

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

Strategic report

- 8 Our business at a glance
- 12 Chairman's letter
- 14 Chief Executive's review
- 18 Our business model
- 24 Financial review
- 30 Key performance indicators (KPIs)
- 32 Stakeholder engagement
- 35 Risk management and control environment
- 46 Sustainability

Governance report

- 54 Board of Directors
- 56 Governance
- 58 Directors' remuneration report
- 68 Audit Committee report
- 71 Directors' report
- 73 Statement of Directors' responsibilities
- 74 Independent auditor's report

Financials

- 81 Group income statement
- 82 Group statement of comprehensive income
- 83 Group statement of changes in equity
- 84 Group balance sheet
- 85 Group cash flow statement
- 86 Notes to the financial statements
- 120 Company balance sheet
- 121 Company statement of changes in equity
- 122 Notes to the Company financial statements
- 128 Shareholder information
- 129 Glossary of definitions, alternative performance measures and key performance indicators
- 131 Alternative performance measures (APMs)

FY23: 53 weeks versus 52 weeks in the previous financial year

All financial and non-financial information in this report relates to our 53 week financial period ended 3 April 2023, unless otherwise stated.

Within the Strategic report on pages 8 to 53, we provide comparable 52 week constant currency financial information to facilitate comparison with our prior financial period, 52 weeks

ended 28 March 2022. For reference, we call this 52 week constant currency measure "52 week comparable" (or simply "comparable") where it is referred to in this document. See the reconciliation of reported results to 52 week comparable figures on page 131.

Please note that whilst the 53 week results to 3 April 2023 have been audited, the 52 week comparable numbers are unaudited.

There are three things you should know about Naked Wines...

1.

We offer winemakers hope, opportunity 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,
opportunity
and creative
freedom



Jen Pfeiffer

We are continuing to make a real impact in the wine industry with our unique business model that allows independent winemakers autonomy to bring stellar wines to consumers, at great value, direct to their homes. This business model is underpinned by our ability to offer advance funding and large, regular orders to our winemakers, which we believe gives us and them a strong competitive advantage in the current marketplace.

Our team is dedicated to providing our winemakers and customers the best possible experience when either working with us or buying from us. We are continuing to work hard behind the scenes on developing our leading platform, enabling our winemakers to utilise the competitive advantage we bring by offering an alternative to the traditional distribution model and allowing them to engage directly with their consumers.

This presents us with an opportunity to capture share in a large and attractive market with favourable industry dynamics, supported by a secular shift to online purchases of wine.



95%
of 1,725
would buy it again

94%
of 4,298
would buy it again

Both of these wines featured in our Deluxe Coronation Collection case which sold over 10,000 cases in just 5 days.



Daniel Baron

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

We seek to disrupt a wine market 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 intermediation 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.

Through our subscription business model, we have garnered tremendous support from our community of 867,000 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, FY22: 964,000) 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 293 winemakers (FY22: 266 winemakers) with some of their biggest challenges: capital and distribution.

We connect our winemakers directly with our Angels via our website, 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 consistent Repeat Customer sales, all through the art of conversation and feedback.

In a typical year, tens of thousands of Angels meet our winemakers in person on tour, at virtual events or in wineries. We were back on the road this year with our tasting tour, helping introduce our Angels to wonderful new wines and the people behind them. It was great to see everyone together in person again over a glass.



We connect our winemakers directly with our Angels via our website allowing for direct exchange of educational information about wines, feedback, ideas and product/customer service ratings.

Due to the incredible value proposition we provide, we are able to attract some of the world's top winemakers, including such recent additions as Jeremy Corsin, Eva and Urban Kaufman, and Rory Clifton-Parks. Jeremy is a sixth generation family winemaker at Domaine Corsin, Saint Veran. One of the village appellations in the Maconnais region in the south of Burgundy, Jeremy is coming on board with a Saint Veran Vieilles Vignes Bourgogne, a great wine to fill a gap in our portfolio.

FY23 has been a challenging year where we revised our planning assumptions which were based on the high growth environment of 2021. These assumed a continuation of a rate of growth for the business which turned out to be overly optimistic. At the start of this financial year, we had more stock committed than our projected demand, a cost base geared for growth and a credit facility that didn't match the expected business trajectory. As a result, we laid foundations over the past six months so we are once again well placed to win in a competitive market, despite the challenging consumer environment.

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.

Derek Rohlfss

A 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

Naked Wines is a unique business because of our customers and winemakers:

- 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

A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.



Winemakers:

Our ability to provide winemakers with advanced funding and consistent large orders is a significant competitive advantage that sets us apart in the marketplace and allows us to attract exceptional talent.

Customers:

Our focus on consistently improving and broadening the range and growing our distinct community helps establish our brand and extend our reach to new customers.

Strategy:

Our unique business model empowers independent winemakers to exercise their creative freedom and deliver exceptional wines to consumers at affordable prices, all while conveniently shipping directly to their homes.



Focus on improving early retention and conversion of our Angels

From our data analysis it is clear that once our Angels have secured their second or third orders, they are then more likely to remain with us. With this in mind, it is more important than ever to make sure that our first impressions count and entice Angels back. We are exploring our approaches at these early stages to ensure that we are achieving top-tier customer experience and maximising the potential for long-term customer relationships.

We do so by ensuring we have the right offers straight off the bat, ones which are both personalised and transparent. We want to turn high-potential customers into true Angels by delivering brilliantly on the Naked promise.

Once the initial step in the journey is complete, we then want to nurture these Angels and convert them into regular shoppers so that we become a fundamental part of their shopping routine. We do this by really homing in on the personalisation and flexibility aspect of our offering to ensure that we provide an all-round better experience and connection with our Angel community.

Broaden and enhance our go-to-market strategy

As we bring to life the early retention and conversion of our Angels via our improved customer proposition and quality perception, we believe this provides us with the perfect opportunity to develop the efficiency in our new customer acquisition while maintaining attractive returns.

For the coming year we are:

1. Testing different ways of onboarding new customers to Naked to remove barriers that deter certain groups from joining us
2. Developing our marketing channels to diversify the range of places we drive customer awareness
3. Continuing to increase the efficiency of new customer acquisition 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

Leverage scale to enhance value creation

Our virtuous circle on page 19 helps to show the evolution and benefits of all the elements of our business model working together harmoniously and how that effects Naked as a whole. Production and distribution efficiencies are shared with winemakers and customers while preserving attractive margins. All of which is underpinned by data and our rigorous capital allocation decisions.

We have a strong global network of 293 world-class winemakers which gives us the ability to support our winemakers with guaranteed orders and unlocks predictable cost reductions, which in turn helps us to attract new winemakers to our platform, enhancing the range we can offer our Angels. Ultimately, this means we are delivering even better wine and a stronger value proposition.

We have 14 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 optimised production and distribution efficiencies which are shared with both our customers and winemakers.

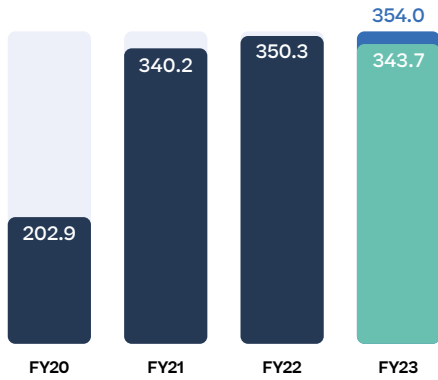
Our business at a glance

Where the world's best winemakers make their best wine

Financial performance summary¹

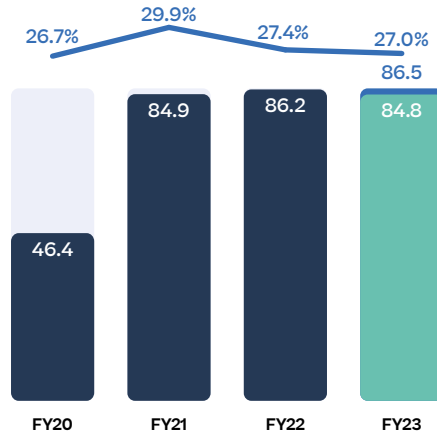
Sales² for the year

53 weeks 52 week comparable
£354.0m **£343.7m**
 Year-on-year Year-on-year
1% **(8)%**



Repeat Customer contribution

53 weeks 52 week comparable
£86.5m **£84.8m**
 Year-on-year Year-on-year
Flat **(9)%**

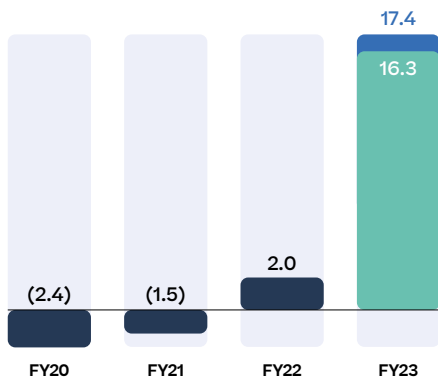


Repeat Customer contribution margin

53 weeks 52 week comparable
27.0% **27.0%**
 Year-on-year Year-on-year
(40)bps **(70)bps**

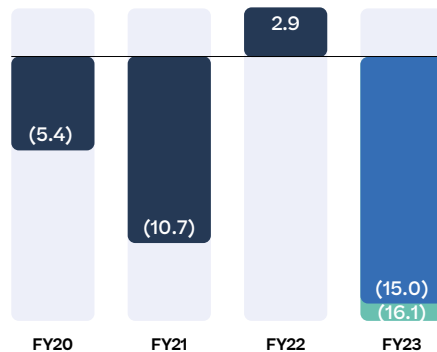
Adjusted EBIT

53 weeks 52 week comparable
£17.4m **£16.3m**



Profit/(loss) before tax

53 weeks 52 week comparable
£(15.0)m **£(16.1)m**



¹ FY23: 53 versus 52 weeks

All financial information in this report relates to our 53 week period ended 3 April 2023, unless otherwise stated.

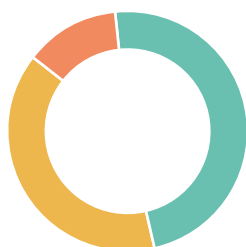
Within the Strategic report on pages 8 to 53, we also provide 52 week comparable financial information to facilitate comparison with our prior financial period. See the inside cover for further details

^A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

² Reference to sales, turnover or revenue refers to statutory reported revenue unless otherwise stated.

Sales by geography

AUS
13%
(FY22: 13%)



US
48%
(FY22: 45%)

UK
39%
(FY22: 42%)



867,000
Active Angels
(FY22: 964,000)



35.6m
reviews¹
(FY22: 32.6m)



78%
Repeat Customer sales retention
(FY22: 80%)

1.7x
5-Year Forecast Payback
(FY22: 1.4x)²

26%
of Angels on subscription products Never Miss Out and Wine Genie
(FY22: 24%)

90%
'Buy it again' rating
(FY22: 90%)

1. Total number of reviews in our database.
2. Latest forecast, original forecast 1.5x.

What we do

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 based on 35.6 million customer reviews, which helps 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.

^A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

Our opportunity

We see potential for market share gain in all our geographies

Total addressable market (TAM)

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.

¹ Commenced shipment to Kentucky in FY22, Alabama license pending. Together these add an additional ~\$0.3 billion.

² The 44 states Naked currently ships to represent more than 90% of consumers in the US.

Online wine sales 2022–2027

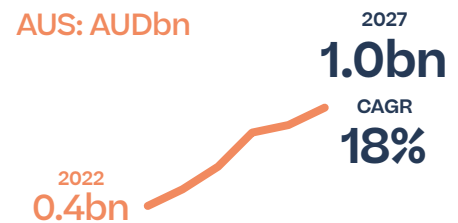
US: USDbn



UK: GBPbn



AUS: AUDbn



The total addressable market is much larger than the online sales we see today as it represents wine purchased in all channels. Across our three core markets, third-party forecasts indicate that online wine purchases will continue to grow, with both the UK and Australian markets set to double by 2027. In the US, the largest of the three

markets, growth is forecast for a more moderate 6% per annum, resulting in over \$4 billion in online wine sales by 2027. At Naked Wines, we believe we are well positioned to continue taking share in this growing category, bringing great wines to our Angels and supporting our fantastic community of winemakers in the process.



Source: Statistica Beverages eCommerce report 2023.



US: Remains our largest market

The US wine market today remains, in large part, defined by the “3-Tier” system for alcohol distribution and sale (enacted after Prohibition), leading to a market with extremely high levels of consolidation in the production and distribution tiers. As a result, access for independent wineries is challenging, while wine prices for consumers reflect the multiple margin pools of the 3-Tier system.

Naked operates as a winery in the US, selling 100% of our wine direct-to-consumer (DtC), enabling us to combine better value wine and attractive margins. The DtC market is the fastest growing part of the wine market in the last decade, with a step change in scale in 2020. Naked is a leader in the online DtC market with a 19% volume share¹, competing with smaller DtC players like First Leaf and Winc, online retailers like wine.com and with the online operations of physical specialists such as Total Wine & More.

As a winery that is exclusively DtC, Naked is uniquely positioned to offer disruptive levels of value to consumers, and with nearly 700 wines from 12 countries, we have the breadth of offer that far exceeds other DtC players.



UK: Strong online market growth

The UK market has a large addressable base of £2 billion. Wine consumption is fragmented across a wide range of products in terms of countries and styles, with domestic production remaining a small portion of the total consumption.

The supply chain is dominated by the large supermarket chains which stock a mix of branded and own label wines. Majestic Wine is the biggest remaining specialist. The online/DtC space that Naked operates in has a range of competitors including Laithwaites, Virgin Wines and The Wine Society. The online sector has seen substantial growth in recent years, albeit all the main players have seen a reversal since the end of the pandemic.

Naked stands out for its advocacy and funding of winemakers by its customers. Our wines are benchmarked for value against a mix of DtC and retail peers and our Angel pricing generally offers a discount of up to 33% against a comparable quality product.

As Naked's founding market, and now its most mature, the UK tends to be a reliably profitable market with less volatility in demand. Over the last two years we have extended the range to over 700 wines including new arrivals from Georgia and Uruguay. We continue to innovate with recent initiatives including online events accompanied by six wine tasting packs and driving real change in our CO₂ footprint through lightweighting bottles and eliminating capsules.



Australia: An important testbed

Australia is a key market for Naked Wines, with an online alcohol market opportunity of AUD\$2 billion. Naked plays a unique, and important, role in the Australian market as the largest pure play e-commerce wine retailer in Australia. Our platform provides an important alternative to the retail duopoly that otherwise dominates wine retail in Australia, with Naked standing out for its advocacy and support of small and independent winemakers and for providing direct access to unique wines at better value for wine drinkers. Recently, disruption to offshore demand for Australian wine, due to changes to China's trade tariffs, has seen Naked's role as an alternate route to market for independent winemakers become even more important.

With a small team in place, and enough similarities in online consumer behaviour to the US and the UK, Australia plays an important role in the Naked portfolio as an attractive market opportunity in its own right, but also as a low-risk testbed for global innovation opportunities. In the past 12 months the Australian business explored advanced automation models for packing efficiency, identified lower cost alternatives for customer service and the team is currently testing ways to remove barriers to first purchase conversion with non-sign up models. The business is adept at transferring these acquired skills across the Group and leveraging Group capabilities. The Australian team has demonstrated how to effectively harness Group-wide resources to deliver in-market innovations and, in the coming year, will deploy its learnings in supply chain optimisation in the US market.

1. Internal management data up to October 2022.

Chairman's letter

A period of significant change



Naked has delivered the pivot to profit. Now it is time for a pivot to profitable growth.

Rowan Gormley
Chairman

Dear Shareholders

Firstly, an apology. The whole Board of Naked Wines regret that your support and patience as shareholders, winemakers, Angels and employees has not been rewarded. We are all determined to remedy that.

I am pleased to report that the management team have recognised the challenges very clearly, acknowledge where different actions could have been taken and are acting decisively to steer Naked through this period. They are highly motivated and determined to ensure that all stakeholders are rewarded for their support.

For those of you who I have not met, I founded Naked Wines 15 years ago, was CEO for 12 years, and have rejoined the Board as non-Executive Chairman nine weeks ago. I remain a shareholder owning 2.7% of the Company.

As I am new to the job, I have taken the opportunity to immerse myself in the business and I thought it may be useful to share my first impressions...

1. Trading is tough. But Naked will come through it leaner and tougher
2. The problems are fixable – and the management team have a good plan to do so
3. We are determined to ensure that shareholders are rewarded for their patience

1. Trading is tough. But Naked will come through it leaner and tougher

Make no mistake, trading conditions are tough. As you would expect, high inflation, higher taxes on alcohol and falling disposable incomes has put pressure on sales and costs. Combine that with multi-year production cycles for wine and falling new customer acquisition and you have a perfect storm, driving inventory build-up and pressure on cash, which has resulted in our reporting a material uncertainty around our going concern (further details can be found on page 36).



In a market which has been difficult for many online retailers, not least in the wine sector, the management team has responded well to the challenge of stabilising Naked's financial position and delivering improved trading profitability.

That's the bad news. The good news is that the business has proved to be very resilient even in these tough conditions. And the management team have taken the steps necessary to ensure that we don't just survive – we come through this as a leaner tougher business, conditioned to do more with less and with some battle scars that will remind us of hard learned lessons.

Specifically, the team have:

- Reduced costs to ensure that we are able to invest in growth AND deliver a healthy level of profit;
- Reset volumes with our winemakers at a level where we can rebuild growth; and
- Renegotiated our banking facilities to ensure that they are fit for purpose.

2. The problems are fixable – and the team have a good plan to do so

With a clear plan on costs and inventory commitments, the team is able to focus on our next challenge – to get sales growing again, so that we can reward all stakeholders for their support.

