess the likelihood of conditions arising which might result in the group's inability to meet its covenants as they fall due;
- assessing and challenging the mitigating actions available to management, should these be required to offset the impact of forecast performance not being achieved;
- assessing the appropriateness of risk factors disclosed in the group's going concern statement; and
- challenging the sufficiency of the group's disclosures relating to going concern basis of preparation by reference to FRC guidance and the requirements of IAS 1 Presentation of Financial Statements.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty related to going concern section) • Risk of fraudulent recognition of revenue through manual adjustments. Within this report, all key audit matters have a similar level of risk when compared to the prior year as identified by the following symbol <>
Materiality	The materiality that we used for the group financial statements was £4.1m 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, 84% of the Group's profit before tax, and 99% of net assets.
Significant changes in our approach	Going concern is a new key audit matter in the year due to potential covenant breaches. Consistent with the prior year, the risk of fraudulent recognition of revenue through manual adjustments continues to be a key audit matter.

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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Risk of fraudulent recognition of revenue through manual adjustments <>

Key audit matter description	The group generated revenue from continuing operations of £350.3m (2021: £340.2m). Revenue consists of sales of wine to subscription and one-off customers which 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 the 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 fraud to be as a result of manual journals posted by management in order to manipulate results. Further information is included in note 3.5.
How the scope of our audit responded to the key audit matter	To respond to this key audit matter we have: • obtained an understanding of the relevant controls over the recognition of revenue; • assessed the revenue recognition policy to understand characeristics that might indicate revenue journal entries outside the normal course of business; • used data analytics to identify a population of manual entries to revenue from which we have selected a sample of items and obtained evidence. We have challenged management on the business rationale for these entries and agreed these to supporting evidence; and • performed analysis of historic monthly gross margins 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	From the work performed above, 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.

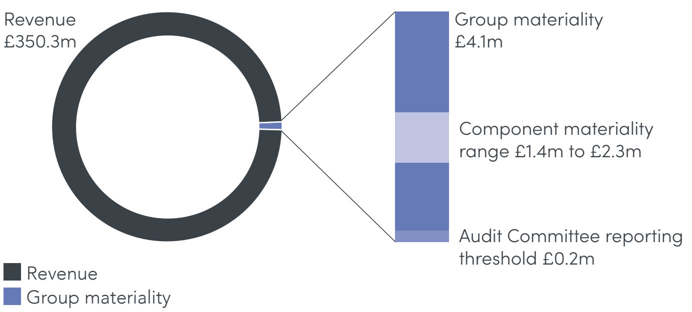
6. Our application of materiality

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	£4.1m (2021: £3.5m)	£2.2m (2021: £1.9m)
Basis for determining materiality	1.2% (2021: 1.1%) of Group revenue.	The basis of materiality is net assets. Parent company materiality equates to 1.8% (2021: 1.8%) of parent company net assets, which is capped at 80% (2021: 80%) of group materiality.
Rationale for the benchmark applied	In our professional judgement we believe that revenue is the most appropriate benchmark to determine materiality given that the group is focussed on growth and therefore revenue is the key measure of overall performance used by stakeholders.	In determining our final materiality, based on our professional judgement, we have considered net assets as the appropriate measure given the parent company is primarily a holding company for the group.



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% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors, namely: • our risk assessment and the quality of the control environment; and • our past experience of the audit, including the quantum of corrected and uncorrected misstatements in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £205,000 (2021: £175,000), 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

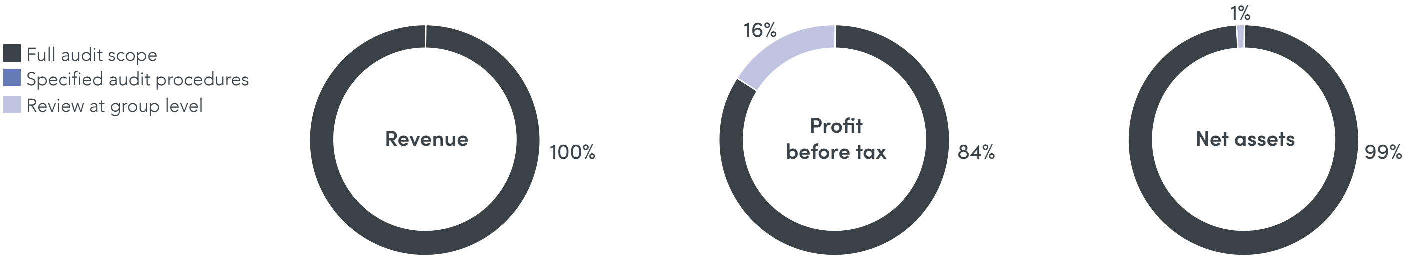
Naked Wines Plc are 100% owners of Naked Wines International Ltd, which acts as a holding company for the three Naked Wines trading companies, based in the US, the UK and Australia, as well as the non-trading components.

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 trading companies in the UK, US and Australia. The results taken together for these entities account for 100% (2021: 100%) of the Group's revenue, 84% (2021: 99%) of the group's profit before tax, and 99% (2021: 94%) of net assets.

All UK entities were audited by the group engagement 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 £1.4 million to £2.3 million (2021: £1.2 million to £1.9 million).

At the group level, we also 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 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. Our consideration of the control environment

We have obtained an understanding of relevant controls over the key business cycles, including financial reporting, revenue, inventory, fixed assets, expenditure and payroll. In addition, we have tested relevant controls over revenue. However, a controls reliance audit approach has not been taken.

Together with IT specialists we tested controls over the revenue, inventory and financial reporting systems. We performed testing on access security, change management and network operations. Where control improvements are identified, these are reported to management and the Audit Committee as appropriate.

7.3. Working with other auditors

We have engaged with component audit teams to perform work over the US and Australia components which are both full scope audits in the current year. Detailed instructions were sent to the US and Australia component audit teams, who were included in team briefings to discuss risk assessment.

We met virtually and in person with component audit teams, including close meetings at the conclusion of the audit work which were attended by the Senior Statutory Auditor. We visited the US component in person and 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;
- 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 recognition of revenue through manual journals. 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 employment legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified risk of fraudulent recognition of revenue through manual journals 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 internal and external 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 ledger population to supporting evidence.
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; 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.

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

22 June 2022

Group income statement
For the year ended 28 March 2022

	Note	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Continuing operations			
Revenue	5	**350,263**	340,226
Cost of sales		**(208,542)**	(204,732)
Gross profit		**141,721**	135,494
Fulfilment costs		**(62,601)**	(58,294)
Advertising costs		**(34,131)**	(42,334)
General and administrative costs		**(43,085)**	(42,675)
Fair value loss arising on deferred contingent consideration net of settlement	7	**–**	(3,868)
Operating profit/(loss)	8	**1,904**	(11,677)
Finance costs	10	**(111)**	(116)
Finance income	10	**1,080**	1,118
Profit/(loss) before tax		**2,873**	(10,675)
Analysed as:			
Adjusted profit/(loss) before tax		**2,964**	(514)
Adjusted items:	7		
➲ Non-cash charges relating to acquisitions		**(1,321)**	(3,646)
➲ Other adjusted items		**1,230**	(6,515)
Profit/(loss) before tax		**2,873**	(10,675)
Tax	11	**(490)**	635
Profit/(loss) for the period		**2,383**	(10,040)
Earnings/(loss) per share	12		
Basic		**3.3p**	(13.8p)
Diluted		**3.2p**	(13.8p)

Group statement of comprehensive income

For the year ended 28 March 2022

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Profit/(loss) for the period	**2,383**	(10,040)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3,084**	(1,282)
Other comprehensive income/(loss)	**3,084**	(1,282)
Total comprehensive income/(loss) for the period	**5,467**	(11,322)

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

Group statement of changes in equity

For the year ended 28 March 2022

	Note	Share capital £'000	Share premium £'000	Capital reserve – own shares £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
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	27	21	–	–	–	–	(21)	–
Credit to equity for equity-settled share based payments	28	–	–	–	–	–	777	777
Transfer of shares to employee benefit trust account		–	–	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
Profit for the period		**–**	**–**	**–**	**–**	**–**	**2,383**	**2,383**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**3,084**	**–**	**3,084**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**3,084**	**2,383**	**5,467**
Shares issued	27	**21**	**–**	**–**	**–**	**–**	**(21)**	**–**
Credit to equity for equity-settled share based payments	28	**–**	**–**	**–**	**–**	**–**	**1,311**	**1,311**
Deferred tax on share based payment	11	**–**	**–**	**–**	**–**	**–**	**(260)**	**(260)**
At 28 March 2022		**5,508**	**21,162**	**–**	**363**	**3,183**	**79,667**	**109,883**

The nature and purpose of each reserve is disclosed in note 27 Share capital and reserves.

Group balance sheet

As at 28 March 2022

	Note	28 March 2022 £'000	29 March 2021 £'000
Non-current assets			
Goodwill and intangible fixed assets	14	**33,516**	33,982
Property, plant and equipment	15	**2,544**	1,452
Right-of-use assets	16	**3,370**	2,780
Investment property	17	**–**	855
Deferred tax assets	11	**5,402**	3,993
Other receivables	19	**10,114**	9,520
		54,946	52,582
Current assets			
Inventories	18	**142,444**	76,130
Trade and other receivables	19	**9,161**	7,168
Financial instruments at fair value	25	**324**	41
Cash and cash equivalents		**39,846**	85,148
		191,775	168,487
Assets classified as held for sale	20	**810**	–
		192,585	168,487
Total assets		**247,531**	221,069
Current liabilities			
Trade and other payables	21	**(54,621)**	(40,757)
Deferred Angel and other income	22	**(76,003)**	(69,902)
Lease liabilities	24	**(991)**	(645)
Provisions	26	**(2,011)**	(1,570)
Bond financing	23	**(35)**	(30)
Financial instruments at fair value	25	**(476)**	(1,405)
		(134,137)	(114,309)
Non-current liabilities			
Provisions	26	**(122)**	(393)
Lease liabilities	24	**(2,576)**	(2,231)
Deferred tax liabilities	11	**(813)**	(771)
		(3,511)	(3,395)
Total liabilities		**(137,648)**	(117,704)
Net assets		**109,883**	103,365
Equity			
Share capital	27	**5,508**	5,487
Share premium	27	**21,162**	21,162
Capital redemption reserve	27	**363**	363
Currency translation reserve	27	**3,183**	99
Retained earnings		**79,667**	76,254
Total equity		**109,883**	103,365

The financial statements of Naked Wines plc (company registration number 02281640) were approved by the Board and authorised for issue on 22 June 2022 and were signed on its behalf by Shawn Tabak.

Group cash flow statement

For the year ended 28 March 2022

	Note	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Cash flows from operating activities			
Cash (used in)/generated by operations	30	**(40,929)**	34,207
UK income tax received		**–**	274
Overseas income tax paid		**(2,189)**	(880)
Net cash (used in)/generated by operating activities		**(43,118)**	33,601
Investing activities			
Interest received, including interest received on the vendor loan note		**486**	559
Purchase of property, plant and equipment		**(1,681)**	(845)
Purchase of intangible fixed assets		**(253)**	(1,824)
Proceeds on disposal of property, plant and equipment		**7**	–
Proceeds received on settlement of deferred contingent consideration		**–**	175
Proceeds from sale of asset held for resale		**–**	953
Net cash used in investing activities		**(1,441)**	(982)
Financing activities			
Interest paid (including lease interest)		**(111)**	(116)
Repayments of principal under lease liabilities		**(845)**	(904)
Movement in customer funded bonds		**5**	(54)
Net cash used in financing activities		**(951)**	(1,074)
Net (decrease)/increase in cash		**(45,510)**	31,545
Cash and cash equivalents at the beginning of the year		**85,148**	54,736
Effect of foreign exchange rate changes		**208**	(1,133)
Cash and cash equivalents at the end of the year	30	**39,846**	85,148

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 The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY. 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 2022, do not have an impact on the financial statements of the Group:

IFRS	Subject
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	Impact of the initial application of Covid-19-Related Rent Concessions

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 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
	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
	IFRS 17	Insurance Contracts
	Amendments to IAS 8	Definition of Accounting Estimates
	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Effective date deferred indefinitely	Amendments to IFRS 10 and IAS 28	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 28 March 2022 and the prior financial year, 52 weeks to 29 March 2021.

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

In assessing the appropriateness of the going concern assumption, the Board has considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Group from existing cash reserves and from our Asset Backed Lending facility (ABL) and (iii) potential variations in the cash requirements of the Group taking into account severe yet plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook.

As set out in note 31 Events after the balance sheet date, the Group entered into an Asset Backed Lending facility on 31 March 2022 which provides up to $60 million of additional borrowing secured against the stock holding of the US business.

Management has prepared cash flow forecasts extending for 12 months from the date of this report to assess the base case liquidity of the Group. Under this base case scenario the Group has sufficient liquidity over this time period, although it is the intention to draw a minimum amount to meet conditions of the facility itself around a minimum cash holding.

Under a downside scenario where New Customer investment declines by 10% and therefore the Group acquires fewer New Customers, the Group would retain liquidity and again would not require funding from the ABL. It should be noted that under this scenario cash reserves would be reduced increasingly throughout the evaluation period. However, management has multiple available levers to improve cash generation should evidence of this downside scenario become apparent.

The Board has also reviewed the potential impact of other reasonably plausible downside scenarios. In particular, should Repeat sales show a progressive deterioration versus our expectations (-5% in Q2, -7.5% in Q3, -10% in Q4 of FY23 and -10% in Q1 of FY24), cash reserves would be further reduced. If no management actions were taken, additional sources of funding would be required in Q4 of FY23 and Q1 of FY24. However, management has multiple available levers to improve cash generation should evidence of this downside scenario become apparent, as discussed further below.

The ABL is subject to three covenants: a current ratio test, minimum cash held at a bank within the syndicate, and a minimum quarterly Repeat Customer Contribution profit test. The Repeat Customer Contribution profit covenant is with reference to an absolute level, rather than a ratio. Consequently, it is most sensitive to macroeconomic factors and, under a downside scenario, there is a risk that the Company could breach this covenant, with headroom versus the covenant most limited in Q1, Q2 and Q4 of FY23.

Management has assessed covenant compliance over the next 12 months based on a detailed forecast model that projects an income statement, balance sheet, and cash flow statement based on key drivers of the business including, *inter alia*, assumptions on new customers, customer retention/attrition by tenure, order frequency, average order value, gross margin and fulfilment costs per order. Sensitivity analysis was also performed on this base case forecast. Under the base case, the forecast model projects that all covenants will be met over the next 12 months. A downside scenario resulting in a 7.5% to 20% sensitivity against the base case forecast for Repeat Customer sales could result in a breach of this covenant. When taking into account actual trading results to date which are below forecast, a downside scenario of 3.7% against forecast would result in a breach of this covenant at June 2022 and as a result of the sensitivity in the downside scenario, management have identified a material uncertainty on meeting this covenant. Under certain downside scenarios there is uncertainty over covenant compliance in future quarters. In the case of a breach of this covenant, management would approach the bank and request a waiver for this covenant breach. However, the Board cannot predict with certainty how the banks would respond.

Even under a severe downside scenario, management have identified multiple additional levers that would conserve cash without access to the ABL. These levers include the deferral or reduction of incoming inventory purchases, the disposal of unbottled wine on the bulk wine market, the reduction of capital expenditure, the renegotiation of supplier terms, the reduction of discretionary marketing investment and reductions of general and administrative expense. It is the view of the Board that, together, these levers offer in excess of £30 million of mitigation of downside risk, which is set against a maximum cash requirement of up to £10 million under a severe downside scenario.

On this basis the Board believes it is appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the Group's ability to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business.

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.

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 Adjusted items.

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, 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, the Group does not provide credit terms to its 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.

3 Accounting policies (continued)

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 include staff and other support costs of global advertising and marketing functions.

3.9 Finance costs and income

Finance costs 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 3.24 Financial instruments).

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, including the impact of any non-market vesting conditions (e.g., 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.