The key finding here is that we do not have a general sales problem. Our existing customers are resilient despite the tough conditions. In fact, the attrition rate of existing customers, which is the number of Angels who have cancelled as a proportion of the Angel count at the start of the year, improved by 2% in this last year. What we do have is a new customer acquisition problem.

The management team has a good plan to fix that, focused on generating higher levels of new customer traffic and extending the number of ways we service our customers to monetise that traffic more effectively. Early evidence from testing these initiatives looks promising, but they need to be tested at scale before we can draw conclusions.

3. We are determined to ensure that shareholders are rewarded for their patience

While I think that the team's plan is a good one, success is not guaranteed.

This is not as gloomy as it sounds. If we can't improve our new customer acquisition economics, then we still expect to have a profitable, cash generative business, albeit smaller than the one we have today.

Obviously, we intend to do better than that and remain convinced that Naked has a set of competitive advantages which have the potential to give customers and winemakers a better deal than they can get from anywhere else – and we intend to fulfil that potential.

What we can promise you is that this will be done in a disciplined way to ensure that the value created is realised.

To do that we have agreed to commit to...

- Limit general and administrative costs to around 11% of sales
- Maintain investment in new customer acquisition at £23 to £27 million per annum through to March 2026 – enough to rebuild growth, with further growth to come from increased efficiency rather than increased spend
- Allocate capital in a rational way, including serious consideration of share buy backs when the liquidity outlook improves
- Drawing a line under our overstock issues and allowing us to get back to sustainable growth for key winemaker partners

I would like to thank David Stead, who has served as a non-Executive Director, Chair of the Audit Committee and Chairman, for his many years of wise advice and leadership.

Finally, I would like to thank all of our people and our winemakers for their hard work during a difficult time. I know it has been tough for you and we are determined to make sure that your support is rewarded.

Rowan Gormley
Chairman

Chief Executive's review

We are well placed to win in a tough market



Our belief in the differentiation of our proposition, and the quality of the exclusive brands we work with winemakers to create, shows through in our Repeat Customer sales patterns.

Nick Devlin
Chief Executive Officer

It has been a challenging year for Naked Wines. Ultimately though I believe it is one in which we have undertaken important work to stabilise the business alongside work to lay the foundations for a future in which we deliver on our ambition of profitable growth.

In October 2022 we took decisive action and laid out a plan to “pivot to profit”. That plan had three main elements:

1. Secure our credit facility to provide funding while we undertook a change of path;
2. Demonstrate profitability; and
3. Develop a path to sustainable, profitable growth.

Our focus over most of FY23 has been primarily on the first two of these goals to ensure Naked was on a more secure footing and demonstrate the underlying profitability of the business. We have met the majority of the short-term goals we laid out with our “pivot to profit” to create breathing space for the business to address the core challenge of returning to profitable growth. Despite much progress, the trading environment remains challenging moving into FY24 and, as a result, we are undertaking further actions to ensure we fully right-size our stock levels and cost base.

We have much more to do. We have ambitious goals and in some areas our testing has not yet unlocked the progress we need. Equally we recognise the consumer environment remains uncertain and the global wine industry is challenged with over-supply.

However, we are ready and motivated for the challenges ahead. We are absolutely committed to returning Naked to profitable growth and recognise the need for decisive action and tough near-term decisions to get us there. We have a core business and membership base that even in a tough environment remains incredibly robust. That platform creates options for Naked – and as a team we are determined to use that to establish Naked's long-term potential in a way which creates clear value for all our stakeholders.

Recent challenges

The past year has been one of the most volatile in Naked's history. Specifically, we have been wrestling with three key challenges that we did not anticipate when we laid out growth plans following the pandemic:

- Sustained high inflation at, or near to, double digits in our key markets, especially impacting supply chain and fulfilment costs;
- The severity of Apple's privacy changes on our overall marketing effectiveness; and
- The reversion of online penetration trends in the wine category: the direct-to-consumer (DTC) wine market in the US has been in short-term volume decline (versus long-term expansion of over 10% per annum).

As a consequence of these, and our failure to deliver our growth plans, we created two new challenges for the business:

- We have too much stock. This has not only impacted short-term liquidity, but has created real costs that are burdening our P&L and investment metrics; and
- We have a supply chain built for growth and we are operating it below capacity which has added substantial excess cost on a per order basis.

While it is important to acknowledge that we made mistakes in pursuit of growth, it is more important that we are committed to ensuring that as we rebuild a better business, we take the steps to learn from these and ensure they cannot be repeated.

Decisive action taken

Reflecting these challenges, we moved decisively to address them and, in October, announced our pivot to profit strategy. Since then, we have executed at pace and with a willingness to confront tough decisions across our business.

We have been able to make crucial progress to address these challenges:

- Renegotiated and subsequently revised further our credit facility with improved covenant tests to underpin liquidity in downside scenarios;
- Renegotiated and reduced our wine purchasing commitments and developed the capability to sell excess wine on the bulk market. We have done this in an orderly fashion and whilst maintaining the support and engagement of our winemakers which is a crucial part of our competitive advantage. As a result, forward commitments are now below anticipated sell-through levels. Consistent with the plans announced in October, stock levels ended the year at £166 million and we confirm our guidance that our peak inventory point was in October 2022 and that we expect to deliver cash generation from inventory unwind from the second half of FY24; and
- Demonstrated improving trends in Angel fund withdrawals, reflecting the underlying high loyalty and predictable revenue streams associated with our established member base.

In addition, we have undertaken a series of measures to deliver on our near-term goal of demonstrating Naked's ability to trade profitably. These measures have resulted in adjusted EBIT of £17.4 million in FY23 (FY22: £2.0 million).

- We have reversed the trend of rising general and administrative (G&A) costs, with costs falling in the second half of the year despite high levels of inflation and have undertaken workforce reduction programmes that have reduced non-customer service headcount by 12% during the year. As a result, we are able to guide to flat operating G&A into FY24, despite sustained inflationary pressure.
- We have reduced underperforming marketing spend and reconfirm that there will be no additional expense classed as marketing R&D in FY24.

- We have identified ways to recover cost inflation through our pricing and promotional strategy. FY23 saw higher levels of like-for-like pricing increase that I would wish to see on a sustained basis, but our ability to pass through increases whilst preserving retention rates reflects the work we have done to build exclusive, quality winemaker brands with real equity.

These are important steps forward but alone will not be sufficient to meet our goals. Notably, given the new fiscal year has not started in line with expectations, necessitating a harder look at plans, costs and a challenge for the team to return Naked to growth in FY24 whilst reinvesting more into growth and delivering less profit next year as a result.

We are not fully satisfied with our achievements.

- We have not met our goals in terms of new member recruitment. Our excess adjusted EBIT versus initial guidance reflects this and, as a result, we start FY24 with a smaller member base than we aimed for. To make profits sustainable we must increase new member recruitment and stabilise member numbers heading into FY25.
- Payback levels have improved in each of the last three half-year periods, and reached 1.7x in the second half of FY23, with LTV per member acquired in FY23 25% higher than FY22. However, we aimed to deliver a greater improvement as we cut marketing spend and we are disappointed that we have not been able to find greater levels of attractive investment opportunity in the last six months.
- As a result of our weaker performance we have recognised substantial charges reflecting, amongst other things, impairment of goodwill and provisioning of inventory we expect to be unable to sell before it risks quality deterioration. As a result of these items we are reporting a statutory loss before tax of £15.0 million (FY22: £2.9 million profit).

Looking forward

FY24 is a crucial year for Naked Wines. As a team we remain focused on completing the job of rebuilding liquidity by delivering cash generation in the second half of the year and underpinning the profitability we delivered this year with additional cost focus. We have tracked

below our plans in the first part of FY24 and, as such, are taking further measures to restructure our group buying and inventory plans to ensure we continue to meet cash generation goals by the end of FY25.

Alongside a focus on inventory and costs, we must turn a greater share of attention to the third goal of our pivot to profit strategy: the delivery of sustainable, profitable growth. Our current challenges ultimately stem from lower levels of member recruitment over the last 12 months and we are committed to reversing this. Whilst I do not expect it to be easy, I believe that Naked has the potential to combine a return to growth with profitability and cash generation. To do so will require us to make progress in three key areas.

1. Reset our cost base

Taking cost out of the business supports our ability to offer leading value for money to consumers and will underpin our efforts to build sustainable profitability. As we start to look ahead into the next financial year, we see the possibility for considerable further cost reduction.

We moved G&A cost from growth to decline in the second half of FY23. However, we acknowledge we have more to do in terms of efficiency. We have set a goal of achieving £10 million of annual run rate cost reduction by the end of FY24, on top of the elimination of the marketing R&D spend of £5.4 million in FY23. Our current focus is in our fulfilment operations, and we have preliminary indications we may be able to achieve our savings goals from this area alone.

A large component of this will be sourced from our warehousing where we have made significant progress through RFP and renegotiation processes to create commercial arrangements that better reflect the scale of the business today. Additionally, as we move into FY25 and operate with substantially lower absolute inventory levels, we will see further volume-based savings, especially in warehousing.

2. Increase our marketing efficiency

It is no secret that we would like to deliver higher levels of payback than we have been able to in FY22 and FY23. Given an advantaged customer proposition and a large TAM there is a clear question as to why we haven't been able to sustain higher growth rates in Naked. There are many potential reasons for our recent challenges:

- Consumer fundamentals have certainly been tough;
- The long-term secular tailwind of online migration has taken an unprecedented pause (and even step back) in the last year;
- But equally, we should recognise that we may have underestimated the scale of some of the barriers to moving consumers in our addressable market online and into the Naked proposition.

We have identified two key barriers to adoption that we believe can be removed, and are working through a structured testing plan to establish if we can enhance marketing efficiency by doing so:

- The suitability of our “Angel Piggy Bank” model for all segments of our addressable market; and
- The requirement of a subscription relationship to access best value from our proposition.

In addition, we expect to see results in the year from our work to rebuild our checkout experience and add to the range of payment options that we provide to our customers in all markets.

Our testing programme in these areas commenced in October 2022 and we are encouraged at this early stage by the results we are seeing. We believe we may have uncovered a route to better serve younger wine drinkers which could both expand the segments of the market we can actively target and support enhanced payback in channels that drive a broad range of traffic such as our parcel insert partnerships. We are currently focused on validating our initial findings in different markets and testing at scale before we build these benefits into our marketing plans.

It is worth noting that, while each is individually encouraging, if we can deliver both cost reduction and enhanced marketing efficiency, we benefit from a multiplier effect which would materially improve our chances of scaling customer acquisition spend at attractive payback.

- Variable cost savings both reduce the cost of serving the first order (lower CAC) and enhance margins on all ongoing orders (allowing us to convert the progress we have made on gross margin to higher contribution margins and LTVs).

- If we can much better monetise younger traffic that will also lift aggregate cohort LTVs.
- The combination should increase payback, and in so doing, make more investment opportunities viable to increase attractive marketing opportunities, which was an area where we have been challenged in FY23.

3. Explore new ways to drive traffic

To return to growth will require us to leverage the improvements above to deploy additional capital to drive qualified traffic to Naked and increase our rate of new member additions. We are testing new strategies to invest in content creation and to develop new campaign approaches to restore the viability of investment in key paid digital channels. We believe that we have the team and capabilities to translate higher allowable traffic cost into higher levels of qualified traffic. However, we have not yet proven that we can do that successfully in the current consumer and advertising environment. As we start the year, this third part of our plan to deliver sustainable profitability is a key area of focus.

What does that mean for our mid-term prospects?

We are at a place where we can reasonably lay out some scenarios that we see as plausible for the Company over the coming years, and share what we need to prove to deliver against these.

We continue to see Naked stabilising as a substantially larger, and considerably more profitable, business than it was pre-pandemic. Under a scenario where we are not able to find sufficient attractive investment opportunities to return to growth, we would anticipate continued profitability, a focus on cost reduction and strong cash conversion as we unwind excess inventory.

However, the above doesn't reflect our ambition for the business. Our goals in the new LTIP reflect a better sense of where we would aspire to see the business in the coming years: delivering £60 million of free cash flow, achieving £350 million of revenue with a 4% EBIT margin, and translating that to significantly improved share price performance. To realise these goals requires us to successfully extract the cost savings we have line of sight of, enhance

investment returns through our testing plan for the proposition, and leverage that to increase investment levels to return Naked to at least single digit top line growth in the next three years. Against a tough backdrop for the category, this would position Naked as a profitable, growing and cash generative business. A return to growth will also accelerate the timing at which we can unwind the excess inventory on the balance sheet.

Most importantly though, after a period of high volatility, we have the opportunity to return focus to working to fulfil the long-term potential of Naked to create long-term shareholder value by building a better alternative for wine drinkers and winemakers.

The steps we have taken so far mean that we can be confident in our foundations. Under either of the scenarios outlined, we see a business that will be profitable and cash generative, with the potential to generate tens of millions in cash as we unwind the excess stock on the balance sheet over the next 24 to 36 months. In any scenario, as a management team we are entirely committed to delivering value for all our stakeholders.

As a result of the foundations laid over the past six months, we are well placed to win in a tough market. At this stage in Naked's development we believe we are close to delivering something we have not achieved before, with the potential for cash generative profitable growth over the coming years. Together, as a leadership team, as a company, and as a community of Angels and winemakers, we are excited about the years ahead.

Nick Devlin
Chief Executive Officer



Complete control and the freedom to focus on quality winemaking.

Scott spent over a decade making Pinot Noir for some of the most famous brands in the USA, including Robert Mondavi Private Selection and Estancia Pinot Noir, and gained fans all over the country, before deciding to follow his passion and striking out on his own leaving corporate life behind. Angels funded that dream, and Scott is making breathtaking wines in Oregon that will blow you away with their silky smooth flavors, stunning freshness, and incredible value.

This is his story...

Scott Kelley

USA

Scott first started working in the vineyards when he was 17, during a summer job scrubbing a grape press at a vineyard management company. “I grew up in an agricultural family,” he explained, “but I fell in love with Chemistry.” After toying with machines, working harvests and watching grapes bubble up in tanks, his interests in winemaking – the true marriage of chemistry and agriculture – became official when he enrolled at UC Davis to “study all things fermented”. Eventually going on his own meant Scott could take everything he’d learned and cultivate his own style and craft of winemaking. Scott now makes his own wine in the Umpqua Valley of Southern Oregon, growing and bottling his famed Pinot Noir alongside ambitious alternatives like Tempranillo, Sangiovese and Malmsey more typically found in Spain or Italy.

The problem he faced was getting his wines to wine drinkers and even with his corporate wine connections to distributors, Scott couldn’t find a way to reach prospective customers until a friend in the industry suggested Naked Wines.

In 2015, Scott launched his first exclusive Pinot Noir with Naked Wines—a small bottling that was so successful, he’s since created several more under his own name, including a Pinot Gris, a Chardonnay and a Tempranillo.

Thanks to our Angels, Scott can now focus on creating amazing wines of his own— and he’s busy showcasing the incredible wines produced in the Pacific Northwest. “It’s exciting” said Scott “it’s night and day to corporate winemaking”.

What he loves about Naked Wines is the direct feedback he receives from the Angels: faithful customers who rate the wines and offer their impressions. Scott calls it “the coolest system I’ve ever been a part of. They tasted the wines, they appreciated what we were doing, that the value was there, and they wanted more,” he said. “So the cool thing was that it didn’t take two or three gatekeepers to say, ‘Tempranillo from Oregon? Where am I gonna put it on the shelf? Nobody’s gonna buy that. And so it’s a communication system and it’s a trust system that is built into the Naked Wines network.”

Our mission

We have a 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

- Paying too much for good-quality wine
- 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

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.

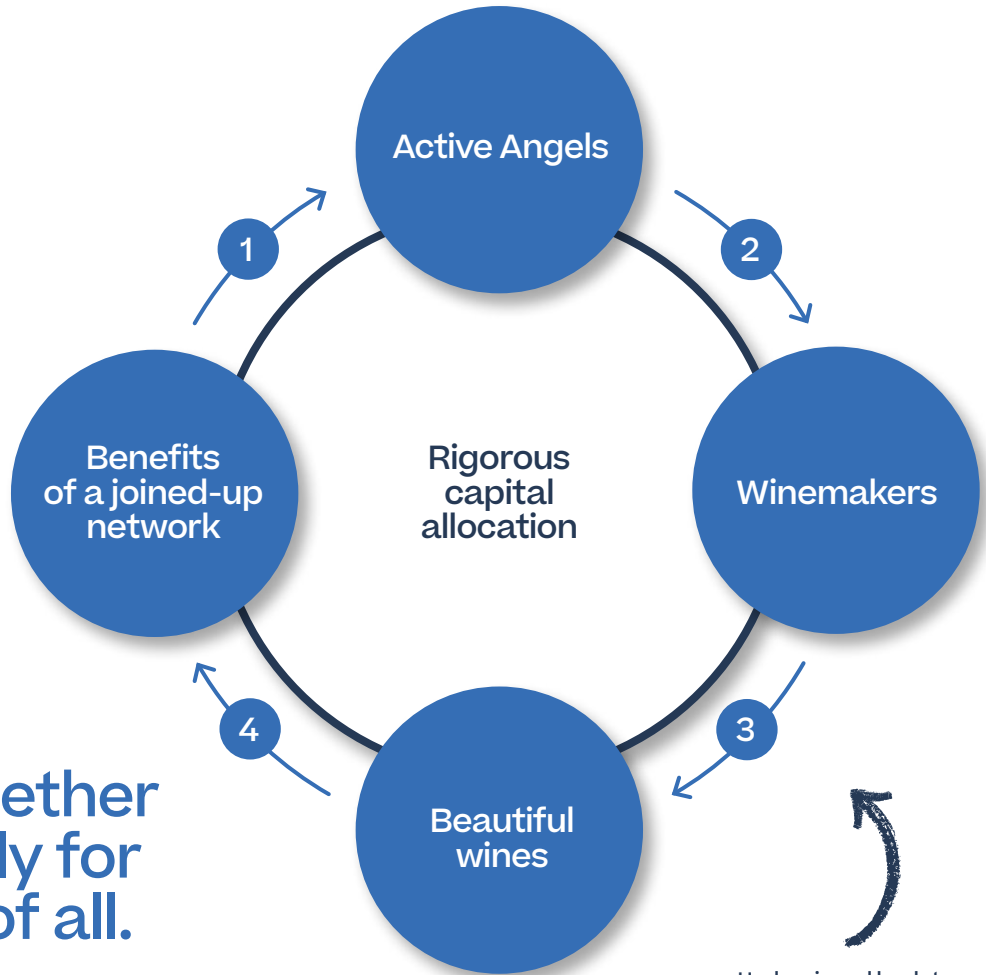
These challenges are compounded by the fact that there has been little change in the way wine is sold, especially in the US, for the past 100 years. This results in a lot of friction, and added cost, for both the winemaker and the consumer.