3.11 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 tax 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 fixed 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
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 fixed 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:

Leasehold properties	For the term of the lease
Leasehold improvements	For the term of the lease
Equipment, fittings & 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 & 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 where Naked has control of the assets purchased by the advance payment but they remain in work in progress with the winemaker.

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 Deferred Angel and other income 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.

3 Accounting policies (continued)

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 of the period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated balance sheet.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the consolidated income statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Group as lessor

The Group had a freehold asset which was leased out under an operating lease. This was disclosed as an investment property with depreciable assets depreciated over their useful lives and was sublet for a peppercorn rent. During the current year, this was reclassifed as an asset classified as held for sale.

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 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.24 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 vendor loan note 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 and in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost.

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of directly attributable issue costs.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations arising from operational activities. These instruments are primarily foreign exchange forward contracts. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured at fair value at subsequent reporting dates. For derivative financial instruments not designated as a hedge, the gain or loss on re-measurement to fair value is immediately recognised in the income statement.

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

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 significant judgements in the accounting policies and 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. Other revenue represents revenue from stock optimisation activities. See accounting policy note 3.5 Revenue.

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). The Board has determined that the Executive Directors of the Company are the CODM of the business. This is on the basis that they 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 presents its segmental analysis based on the three geographic locations in which the Group operates.

Performance of these operating segments is assessed on revenue, adjusted EBIT (being operating profit excluding any adjusted items) and adjusted PBT (being profit before tax 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, this being wine and associated beverages.

Goodwill has been allocated to the segments based on value in use, see note 14 Goodwill and intangible fixed assets 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.

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 ended 28 March 2022	Note	Naked Wines USA £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue						
New Customer sales		**17,556**	**11,342**	**5,137**	**–**	**34,035**
Repeat Customer sales		**138,665**	**135,617**	**40,777**	**–**	**315,059**
Other revenue		**1,169**	**–**	**–**	**–**	**1,169**
		157,390	**146,959**	**45,914**	**–**	**350,263**
New Customer Contribution loss		**(2,097)**	**(4,135)**	**(940)**	**–**	**(7,172)**
Advertising costs		**(21,128)**	**(9,360)**	**(3,643)**	**–**	**(34,131)**
Investment in New Customers		**(23,225)**	**(13,495)**	**(4,583)**	**–**	**(41,303)**
Repeat Customer Contribution profit		**46,648**	**28,225**	**11,342**	**–**	**86,215**
Other contribution		**77**	**–**	**–**	**–**	**77**
		23,500	**14,730**	**6,759**	**–**	**44,989**
General and administrative costs[1]		**(14,939)**	**(6,614)**	**(3,879)**	**(17,562)**	**(42,994)**
Adjusted EBIT		**8,561**	**8,116**	**2,880**	**(17,562)**	**1,995**
Finance costs		**(91)**	**(9)**	**(11)**	**–**	**(111)**
Finance income		**–**	**1**	**–**	**1,079**	**1,080**
Adjusted profit/(loss) before tax		**8,470**	**8,108**	**2,869**	**(16,483)**	**2,964**
Adjusted items:	7					
Non-cash items relating to acquisitions		**–**	**–**	**–**	**(1,321)**	**(1,321)**
Other adjusted items		**–**	**–**	**–**	**1,230**	**1,230**
Profit/(loss) before tax		**8,470**	**8,108**	**2,869**	**(16,574)**	**2,873**
Depreciation		**1,113**	**264**	**230**	**50**	**1,657**
Amortisation		**1**	**–**	**–**	**1,900**	**1,901**
Total assets		**122,278**	**41,622**	**24,912**	**58,719**	**247,531**
Total liabilities		**63,495**	**45,203**	**20,126**	**8,824**	**137,648**

1 General and administrative costs – Per income statement excluding £1,321,000 of acquisition related amortisation costs, £1,091,000 of fair value adjustments relating to open foreign exchange contracts and £139,000 of PLC company foreign exchange revaluations.

6 Segmental reporting (continued)

Year ended 28 March 2022	USA £'000	UK £'000	Australia £'000	Total £'000
Geographical analysis				
Revenue	157,390	146,959	45,914	**350,263**
Non-current assets excluding deferred current assets	4,919	44,261	364	**49,544**

Year ended 29 March 2021	Note	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 costs		(85)	(14)	(17)	–	**(116)**
Finance income		10	–	–	1,108	**1,118**
Adjusted profit/(loss) before tax		**1,912**	**10,894**	**927**	**(14,247)**	**(514)**
Adjusted items:	7					
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**
Total assets		**64,689**	**25,699**	**20,386**	**110,295**	**221,069**
Total liabilities		**55,283**	**39,394**	**16,408**	**6,619**	**117,704**

Year ended 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 foreign exchange contracts and £681,000 of PLC company foreign exchange revaluations.

7 Adjusted items

The Directors believe that adjusted profit/(loss) before tax provides 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.

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

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	**(1,321)**	(3,646)
	(1,321)	(3,646)
Other adjusted items		
Fair value loss arising on deferred contingent consideration net of settlement	**–**	(3,868)
Fair value movement through the income statement on foreign exchange contracts and associated unrealised foreign currency inventory	**1,091**	(1,966)
Foreign exchange movements on plc company currency bank balances	**139**	(681)
	1,230	(6,515)
Total adjusted items	**(91)**	(10,161)

Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current New Customer acquisition in its adjusted profit before tax, 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 ended 29 March 2021, 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 30 March 2020 and, after proceeds of £175,000 were 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 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. The revaluation of foreign currency balances held in the Group are reported as adjusted items so as not to distort the picture of the underlying business cost base.

8 Operating profit/(loss)

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

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Depreciation of property, plant and equipment and investment property	**718**	507
Amortisation of intangible fixed assets	**1,901**	3,838
Depreciation of right-of-use assets	**939**	943
Loss on disposal of fixed assets	**18**	51
Loss on disposal of right-of-use assets	**17**	1,354
Inventory write-downs	**391**	205
Net currency exchange losses/(gains)	**242**	(277)
Expenses on short-term and low-value leases	**207**	168

Auditor's remuneration		
Fees payable for the audit of the Company's subsidiaries	**565**	422
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**80**	20
Total audit fees	**645**	442
Audit-related assurance services	**45**	40
Total non-audit fees	**45**	40
Total fees paid to the Company's auditor	**690**	482

9 Staff costs

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

	Year ended 28 March 2022 number	Year ended 29 March 2021 number
Administrative and distribution	**294**	184
Sales	**192**	199
	486	383

Their aggregate remuneration comprised:

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Wages and salaries	**26,026**	22,703
Social security costs	**2,287**	1,858
Contributions to defined contribution pension plans	**759**	608
Share based payment charges	**1,311**	777
	30,383	25,946

Directors' emoluments comprised:

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Salary and benefits	**805**	839
Bonuses accrued and paid in the year relating to the current year	**–**	599
Payments in lieu of pension contributions to money purchase schemes & contributions to money purchase scheme	**11**	37
Emoluments before share based payment charges	**816**	1,475
Share based payment charges	**462**	262
	1,278	1,737

The total emoluments of key management personnel amounted to £1,331,000 (FY21: £1,737,000).

The highest paid Director's emoluments comprised:

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Salary and benefits	**299**	315
Bonus accrued	**–**	306
Pension contributions to money purchase schemes	**11**	9
Emoluments before share based payment charges	**310**	630
Share based payment charges	**209**	189
	519	819

Note: Highest paid Director disclosed is based on compensation relating to the current financial year. As per the Directors Remuneration report, Darryl Rawlings' compensation package agreed on his appointment as Chair is a three-year share award which was awarded in FY22 but which relates to the subsequent 36 months of his engagement.

Detailed disclosure of Directors' remuneration is set out in the Directors' remuneration report on page 64.

10 Finance costs and income

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Finance costs		
Interest on lease liabilities	**(105)**	(116)
Other interest payable	**(6)**	–
	(111)	(116)
Finance income		
Financial instruments measured at amortised cost		
Bank interest receivable	**125**	191
Other interest receivable	**1**	9
Interest income on vendor loan note	**954**	918
	1,080	1,118
Net finance income	**969**	1,002

11 Tax

(a) Tax charge

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Current income tax		
UK income tax	**4**	1
Overseas income tax	**(2,011)**	(547)
Adjustment in respect of prior periods	**27**	176
Current income tax charge	**(1,980)**	(370)
Deferred tax		
Origination and reversal of temporary differences	**1,077**	1,464
Adjustment in respect of prior periods	**64**	(459)
Effect of change in tax rate on prior period balances	**349**	–
Total deferred tax credit	**1,490**	1,005
Total income tax (charge)/credit for the year	**(490)**	635

(b) Tax reconciliation

The tax (charge)/credit for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The reasons for this are detailed below:

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Profit/(loss) before tax	**2,873**	(10,675)
Tax (charge)/credit at the standard UK corporation tax rate of 19% (2021: 19%)	**(546)**	2,028
Adjustments in respect of prior periods	**91**	(283)
Overseas income tax at higher rates	**(44)**	(66)
Disallowable expenditure	**(485)**	(82)
Income not taxable	**12**	212
Deferred tax not previously recognised	**475**	(1,606)
Share based payments	**141**	138
Change in tax rate on prior period deferred tax balances	**(134)**	–
Foreign exchange	**–**	294
Total income tax (charge)/credit	**(490)**	635
Effective tax rate	**17.1%**	5.9%

Deferred tax balances have been calculated at the substantively enacted rate at which they are expected to reverse.

The chancellor has confirmed an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023 which received Royal Assent on 10 July 2021.

(c) Tax on items recorded in reserves

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Deferred tax (charge)/credit on share based payments	**(260)**	331
Total tax on items (charged)/credited to equity	**(260)**	331

(d) Deferred tax

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
At the beginning of the year	**3,222**	2,037
Adjustment in respect of prior years	**64**	(459)
Credited to the income statement in the year	**1,426**	1,464
(Charged)/credited to other comprehensive income in the year	**(260)**	331
Foreign exchange	**137**	(151)
At the end of the year	**4,589**	3,222

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	
	28 March 2022 £'000	29 March 2021 £'000	28 March 2022 £'000	29 March 2021 £'000
Fixed assets	**–**	–	**(813)**	(771)
Share based payments	**512**	696	**–**	–
Tax losses carried forward	**735**	227	**–**	–
Inventories	**2,614**	1,287	**–**	–
Deferred income	**121**	80	**–**	–
Accruals	**266**	623	**–**	–
Provisions	**326**	250	**–**	–
Unrealised foreign exchange differences	**828**	830	**–**	–
	5,402	3,993	**(813)**	(771)

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

	29 March 2021 £'000	Recognised in income statement £'000	Recognised in OCI £'000	Foreign exchange £'000	28 March 2022 £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Fixed assets	(771)	(18)	–	(24)	**(813)**	**–**	**(813)**
Share based payments	696	71	(260)	5	**512**	**512**	**–**
Tax losses carried forward	227	514	–	(6)	**735**	**735**	**–**
Inventories	1,287	1,214	–	113	**2,614**	**2,614**	**–**
Deferred income	80	41	–	–	**121**	**121**	**–**
Accruals	623	(243)	–	(114)	**266**	**266**	**–**
Provisions	250	(47)	–	123	**326**	**326**	**–**
Unrealised foreign exchange differences	830	(42)	–	40	**828**	**828**	**–**
	3,222	1,490	(260)	137	**4,589**	**5,402**	**(813)**

Deferred tax on losses of £23.0 million (2021: £26.8 million) 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 loss arising on the settlement of the deferred contingent consideration not previously recognised has been included in deferred tax assets in the current year as the capital loss will be utilised next year. 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 US are taxed at an effective statutory rate of 26% and Australia is taxed at 30%. Other factors such as changes in tax laws and their interpretation, tax rate changes and other tax regime reforms may also impact the group's tax rate.

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 nor does it expect to have any remittance in the foreseeable future.

12 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 145,557 (2021: 146,814) 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.

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.

	Year ended 28 March 2022	Year ended 29 March 2021
Earnings/(loss) per share		
Basic earnings/(loss) per share	**3.3p**	(13.8p)
Diluted earnings/(loss) per share	**3.2p**	(13.8p)

	Year ended 28 March 2022	Year ended 29 March 2021
Weighted average number of shares in issue	**73,172,727**	72,896,800
Dilutive potential ordinary shares:		
Employee share awards	**1,803,937**	1,496,174
Weighted average number of shares for the purpose of diluted earnings per share	**74,976,664**	74,392,974
Total number of shares in issue	**73,439,132**	73,161,485

If all the Company's share schemes had vested at 100%, the Company would have 74,983,864 issued shares.

13 Dividends

The Group did not pay any dividends during the year (2021: £nil) and the Directors do not propose a dividend for this year (2021: £nil).

14 Goodwill and intangible fixed assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
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**
Additions	**–**	**–**	**–**	**–**	**253**	**253**
Foreign currency	**1,182**	**–**	**–**	**–**	**–**	**1,182**
At 28 March 2022	**30,344**	**1,607**	**14,300**	**10,100**	**2,736**	**59,087**
Accumulated amortisation						
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)**
Charge for the year	**–**	**(219)**	**(59)**	**(1,262)**	**(361)**	**(1,901)**
At 28 March 2022	**–**	**(269)**	**(14,300)**	**(8,808)**	**(2,194)**	**(25,571)**
Net book value						
At 28 March 2022	**30,344**	**1,338**	**–**	**1,292**	**542**	**33,516**
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

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	18,283	1,338	–	778	1	20,400
Naked Wines UK	10,137	–	–	432	–	10,569
Naked Wines Australia	1,924	–	–	82	–	2,006
Unallocated	–	–	–	–	541	541
At 28 March 2022	**30,344**	**1,338**	**–**	**1,292**	**542**	**33,516**

14 Goodwill and intangible fixed 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 Other intangible fixed assets.

Impairment testing

Cash generating units (CGU)

Consistent with the operating segments, being the three geographic markets in which the Group operates, the Directors 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 cashflows of the operating business units.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the latest management forecasts in respect of the following five years, the first of which being the Board approved budget. An estimate of capital expenditure required to maintain these cash flows is also made. The Board draws attention to the fact that the Group intends to continue to invest in growth and therefore is not forecast to be significantly cash generative during the forecast period. This is in line with the Board's expectations and consistent with its objectives of creating long-term value for the Group's stakeholders.

Long-term growth rate assumptions

The five-year management forecasts are extrapolated in perpetuity using a growth rate of 2%. This is not considered to be higher than the average long-term industry growth rate. The long-term growth rate is common to all CGUs.

Discount rate assumptions

The discount rate applied to the cash flows is calculated using a pre-tax rate based on the weighted average cost of capital (WACC) which would be anticipated for a market participant investing in the Group. Management believe it is appropriate to use a single common discount rate for the testing of the Naked Wines goodwill and intangible assets as 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 28 March 2022, the pre-tax rate used to discount the forecasted cash flows has been determined to be 13% (2021: 12%).

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 49.9% (US), 87.9% (UK) and 206.7% (AUS) would cause the carrying value of the goodwill in the Naked Wines Group operating segments to equal its recoverable value.

15 Property, plant and equipment

	Leasehold properties		Equipment, fittings and vehicles £'000	Total £'000
	Long leasehold £'000	Leasehold improvements £'000		
Cost				
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**
Additions	**–**	**32**	**1,649**	**1,681**
Disposals	**–**	**(35)**	**(634)**	**(669)**
Foreign currency	**–**	**4**	**191**	**195**
At 28 March 2022	**–**	**130**	**4,531**	**4,661**
Accumulated depreciation				
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)**
Charge for the year	**–**	**(17)**	**(656)**	**(673)**
Disposals	**–**	**35**	**609**	**644**
Foreign currency	**–**	**(3)**	**(83)**	**(86)**
At 28 March 2022	**–**	**(97)**	**(2,020)**	**(2,117)**
Net book value				
At 28 March 2022	**–**	**33**	**2,511**	**2,544**
At 29 March 2021	–	17	1,435	1,452
At 30 March 2020	2	28	1,204	1,234

The gross value of fully depreciated assets in use is £523,000 (2021: £601,000).