The solution

We're disrupting the wine industry by easing the friction. 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 – more than 850,000 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, often offering 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.



Working together harmoniously for the benefit of all.

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

Underpinned by data, we strive to rigorously allocate capital in everything we do.

1

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

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

2

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

3

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

4

Building a bigger, better business unlocks scale economies

Production and distribution efficiencies are shared with winemakers and 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 14 years in operation we have:

Been at the forefront of transforming the wine industry

We provide a compelling alternative to traditional wine distribution channels for both winemakers and consumers. Our business model enables scale, with quick delivery to our 867,000 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 have developed propriety technology and data that supports our business model, class-leading customer service and social interactions with winemakers. This interaction and data enables us to continually match wines with customer preferences.

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

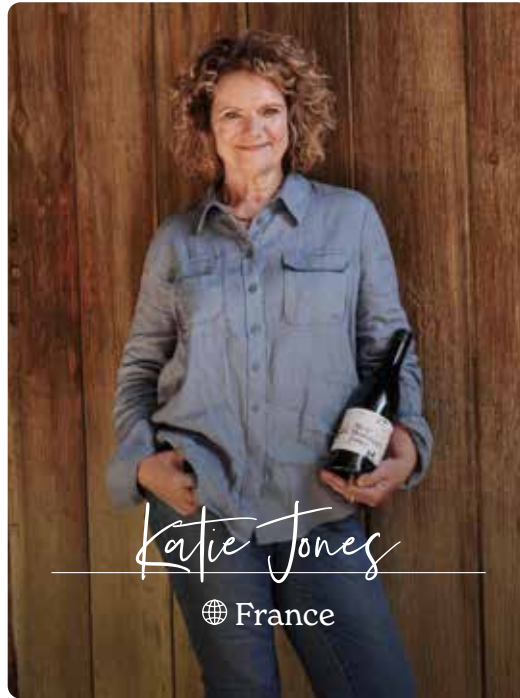
We operate in large and growing markets with favourable industry dynamics, with access to exclusive wines and winemakers and an incredibly loyal customer base that drives Repeat Customer sales.

Our critical assets



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



Deep relationships with:

- Our 293 independent winemakers
- Our 867,000 Active Angels
- Marketing partners
- Distribution networks

Strong leadership and culture

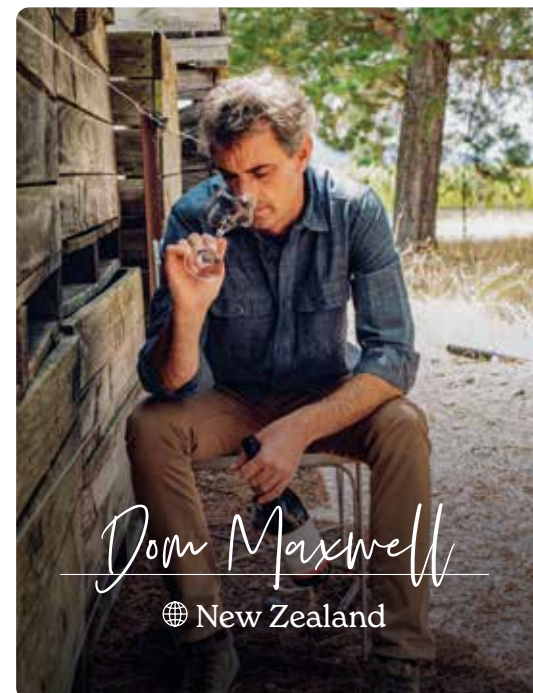
- Innovative culture that is both nimble and disruptive
- Analytical, data-based decision-making and accountability
- Lean team structure that enables greater scale as sales grow
- Community-focused

Strong capital position

- £49 million of gross cash and available liquidity from borrowing facility at year end
- Continued investments to support growth and drive future value

Data-informed strategy

- 35.6 million ratings and reviews from customers
- Understanding of customer characteristics that improves targeted advertising



Meet the Glaabs – never ones to shy away from hard work.

Megan and Ryan Glaab have been lauded as California's most innovative young winemaking team. In a landscape predominantly planted with well-known grapes like Cabernet Sauvignon and Pinot Noir, it's difficult to find vineyards growing lesser-known varieties. This is their story...



Megan & Ryan

🌐 USA

Megan and Ryan both found their love for winemaking through food. Megan's father was a successful chef and she started considering a degree in enology when she was 15 while serving at her family restaurant. Armed with the insight that only discovering your passion at a ridiculously young age will give you, she found an enology program at the University of Adelaide. To her mother's dismay, she wanted to study winemaking on the other side of the world.

"When I found Adelaide, my dad was super supportive. My mom was hesitant because she was certain I'd fall in love with someone in Australia and never come back, so her condition was 'do NOT fall in love!' But I did."

Ryan's love of food was unique in his family. He sought out hole-in-the-wall restaurants and unique flavors whenever he was allowed to choose, which was usually a birthday dinner. While pursuing a degree in medical bioengineering, he found part-time jobs in restaurants. It only took a short while for him to become enamoured with the science of wine and beer. He transferred to Fresno State and graduated with a degree in enology and a desire to travel the world, and he knew just where to start.

Bringing rare varieties to California

In 2007, for the inaugural vintage of RYME Cellars, the Glaabs made 50 cases of Aglianico — a dense black grape, rarely grown outside of Southern Italy.

The Glaabs love any chance to "expand the consumer perception of what good California wine is" and see their innovative winemaking as an opportunity for education and storytelling. Even more so over a glass from their cellar — their unique wines inspire plenty of conversation.

"We aren't afraid of a 'weird project' and aren't afraid of sweet wines, sparkling,

We love idiosyncratic wines, and Aglianico is one we still focus on at RYME. It's a grape that is aromatic, spicy, massive and brooding. It has high tannin, and ages forever! One day, we would love to see hundreds of thousands of people drinking it.



sherry, using amphora, or doing a little skin maceration. Name it, and we've probably tried it."

Megan and Ryan focused on small lots of obscure Italian grapes as their brand and their reputation grew. Their portfolio soon contained two Vermentinos, Ribolla Gialla, Cabernet Sauvignon, Cabernet Franc, Aglianico, Chardonnay, and Pinot Noir. Sharing winery space with some of their closest friends who also had wine brands, and receiving lots of press, the Glaabs were living the dream!

When they had found the comfortable limit to how much wine they could produce for RYME, they had to pass up opportunities to work with excellent growers and unique fruit. They dreamed up the brand Verse as a way to expand their offerings, but then COVID-19 hit.

It was a scary couple of months because the vast majority of sales were to restaurants that literally all disappeared overnight. California tasting rooms also shut down, and with them, their last opportunities to sell wine in the marketplace.

Through a friend, they found Naked's COVID Relief Fund. After working with Naked Wines to keep RYME operating smoothly during a tough time, they wanted to keep the relationship going. With Angel support, Megan and Ryan were also able to start their new brand, Verse, and continue exploring the vineyards of Northern California.

"We were trying to stay positive and take one day at a time," Megan said, "but I can't express enough how reliant we were on national distribution and wholesale, with our history in the restaurant industry. It was pretty clear this quarantine was going to last a long time. How does a whole engine of the industry get back up after this? In reality that whole economic engine will seize up."

"Gosh, we're so thankful for you guys," she added. "This support, honestly on the winemaking side that means business is as normal. We can make wine as normal this year. What that means for us is supporting our growers. We don't have to back out on contracts, we can keep our employees and staff as well. It's our whole business this year."

What was a relief story has bloomed into a success story, with the Glaabs joining the US roster of independent winemakers making new wines for Angels. Their exclusive brand for Naked, Verse, is a play off of their champion private label, RYME — and shows promise in highlighting the rare, exquisite varieties of Sonoma that are largely under the radar.

This is not an isolated success. Several additional COVID relief winemakers have joined Naked Wines as regular contributors to the range, making exclusive wines that pay it forward for Angels again and again.

Foundations laid to focus on profitable growth and cash generation



The outlook for Naked Wines remains positive with the business positioned to continue to penetrate the market going forward.

James Crawford
Chief Financial Officer

Overview

In July 2022 I was asked to return to the CFO role. At this time it was clear to both Nick and I that we should not, in the near term at least, continue to aggressively target growth. LTVs had fallen as cost inflation worked its way into the supply chain reducing order profitability. Coupled with a reduction in marketing efficiency as the pandemic tailwinds reversed, paybacks were dropping. The original plans for FY23 contemplated investment in additional G&A and, as a result, the Group was forecast to be less profitable year-on-year, despite seeing little or no growth. Naked had been built with a view to delivering profits in the event we weren't investing to grow, and it was clear to us that we could and should deliver that.

We quickly pivoted, reducing poor performing marketing investments, eliminating plans to hire and undertaking changes to our organisational structure to better align costs with our revenue trajectory. We have focused on recruiting fewer but higher quality Angels as it became clear that a portion of our pandemic recruitment was low quality. We have also focused on providing great wine and service

	As reported			52 week comparable		
	FY23 £m	FY22 £m	YoY %	FY23 £m	FY22 £m	YoY %
Revenue	354.0	350.3	1%	343.7	373.2	(8)%
Cost of sales	(205.7)	(208.6)	(1)%	(181.7)	(219.8)	(17)%
Gross profit pre inventory provision ³	148.3	141.7	5%	162.0	153.4	6%
Inventory provision	(10.3)	-	n/a	-	-	n/a
Gross profit	138.1	141.7	(3)%	162.0	153.4	6%
Contribution ¹	69.9	79.1	(12)%	81.2	85.4	(5)%
Advertising costs	(17.7)	(34.1)	(48)%	(17.0)	(37.1)	(54)%
General and administrative costs	(53.1)	(43.1)	23%	(48.0)	(44.8)	7%
Analysed as:						
Operating general and administrative costs ²	(41.1)	(38.9)	6%	(41.1)	(40.4)	2%
Marketing R&D	(5.4)	(3.0)	80%	(5.4)	(3.3)	64%
Share based payments	(1.5)	(1.1)	36%	(1.5)	(1.1)	36%
Software as a Service costs ³	(2.3)	-	n/a	-	-	n/a
Restructuring costs ³	(1.5)	-	n/a	-	-	n/a
Other adjusted items ³	(1.3)	(0.1)	n/a	-	-	n/a
	(53.1)	(43.1)	23%	(48.0)	(44.8)	7%
Impairments	(18.2)	-	n/a	-	-	n/a
Profit on disposal of asset held for sale ²	4.8	-	n/a	-	-	n/a
Operating (loss)/profit ⁴	(14.3)	1.9	(853)%	16.3	3.5	366%
Analysed as:						
Adjusted EBIT	17.4	2.0	770%			
Adjusted items	(31.6)	(0.1)	n/a			
Operating (loss)/profit	(14.3)	1.9	(853)%			

1. Contribution is calculated as gross profit less fulfilment costs per the Income statement.
2. Refer to page 132 for a full reconciliation of general and administrative costs in the income statement to operating general and administrative costs.
3. Refer to note 7 Adjusted items for further details.
4. 'As reported' operating (loss)/ profit is as reported on a statutory basis. '52 week comparable' operating (loss)/ profit is reported on an adjusted basis and does not include Adjusted items in either FY23 or FY22 figures. See page 131 for a reconciliation of statutory to adjusted basis.

to our existing Angels to maximise the revenue opportunity they represent. As a result, while reported profit before tax shows a loss of £15.0 million, after recognising material provisioning against our excess inventory and an impairment of goodwill, adjusted EBIT – which we consider to be reflective of the underlying profitability of the business – increased to £17.4 million. While total reported revenue was marginally up, revenue on a comparable 52 week basis declined by 8% as a result of the changes we have made in strategy and the consequent reductions in customer recruitment and Angel numbers.

At the outset of the year, we were operating with an excess level of stock and future stock commitments which consumed cash. We have been working with our winemakers and supply chain partners to balance our own liquidity requirements with the support and purchases they rely on, by continuing to fund and purchase some stock as we simultaneously seek to unwind this position in an orderly fashion. We closed the year with £165.7 million of inventory (net of a £10.3 million provisioning charge), £39.5 million of cash and cash equivalents and £10.3 million of net cash excluding lease liabilities¹. Our rate of cash consumption has slowed with £45.3 million of net cash excluding lease liabilities consumed during FY22, £16.9 million during the first half of FY23 and £12.6 million during the second half of FY23 (see reconciliation of net cash excluding lease liabilities on page 133).

Our credit facility, which we renegotiated during the year to reflect the pivot to profit strategy and ensure accessibility in the event of a downturn, remained accessible on the same terms following the takeover of Silicon Valley Bank by First Citizens Bank. Subsequent to year end we agreed a further amendment to this facility in light of the more challenging current trading conditions to enable us to incur further costs, should we need to, in order to reduce inventory commitments and operating expenses further.

Our FY23 performance was achieved against a difficult market backdrop due to increased inflationary pressure within our supply chain and low consumer confidence. These challenges are continuing into FY24 and

¹ Net cash excluding lease liabilities is a change in naming convention only from net cash as previously used by management. The calculation of this measure remains consistent with previous disclosures (see page 133).

^A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

FY23 basis of comparison

FY23 has been a 53 week year, which we use periodically to allow our trading periods to always align to weeks of the year. Exchange rate movements have also been substantial, with the average USD translation rate for revenues of 1.206 in FY23 versus 1.368 in FY22. To add further complexity, we have made some disposals of excess inventory as bulk commercial sales which have not been undertaken at scale previously.

Given these complexities, we offer two comparators to provide insight into the trading trends in the business:

1. Reported to reported, as shown on the face of the financial statements; and
2. Comparable 52 week basis with all foreign currency balances translated at FY23 rates, the impact of week 53 removed and provisioned inventory sales removed and reported net within adjusted items. See note 7 Adjusted items for further information.

The key drivers of the difference between these measures are as follows:

	FY23		FY22	
	Sales £m	EBIT £m	Sales £m	EBIT £m
Reported	354.0	(14.3)	350.3	1.9
Adjusted items	(3.1)	31.6	–	0.1
Adjusted	350.9	17.4	350.3	2.0
Less: 53rd week	(7.2)	(1.1) ¹	–	–
Translation to FY23 FX rates	–	–	22.9	1.5
52 week comparable	343.7	16.3	373.2	3.5

¹ The EBIT impact of the 53rd week of £1.1 million is at a contribution level and does not include an apportionment of fixed costs borne across the financial year.

trading in the early part of the year has been slower than we had planned. As a result we are continuing to review our inventory intake commitments to ensure we remain on track to reduce stock levels and further reviewing our cost structure. We are executing against a range of opportunities to drive cost out of our fulfilment operations while continuing to expand our customer recruitment strategy to penetrate the considerable addressable market that we operate in. In the near term, we will take a more aggressive approach to payback decisions focusing more heavily on cash returns while we plot a pathway back to revenue growth.

Drivers of Group P&L performance

In FY23 our total sales grew by 1% to £354.0 million. On a comparable 52 week basis this was an 8% decline. This reflects:

- Lower sales to new customers as a result of reduced levels of investment; and
- An Active Angel number decline to 867,000, a 10% decrease compared to FY22.

Our revised strategy has moved us in the direction of higher quality customers as evidenced by the 52 week comparable drop in sales to repeat customers being a more moderate 6% decline.

Repeat Customer contribution of £86.5 million is marginally ahead on a 53 week basis and reduced by 9% on a 52 week comparable basis. This trend is driven by a reduction in Repeat Customer sales due to lower Angel numbers and a reduction in Repeat Customer contribution margins which have moved from 27.7% in FY22 to 27.0% in FY23. This reduction reflects increased transportation and warehousing costs not being fully offset by our price increases, in particular in the UK and Australian markets.

Our investment in the acquisition of new customers in the year fell 48% to £21.4 million on a 53 week basis (down 54% on a 52 week basis) as part of our shift in strategy. By focusing the lower spend on the best returning investments we improved our 5-Year Forecast Payback to 1.7x, up from 1.5x reported last year. This higher quality recruitment is supported by higher first order price points resulting in a 29% decline in New Customer sales on a 52 week basis.

Operating G&A costs were £41.1 million (see reconciliation of G&A costs on page 132 for further details), an increase of 2% on a 52 week comparable basis. During the year, in light of the focus on profitability and significant inflation being seen in salaries,

we undertook a restructuring program seeking to generate improved efficiency and reduce our total staffing expense. The effect of this is only fully reflected during FY24 with the final steps having completed in March 2023.

We invested £5.4 million into our marketing R&D program in the year (FY22: £3.0 million), experimenting with above the line advertising in our UK and US markets to drive enhanced brand awareness and earlier stage consideration of Naked for new customers. Whilst these initiatives showed early promise, they were not generating material payback levels and have been paused while we focus on driving profitability and reducing cash consumption. Any future above the line spending will be included in our overall marketing costs and payback calculations.

Share based payment charges (excluding associated social security costs) for the year totalled £1.6 million, increased from £1.3 million in FY22 because of the awards of options made under the “transition scheme” announced during the year.

The net of the above factors results in adjusted EBIT of £17.4 million, or £16.3 million on a 52 week comparable basis. The increase versus FY22 can be summarised as:

	£m
FY22 adjusted EBIT	3.5
Reduced Investment in New Customers	23.9
Change in Repeat Customer contribution	(8.0)
Change in other contribution	0.1
Increase in G&A costs	(0.7)
Increase in share based payment charge	(0.4)
Increased marketing R&D spend	(2.1)
52 week adjusted EBIT	16.3
Plus: week 53 impact	1.1
FY23 adjusted EBIT	17.4

Reported operating loss of £14.3 million reflects the impact of £31.6 million of costs across a range of adjusted items. Refer to note 7 Adjusted items for further details. These are adjusted as they are either material one-time charges we do not expect to be repeated or they are non-trading related. We feel that treating them as adjusted items provides clarity of these non-recurring events and also a more comparable view of business trading

performance. The key components of these items are:

	£m
Right-sizing of US inventory	(14.0)
Restructuring costs	(1.5)
Gain on sale of ex-Majestic store	4.8
Impairments	(18.2)
Amortisation of acquired intangibles	(1.3)
Interchange fee litigation settlement	0.7
Software as a Service investments	(2.3)
Revaluation of FX contracts	0.1

Interest charges totalled £0.8 million in the year, being the net of interest earned on cash balances and the Majestic Wine disposal vendor loan note, and charges relating to the asset backed lending arrangement with Silicon Valley Bank and interest on IFRS 16 leases.

The Group’s statutory effective tax rate (ETR) of (15.9)% is substantially driven by the distortionary impact of the non-tax recoverable impairment charge reported in the year and the net impact of changes to deferred tax recognition. Current tax of £4.6 million was driven by profitable trading in the US and Australia, including the impact of material non-deductible temporary timing differences in the US relating to the US inventory provision and US ‘unicap’ inventory tax adjustments, partially offset by corresponding deferred tax credits as set out above.

New and repeat customers and our subscription KPIs

Note: commentary in this subsection is given on a comparable 52 week basis.

New customers

Investment in New Customers was £20.7 million compared to £44.6 million in FY22. This halving of investment reflects the change in strategy implemented during the year to improve paybacks versus FY22 levels (currently forecast at 1.4x) and drive profitability in preference to growth.

We have reduced spending in all our markets and most channels, and increased prices to new customers as we know this drives higher quality recruitment. Our largest decrease was in the UK, where we saw a significant deterioration in customer quality. Our reduction has meant increasing our promotional offer prices significantly, while advertising spend has focused on the most efficient areas, and given an increased average price for first orders, the reduction in New Customer sales is less severe than the reduction in investment, albeit still significant.

In the US market, we have moved the majority of our first order offers to 12-bottle cases to increase prices and sell additional inventory. The US is also the most advanced in testing our new recruitment journey, which has provided additional support to New Customer sales. As a consequence

	52 week comparable		
	FY23 £m	FY22 £m	YoY
A New Customer sales	26.0	36.5	(29)%
Investment in New Customers	(20.7)	(44.6)	(54)%
Repeat Customer sales	314.5	335.4	(6)%
Repeat Customer contribution	84.8	92.8	(9)%
Repeat Customer contribution margin	27.0%	27.7%	
Other revenue	3.2	1.3	146%
Other contribution	0.2	0.1	100%
KPIs			
Repeat Customer sales retention	78%	80%	(200)bps
Active Angels	867,000	964,000	(10)%
5-Year Forecast Payback	1.7x	1.5x	0.2x
Year 1 Payback	39%	68%	(29)%
Standstill EBIT	(5.8)	21.2	(27.0)

A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

of these changes, our revenues from new customers reduced by 29%.

Our 5-Year Forecast Payback, which is the ratio of projected future Repeat Customer contribution we expect to earn from new customers recruited in the year over the investment spend related to acquiring those new customers, was 1.7x (FY22: 1.5x reported). This was achieved due to higher forecast LTVs as we have focused on higher quality customers, with the cost of each recruited Angel flat year-on-year.

We would like to be investing more in new customer recruitment, but our current marketing mechanics and market conditions don't support this while driving acceptable payback. We have accepted payback lower than our 2x target during the year for two reasons:

- Our reducing scale leads, in the near term, to lower efficiency in our fulfilment operations which contain a significant level of fixed costs. As such, the marginal cost of each incremental order we generate is significantly lower and the profitability higher, and we consider it rational to drive these incremental orders; and
- With significant amounts of excess inventory, the cash profile of each order we generate is higher than the contribution of the order (which is the basis of our payback calculations). For as long as we are reducing inventory, this effect means cash paybacks are significantly higher than our payback measure suggests.

Repeat customers

Repeat Customer sales were £314.5 million, a 6% decrease. With Angel numbers reducing as a result of the lower level of recruitment, this represents an increase of 4.3% in sales per Active Angel.

To support repeat revenues, we have continued to drive our “Never Miss Out”, “Wine Genie” and “Fine Wine Club” propositions, with over 25% of our Angel subscribers having adopted an average of 1.7 of these each. Our Repeat Customer sales retention, which is the proportion of sales made to customers who met our definition of “repeat” last year and placed orders again this year, was 78% (FY22: 80%). Sales retention can be separated into customer retention and the change in sales per Angel year-on-year. The reduction we

have seen this year is due to early FY22 having high rates of purchase due to the tail end of the COVID-19 pandemic, which were not sustained into the following year leading to a reduction in sales per retained Angel and consequently lower sales retention.

Our Repeat Customer sales performance reflects the lower-than-average rate of retention in the US, with contribution trends better than revenue as we have been able to realise price increases offsetting inflating fulfilment costs and lower volume throughput. In the UK, Repeat Customer sales have been driven by a well-executed promotional strategy and higher fulfilment effectiveness year-on-year. In Australia, trends have mirrored the US and UK, albeit lagged slightly due to seasonality and the timing of COVID.

However, significant increases in fulfilment costs due to price inflation and under-utilisation of committed capacity have substantially eroded contribution margins, despite price increases being introduced.

Repeat Customer contribution margins have decreased in the year from 27.7% to 27.0%. The majority of this is due to fulfilment cost increases in the UK and Australian markets not being fully recovered through price. In our largest market, the US, we achieved a 0.5% improvement in our contribution margin supported by price and mix improvements ahead of cost inflation.

Our Year 1 Payback for the year, which is the contribution realised in this financial year from repeat customers recruited in the prior financial year, divided by the investment made in the prior year recruiting those customers, was 39% (FY22: 68%) reflecting the high acquisition costs and low expected LTVs and payback from our FY22 customer recruitment.

Standstill EBIT is our measure of the adjusted EBIT which we would report if we had invested, at latest reported economics, in new customers to only replenish Repeat Customer contribution lost to attrition. In the year, our Standstill EBIT was £(5.8) million. This metric remains negative due to the very low Year 1 Payback we are recording from the FY22 recruitment. With paybacks improving we expect this metric to improve and converge towards adjusted EBIT through FY25. The calculation of Standstill EBIT can be found on page 133.



To support repeat revenues, we have continued to drive our “Never Miss Out”, “Wine Genie” and “Fine Wine Club” propositions, with over 25% of our Angel subscribers having adopted an average of 1.7 of these each.

The
FINE WINE
CLUB



Other revenue and contribution

Other revenue and contribution in the US reflect commercial disposals of excess inventory at above cost. Disposals below cost are combined with provisioning charges and shown as adjusted items.

Detailed analysis of each geographic segment and a full reconciliation of reported results to 52 week comparable figures can be found on page 131.

KPI review

As the business has matured and our focus has shifted to profitable growth, we intend to undertake a review of our KPIs and APMs during FY24 with the goal of simplifying the explanation of the business drivers and ensuring they are the most relevant measures to determine success against our plans.

Balance sheet and cashflow

During the year our goals changed to focus on profitability at the expense of growth. Achieving this meant a reduction in Investment in New Customers and a consequent reduction in revenues versus prior plans. As a result, the Group has consumed less inventory than would previously have been forecast, requiring cash consumption to fund higher levels of stock. To mitigate this, during the year we reduced the stock intake we had originally agreed with our winemakers by £15 million, the majority of the reduction being in the US division where we have the longest supply chain.

We expect to continue reducing the level of inventory on hand over the next 24 months, rebuilding our cash reserves. Our future inventory intake commitments have reduced from £223 million at the end of FY22 to £162 million at the end of FY23, with reductions achieved in all of our markets.

The Group's policy is to test for the existence of excess capital bi-annually as we update our forecasts for the business. Should it be determined that we have excess capital, available investment opportunities will be compared to expected returns from repurchasing the Company's shares and capital allocated to the highest returning opportunities. At present we do not believe the business has excess capital and no returns of capital, either as dividends or through other mechanics, are planned at this time.

During the year the Group's net cash excluding lease liabilities balance reduced by £29.5 million. The drivers of this are:

	£m
Operating loss	(14.3)
Add back: depreciation and amortisation	4.3
Add back: other non-cash charges	7.8
Add back: impairments	18.2
Change in inventory	(28.8)
Change in payables	(14.5)
Change in Angel funds and other deferred income	(6.2)
Other working capital movements	3.5
Operating cash flow	(30.0)
Tax and net interest paid	(3.2)
Capital expenditure	(1.5)
Proceeds from sale of investment property	5.6
Lease liabilities paid	(1.3)
Net movement in net cash excluding lease liabilities	(30.4)
Opening net cash excluding lease liabilities	39.8
Net movement in net cash excluding lease liabilities	(30.4)
FX	0.9
Closing net cash excluding lease liabilities	10.3

The Group generates over 50% of its revenues from international operations. As a result, the year-end balance sheet is subject to the impact of changes in exchange rates as well as underlying movements. As shown in the table below, additional inventory, reducing Angel deposits (due to fewer Angels) and lower outstanding payables balances (due to less stock purchases) all contributed to the cash usage in the year.

Key balance sheet items (£m)	Impact in the year				FY23
	FY22	FX adj	Non-cash inventory provision	Underlying movement	
Net cash excluding lease liabilities	39.8	0.9	–	(30.4)	10.3
Inventory	142.4	4.8	(10.3)	28.8	165.7
Angel funds and other deferred income	(76.0)	(1.5)	–	6.2	(71.3)
Trade and other payables*	(54.6)	(1.4)	–	13.6	(42.4)

* Excludes current tax liabilities

Failure and acquisition of Silicon Valley Bank (SVB)

One of the Group's banking partners, SVB, was closed by regulators on 10 March 2023. SVB provided 50% of the Group's credit facility with the other 50% coming from Bridge Bank. The operations of SVB, including the Group's credit facility, were transferred to First Citizens Bank on 28 March 2023. This event did not impact our day-to-day operations and no loss has occurred to the Group because of the failure of SVB. We have also not seen any change in the level of withdrawals made from our Angel fund because of the failure of SVB.

Recent trading and outlook

Trading in the first quarter of FY24 has been significantly slower year-on-year with total revenues 18% lower than the comparable period in FY23. This reduction is a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profitability and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year-on-year.

The guidance below reflects a balanced view of current trends in the business as seen in the first quarter, expected cost improvements and inventory commitment reductions we will deliver during the year. Our primary goal is to invest in new customers to stabilise and then grow our repeat customer revenues. We believe this requires an investment level of around £27 million, albeit recent improvements in our customer attrition trends could reduce this. As we continue to operate below this run rate, we expect to see repeat customer revenues continue to decline during FY24, however the rate of decline is expected to reduce considerably during the year. With new customer investment targeted to be £23 to £27 million, revenue trends from new customers should begin to stabilise during the year as the comparator periods begin to include the prior year reductions in investment levels. In aggregate we now believe total revenues are likely to decline by 8 to 12% in the year.

Repeat Customer contribution margins remain under pressure, especially in the UK where we will continue to face underutilisation of warehouse capacity into early FY25. Group-wide, we will continue to realise benefit from our FY23 price increases in FY24, as well as assessing opportunities to continue to increase prices and support margins while retaining strong value credentials. We have line of sight of £10 million of fulfilment cost savings that will predominantly be reflected in Repeat Customer contribution margins. We expect to see the full impact of these in FY25 and will provide further updates on our progress towards these important initiatives during our half-year reporting. The net of these movements is expected to be a Repeat Customer contribution margin that is relatively consistent with FY23, delivering Repeat Customer contribution of £72 to £80 million.

Elimination of marketing R&D spend will generate a £5 million cost saving year-on-year. Our operating G&A base should be slightly lower year-on-year despite inflationary salary adjustments having been made. In the event we see revenue and Repeat Customer contribution at the low end of our guided range, we would expect to pursue cost savings in variable compensation and other areas of discretionary spending.



The net of all this would be an expected adjusted EBIT of £8 to £12 million for the year, with the lower end underpinned by cost actions as required.

Through additional reductions in stock intake we continue to target closing inventory of approximately £145 to £155 million at the end of FY24, delivering cash generation in the second half of the year and closing net cash excluding lease liabilities of £10 to £30 million.

Liquidity and going concern

With trading performance in the first quarter below expectations we have undertaken a comprehensive reforecast process for the year, resulting in a delay to the publication of these results. As at the date of publication we are trading broadly in line with this revised forecast. The reforecast process resulted in a revised baseline outlook as described above, in which the Group would expect to comfortably meet all borrowing covenants

over the next 12 months and retain significant headroom to the cash balances required to run the business. As such the Directors feel the going concern treatment remains appropriate.

In assessing our going concern position, the Board also reviewed a downside scenario with adverse trends to the baseline. This downside scenario, which forecasts a sales decline for the year of 17%, also shows the Group meeting all borrowing covenants and having sufficient liquidity to operate the business. To increase headroom to the adjusted EBITDA covenant in our borrowing agreement in this downside scenario we have agreed with our banking syndicate that certain costs associated with reducing inventory levels and operating costs would be excluded from our covenant calculations, as well as measuring covenant EBITDA on a rolling 12-month basis from the beginning of FY25 to provide additional flexibility as to when certain costs were incurred. The Board recognises that this cash flow forecast relies on:

- Trading performance which is currently volatile and impacted by the challenging macroeconomic environment;
- The delivery of a number of cash and cost improvement actions which will, in part, require the cooperation of strategic suppliers; and
- Access to a forecast level of borrowing from the Group's asset backed lending facility.




As a result, there remains a risk that a combination of these assumptions could result in a reduction in actual cash flows which would result in the business being unable to meet its covenant commitments. As such these factors give rise to a material uncertainty that may cast significant doubt over the going concern assumption of the financial statements. See page 36 for further details.

James Crawford
Chief Financial Officer




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	£354.0 million (FY22: £350.3 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.	<ul style="list-style-type: none"> • Competition • Regulation • Investment
 Sales growth	1% growth (FY22: 3% growth)			
 Net cash excluding lease liabilities	£10.3 million (FY22: £39.8 million)	The amount of cash we are holding, less borrowings at year end excluding lease liabilities. See page 133 for the calculation of this measure.	Managing cash is essential to ensuring that we have sufficient funds in place to execute our growth plans in the medium term.	<ul style="list-style-type: none"> • 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	90% (FY22: 88%)	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.	<ul style="list-style-type: none"> • Business interruption • Supply chain interruptions and costs • Third-party suppliers
 Wine quality - "Buy it again" ratings	90% (FY22: 90%)	The percentage of "Yes" scores given by customers in the year indicating that the customer would buy the product again, which we know as our 'buy it again' rating.	Ensuring customers love our exclusive wines and are happy to buy them again supports strong customer loyalty and sales retention.	<ul style="list-style-type: none"> • Business interruption • Supply chain • Third-party suppliers • Consumer tastes and preferences • Quality perception
 5* customer service	92% (FY22: 92%)	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.	<ul style="list-style-type: none"> • 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?
 Investment in New Customers	£(21.4) million (FY22: £(41.3) million)	The amount we have invested in acquiring new customers during the year, including contribution profit/loss from New Customer sales and advertising costs. Please note that we have updated the description of this term to elaborate on its components, however the underlying calculation has not changed.	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.	<ul style="list-style-type: none"> Investment Regulation Competition Reputation Customer acquisition costs
 5-Year Forecast Payback	1.7x (FY22: 1.4x)	The ratio of projected future Repeat Customer contribution we expect to earn from the new customers recruited in the year, divided by the Investment in 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. As this is an undiscounted, forward-looking estimate, it cannot be reconciled back to financial results.	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.	<ul style="list-style-type: none"> Investment Competition Supply risks Macroeconomic event
 Repeat Customer contribution	£86.5 million (FY22: £86.2 million)	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment costs and service costs. A reconciliation of adjusted EBIT to Repeat Customer contribution is shown note 6 Segmental reporting.	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.	<ul style="list-style-type: none"> Competition Supply chain risks Reputation Taxes and duties
 Repeat Customer contribution margin	27.0% (FY22: 27.4%)	Repeat Customer contribution as a percentage of Repeat Customer sales.		
 Repeat Customer sales retention	78% (FY22: 80%)	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 and summed to calculate the full year retention.	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.	<ul style="list-style-type: none"> Competition Supply risks Reputation Tax and duties
 Year 1 Payback	39% (FY22: 68%)	A short-term payback measure showing the actual return in this financial year of our investment in the prior year.	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.	<ul style="list-style-type: none"> Investment Competition Supply chain risks Inflationary pressure Customer acquisition costs
 Standstill EBIT	£(5.8) million (FY22: £21.2 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 attrition during the period. See page 133 for calculation from constituent Group KPIs and APMs.	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.	<ul style="list-style-type: none"> Includes those reflected in the underlying metrics that feed into this calculation
 Active Angels	867,000 (FY22: 964,000)	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.	<ul style="list-style-type: none"> Investment Competition Regulation