Impairment of property, plant and equipment

CGUs are reviewed at least annually to identify if there are any indicators of impairment at the balance sheet date. Recoverable amounts for CGUs are the higher of fair value less costs of disposal and value in use. 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 internal management forecasts, the first year of which is the budget approved 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			
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**
Additions	**1,407**	**–**	**1,407**
Disposals	**(343)**	**(125)**	**(468)**
Foreign currency	**227**	**–**	**227**
At 28 March 2022	**5,624**	**–**	**5,624**
Depreciation			
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)**
Charge for the year	**(934)**	**(5)**	**(939)**
Disposals	**343**	**108**	**451**
Foreign currency	**(88)**	**–**	**(88)**
At 28 March 2022	**(2,254)**	**–**	**(2,254)**
Net book value			
At 28 March 2022	**3,370**	**–**	**3,370**
At 29 March 2021	2,758	22	2,780
At 30 March 2020	5,247	42	5,289

Impairment of right-of-use assets

Refer to note 15 Property, plant and equipment.

The Group leases several buildings for use as offices and a winery. The average lease term is six years. The total cash flow for leases was £947,000 (2021: £1,020,000).

The maturity analysis of lease liabilities is presented in note 24 Lease liabilities.

17 Investment property

	Freehold property £'000
Cost and valuation	
At 29 March 2021	899
Reclassification to assets classified as held for sale	(899)
At 28 March 2022	**–**
Depreciation	
At 29 March 2021	(44)
Charge for the year	(45)
Reclassification to assets classified as held for sale	89
At 28 March 2022	**–**
Net book value	
At 28 March 2022	**–**
At 29 March 2021	855

The property was being sublet for a peppercorn rent until the disposal of the property was completed (see note 31 Events after balance sheet date).

The property was transferred to assets classified as held for sale when the Group received an offer to purchase the asset. The proceeds of disposal substantially exceed the carrying amount of the property (refer to note 20 Assets classified as held for sale) and accordingly no impairment losses have been recognised on the classification as held for sale.

18 Inventories

	28 March 2022 £'000	29 March 2021 £'000
Raw materials	**183**	192
Work in progress	**57,591**	35,571
Finished goods	**84,670**	40,367
	142,444	76,130

Recognising the Company's control of this asset, all inventory has been reported as a current asset in the balance sheet. Note, £3,269,000 (2021: £2,600,000) 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 £207,450,000 (2021: £204,732,000).

Inventory of £27,000 (2021: £89,000) was expensed through the income statement in the year relating to samples and tasting products.

19 Trade and other receivables

Due within one year

	28 March 2022 £'000	29 March 2021 £'000
Trade receivables	**1,261**	95
Vendor loan note	**360**	360
Other debtors	**5,121**	4,849
Prepayments and accrued income	**2,419**	1,864
	9,161	7,168

Due after more than one year

	28 March 2022 £'000	29 March 2021 £'000
Vendor loan note	**10,114**	9,520

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. Payments for the first and second year were received in line with the agreement. 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

On 12 November 2021, the Directors received an offer for the purchase of the asset held on the Company's books as an investment property. The sale was completed and proceeds of £5,850,000 were received on 5 May 2022, with estimated costs and commissions of £200,000 and before tax payable.

21 Trade and other payables

	28 March 2022 £'000	29 March 2021 £'000
Trade payables	**21,745**	15,405
Taxation and social security	**10,886**	3,056
Accruals and other payables	**21,990**	22,296
	54,621	40,757

Amounts payable in respect of defined contribution pension schemes were £79,000 (2021: £42,000).

22 Deferred Angel and other income

	28 March 2022 £'000	29 March 2021 £'000
Angel funds	**72,198**	65,825
Other deferred income	**3,805**	4,077
	76,003	69,902

Angel funds and the purchase of inventory from winemakers

On registering as an Angel with Naked Wines, 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

	28 March 2022 £'000	29 March 2021 £'000
Customer bond finance	**35**	30
Total bank and other borrowings due within one year	**35**	30

24 Lease liabilities

The Group leases a winery and office facilities. The leases run for a period between three and 10 years, with an option to renew the leases 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. The maturity analysis of the lease liabilities is set out below:

	28 March 2022 £'000	29 March 2021 £'000
Maturity analysis		
Due within one year	**1,089**	726
Due between one and two years	**818**	719
Due between two and three years	**530**	424
Due after three years	**1,432**	1,271
	3,869	3,140
Less: unearned interest	**(302)**	(264)
	3,567	2,876

Lease liabilities analysed as:

	28 March 2022 £'000	29 March 2021 £'000
Current	**991**	645
Non-current	**2,576**	2,231
	3,567	2,876

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 rate risk, 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 28 March 2022 (2021: £nil), however, on 31 March 2022, the Group entered into a 36-month senior secured credit facility with Silicon Valley Bank as administrative agent and issuing lender for up to $60 million of credit based on the inventory held by Nakedwines.com Inc. The facility is secured against the assets of the Group. See note 31 Events after the balance sheet date for further details of this transaction.

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.

At 28 March 2022	Due within one year £'000	Due between one and two years £'000	Due between two and three years £'000	Due after three years £'000	Total £'000	Held at amortised cost £'000	Held at fair value £'000
Financial assets							
Trade and other receivables	6,382	–	–	–	**6,382**	**6,382**	**–**
Vendor loan note	360	480	9,634	–	**10,474**	**10,474**	**–**
Forward foreign currency assets	324	–	–	–	**324**	**–**	**324**
Asset classified as held for sale	810	–	–	–	**810**	**810**	**–**
Cash and cash equivalents	39,846	–	–	–	**39,846**	**–**	**39,846**
	47,722	**480**	**9,634**	**–**	**57,836**	**17,666**	**40,170**
Financial liabilities							
Trade and other payables	(43,735)	–	–	–	**(43,735)**	**(43,735)**	**–**
Deferred Angel and other income	(76,003)	–	–	–	**(76,003)**	**(76,003)**	**–**
Forward foreign currency liabilities	(476)	–	–	–	**(476)**	**–**	**(476)**
Lease liabilities	(991)	(745)	(473)	(1,358)	**(3,567)**	**(3,567)**	**–**
Customer bond finance	(35)	–	–	–	**(35)**	**(35)**	**–**
	(121,240)	**(745)**	**(473)**	**(1,358)**	**(123,816)**	**(123,340)**	**(476)**

25 Financial instruments (continued)

Liquidity risk (continued)

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 one year £'000	Due between one and two years £'000	Due between two and three years £'000	Due after three 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 bond finance	(30)	–	–	–	(30)	(30)	–
	(109,683)	(659)	(381)	(1,191)	(111,914)	(110,509)	(1,405)

Financial assets consist of cash and cash equivalents, trade and other receivables, a 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 bond finance. See note 22 Deferred Angel and other income 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 except for 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 one year £'000	Due between one and two years £'000	Total £'000
At 28 March 2022			
Outflow	(33,242)	(272)	**(33,514)**
Inflow	33,085	277	**33,362**
	(157)	**5**	**(152)**
At 29 March 2021			
Outflow	(29,315)	–	(29,315)
Inflow	27,951	–	27,951
	(1,364)	–	(1,364)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from CF Bacchus Holdco Ltd, the owner of the Majestic Wine businesses, relating to the vendor loan note as set out in note 3.24 Financial instruments.

In addition, the Group is exposed to credit risk in relation to a deposit with Barclays Bank of £300,000 included in other debtors, 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 a review of publicly reported performance data and through the contents of the submitted covenant certificates. Expected credit loss assumptions continue to be evaluated in the light of this and any other new information that becomes available.

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:

	Current £'000	Up to three months past due £'000	Three to six months past due £'000	Over six months past due £'000	Total trade debtors £'000
At 28 March 2022	**1,250**	**–**	**11**	**–**	**1,261**
At 29 March 2021	92	–	–	3	95

There are no indicators of impairment for those debtors that are neither past due nor impaired.

There are no provisions for impairment of trade receivables (2021: £nil).