^A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

Stakeholder engagement (inclusive of section 172 Companies Act 2006 disclosures)

Our stakeholders are vital to our success

Throughout FY23, the Directors have complied with the requirements of Section 172 of the Companies Act 2006 in promoting the long-term success of the Company for the benefit of all stakeholders. The following disclosure describes how the Directors have had regard to the matters set out in section

172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

The Board considers the likely consequences in the long term of all material decisions on its core stakeholder

groups – the Company's employees, suppliers, customers, shareholders, community/environment, and regulators/government. To ensure that its decisions advanced these stakeholders' interests in FY23, the Directors engaged with these stakeholders as follows:



Shareholders and institutional investors

Who engaged	How we engaged	Outcomes
Board CEO CFO Company Secretary	<p>The Annual General Meeting (AGM) remains the primary method of engagement with our private shareholders, through both the distribution of the Annual Report and Accounts and attendance at the meeting.</p> <p>We also engaged with shareholders and institutional investors as follows:</p> <ul style="list-style-type: none"> We engage regularly with our investors and seek their views on various matters affecting the Company We welcomed Rowan Gormley, our founder and shareholder, to act as an advisor and shareholder representative to the Board from 14 September 2022 until 14 December 2022 The CEO and the CFO made presentations to investors following the release of half-year and year-end results The CEO and CFO also engage in conversations with investors when requested 	<ul style="list-style-type: none"> All resolutions raised at the 2022 AGM were approved (voting outcomes set out below) 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 Subsidiary MDs (UK, US and AUS)	<p>Our employees are one of our most important stakeholder groups and we engage with them on a daily basis. This engagement takes place through:</p> <ul style="list-style-type: none"> Sharing of information relating to the business via regular communications, e.g. monthly town hall meetings Annual employee engagement surveys Consultation with specific groups or individuals to ensure that their views are 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 <p>In FY23, we also restructured the business resulting in job reduction in the UK and US. Whilst the restructuring was necessary, it was regretful and in such circumstances we believe it is only right to ensure our dedicated employees are well treated. As such, in the UK we ensured we undertook consultation above that required by law and in all countries, our severance packages were well in excess of legal requirements and included support for finding new roles.</p>	<ul style="list-style-type: none"> Employees are apprised of Company strategy 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: <ul style="list-style-type: none"> Allowing a flexible working environment Providing salary benchmarking and policy transparency Providing training for all employees



Suppliers

Who engaged	How we engaged	Outcomes
<p>CEO CFO Subsidiary MDs (UK, US and AUS) Wine Team</p>	<p>Our business model continues to seek out and support the world's best independent winemakers. We engage with these winemakers in a number of ways:</p> <ul style="list-style-type: none"> We invest in our winemakers through advance commitment and funding of wine, requiring ongoing communication between our winemakers and Wine Team Our Responsible Supplier Policy and Anti-Modern Slavery Policy require our supplier network to conduct their businesses in line with the principles embraced by Naked Wines We follow best practice to make sure we are looking after our suppliers <p>In FY23, we reduced certain purchase commitments to our winemakers to manage the Company's inventory balance. We continuously engaged with winemakers throughout this process to ensure that we arrived at a solution that was acceptable to both the winemakers and the Company.</p>	<ul style="list-style-type: none"> Over the past year, our platform has supported over 293 independent winemakers We've supported our winemakers in addressing and eliminating the risk of modern slavery in their supply chains We engaged with our suppliers when reducing purchase commitments to ensure that both parties achieved an acceptable outcome



Customers

Who engaged	How we engaged	Outcomes
<p>CEO CFO Subsidiary MDs (UK, US and AUS) Customer Happiness Team Wine Advisor Team</p>	<p>The Naked Wines business model connects our customers with the world's best independent winemakers. We engage with our customers as follows:</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
<p>Company Secretary/ Global General Counsel CFO Head of Assurance</p>	<p>We engage with regulators on an ongoing basis through correspondence or meetings to discuss key issues pertaining to the business</p>	<ul style="list-style-type: none"> 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 Team	<p>We've made an ongoing commitment to promote responsible drinking.</p> <p>We've made an ongoing commitment to sustainability.</p> <p>We've made an ongoing commitment regarding ethical behaviour and responsible corporate citizenship.</p>	<ul style="list-style-type: none"> We've adopted various sustainability initiatives (see Sustainability on pages 46 to 53) We ensure compliance around sale and marketing of alcohol (see Risk management and control environment on pages 35 to 43) We maintain a Group code of conduct

It is also important to the Board to maintain a reputation for high standards of business conduct. Our Ethics and Transparency Policies are available here: <https://www.nakedwinesplc.co.uk/sustainability/ethics-and-transparency/default.aspx>. Our capital allocation and dividends policy is described in the Directors' report on page 71.

Outcome of voting at 2022 AGM

No	Type	Nature	% in favour
1	Ordinary	Receipt of Annual Report and Accounts	99.96%
2	Ordinary	Re-election of retiring Director (David Stead)	98.39%
3	Ordinary	Election of Director (Melanie Allen)	97.12%
4	Ordinary	Election of Director (Deirdre Runnette)	97.12%
5	Ordinary	Appointment of auditor	99.94%
6	Ordinary	Remuneration of auditor	99.95%
7	Ordinary	Directors' authority to allot shares	99.89%
8	Special	Disapplication of preemption rights	98.94%
9	Special	Company's authority to purchase its own shares	98.47%
10	Ordinary (Advisory)	Directors' remuneration report	96.38%
11	Ordinary (Advisory)	Directors' Remuneration Policy	89.14%
12	Ordinary (Advisory)	Proposed New Long Term Incentive Plan	89.57%

Risk management and control environment

Principal risks and uncertainties

Our approach to risk management

The Board has ultimate responsibility for identifying key risks, assessing the potential impact on the business if these risks are realised and ensuring that appropriate mitigating actions are taken to manage risks to acceptable levels in pursuit of strategic objectives.

The Board is satisfied that, through the processes set out below, it has undertaken a robust assessment of the principal risks which threaten the execution of the strategy and the long-term viability of the Group and is satisfied that appropriate mitigation plans are in place.

The key elements of our risk management process are as follows:

- Executive Directors and local management teams of each business segment are responsible for identifying risks and maintaining local risk registers, encompassing:
 - Risk assessment – each risk is assessed with reference to risk impact (the impact the realisation of the risk would have on the business and is primarily measured in financial consequence) and risk likelihood (the possibility/probability of the risk being realised)
 - Mitigation – each risk is assigned a mitigation strategy, mitigation actions and a local risk owner
 - Monitoring – periodic monitoring of mitigation actions
- Annually, the Audit Committee assesses and aggregates the risks identified by business segments for the purpose of identifying the most significant Group risks and proposing the principal risk items to the Board. 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 realised
- Throughout the year, the Audit Committee (or Board) are appraised of significant changes in the risk landscape and risk owners present updates on the most material risks
- The Board considers the evolving risk environment and the effectiveness of risk management processes as it approves key decisions, budgets and operating plans

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.

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.

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. Management seeks to put in place active mitigation for internally driven operational risks, balancing cost and risk as appropriate. Detailed mitigating actions are presented against each of the principal risks presented below.

The principal strategic and operational risks which the Board deems most significant are presented below. While they are not the only risks facing the business, they are the most significant when considering both the likelihood of the risk materialising as well as the overall impact on the business, after taking into account the mitigating effect of the implemented controls.

Climate change and sustainability

The Board has considered climate change as part of the Group's risk management process and acknowledges a potential risk to the Group. The Board is of the view that the risk of climate change is embedded within the key risks listed in this report and, as such, has decided not to list climate change as a standalone risk. In particular, the Board recognises that we are exposed to climate change risks 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 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. Refer to Sustainability on pages 46 to 53 for details of our initiatives in this area.

Risk	Risk characteristics
Liquidity	Operational (internal cause)
New customer acquisition	Strategic
Macroeconomic environment	Strategic
Business interruption	Operational (external cause)
Cyber security attack	Operational (external cause)
Reputational damage	Strategic
Competition	Strategic
Regulatory and tax compliance	Operational (internal cause)
Acquisition and retention of talent	Operational (internal cause)

Going concern

Background and context

Like many online retail businesses, Naked Wines has been severely impacted by COVID-19, rising inflation and falling consumer confidence. Lockdowns in all markets saw customers moving online which generated significant revenue growth for the Group and required significant investment in both operational capacity and inventory.

Naked Wines emerged from the COVID-19 pandemic almost double the size of pre-pandemic levels. However, expectations of the level of ongoing new customer acquisition have not been met and the level of business performance has been below the Directors' expectations. In particular, the number of new customers acquired and the return on investment in new customers have been below expectations which in turn has led to a fall in the repeat customer base. These changes have led to reduced expectations of the future sales and cash flow for the Company versus previously prepared financial plans.

In response to these challenging macroeconomic conditions, Naked changed strategy to "pivot to profit", (see page 14 for further details) focusing on short-term profit generation over long-term customer expansion and with a recognised near-term increase in cash investment in inventory.

Alongside this pivot to profit, the Company commenced a comprehensive review of the business which included a suite of further actions:

- Removing unnecessary costs from the business that had been introduced to support a business with significantly higher growth levels;
- Identifying several operational savings and cost efficiencies across the Group;
- Undertaking a project to remove excess inventory from the business whilst continuing to support independent winemakers; and
- Piloting and trialling new customer propositions.

These actions are ongoing with progress already being made to remove unnecessary costs and identify efficiencies. Achievement of the Group's forecasts will in part, require the alignment and cooperation of strategic suppliers in order to achieve the Board's planned outcomes. If the outcome of these key strategic initiatives is not as anticipated by the Board, subsequent performance may be significantly different to that set out in the Company's financial plans.

Borrowing facilities

The Group has an asset backed lending (ABL) facility of up to \$60 million and as at the year-end \$36.75 million (FY22: \$nil) had been drawn down. The Group met all its credit facility covenant requirements in the current financial year, despite the material uncertainty noted regarding going concern in the FY22 Annual Report and Accounts relating to the Group's ABL credit facility profit covenant.

As set out more fully in note 23 Borrowings, following the Group's renegotiation of its senior secured lending facility covenants in October 2022 which addressed the underlying cause of the material

uncertainty, the Group has three principal negative pledge covenant commitments defined within the credit facility. These covenants, in effect for periods starting after 26 September 2022 for the remaining duration of the agreement to 30 March 2025, relate to:

- 1) A facility defined minimum balance sheet current asset to current liability ratio test;
- 2) A facility defined minimum qualified cash balance of \$20 million to be held by loan parties with the lender group at all times; and
- 3) A facility defined measure of EBITDA business profitability.

As set out more fully in note 31 Events after the balance sheet date, on 22 August 2023 the Group concluded a further amendment to its credit facility, moving the facility defined adjusted EBITDA covenant threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 as well as increasing the size and specificity of the non-recurring expense add back in the calculation of the facility defined adjusted EBITDA measure.

Effective from 27 March 2023, the Group's credit facility was acquired as part of the loan portfolio purchased by First Citizens Bank & Trust Company as part of their acquisition of Silicon Valley Bridge Bank, N.A, previously Silicon Valley Bank. The Directors have received written confirmation from First Citizens Bank & Trust Company that First Citizens Bank has assumed all the liabilities and obligations of Silicon Valley Bridge Bank, formerly Silicon Valley Bank, associated with this facility. The administrative agent and issuing lender for the facility is now Silicon Valley Bank, a division of First Citizens Bank & Trust Company. As a result of the sale and purchase agreement of Silicon Valley Bridge Bank to First Citizens Bank and the confirmation of the transfer of all the liabilities and obligations in relation to the Company's credit facility to First Citizens Bank, the Directors have a reasonable expectation that the Group's lending facility provides the security of funding necessary to support its going concern assumptions.

Base case

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 ABL facility and (iii) potential variations in the cash requirements of the Group taking into account severe but plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook and post year-end trading.

The Directors have prepared cash flow forecasts extending for more than 12 months from the date of the approval of these financial statements to assess the liquidity of the Group. The first of these forecasts, prepared ahead of the end of the financial year in the final quarter of FY23, was based on expectations formed by trading experience at the time and anticipated future trends. It also included cost savings and efficiencies that the Group is already benefiting from, as well as additional cost and cash savings expected to be implemented over the going concern period including working capital improvements. Under this base case scenario (the "Original Baseline"), the Group had sufficient liquidity over this period and meets its credit facility covenant commitments.

Trading in the first quarter of FY24, beginning in April 2023, was below expectations with total revenues 18% lower than the comparable period in FY23. This reduction was a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profit and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year-on-year.

As a result, management revised its original plan for FY24 and FY25. This revised plan (the “Revised Baseline”) took into account emerging trends in new customer acquisition and the rate of growth of revenue per Angel, partially offset by an improvement in mature Angel attrition, and resulted in lower forecasts for sales, profitability and cash flow generation versus the original plan for FY24 and FY25.

Sensitivities and reverse stress test

The Directors have considered several downside scenarios against both the Original Baseline and the Revised Baseline. The scenarios applied to the Original Baseline are:

- Increased year-on-year repeat customer attrition of between 10% and 30% (based on the level, by market, of the worst experienced attrition rate over a three-month period in recent history);
- Sustained lower level of new customer acquisition spend resulting in 15% year-on-year decline in Investment in New Customers; and
- A decline in repeat customer activation of 10% versus the Original Baseline.

The Directors also prepared a further severe but plausible downside customer activation scenario, modelling the impact of a 10% decline in repeat customer activation versus the Revised Baseline.

Under each downside scenario individually the forecasts show all covenant requirements being met. In the most severe downside scenario, being the 10% repeat customer activation downside versus the Revised Baseline, the most sensitive covenant was the \$20 million minimum cash requirement where headroom fell to £4 million, rising to £10 million with application of a contingency plan (see below), in excess of this covenant requirement at the lowest point of the forecast.

A reverse stress test of the Revised Baseline downside scenario was also performed, being the downside scenario deliberately engineered to identify the point at which a covenant breaks. This reverse stress test shows that an additional 2% reduction in repeat customer activation (beyond the 10% severe but plausible downside scenario noted above) results in the Group not meeting its minimum cash covenant, reflecting the relatively high degree of sensitivity over downside modelling in this scenario.

The Directors have identified a contingency plan to improve cash generation should evidence of this downside scenario become apparent, including further working capital management and promotional sales and margin opportunities. Management believes that together, these actions add an additional 2% headroom between the severe but plausible downside scenario and reverse stress test. The modelled breach in the reverse stress test, including the identified additional mitigation, occurs 17 months after the balance sheet date in the second quarter of FY25.

In addition to the trading sensitivity disclosed above, compliance with the minimum cash covenant is reliant on being able to continue to access the anticipated level of the Group’s ABL facility, where the level of available credit (the ‘facility borrowing base’) is determined by the level and carrying value of the Group’s US inventory. The Directors highlight the key source of estimation uncertainty over inventory valuation (see note 4 Critical accounting policies, estimates and judgements) and also the requirement to maintain the existing level of supplier waivers (to include wine held at their facilities within the facility borrowing base calculation) in order to support the Group’s forecast available credit. Together, these factors give rise to additional uncertainty over the level of the ABL facility available to be drawn down across the forecast period.

Given experienced trading volatility and the macroeconomic conditions increasing the uncertainty over future forecasts, the Directors note that forecast variances of more than 4% outside of the currently severe but plausible downside scenario would result in a breach of the Company’s minimum cash holding covenant and whilst the Company’s credit provider has proven to be responsive to accommodating the needs of the business, any further covenant amendments, should they be required, will be subject to negotiation.

This assessment is linked to a robust assessment of the principal risks facing the Group and the reverse stress test reflects the potential impact of these risks being realised. The principal risks are outlined on pages 38 to 42.

Summary

After considering the forecasts, sensitivities and mitigating actions available and having regard to the risks, uncertainties and challenges in recent trading and the macroeconomic environment, the Directors note that a material uncertainty exists that may cast significant doubt over the Group’s ability to continue as a going concern and therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty with regards to going concern relates to the Group’s ability to generate sufficient future cash flows while trading in a volatile environment, successful completion of planned actions and maintaining access to the forecast level of ABL facility in order to meet its minimum cash covenant in the going concern period.

The financial statements have been prepared on a going concern basis, whilst noting the material uncertainty above.

Risk management and control environment

continued

Risk movement

For each risk presented, the Board has assessed the combination of risk likelihood and risk impact and presented its assessment of the risk movement from FY22 to FY23.

⬆️ Increased risk

⬇️ Decreased risk

➡️ Stable risk

Risk characterisation

Strategic risk

Operational risk

Liquidity

Type: Operational

Stable ➡️

Insufficient liquidity prevents the effective allocation of capital and/or challenges the going concern assumption of the business.

Performance indicators

- Sales
- Net cash excluding lease liabilities
- Product availability
- Repeat Customer contribution
- Repeat Customer sales retention
- Standstill EBIT
- Active Angels
- Investment in New Customers

Likely cause

- Unexpected and sudden failure of banking partners
- Breach of loan covenants
- Bulk withdrawal of funds by Angels due to a negative PR event
- Misalignment of demand and production plans
- Inability to deliver new customer acquisition in line with plan
- Inability to retain existing customers and generate repeat orders
- Inability to effectively control costs

Likely impact


- Banking partners withdraw capital necessary to operate the business and service liabilities as they fall due
- Pressure on working capital prevents/severely restricts Investment in New Customers and the funding of winemakers to sustain the business model
- Prolonged overstock position (particularly in the US, which has to give long-term inventory purchasing commitments and has a long production lead time) where projected demand is not realised

Controls/mitigation

- Robust banking structure
- Cash flow and commercial forecasting to identify and proactively address risks (including covenant breaches) before they are realised
- Exploring changes to terms and conditions to mitigate bulk withdrawal of Angel funds
- Offer flexibility to existing Angels to improve retention (e.g. reduced Angel contributions and payment holidays)
- Asset backed lending (ABL) facility negotiated and revised in FY23 provides additional liquidity in a wide range of trading and economic circumstances
- Inventory planning resource to enables nimbleness on volume planning, intake and production phasing
- Investment in inventory management and demand planning tools to enhance the evaluation and challenge of inventory purchasing plans
- Exploring new acquisition channels to target optimal customers relative to investment
- Developed and seeking to amplify alternative customer propositions to attract new customers with improved investment economics
- Increased focus on cost control across the business

New customer acquisition

Type: Strategic

Increased 

Inability to acquire new customers in sufficient volume and of sufficient quality to sustain the business model.