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	28 March 2022	29 March 2021
Australian dollar : GBP		
Period end	**1.750**	1.805
Average	**1.850**	1.825
US dollar : GBP		
Period end	**1.309**	1.377
Average	**1.368**	1.306

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 28 March 2022			
Australian dollar : GBP	**5%**	**(116)**	**64**
Euro : GBP	**5%**	**(2,893)**	**(673)**
US dollar : GBP	**5%**	**(128)**	**144**
Other currencies : GBP	**5%**	**(367)**	**105**
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

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.

A 5% sensitivity has been assumed as it is in excess of currency markets.

	28 March 2022 £'000	29 March 2021 £'000
Australian dollar	**5,076**	15,601
Euro	**166**	117
US dollar	**15,289**	31,608
Other currencies	**7**	201
	20,538	47,527
Group's functional currency:		
GBP	**19,308**	37,621
	39,846	85,148

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.

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 that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

There have been no financial instruments that 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 28 March 2022			At 29 March 2021		
		Fair value			Fair value	
	Nominal value £'000	Assets £'000	Liabilities £'000	Nominal value £'000	Assets £'000	Liabilities £'000
Forward foreign currency contracts						
Australian dollar	**1,753**	**76**	**(4)**	1,692	3	–
Euro	**21,068**	**–**	**(393)**	23,802	–	(1,312)
New Zealand dollar	**2,375**	**45**	**(11)**	1,677	–	(33)
US dollar	**2,644**	**69**	**(2)**	1,404	–	(60)
South African rand	**2,307**	**134**	**(2)**	740	38	–
	30,147	**324**	**(412)**	29,315	41	(1,405)
Forward foreign currency swaps						
Euro	**3,367**	**–**	**(64)**	–	–	–
	33,514	**324**	**(476)**	29,315	41	(1,405)

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 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

	Social security costs £'000	Loss on vouchers provision £'000	Refund liability provision £'000	Total £'000
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**
Provided in the year	**–**	**134**	**1,574**	**1,708**
Released in the year	**(271)**	**–**	**(1,307)**	**(1,578)**
Foreign currency	**–**	**–**	**40**	**40**
At 28 March 2022	**329**	**134**	**1,670**	**2,133**

26 Provisions for liabilities (continued)

Provisions have been analysed between current and non-current as follows:

	28 March 2022 £'000	29 March 2021 £'000
Current	**2,011**	1,570
Non-current	**122**	393
	2,133	1,963

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 2024. 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 £3.645 and the assumption that 100% of employees will take up their vested share based payment awards and that the rate of social security is 15.05% 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.

Loss on vouchers provision

This provision calculates the future expected loss Naked is expecting to make on an order that will be placed using vouchers that are currently out in circulation. The number of vouchers in circulation at the balance sheet date is identified and multiplied forecast redemption rates per deal and an average contribution based on historic deals from the past year.

27 Share capital and reserves

	28 March 2022		29 March 2021	
	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 the beginning of the year	**73,161,485**	**5,487**	72,874,018	5,466
Issue of shares on the vesting of share based payment schemes	**269,412**	**20**	231,138	17
Issue of shares into the Naked Wines plc Share Incentive Plan	**8,235**	**1**	56,329	4
At the end of year	**73,439,132**	**5,508**	73,161,485	5,487

During the year 277,647 (2021: 287,467) ordinary shares of 7.5p each were allotted for a consideration of £21,000 (2021: £22,000). These shares were allotted under the terms of the Company's share schemes which are described in note 28 Provisions for liabilities.

Share premium

The share premium 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 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 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 Share based payments

The charge recognised in the income statement in respect of share based payments is £1,311,000 (2021: £777,000). The current year includes a charge of £176,000 (2021: £nil) relating to the Chairmans' remuneration (see Directors remuneration report on pages 58 to 67 for further details).

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Share schemes	**1,135**	777
Chairman's remuneration	**176**	–
	1,311	777

The Company operated two share schemes during the year, both of which are equity-settled.

a) The Naked Wines plc Long-Term Incentive Plan (LTIP) was adopted on 20 July 2016. The first grant of awards under the rules of the scheme was made in July 2016. This scheme is unapproved.

The following table reconciles the number of shares outstanding and the weighted average exercise price (WAEP) for the LTIP scheme:

	Year ended 28 March 2022		Year ended 29 March 2021	
	LTIP shares	WAEP	LTIP shares	WAEP
Outstanding at the beginning of the year	**1,649,706**	**–**	1,501,172	–
Exercised	**(317,845)**	**£7.59**	(189,419)	£4.22
Lapsed	**(369,182)**	**–**	(456,118)	–
Granted	**541,010**	**–**	794,071	–
Outstanding at the end of the year	**1,503,689**	**–**	1,649,706	–
Exercisable at the end of the year	**–**	**–**	–	–
Weighted average remaining contractual life in years	**1.28**	**–**	1.58	–
Range of exercise prices	**£nil**	**–**	£nil	–

Based on the share price of £3.645 at the year end, the Group expects to transfer an estimated amount of £284,000 to the tax authorities to settle the employees' tax obligation.

b) 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 shares outstanding and the weighted average exercise price (WAEP) for the SIP scheme:

	Year ended 28 March 2022		Year ended 29 March 2021	
	SIP shares	WAEP	SIP shares	WAEP
Outstanding at the beginning of the year	**143,760**	**–**	101,439	–
Exercised	**(21,709)**	**£6.68**	(22,998)	£3.91
Lapsed	**(24,462)**	**–**	(23,882)	–
Granted	**98,438**	**–**	89,201	–
Outstanding at the end of the year	**196,027**	**–**	143,760	–
Exercisable at the end of the year	**–**	**–**	2	–
Weighted average remaining contractual life in years	**1.60**	**–**	1.77	–
Range of exercise prices	**£nil**	**–**	£nil	–

Based on the share price of £3.645 at the year end, the Group expects to transfer an estimated amount of £37,000 to the tax authorities to settle the employees' tax obligation.

28 Share based payments (continued)

The fair value of equity-settled shares is estimated as at the date of grant using the Black-Scholes option pricing model.

The following table lists the range of assumptions applied to the share based payment awards granted in the respective periods shown.

	Year ended 28 March 2022		Year ended 29 March 2021	
	Long-Term Incentive Plan	Share Incentive Plan	Long-Term Incentive Plan	Share Incentive Plan
Weighted average share price at grant	**£8.60**	**£8.59**	£4.31	£4.26
Expected life of awards (years)	**3**	**3**	3	3
Contractual life (years)	**3**	**3**	3	3
Volatility (%)	**39.9% to 41.0%**	**39.9%**	39.0% to 39.7%	39.0%
Dividend yield (%)	**N/A**	**N/A**	N/A	N/A
Risk free interest rate (%)	**0.15% to 0.46%**	**0.15%**	-0.12% to -0.04%	-0.12%
Weighted average fair value of shares granted during the year	**£7.82**	**£8.59**	£3.51	£4.26

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.

29 Commitments

	28 March 2022 £'000	29 March 2021 £'000
Future minimum amounts payable under non-cancellable agreements:		
Within one year	**11,912**	6,358
Between one and five years	**20,814**	7,485
	32,726	13,843

Total of future minimum payments expected to be received under non-cancellable subleases is £nil (2021: £nil).

This note includes minimum commitments for the provision of warehousing facilities, delivery services and logistics and bottling services disclosed for the first time. Prior year numbers have been included as comparatives.

Capital expenditure authorised and contracted for but not provided in the accounts is £771,000 (2021: £nil).