Performance indicators

- Sales
- Investment in New Customers
- Payback
- Active Angels
- Net cash excluding lease liabilities

Likely cause

- Reduced Investment in New Customer acquisition due to unattractive investment economics (payback), driven by a sustained increase in acquisition costs and/or deteriorating Lifetime Value (LTV) of target customers
- Investment in known suboptimal customers in pursuit of short-term goals
- Ineffective modelling of payback and internal rate of return (IRR) drives suboptimal new customer acquisition activity
- Material investment underperformance relative to expectation, driven by a deterioration in customer discretionary spend due to the macroeconomic environment
- Over-dependence and reliance on individual marketing partners that assert greater power

Likely impact


- Investment in New Customers 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
- Ineffective modeling results in an investment approach that undermines the long-term viability of the business model
- Material investment underperformance results in inventory misalignment comparative to demand, adversely impacting liquidity and constraining our ability to maintain/enhance the customer experience

Controls/mitigation

- Exploring new acquisition channels to target optimal customers relative to investment
- Agreed investment criteria that are subject to regular review
- Exploring revisions to payback and IRR modelling to acknowledge multi-channel investment attribution
- Developed and seeking to amplify alternative customer propositions to attract new customers with improved investment economics
- Regular monitoring of investment economics and IRR, resulting in the redeployment of capital where it is not delivering target returns
- Detailed deal-level reporting and monthly performance reviews

Macroeconomic environment

Type: Strategic

Increased 

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

Performance indicators

- Sales
- Net cash excluding lease liabilities
- Payback
- Repeat Customer contribution
- Repeat Customer sales retention
- Standstill EBIT
- Active Angels

Likely cause

- Continued cost of living pressures reduce consumer discretionary spend
- Economic and geopolitical instability adversely impacts consumer confidence
- Sustained inflation, particularly in the supply chain, increases the cost base

Likely impact

- An inability to acquire new customers in sufficient volume and of sufficient quality impacts revenue and liquidity
- Repeat Customer contribution declines as customers spend more cautiously
- Increased cancellation rates impact liquidity
- Inflationary pressure on the cost base impacts margin and new customer investment economics

Controls/mitigation

- Developed and seeking to amplify alternative customer propositions to attract and retain customers
- Unique customer proposition encourages Angel engagement and loyalty
- Offer flexibility to existing Angels to improve retention (e.g. reduced Angel contributions and payment holidays)
- Exploring changes to terms and conditions to mitigate bulk withdrawal of Angel funds
- Board continues to model and monitor a range of potential scenarios to inform decision-making
- Pricing reviews to offset inflationary uplifts in the cost base
- Continued focus upon cost control including the review and tender of significant contracts

Business interruption

Type: Operational

Stable 

Loss/interruption of partner 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
- Repeat Customer sales retention
- Payback
- Net cash excluding lease liabilities

Likely cause

- 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)
- Failure of one or more strategic projects
- Material contractual non-performance or breach by strategic partners
- Unexpected and sudden withdrawal of strategic partners from the supply chain
- Systems infrastructure failure and power outages

Likely impacts

- Destruction/damage of wine making raw materials (e.g. crops) inflates costs, impacting availability and/or quality
- Destruction of finished and in-progress inventory, impacting availability
- Disruption to trade impacting revenue/profitability and causing reputational damage

Controls/mitigation

- Developing clear guidelines and expectations to handle situations related to natural disasters and unforeseen events
- Geographical diversification of suppliers/operations
- Power generators installed in our office and winery in the US to deal with power outages
- Inclusion of an adverse quality clause in grape contracts
- Steering Committees govern strategic projects
- Diversifying our mix of suppliers where there is exclusive or material reliance on single contractors and ongoing maintenance of relationships
- 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
- Continuing to formalise and improve our disaster recovery plans so that the business can recover from any interruptions with minimal impact
- Cloud-based infrastructure reducing the risk of physical destruction

Cyber security attack

Type: Operational

Stable 

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

Performance indicators

- Sales
- 5* customer service
- Repeat Customer contribution
- Product availability
- Repeat Customer sales retention
- Investment in New Customers
- Net cash excluding lease liabilities

Likely cause

- Transformative projects create vulnerabilities that are not identified and mitigated
- Failure to successfully upgrade or maintain core IT system security
- Inability to keep pace with malicious threats that are of increasing frequency and complexity
- Poor systems access control
- Reliance on, and exposure to, third-party software and systems

Likely impacts

- Security breaches lead to significant costs and/or restrict our ability to trade impacting profitability
- Loss of customer data/sensitive business information results in fines and reputational damage impacting profitability

Controls/mitigation

- IT systems, whether procured from third parties or developed internally, are tested for security against attack and periodic penetration exercises are performed
- Dedicated systems security resources to provide assurance across the Group
- The main trading websites and network are protected by a firewall with frequently updated anti-virus software
- Third-party Cloud-hosted systems used to support maximum availability
- Use of external consultants where required
- Continuing to formalise and improve our disaster recovery plans so that the business can recover from any interruptions with minimal impact
- Ongoing investment in technology systems and processes
- Access reviews of core systems
- Due diligence of vendors
- Cyber insurance in place which assists with the impact mitigation of a cyber security event

Reputational damage

Type: Strategic

Stable 

Failure to meet stakeholder expectations impacts reputation and credibility.

Performance indicators

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

Likely cause

- Sale of products that are unfit for consumption or of poor quality
- Data security breach or perception of a data security breach e.g. phishing, account takeover, denial of service attacks, malware and ransomware
- Mistreatment of our winemakers, growers or strategic partners, including contract cancellations and late payments
- Due diligence of our winemakers, growers or strategic partners fails to identify ethical/working practice concerns
- Failure to identify and address concerns in respect of the environment, social or governance matters
- Failure to listen to and be transparent with our employees to foster a safe and collaborative working environment
- Failure of a strategic partner which casts doubt on the ability of the business to continue to trade in either the short or longer term

Likely impacts

- Negative PR event (including data breach) that undermines customer trust resulting in bulk Angel fund withdrawals impacting liquidity
- Failure to support winemakers and partners erodes our customer proposition driving our customers to competitors
- Poor reputation for environmental, social or governance stewardship impacts our ability to attract and retain customers who increasingly value sustainable companies
- Dilution of the Naked culture impacts our ability to attract and retain the best talent

Controls/mitigation

- Due diligence of winemakers and rigorous quality control procedures throughout the manufacturing process
- Ongoing commitment to responsible drinking and marketing of alcohol
- Dedicated systems security resources in place to provide assurance across the Group, additional security tools implemented in FY23
- Operating a Responsible Supplier Policy and fund winemakers via our differentiated business model
- Ad hoc initiatives to support our winemakers
- Anti-slavery and human trafficking, tax strategy, compliance, anti-bribery and corruption, responsible supplier, sustainability, code of conduct, anti-money laundering, GDPR and whistleblowing policies in place
- Using our differentiated business model to make our customers our partners and foster a community of wine drinkers and winemakers
- Ongoing commitment to ethical behaviour and responsible corporate citizenship
- Increased focus upon sustainability initiatives
- Regular company updates and engagement surveys with our employees gather suggestions and drive informed actions
- Developing focus groups to actively identify areas for improvement and propose solutions

Competition

Type: Strategic

Stable —

Threat from a new or existing competitor impacts profitability.

Performance indicators

- Sales
- Payback
- Repeat Customer contribution
- Investment in New Customers
- Repeat Customer sales retention
- Active Angels
- Net cash excluding lease liabilities

Likely cause

- Market consolidation results in emerging competition with significant resources
- 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
- Failure to innovate and offer a compelling proposition

Likely impacts

- Competitive pressure impacts our ability to acquire and retain customers impacting profitability
- Weakening demand results in inventory misalignment comparative to demand and squeezes liquidity
- Loss of winemakers erodes the business' unique selling proposition

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
- Developed and seeking to amplify alternative customer propositions to attract and retain customers
- Maintain close and collaborative relationship with winemakers

Regulatory and tax compliance

Type: Operational

Stable —

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

Performance indicators

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

Likely cause

- A 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 light of the macroeconomic environment
- Existing software and systems may not be able to meet our compliance/tax needs
- Increased focus of state and local fiscal authorities in the US as we become a more visible and profitable business
- Large-scale data protection breach

Likely impacts

- Fines/penalties and trading restrictions impacting profitability
- Inability to respond to tax audits in a timely and adequate manner
- Inability to pay tax liabilities as they fall due
- Reputational damage impacting customer trust

Controls/mitigation

- Monitoring of regulatory developments to enable timely identification, evaluation and appropriate action
- In-house legal 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

Acquisition and retention of talent

Type: Operational

Stable 

Inability to attract and retain the best talent to support our strategic objectives.

Performance indicators

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

Likely cause

- Inability to offer competitive remuneration and benefits during a period of wage inflation
- Persistent supply pressures in global labour markets
- Not adapting to new ways of working in line with employee expectations
- Mismanagement of employee workload, particularly those occupying dual roles
- Employee uncertainty as the business undergoes a period of organisational change
- Inability to maintain an attractive business culture

Likely impacts

- We do not attract or retain the best talent which is required to deliver strategic objectives
- Negative impacts on morale, resulting in inefficiency and poor customer service
- Key employees encounter burnout and exit the business resulting in disruption
- Disengaged workforce that is resistant to change

Controls/mitigation

- Paying market-competitive remuneration
- Offering all staff the opportunity to participate in share compensation schemes
- A business that focuses on staff welfare and culture
- Development of succession planning for key roles
- Regular communication and engagement with employees e.g. staff surveys that are evaluated and acted upon
- Development of values and behaviours that underpin the way we work
- Launch of Global Employee Development Plans (EDPs)

Internal controls

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

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

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

During the year, key controls have 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:

- Whistleblowing (Speak-up) Policy
- Anti-slavery Policy

The main elements of the control function include:

- The Board's approval of the overall strategy taking into account the purpose and objectives of the business, 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 routinely to the Board with variance reports versus the budget along with comparisons against previous year performance. Operational forecasts for the remainder of the financial year are prepared monthly
- 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 procedures
- 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 CFO
- Ongoing review of new customer investment takes place to validate the delivery of anticipated returns.



Determination, grit, independence, resilience, and strength.

Scott Peterson is fiercely independent and marches to his own drum. He is a no-holds-barred winemaker who never gave up on his dream of making his own wines instead of working for others. This is his story...

Scott Peterson

🌐 USA

It all started with a hope, a dream...and a dog

With nothing but a full tank of gas, his pickup truck and a trusty dog, a 19-year-old Scott Peterson travelled from his family home in Colonial Williamsburg to California in pursuit of winemaking. The pull of Sonoma was strong and it's where he settled as a winemaker.

After about a decade in the business and leading Kendall-Jackson in its definitive years to develop the rich, buttery, barrel-aged style that made California Chardonnay famous, Scott Peterson emerged as a successful independent winemaker.

Scott took a chance creating his first label in 1999, S.P. Drummer, a highly acclaimed Napa Valley Cabernet Sauvignon blend and launched his own tasting room in Sonoma, California – a feat in itself! In 2007, his second label, Rumpus followed, focusing on Sonoma Coast wines.

He worked diligently, entering new markets and selling wine through distributors, which brought initial success, but proved to be very time consuming and taxing – getting retailers to re-up their orders each year meant he spent 70% of his time on the road, wining and dining sales guys, importers and distributors. He never saw the cellar – or the customers he loved. They were the ones who supported his business and made everything possible.

In 2013, everything changed when Scott was introduced to Naked Wines, and our Angels funded Scott's third label, ROX (it stands for "retro, obsessive, and extracted – that's totally my style, through and through," said Scott), and then took on his other two brands a few years later. Scott closed his tasting room to work with us – without the industry hoopla, he could focus on making the wines he loved and his career has taken off and flourished.

But in the fall of 2020, Scott got the call that his Sonoma vineyard was on fire. "The fruit I had for harvest...gone in a night," he said.

It was the year Northern California experienced the most devastating wildfires in its history. Fierce and dangerous conditions made harvest risky, and in some cases, impossible. Scott lost 50% of his ROX grapes due to smoke taint, making it his quietest vintage in 25 years.



Angels make my wines possible, but it's more than that. They've always made sure I could stay true to myself as a winemaker, no matter what the circumstance. Being able to make wines in two hemispheres, without a blink? It's incredible what you all do for me.

What happens at Naked when there's no wine to be made? Angels step in.

Other winemakers would have called it a loss. Instead, Scott called on a few long-time friends from his early winemaking days down in Argentina. He'd spent several harvests there consulting with winemakers like Nicolas Catena, agronomist Alejandro Sejanovich and Jeff Mausbaugh.

"The idea of ROX ARGENTINA started to evolve in my head – make big, powerful wines, rekindle old relationships, begin an adventure, and take my Naked Wines Angels with me," said Scott.

"I proposed a wondrous idea – move to a completely different wine region where I could produce the ROX style I love to make, the Angels love to drink, and where I have experience."

Alejandro and Jeff offered him some Cabernet and Malbec growing in 80-year-old foothill vineyards just outside of Mendoza. Scott passed the idea to Naked – and got the green light in 24 hours.

He got right to work. Scott gave two special Argentina imports a full-on ROX update. His Andean Cabernet and Malbec both showcase the big, intense and powerful flavors he's known for – with an inspired touch.

Today, you can find Scott's signature Sonoma ROX wines alongside the two special-edition ROX of the Andes reds Angels made possible – with a bit of quick thinking and a ticket to Buenos Aires – and what was planned to be a one-time partnership is turning into Scott's next big thing.

Scott – who dubs himself a "one-man show" – now makes a diverse range of wines and his wines are one of a kind, just the way he likes them.

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.



22 Initiatives

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

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

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

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.

Our approach this year

Much like the broader business, the sustainability agenda at Naked has had to respond to the challenging operational environment. The focus of our strategy has pivoted towards a country business unit led approach which provides greater agility and accountability.

Focusing on geographic markets provides the opportunity for each business unit to develop at pace and in areas that matter most to their local stakeholders. Despite our approach shifting toward local markets, we've fostered a spirit of collaboration by sharing knowledge and learnings from sustainability initiatives from across the Group. Examples have included our work on right weighting or on anti-modern slavery.

In this section, we highlight our actions and outcomes that we are most proud of making a sustainable difference this year.

Green Champion Award

During the Autumn, Naked Wines UK was awarded Decanter's Green Champion Award. The award was open to wine retailers who displayed meaningful commitment to sustainability and reducing negative environmental impact. We were selected for efforts we've put into a range of projects of all shapes and sizes, from big things like examining the detail of our packaging (right weighting, going top-less (removing the capsule which covers the cork) and launching gin in a paper bottle) through to smaller initiatives like having a lower impact office (LED lighting, waste segregation, facilities for cyclists etc). It's a fantastic achievement and a great external endorsement of the efforts put into Naked's sustainability journey.



Level 1

People

A major focus across this financial year has been celebrating where we are more the same than we are different as a global working community. How we work together is key to our success and we've sought to organise ourselves so that the flow of communications across our global business is effective and timely.

Naked Values and Truths

We have relaunched our Naked Values and Naked Truths – these are part of our identity and shape how we work. They are at the heart of everything we do – how we treat our winemakers, our Angels and each other.



Noticeably Naked Awards

To celebrate those members of staff who consistently demonstrate the Naked values and behaviours we have launched the Noticeably Naked Awards (NNA). All staff members nominated will receive a treat. Every month, special nominations are highlighted in monthly Town Hall team meetings and have the opportunity to receive even greater rewards for their efforts, including visits to winemakers.



Naked's Menopause Policy

We don't believe Menopause should be taboo or "hidden" and we want everyone (not just the women in our business) to understand what menopause is, and to talk about it openly. In our UK business, we launched Naked's Menopause Guidance – a set of guidelines to help colleagues and managers provide the right support to manage menopausal symptoms.

Global Parental Leave Policy

Naked is passionate about supporting special life moments, such as welcoming a child into your family. To enable our staff to make the most of these exciting times, we have introduced a global policy which includes 12 weeks of fully paid parental leave for all parents.

Sustainable wine making

Virgile's Green Award

Many winemakers put sustainability at the heart of what they do. Through taking a holistic approach they can realise a range of benefits to planet and people.

It wasn't only Naked that won a sustainability award this year – one of our winemakers, Virgile Joly, won the IWSC Green Initiative Award. The award came with a £7,500 bursary that Virgile is going to use to encourage more biodiversity in his vineyard, including planting trees, building bat houses and installing a new pond. Some more of our winemakers, Charles and Ruth Simpson, were also shortlisted for the same award.



Sustainable partnerships

In 2022, Naked Wines Australia partnered with Sustainable Wine Australia (SWA) with the goal to start our winemakers on the journey of creating sustainably made wine.

There are already 19 Australian winemakers signed up as members and an additional ten are working through the process to become members. This positive relationship extends further than just the winemakers themselves, we have seven winemakers working with/or owning SWA certified vineyards and nine winemakers work with fully certified contract wineries.

Four of our winemakers Bart Van Olphen, Caroline Dunn, Nigel Dolan, Gus Altschwager and Mark Kenneally are paving the way with having both the vineyard and winery SWA certification.

We'll keep pushing to involve all Australian winemakers with SWA in 2023. In neighbouring New Zealand, seven of our winemakers are members of Sustainable Winegrowing New Zealand. These partnerships will benefit winemakers, their supply chain, and Naked.



Light weighting

Across the Naked Wines group we have continued to make significant progress to right weight bottles – this will help cut carbon from across the supply chain (right from production, shipping and ultimately to end of life disposal). Our winemakers have been overwhelmingly supportive of the changes which have been further backed up by extensive communication and engagement with our Angels.

In the past year, over 35% of wines sold to Angels by Naked Wines Australia were in a lightweight bottle. The team have made it their mission to significantly increase this percentage so that over 60% of wines sold to Angels in FY24 will be in a lighter or lighter weight bottle. Changes planned already will save more than 130 tonnes of glass.

In the UK, 25% of bottles will have been made lighter, or remained light, during FY23, saving around 500 tonnes of glass, plus there are commitments already made between Naked and our winemakers which will see ongoing weight reduction benefits in the coming year.

More than 95% of wines sold by Naked in the US have been bottled by us. Through opting for lighter glass moulds, a project which initially gained traction in 2021, we have already been able to reduce the weight of more than a third of bottles by up to 29% – cutting out more than 1,800 tonnes of glass! Savings have grown exponentially over time and we estimate carbon emissions have been reduced by more than 2,300 tonnes. Moreover we’ve experienced considerable reductions in water use, saving in excess of 500 million litres of water. The environmental impact of changing glass moulds in calendar year 2022 alone was equivalent to taking 2,871 passenger vehicles off the road and reducing the number of people showering daily by 40,998.

Cutting the unnecessary

The last year has seen an increasing focus on cutting out unnecessary packaging; it’s good for the planet and more cost effective.

In the UK, Angels voted overwhelmingly in favour of us introducing more topless wine (wine which deliberately has no capsule

covering the cork) wines (93% in a recent survey) and we’re already working with winemakers to reduce this unnecessary aluminium and plastic waste in coming vintages. Two popular wines that have already made the transition are Julian Faulkner Cotes de Provence Rosé 2021 and Kruger Family Old Vines Chenin Blanc Magnum 2022.

Naked US production team have removed over 296,000 capsules – eliminating over 250kg of excess packaging, saving over 1 ton of CO2e.

We also launched our very first paper bottle gin! Made out of 94% recycled paper and an inner plastic pouch, its carbon footprint is about 6 times smaller than a traditional glass bottle while still being 100% recyclable. In the next 12 months, we hope to continue to build on the support and excitement of these packaging initiatives which can deliver a variety of sustainability focused benefits.



Julian Falkner is making his wine more sustainable. By going capsule-less and showing off the cork, Julian has been able to remove unnecessary packaging.



Craig Allison and Rory Smith show off their Gyre & Gimble Coastal Gin in a paper bottle. Based just around the corner from the Naked office in Norwich, it’s a fantastic local collaboration for the UK business.

Organic wine from

Stefano Di Blasi
🌐 Italy

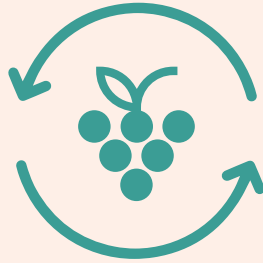
We proudly launched Stefano Di Blasi's "La Speranza" last year to great acclaim – currently rating at over 90% by Angels. A biodynamic, no-sulphur wine, this was made possible after Stefano was voted Naked UK's Winemaker of the Year 2020. The project is now centred on research and sharing knowledge. We expect a finalised paper written in collaboration with University of Florence to be ready in the coming year which can then be shared with Naked's other winemakers.

We all need to become more aware consumers and Naked Wines, thanks to the community, is exactly the right place where the concept of sustainability in food and farming can grow.

Stefano Di Blasi
Winemaker



Stefano's planet-friendly Tuscan red is an absolute joy for the taste buds



Say hello to the Green Grape Logo

What is the Green Grape Logo?

Following successful trial on the UK Summer and Winter Tasting Tours, with excellent winemaker and Angel feedback, the Green Grape Logo was officially launched on the UK website this year.

The Green Grape Logo shines a spotlight on wines that go above and beyond to be kinder to our planet.

Why have we introduced it?

We think it's the right thing to do.

The Green Grape Logo offers Angels an easier way to identify more sustainable wines; it's an approachable guide for those wanting to shop with sustainability in mind or an educational tool that can be used to engage a broader audience.

For winemakers, the Green Grape Logo offers a way to elevate their wines and celebrate the efforts they've made to become greener. It highlights best practice and we hope it will encourage other winemakers to develop their sustainability agenda. Early indicators show that the Green Grape Logo is having a positive impact on sales of wine.

What does the Green Grape Logo consider?

For a wine to be awarded the Green Grape Logo it needed to demonstrate positive actions across a range of themes including:

- **Vineyard:** The winemaker is going the extra mile to grow grapes with the vineyard's natural environment and biodiversity in mind;
- **Winery:** The team in the winery are managing energy, water and waste efficiently and considerately;
- **Transport:** We've considered how far (and how) the wine has travelled to get to your glass;

- **Packaging:** The winemaker has chosen to package their wine in a lighter bottle or as a boxed wine, cutting down on carbon emissions; and
- **People:** The winemaker is supporting their local community through charitable giving or by offering jobs and training.

How many wines have been awarded the Green Grape Logo?

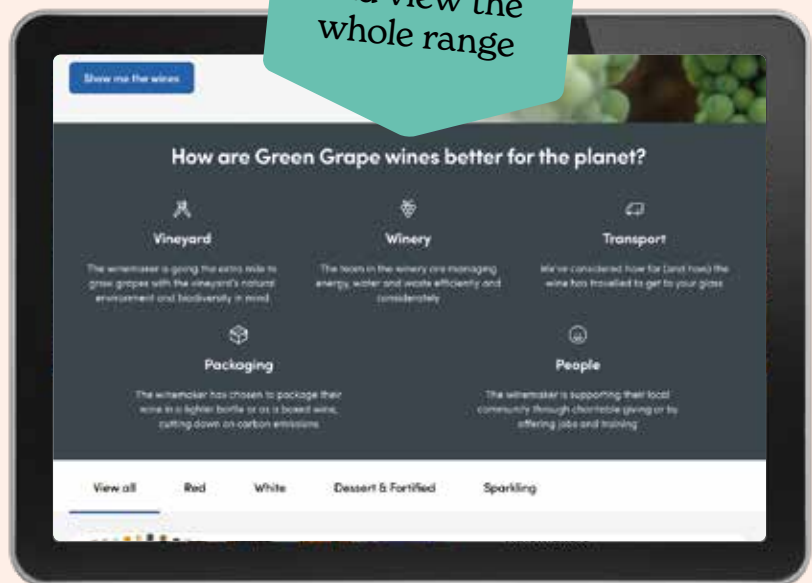
Over 330 wines have been evaluated from 89 winemakers, resulting in more than 70 wines being awarded the logo.

What's next for the Green Grape Logo?

We are excited that there are early signs the positive feedback loop we thought the Green Grape Logo would generate is starting to come to fruition... raising the profile and celebrating wines produced more sustainably raises customer awareness. In turn, customers purchasing behaviour shifts, this rewards and motivates other winemakers to adopt more sustainable practices. We'll continue to build on this positive foundation and seek to evolve our approach to maximise Angel and winemaker engagement.



Find out more and view the whole range



Level 2

Diversity and Equality

Following on from the initiation of our Global Equity, Diversity and Inclusion (ED&I) programme last year, Jake Champion and Jodie Wilkinson from the UK business were certified as Diversity Ambassadors. To qualify, they participated in a range of seminars covering topics such as Diverse recruitment, Neurodiverse people in the workplace, How to approach religion in the workplace, Gender, Sex, LGBTQI+ team members, and Disability. This programme has given them the tools to challenge Naked's approach to ED&I based on their learnings from experts. Moreover it provides the tools to understand different perspectives and suggest positive changes to how Naked can be more inclusive.

We will continue to build upon these foundations in the UK and further strengthen our global approach to ED&I.



Women in Tech

Naked's Global Shared Services technology team has continued to advocate and support women getting into Tech in a number of ways.

Building on last year's sponsorship, Naked was proud to continue to support the DevelopHER Awards which has the aim of promoting women in tech by celebrating success and creating role models.

A member of Naked's product team, Elle Overoorde won several awards on the night for her great work on the Naked app. She took home the Product Management Award and the overall award, The DevelopHER award. Meanwhile Carolyn Jones, Head of Quality Assurance was a judge for the Tester award.

Out in the community, a team of Naked developers took part in a Hack-HER-thon event at Norwich High School for Girls. Over 50 students from six schools participated in the event for young people aged 13-18 which aims to encourage girls into coding.

“Despite technology having flourished in the last 20 years, girls are still less likely to pursue careers in computing roles today. This has nothing to do with ability as we well witnessed at this Hack-HER-thon event, so many bright young local students with amazing drive, determination and more importantly good coding skills!

As a driver behind Women in Tech at Naked it's definitely given me food for thought on how we attract this pool of talent into our Naked technology team!”

Carolyn Jones
Head of QA
Naked Wines

Elle Overoorde at the DevelopHER Awards



Energy consumption

Streamlined Energy and Carbon Reporting (SECR) for the UK business

Element	Baseline year 2019/20 ¹ (tCO ₂ e)	Prior year 2021/22 ² (tCO ₂ e)	Current year 2022/23 (tCO ₂ e)
Direct emissions – company vehicle and natural gas (Scope 1)	3.16	3.15	2.72
Indirect emissions from purchased electricity (Scope 2)	57.55	35.57	32.68
Total tCO₂e (Scope 1 & 2)	60.71	38.72	35.40
Other indirect emissions (Scope 3) – grey fleet travel and hired vehicles	5.57	10.91	11.63
Overall gross total³	66.28	49.63	47.03
Intensity metric: tCO₂e per employee	0.36	0.27	0.34
Intensity metric: tCO₂e per £m turnover	0.91	0.32	0.34
Total energy consumption⁴ (kWh)	260,127	230,563	233,970

1 Baseline year corrected for direct emissions previously incorrectly reported.

2 Previous year data updated for further information obtained on direct emissions.

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

4 Naked Wines' direct energy consumption from company vehicle use (Scope 1), UK building energy (Scope 1 & 2) and grey fleet/hire vehicles (Scope 3).

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 were appointed to independently prepare our submission in accordance with the UK Government's "Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance".

Inspired Energy support us in the following ways:

- Offer guidance in preparing and submitting report to meet SECR compliance (outline what's required, why and provide update on any broader regulatory changes);
- Reviewing the submission from Naked (ensure data integrity, analyse data trends, review assumptions); and
- Develop a report including data and recommendations for improvement.

Alongside support with SECR, they are helping us through meeting our ESOS Phase III commitments.

The GHG emissions have calculated using the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

Where actual data was not available for office energy consumption estimates were calculated on a kWh/day pro-rata basis at meter level. Head office consumption was calculated using an average kWh per m² floor area CIBSE benchmark, whilst shared work spaces were calculated based upon an average kWh/desk.

The financial year 2022/23 reported figures are based on 53 weeks compared to the financial year 2021/22 reported figures which were based on 52 weeks.

Intensity metrics have been calculated using employee numbers and turnover of Naked Wines UK – these metrics were chosen as both elements directly drive emissions. Emissions calculated are for Naked Wines UK. Despite reportable emissions decreasing, a reduction in turnover and employee numbers means that the intensity metrics appear to show an increase in emission intensity.

Level 3

Water

Water in the winery

Through capturing a combination of wastewater and rainwater, the Kenwood winery in the US captured nearly two million litres of winery wastewater and rainwater in 2022, which has been used to irrigate neighbouring vineyards.

Carmen's Kids

Now in its seventh year, the Carmen's Kids appeal continues to go from strength to strength. In 2023, we opened up fundraising efforts to Angels and the broader public – collectively their kind donations raised over £460,000 which will provide nutritious meals to 18,400 hungry children in South Africa's poorest communities. An initiative set up by South African winemaker Carmen Stevens it has now provided 61 million meals!

Level 4

Training

Employee Development Plans

Following the successful early adoption in the Naked Wines Australia team, Employee Development Plans (EDPs) are being rolled out across the global business. Through the foundation of a supporting framework, dedicated sessions and tools, we hope EDPs can be a key pillar in growing and developing our employees.

In the UK, a pilot aimed at encouraging knowledge sharing through the use of coaching circles has shown encouraging early results. The Leaders Peer Group has acted as a forum for current and future leaders within the business to gain insight from their peers and develop internal practices.

Naked Sponsored MBAs

Within recent Annual Report and Accounts, we've highlighted the role that Naked has had in sponsoring employees undertaking their Executive MBAs. We're really pleased to share the news that after several years of study, both Elle Overoorde and Matt Buxton have completed their MBAs with distinctions.

Approved by the Board of Directors.

Nicholas Devlin
Chief Executive Officer
18 September 2023

James Crawford
Chief Financial Officer
18 September 2023

Board of Directors

An experienced team to lead the business

R Remuneration Committee member

A Audit Committee

N Nominations Committee

C Committee Chairman

I Invitee to Board committees



N R

Rowan Gormley (61)
Non-Executive Chairman

Appointment Date: July 2023

Committees:

Nominations Committee (Chair);
Remuneration Committee (Member)

Rowan founded Naked Wines in 2008, serving as its CEO from 2008 until its acquisition by Majestic plc in 2015, when he was appointed CEO of the combined group until 2020. He rejoined Naked Wines in July 2023 as Chairman. Rowan's deep knowledge of Naked Wines' business and operations will be invaluable as it embarks on its next chapter.

Prior to starting Naked Wines, Rowan founded Virgin Money, the Virgin One Account and Virgin Wines. After graduating from the University of Cape Town, Rowan qualified as an accountant with Arthur Andersen and then spent seven years in private equity with Electra Investment Trust.



I

Nick Devlin (38)
Chief Executive Officer

Appointment Date: June 2019

Committees:

None

Nick has served as the CEO of Naked Wines plc since January 2020 and also leads its US business unit. He first joined the Naked Group in 2015 as the Head of Continuous Improvement for Majestic Wine and has spent the more than seven years since holding various leadership roles within the Company. Under Nick's leadership, Naked has grown to be the world's largest direct-to-consumer winery. In addition to his extensive experience with Naked, Nick served as a consultant for OC&C's consumer practice in London from 2007 to 2015.



I

James Crawford (46)
Chief Financial Officer

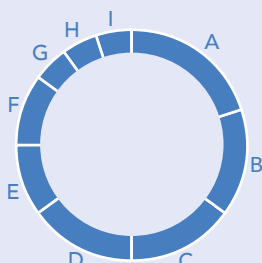
Appointment Date: December 2022

Committees:

None

James recently rejoined the Board in December 2022 as an Executive Director and Group CFO. Prior to that, James served as Naked's Group Finance Director (March 2014 to July 2015), Group CFO (April 2015 to November 2020) and UK MD (December 2020 to present). James brings a wealth of experience to Naked and the Board, including both finance experience and a deep understanding of Naked's business. Prior to joining Naked, he spent 14 years at Diageo, a multinational alcoholic beverage company, in various finance and business development roles.

Board activities



A Strategy (financial and operational)	20%
B Budgeting and plans	15%
C Risk management and mitigation	15%
D Trading updates and external reporting	15%
E Investor relations	10%
F Auditor reports, appointment and fees	10%
G Remuneration matters	5%
H Key policies and governance, including AIM compliance	5%
I Board appointments, including succession planning	5%

Board meetings

	Board	Audit	Rem	Nom
2022				
Apr	1			1
May				
Jun	1	2		
Jul	1		1	1
Aug				
Sep	8			
Oct	2			1
Nov				
Dec	1	1		
2023				
Jan	2			
Feb			1	
Mar	2	1	1	

In FY23, the Board held 18 Board meetings, four Audit Committee meetings, three Remuneration Committee meetings, and three Nominations Committee meetings. David Stead was absent from three Board meetings prior to his appointment as Chairman. Melanie Allen was absent from four Board meetings, two Remuneration Committee meetings and one Audit Committee meeting. Justin Aphrop was absent from two Board meetings and one Audit Committee meeting. Both Darryl Rawlings and Katrina Cliffe were absent from one Board meeting.



R A N

Deirdre Runnette (54)
Senior Independent Director

Appointment Date: June 2022

Committees:

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

Deirdre joined the Board in June 2022, taking on the roles of Senior Independent Director and Chair of the Remuneration Committee. In addition to her work for Naked, she currently serves as the General Counsel and Chief People Officer for Flexe, Inc., a late-stage venture capital-backed tech company. Deirdre brings a host of valuable experience to the Board, having held various executive leadership roles in the retail, consumer products, e-commerce, and telecommunications space (T-Mobile and Zulily). She also served as a non-Executive Director for New Engen, Inc., a VC-based digital marketing startup.



A R N

Stephen Bolton (61)
Non-Executive Director

Appointment Date: November 2022

Committees:

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

Stephen joined the Board in November 2022, taking on the role of Audit Committee Chair. He is an experienced finance professional with nearly 40 years of experience, most recently holding various finance leadership roles with Diageo (2006 to 2019). He is also a seasoned non-Executive Director, currently serving on the boards of both Clarks, an international footwear company, where he Chairs the Audit Committee, and Sedex, a world-leading ethical trade membership organisation.



R A N

Melanie Allen (51)
Non-Executive Director

Appointment Date: June 2022

Committees:

Remuneration Committee (Member);
Audit Committee (Member);
Nominations Committee (Member)

Melanie joined the Board in June 2022. She is a talented business leader with more than 25 years of experience in executive marketing roles for industry-leading companies, including Proctor and Gamble (1997 to 2010) and Starbucks (2010 to 2017). She currently serves as the Chief Marketing Officer for Brooks Running.