30 Notes to the cash flow statement

(a) Reconciliation of profit to cash (used in)/generated by operations

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Cash flows from operations		
Operating profit/(loss)	**1,904**	(11,677)
Add back:		
Depreciation and amortisation	**3,558**	5,288
Loss on disposal of fixed assets	**18**	51
Fair value loss arising on deferred contingent consideration net of settlement	**–**	3,868
Fair value movement on foreign exchange contracts	**(1,212)**	1,760
Share based payment charges	**1,311**	777
Operating cash flows before movements in working capital	**5,579**	67
Increase in inventories	**(61,174)**	(8,984)
Increase in customer funds in deferred income	**3,582**	28,244
Increase in trade and other receivables	**(1,779)**	(1,445)
Decrease in trade and other payables	**12,863**	16,325
Net cash flows (used in)/generated by operations	**(40,929)**	34,207

(b) Cash and cash equivalents

	28 March 2022 £'000	29 March 2021 £'000
Cash and cash equivalents	**39,846**	85,148

(c) Analysis of movement in net cash

	29 March 2021 £'000	Cash flows £'000	Non-cash movements £'000	28 March 2022 £'000
Cash and cash equivalents	**85,148**	**(45,510)**	**208**	**39,846**
Borrowings – customer bond finance	(30)	(5)	–	(35)
Borrowings – IFRS 16 lease liabilities	(2,876)	(845)	154	(3,567)
Gross borrowings	**(2,906)**	**(850)**	**154**	**(3,602)**
Total net cash/(borrowings)	**82,242**	**(46,360)**	**362**	**36,244**

31 Events after the balance sheet date

On 31 March 2022, the Group entered into a 36-month senior secured credit facility with Silicon Valley Bank as administrative agent and issuing lender for up to $60 million of credit based on the inventory held by Nakedwines.com Inc. The facility is secured against the assets of the Group.

Interest payable on this facility is calculated on a margin above the Secured Overnight Financing Rate (SOFR) with a commitment fee on undrawn funds. As an indicative impact of its financial effect, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, a representative $10 million of drawdown for 12 months would amount to a total interest and commitment fee payable of approximately £0.4 million.

On 12 November 2021, the Directors received an offer for the purchase of the asset held on the Company's books as an investment property. The sale was completed and proceeds of £5,850,000 were received on 5 May 2022, with estimated costs and commissions of £200,000 and before tax payable.

There were no other events after the balance sheet date that had a material impact on the financial position and performance of the Group.

32 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 Staff costs.

There are no other related party transactions which require disclosure (2021: none).

33 Investments in subsidiaries

Details of the Group's subsidiaries at 28 March 2022 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 Limited *	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	Dormant company	United Kingdom	100% ordinary shares

* Directly owned by the parent company.

	Registered address
Subsidiaries incorporated in the United Kingdom	The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY, UK
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 28 March 2022

	Note	28 March 2022 £'000	29 March 2021 £'000
Non-current assets			
Investments in subsidiaries	37	**58,244**	57,671
Loan notes receivable from subsidiaries	38	**85,701**	44,631
Investment property	39	**–**	855
Right-of-use assets	40	**–**	5
Intangible fixed assets	41	**542**	648
Deferred tax assets	42	**1,098**	578
Other receivables	43	**10,114**	9,520
		155,699	113,908
Current assets			
Trade and other receivables	43	**911**	835
Cash and cash equivalents		**10,495**	64,235
		11,406	65,070
Assets classified as held for sale	44	**810**	–
Current assets		**12,216**	65,070
Total assets		**167,915**	178,978
Current liabilities			
Trade and other payables	45	**(42,759)**	(55,548)
Lease liabilities	46	**–**	(4)
Provisions	47	**(207)**	(207)
		(42,966)	(55,759)
Non-current liabilities			
Provisions	47	**(122)**	(393)
		(122)	(393)
Total liabilities		**(43,088)**	(56,152)
Net assets		**124,827**	122,826
Equity			
Share capital	48	**5,508**	5,487
Share premium	48	**21,162**	21,162
Capital redemption reserve		**363**	363
Retained earnings		**97,794**	95,814
Total equity		**124,827**	122,826

For the year ended 28 March 2022, the Company reported a profit of £942,000 (2021: loss of £3,815,000).

The financial statements of Naked Wines plc were approved by the Board of Directors and authorised for issue on 22 June 2022. They were signed on its behalf by Shawn Tabak.

Company statement of changes in equity

For the year ended 28 March 2022

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
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	48	21		–	(21)	–
Share based payment charges – subsidiary employees	28	–	–		685	685
Share based payment charges – Company	28	–	–	–	92	92
Deferred tax on share based payment	42	–	–	–	266	266
At 29 March 2021		5,487	21,162	363	95,814	122,826
Profit for the period		**–**	**–**	**–**	**942**	**942**
Total comprehensive income for the period		**–**	**–**	**–**	**942**	**942**
Shares issued	48	**21**		**–**	**(21)**	**–**
Share based payment charges – subsidiary employees	28	**–**	**–**		**572**	**572**
Share based payment charges – Company	28	**–**	**–**	**–**	**739**	**739**
Deferred tax on share based payment	42	**–**	**–**	**–**	**(252)**	**(252)**
At 28 March 2022		**5,508**	**21,162**	**363**	**97,794**	**124,827**

34 Significant accounting policies

Details of the Company are disclosed in note 1 General information.

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 Accounting policies 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.

Assets classified as held for sale

Refer to note 3.23 Assets classified as held for sale for details.

35 Key accounting judgements and estimates

In the preparation of these accounts, the Directors consider that there are no significant judgements in the accounting policies and 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.

36 Staff costs

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

	Year ended 28 March 2022 number	Year ended 29 March 2021 number
Administrative and distribution	**123**	83

The aggregate remuneration comprised:

	Year ended 28 March 2022 £'000	Year ended 29 March 2021 £'000
Wages and salaries	**8,256**	8,557
Social security costs	**699**	606
Contributions to defined contribution pension plans	**330**	249
Share based payment charges	**563**	92
	9,848	9,504

Directors' emoluments are as disclosed in note 9 Staff costs.

37 Investments in subsidiaries

	£'000
Cost or valuation:	
At 29 March 2021	57,671
Net movement on shares granted/(lapsed) to subsidiary companies' employees	573
At 28 March 2022	**58,244**
Amounts provided for:	
At 29 March 2021 and 28 March 2022	**–**
Net book value	
At 28 March 2022	**58,244**
At 29 March 2021	57,671

Details of the Company's subsidiaries at 28 March 2022 are disclosed in note 33 Investments in subsidiaries.

38 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.

39 Investment property

Refer to note 17 Investment property for details.

40 Right-of-use assets

	Equipment, fittings and vehicles £'000
Cost	
At 29 March 2021 and 28 March 2022	**12**
Accumulated depreciation	
At 29 March 2021	**(7)**
Charge for the year	**(5)**
At 28 March 2022	**(12)**
Net book value	
At 28 March 2022	**–**
At 29 March 2021	5

Total cash outflow for leases was £3,640 (2021: £5,459).

41 Intangible assets

	Software £'000
Cost	
At 29 March 2021	**1,580**
Additions	**253**
At 28 March 2022	**1,833**
Accumulated amortisation	
At 29 March 2021	(932)
Charge for the year	(359)
At 28 March 2022	**(1,291)**
Net book value	
At 28 March 2022	**542**
At 29 March 2021	648

42 Deferred tax assets

The Company has recognised deferred tax assets for deductible temporary differences 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.

	29 March 2021 £'000	Recognised in income statement £'000	Recognised in OCI £'000	28 March 2022 £'000
Provisions	86	26	–	**112**
Losses	–	735	–	**735**
Share based payment	492	11	(252)	**251**
	578	**772**	**(252)**	**1,098**

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 £4,373,000 (2021: £8,329,000) 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 settlement of the deferred contingent consideration not previously recognised has been included in deferred tax assets in the current year as the capital loss will be utilised next year. There is no expiry date on these unrecognised losses.

43 Trade and other receivables

	28 March 2022 £'000	29 March 2021 £'000
Trade receivables	**–**	91
Vendor loan note	**360**	360
Prepayments and accrued income	**551**	384
	911	835

Other receivables due after more than one year

	28 March 2022 £'000	29 March 2021 £'000
Vendor loan note	**10,114**	9,520

The vendor loan note was initially measured at fair value and subsequently measured at amortised cost less any provision for impairment.

44 Asset classified as held for sale

Refer to note 20 Assets identified as held for sale for details.

45 Trade and other payables

	28 March 2022 £'000	29 March 2021 £'000
Trade payables	**82**	378
Other taxes and social security	**200**	–
Amounts due to Group undertakings	**39,951**	50,412
Accruals and other payables	**2,526**	4,758
	42,759	55,548

The amounts due to Group undertakings have no fixed payment terms and are interest free.

46 Lease liabilities

The Company leases a motor vehicle which runs for a period of four years. The maturity analysis of the lease is set out below, disclosed within current liabilities for the prior year.

	28 March 2022 £'000	29 March 2021 £'000
Due within 1 year	–	4
Less: unearned interest	–	–
	–	4

47 Provisions

	Social security costs £'000
At 29 March 2021	600
Released in the year	(54)
Utilised during the year	(217)
At 28 March 2022	**329**

	28 March 2022 £'000	29 March 2021 £'000
Current	**207**	207
Non-current	**122**	393
	329	600

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 can be exercised at various dates from the balance sheet date to 15 December 2024. The amount payable is dependent on the share price at the date of vest of those share 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 £3.645 and the assumption that 100% of employees will exercise their share awards and that the rate of social security is 15.05% for UK employees and 7.65% for US employees.

48 Share capital and share premium

Details are disclosed in note 27 Share capital and reserves.

49 Share based payments

Refer to note 28 Share based payments for:

- a description of each type of 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 awards exercised during the period; and
- the range of exercise prices and weighted average remaining contractual life for share awards outstanding at the end of the period.

50 Commitments

	28 March 2022 £'000	29 March 2021 £'000
Future minimum amounts payable under non-cancellable operating leases:		
Within one year	**90**	64
	90	64

Total of future minimum payments expected to be received under non-cancellable subleases is £nil (2021: £nil).

Capital expenditure authorised and contracted for but not provided in the accounts is £771,000 (2021: £nil).

51 Events after the balance sheet date

On 31 March 2022, the Group entered into a 36-month senior secured credit facility with Silicon Valley Bank as administrative agent and issuing lender for up to $60 million of credit based on the inventory held by Nakedwines.com Inc. The facility is secured against the assets of the Company. Interest payable on this facility is calculated on a margin above SOFR with a commitment fee on undrawn funds. As an indicative impact of its financial effect, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, a representative $10 million of drawdown for 12 months would amount to a total interest and commitment fee payable of approximately £0.4 million.

On 12 November 2021, the Directors received an offer for the purchase of the asset held on the Company's books as an investment property. The sale was completed and proceeds of £5,850,000 were received on 5 May 2022, with estimated costs and commissions of £200,000 and before tax payable.

There were no other events after the balance sheet date that had a material impact on the financial position and performance of the Company.

52 Related party transactions

The Company has identified the Directors of the Company as related parties for the purpose of FRS101. 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 (2021: none).

53 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 25 July 2022 at 3pm. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

Company Secretary

Anne Huffsmith
The Union Building
51-59 Rose Lane
Norwich NR1 1BY

Nominated Advisor and Joint Corporate Broker

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP

Joint Corporate Broker

Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Auditor

Deloitte LLP
1 Station Square
Cambridge CB1 2GA

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Investor Relations

IR@nakedwines.com
The Union Building
51-59 Rose Lane
Norwich NR1 1BY

Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD

Tax Advisor

PwC LLP
3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Banker

HSBC UK Bank PLC
1 Centenary Square
Birmingham B1 1HQ*

* As disclosed in note 31 Events after the balance sheet date, on 31 March 2022 Naked Wines agreed a senior secured lending facility with Silicon Valley Bank (SVB). Naked Wines expects to migrate its principle banking arrangements to SVB during the course of the current financial year.

Definitions and Customer experience KPIs

Definitions	
Angel	A customer who deposits funds into their account each month to spend on the wines on our website.
Active Angel	An Angel that has placed an order in the last 12 months.
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 profit	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer-facing staff costs). 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 Segmental reporting.
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 Segmental reporting.
SIP	Share Incentive Plan
Total Addressable Market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity that it could serve.

Customer experience KPIs	
Product availability	% of targeted range available on websites as indicated by our inventory reporting.
Wine quality –"Buy it again" ratings	% of "Yes" scores in the last 12 months as recorded by websites/apps.
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) and Investment measures

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 share-based compensation charges, non-cash charges, depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items (e.g. amortisation of acquired intangibles).
Adjusted PBT	Adjusted EBIT less net finance 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 120.
Net cash	The amount of cash held 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.
New Customer Contribution loss	The contribution earned from sales to New Customers. A reconciliation of adjusted EBIT to New Customer Contribution loss is shown in note 6 Segmental reporting.
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 (ML) model which weighs several key characteristics including retention, order frequency and order value, along with customer demographics and non-transactional data. The ML algorithms then predict 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 33. As this is an undiscounted forward-looking estimate, it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected returns from prior year investment (see page 13).
Lifetime Value/LTV	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 over a five-year horizon.
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 33. A reconciliation of adjusted EBIT to Repeat Customer Contribution profit is shown in note 6 Segmental reporting.
Repeat Customer sales retention	The proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. Using our website data, the population who were subscribers in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention.
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 120 for calculation from constituent Group KPIs and alternative performance measures (APMs).
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

	Year ended 28 March 2022 £m	Year ended 29 March 2021 £m
Adjusted EBIT	**2.0**	(1.5)
Add back depreciation and amortisation (excludes adjusted amortisation of acquired intangibles)	**2.3**	1.7
Add back IFRS 2 charges	**1.3**	0.8
Adjusted EBITDA	**5.6**	1.0
Working capital movement		
Inventories	**(61.2)**	(9.2)
Deferred income	**3.6**	28.2
Trade and other receivables	**(1.8)**	(1.4)
Trade and other payables	**12.9**	15.6
Repayments of principal under lease liabilities	**(0.8)**	(0.9)
Working capital movement	**(47.3)**	32.3
Pre-tax operating cash flow	**(41.7)**	33.3
Capital expenditure	**(1.9)**	(2.7)
Free cash flow	**(43.6)**	30.6
Reconciliation to statutory cash flow statement		
Free cash flow	**(43.6)**	30.6
Capital expenditure	**1.9**	2.7
Repayments of principal under lease liabilities	**0.8**	0.9
Net cash (used in)/generated by operations	**(40.9)**	34.2

Standstill EBIT

	Year ended 28 March 2022 £m	Year ended 29 March 2021 £m	Pro forma[2] Year ended 28 March 2022 £m
Standstill EBIT is calculated as:			
Repeat Customer Contribution profit (a)	**86.2**	84.9	86.2
Less: replenishment spend (e)	**(25.0)**	(12.2)	(19.2)
Less: General and administrative costs[1]	**(40.0)**	(33.4)	(40.0)
	21.2	39.3	27.0
(a) Repeat Customer Contribution profit	**86.2**	84.9	86.2
(b) Repeat Customer sales retention	**80.4%**	88.2%	84.0%
(c) Repeat Customer Contribution profit lost to attrition (a x (1-b))	**16.9**	10.0	13.8
(d) Year 1 Payback	**67.5%**	82.0%	72.2%
(e) Spend to replenish lost repeat contribution (c/d)	**25.0**	12.2	19.2

1 General and administrative costs exclude £1.3 million amortisation, £1.1 million fair value adjustments, £0.1 million adjustment for foreign exchange revaluations and £3.0 million Marketing R&D spend.
2 In response to feedback from shareholders, we report here an additional standstill EBIT calculation which uses a trailing three-year simple average for sales retention and Year 1 Payback. This is in response to the more than usual changes in these metrics due to the pandemic-related lockdowns.

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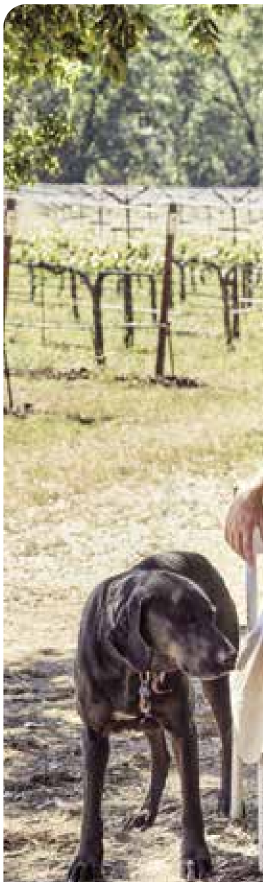

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