R A N

Jack Pailing (36)
Non-Executive Director

Appointment Date: July 2023

Committees:

Remuneration Committee (Member);
Audit Committee (Member);
Nominations Committee (Member)

Jack joined the Board in July 2023. He is the portfolio manager at Colebrooke Partners, a London based investment firm, which he founded in 2017. Prior to that, he practiced law at SJ Berwin LLP, King & Wood Mallesons LLP, and Macquarie Group.

David Stead

At the year end, David Stead was non-Executive Chairman. He was appointed to the Board in November 2017, appointed Chairman in October 2022 and resigned in July 2023. At the date of resignation, he was Chair of the Nominations Committee and a member of the Remuneration Committee.

David brought a wealth of experience to Naked, having held various high-profile leadership and finance roles during his career including CFO of Dunelm Group plc (2003 to 2015) and Finance Director for Boots The Chemists Ltd and Boots Healthcare International (1991 to 2003). David has extensive experience on plc boards, having served as a NED at Card Factory plc, Joules Group plc and Alfa Financial Software Holdings plc. He is currently Senior Independent Director at ProCook Group plc.

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company has been a member of the QCA since 2018 and has adopted the QCA Code, which it believes is the most suitable corporate governance code based on its requirements and size. The following is a high-level summary of the Company's compliance with the ten principles of the QCA Code.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company strives to promote long-term value for shareholders through its strategy and business model. The Company's current strategy and business model are discussed on pages 8 to 53 (Strategic report).

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company prioritises communication with shareholders, facilitating regular meetings between shareholders, the CEO, CFO and Chairman. The Company's efforts to engage with shareholders are discussed on page 32 (Stakeholder engagement).

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company devotes meaningful resources to promoting equity, diversity and sustainability. These efforts are discussed on pages 46 to 53 (Sustainability).

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company has implemented robust controls to minimise and mitigate risk. The Company's risk management and control environment are discussed on pages 35 to 43 (Risk management and control environment).

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board has met regularly throughout the last financial year to discuss Company performance and strategy and assist management in achieving Company goals. The Board's activities during this period are discussed on pages 54 and 55 (Board of Directors).

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is composed of talented professionals with extensive and diverse experiences and skill sets. A biography of each Board member is included on pages 54 and 55 (Board of Directors).

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Company engages in ongoing, internal evaluation of the Board's performance to ensure effective governance. The Remuneration Committee evaluates Executive Director performance based on annual financial and non-financial targets. Our Remuneration Policy is discussed in detail on pages 58 to 67 (Directors' remuneration report).

Principle 8: Promote a culture that is based on ethical values and behaviours

The Company strives to uphold the highest standards of ethics and integrity, and has adopted and promoted Company policies to achieve that goal. These policies are published on the Company's website at <https://www.nakedwinesplc.co.uk/sustainability/ethics-and-transparency/default.aspx>.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board operates in accordance with structures and processes that support effective governance. A schedule of Board meetings is established well in advance of the financial year to ensure maximum participation. An agenda is circulated one

to two weeks in advance of each meeting and pre-read documents are circulated one week in advance of each meeting. Ad hoc meetings are called to address urgent or unexpected matters.

The role of the Board is outlined in the Company's Board charter, available on the Company's website at <https://www.nakedwinesplc.co.uk/about-us/board-committees/default.aspx>. The role of each committee is outlined in the Company's Committee Terms of Reference, also available on the Company's website at <https://www.nakedwinesplc.co.uk/about-us/board-committees/default.aspx>.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company prioritises communication with all relevant stakeholders. These communications are discussed on pages 32 to 34 (Stakeholder engagement).

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 54 and 55 (Board of Directors).

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.

The Company's Articles of Association require that one third of the Directors retire annually. This year, Stephen Bolton and James Crawford will retire from the Board and stand for re-election. Stephen Bolton's contract expires on 21 November 2025. James Crawford's contract does not expire, but both Mr. Crawford and the Company must provide six-months notice prior to termination. Directors' contracts are available for inspection at the Company's registered office and will be made available at the 2023 AGM. These are summarised in the Directors' remuneration report.

The Company holds directors' and officers' liability insurance coverage for any claim brought against the Directors or officers for wrongful acts in connection with their position, but the coverage 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 eighteen meetings during the year, as detailed on page 54. 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.

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 32 to 34).

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.

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. The membership of each of the Committees is set out on pages 54 and 55 (Board of Directors).

Audit Committee – the Audit Committee report under the chairmanship of Stephen Bolton is available on pages 68 to 70.

Remuneration Committee – the Directors' remuneration report under the chairmanship of Deirdre Runnette 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 appointments or resignations and to review the Board performance and assessment.

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 also want to encourage 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.

Succession planning

The Board continues to be committed to identifying suitable succession candidates.

A summary of the Board's skills and experience is set out on pages 54 and 55.

Directors' remuneration report

Delivering profitability in challenging economic times



FY23 demonstrated the Company's ability to take decisive action, creating a leaner, more focused organisation, laying a foundation for profitable and sustainable growth.

Deirdre Runnette
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for the financial year ended 3 April 2023.

FY23 brought a shift in the macroeconomic environment which presented new challenges for the business and required mid-year changes to our operational and financial plan. These changes represented a decisive action to pivot to profit, focusing the Company's short-term efforts on reducing costs and investments in growth to create a leaner, more focused organisation, laying a foundation for sustainable, profitable growth and greater resilience. The Company ended FY23 with £354.0 million in revenue and £17.4 million adjusted EBIT.

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 an advisory vote on its adoption at the 2023 AGM.

FY23 incentive plan payouts

Annual bonus payouts for the CEO for Group performance in FY23 are nil (with the CEO having waived any formula-driven payout under the plan). The CFO joined the Board mid-year and is eligible to participate in a revised Group bonus plan for periods P7-12 of FY23 for all employees, which was based on different performance measures and targets in order to support this strategic pivot. Whilst we are aware that it is unusual to reset bonus targets mid-year, we believe that this was appropriate

for the new CFO as part of his transition to the CFO role, as he would have been eligible to receive a bonus as MD of the UK business while a search for a successor was undertaken. The CFO's bonus payment for the proportion of the year served as CFO was £26,020.

The long-term incentive award granted in July 2020 was scheduled to vest in July 2023. This award did not meet its vesting criteria and consequently did not vest.

In August 2022, all employees received an award of stock options under the LTIP which had been approved by shareholders at the 2022 AGM. As provided in the remuneration report approved at the 2022 AGM, these awards were provided as part of a move away from a UK-style Long-Term Incentive Plan to an all employee equity scheme more common in the United States. The CEO received an option grant over 173,684 shares at a strike price of £1.575, with exercise of the options conditional on achieving a share price of £4.00. The CFO's award, which was granted before he joined the Board, was also granted at a strike price of £1.575.

The Remuneration Committee is satisfied the Remuneration Policy has operated as intended and confirms that no discretion was exercised in determining the incentive outcomes for FY23. Other than the bonus metrics described above, no performance targets for the incentives were adjusted.

Remuneration Policy for FY24

There will be no changes to Nick Devlin's or James Crawford's base salaries, which will remain at \$400,000 and £275,000 respectively and no changes to pension or benefits. James Crawford receives a pension of 4.5% of salary. The annual bonus opportunity will be 50% of salary at target, with a stretch opportunity at 62.5% of salary.

Last year, the Committee proposed, and the shareholders approved, a New LTIP, designed to reflect a more US-centric approach to equity compensation, as noted above. This incentive plan was designed to reward management for delivering annual improvements in the intrinsic value of the business, as calculated in a model using a number of KPIs and financial measures as inputs. With the significant change to market conditions and the business strategy announced in October 2022, this plan, which relied on a calculation using a number of assumptions based on historic trends which have proven extremely volatile post-pandemic, does not provide the right form of incentive to restore sustainable value. We believe that this improvement

will come about through a focus on cash flow initially and profitable growth which will lead to a significant improvement in our absolute share price and total shareholder return (TSR). Accordingly, we propose to incentivise management to achieve improvements in all three areas through a more targeted long-term incentive in FY24.

FY24 LTIP award

This award will be granted under the terms of the existing 2016 LTIP, which was the plan used prior to the introduction of the New LTIP last year. The 2016 LTIP will be modified only to retain the 15% in ten years dilution limit that was approved by shareholders last year as part of the terms of the 2023 LTIP. There will be no awards under the Naked Wines plc Long-Term Incentive Plan 2023 introduced last year and we would engage again should this plan be used in the future.

The grant level will be 75% of salary for the CEO and 50% of salary for the CFO. These are scaled back from the normal grant level under this plan of 150% and 100% of salary. Whilst relatively modest by market standards, this is felt to be appropriate to recognise the current low share price and to mitigate dilution to shareholders. The Committee is comfortable that the Executives will be appropriately incentivised to achieve long-term performance objectives in line with the strategy, with upside potential through share price growth. Lower grants to the Executive Directors also enables awards to be granted to a wider employee population (albeit also on a similarly scaled back basis) which is an important part of the equity incentive culture at Naked Wines.

The performance conditions will be focused on the immediate financial KPIs in line with our business strategy. The criteria for this award will be (i) cash (33.3% with stretching targets measured over a two-year performance period); (ii) profitable growth (33.3% with stretching targets measured over a three-year performance period); and (iii) absolute TSR (33.3% with stretching targets measured over a four-year performance period). We believe that this staggered approach to measuring different aspects of our performance aligns better to the timing of the milestones in our strategic plan. While two years is a shorter performance period than is standard, this is counterbalanced by a four-year period for the TSR element. At least half of any vested awards will be required to be retained until a shareholding of 200% of salary is achieved, as per the minimum shareholding requirement under the policy and this will

provide further long-term alignment of interest with shareholders. The Committee believes that this plan better aligns staff incentives to the Company's pivot to profit and our commitment to deliver value to our shareholders.

CFO and Chair succession

As announced on 25 July 2022 Shawn Tabak stepped down from the Board on 22 July 2022 and ceased employment with the Company. Compensation for loss of office payments were made in line with contractual obligations and a severance agreement, amounting to 12 months' salary (\$400,000 plus benefits). There was no bonus payable in respect of FY23 and all outstanding share awards have lapsed.

We were delighted that James Crawford, who had previously served as CFO before heading up the UK business, agreed to take on the CFO role, initially on a temporary basis, before moving to the CFO role permanently and joining the Board in December 2022. Recognising James's strong performance in the period prior to joining the Board as Head of the UK business and to provide an additional incentive for James to take up the CFO's role and rejoin

the Board, the Committee agreed that he should be awarded a deferred cash bonus of £137,500, paid 66.6% on 1 July 2024 and 33.3% on 1 July 2025, subject to continued service. James's salary is £275,000 and the rest of his package is in line with the policy. We feel that this deferred payment is proportionate and was necessary in the circumstances to stabilise the finance function following Shawn's departure.

We also announced on 20 October 2022 that Darryl Rawlings would step down as Chair with immediate effect and David Stead would assume the role of Chair. As agreed with him on joining, Darryl's fees for the role had been based on three years' worth of fees paid in shares in advance. As he had served less than three years, the balance of the shares (46,664 shares out of 62,062) for the period remaining lapsed. Furthermore, his matching share award (1:1 match on an investment in shares of \$175,000) also lapsed. David's annual chair fee was £100,000 payable in cash.

In July 2023, we announced David's resignation from the Board and Rowan Gormley's appointment as Chairman. Rowan's annual chair fee is £100,000 payable in cash.

Consultation with shareholders

We consulted during the year with our major shareholders in relation to our approach to Executive remuneration outcomes for FY23 and the operation of the policy in FY24, with a particular focus on the long-term incentive arrangements and were pleased that the feedback was positive.

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. I would be very pleased to receive any feedback you may have on this report and look forward to your support at the AGM.

Deirdre Runnette
Chair of the Remuneration Committee
18 September 2023

The Remuneration Committee

Who

- The Remuneration Committee comprises me, as Chair, together with Rowan Gormley, Stephen Bolton, Melanie Allen, and Jack Pailing.
- 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 its ongoing effectiveness
- Determine specific targets and objectives for any performance-related bonus or pay schemes for Executive Directors
- Determine targets for any performance-related bonus or share schemes for staff
- Review and approve Executive Directors' packages upon appointment and any termination payments

Main activities for review period

- Set performance criteria targets for annual bonus following the strategic pivot during the year
- Determined the achievement of the performance criteria for vesting of shares and payment of bonuses
- Developed the approach to remuneration in FY24 including the terms of the LTIP award
- Engaged with shareholders
- Determined the termination payments to Shawn Tabak, and the remuneration agreements for James Crawford on his appointment as CFO

How

- Remuneration Committee Terms of Reference
- 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 on page 54

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 Executive, 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 from that offered to other employees. The rewards are substantially consistent across our structure, with variations in amount based on experience, 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 2023 AGM on this Directors' remuneration report, which includes the policy, its operation in FY24 and the amounts payable for service and performance in FY23. The remuneration policy described herein is intended to take effect at the beginning of FY24.

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 relevant, we've provided a comparison with remuneration practices outside of the Executive management level.

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; and
- 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:

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:

To contribute to 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 or cash amount in lieu of pension, equivalent to 4% and 4.5% of salary, respectively.

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:

To 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

- Private medical insurance
- Life insurance
- Relocation expenses

Limitation:

The 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 grade dependent benefits.

Variable

4. Bonus

Policy

Purpose and link to strategy/KPIs:

To reward the achievement of key financial, operational and strategic goals annually by selecting measures that drive long-term shareholder value, as well as to reward achievement of customer-centric KPIs that grow and retain the customer base.

Operation – how we determine it:

- We set an “on target” bonus for each role as a percentage of salary
- Bonus targets are normally 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
- Bonuses are payable in cash

- 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 target 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 and/or individual targets.

Significant differences between Executive Directors and the main body of employees:

At the 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:

To 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:

- Conditional awards of shares which vest after a period of time subject to service and the achievement of stretching performance conditions
- Robust clawback and malus provisions apply
- The Remuneration Committee may apply discretion to the final LTIP vesting level, taking into account the underlying performance of the Company

Limitation:

The Remuneration Committee will determine the award levels to Executive Directors and senior management.

For FY24 the award level for the CEO and CFO will be 75% and 50% of salary, respectively.

The Company's 2016 LTIP plan rules provide for an overall dilution limit of 10% of the Company's issued share capital over a ten year period. In accordance with our communications with shareholders, this limit will be increased to 15% under the new plan.

How it is linked to performance:

- Vesting of share awards is subject to the achievement of performance conditions which, for FY24 awards, are set out later in this report
- The Executive Directors are subject to minimum shareholding requirements, meaning that they must hold equity in the Company equivalent to 200% base salary, to be built up over time for new recruits

Significant differences between Executive Directors and the main body of employees:

Award levels as a percentage of salary are lower for more junior executives and other employees.

Variable

5. Shares – SIP

Policy

Purpose and link to strategy/KPIs:

To 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 may be made annually at the discretion of the Remuneration Committee,

based on a fixed percentage of base salary, subject to a maximum award

- 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:

The maximum award is 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 the Company or the Executive and the CFO's service contract includes a six-month notice period by the Company or the Executive.

Directors' service contracts are available for inspection at the Company's registered office.

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

NEDs receive a base fee and the Senior Independent Director (SID) and Chair of the Remuneration and Audit Committee receive an additional fee. For FY24 the fee structure has been reviewed such that the fees for UK-based NEDs and US-based NEDs will be set and paid in local currencies. The remuneration does not include any additional benefits. Payment is made on a monthly basis.

10. External appointments

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

- The appointment must be to the benefit of the Director's development, but should not be to the detriment of their 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; and
- 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 that 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; and
- Application of discretion will be consistent and follow precedent, where possible; and
- 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 3 April 2023 and the operation of the policy for the forthcoming year.

Executive remuneration for FY23 (audited)

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives ¹ £'000	Share Incentive Plan £'000	Company pension contribution £'000	Other ⁴ £'000	Total 2023 £'000	Total fixed 2023 £'000	Total variable 2023 £'000
Nick Devlin*	CEO	333	5	– ²	–	1	11	–	350	349	1
James Crawford ³	CFO	109	1	26	–	1	6	–	143	116	27
Shawn Tabak* ⁴	CFO	138	6	–	–	–	–	371	515	515	–

* Remuneration has been converted from US dollars to GBP based on an exchange rate of 1.2063 for FY23 and 1.3675 for FY22.

¹ LTIP relates to the 2020 award which was due to vest in July 2023 but did not meet the performance conditions.

² Nick Devlin has waived his rights to his FY23 bonus which would have been £71,958.

³ The remuneration for James Crawford is from when he took on the interim CFO role in August 2022. This also includes his time spent fulfilling a below-Board role for the UK business alongside this role until his appointment to the Board as CFO in December 2022. The bonus James Crawford received in relation to his role as CFO totaled £26,020.

⁴ Shawn Tabak resigned as a Director on 22 July 2022. Salary and benefits are for the time he served as a Director. "Other" relates to the severance he was paid which was equivalent to one year's salary plus other associated payroll benefits.

Executive remuneration for FY22

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives £'000 ¹	Company pension contribution £'000	Other £'000 ²	Total 2022 £'000	Total fixed 2022 £'000	Total variable 2022 £'000
Nick Devlin	CEO	293	6	–	233	11	–	543	310	233
Shawn Tabak	CFO	293	15	–	–	–	110	418	308	110

¹ LTIP relates to the value of the 2019 LTIP award, which had completed the majority of the performance period at the time of last year's report, where the value was estimated. This award has now vested and the value is based on the actual value of the shares vesting

² "Other" relates to the value of an equity award that Shawn received as part of the terms of him joining the Company.

Annual bonus for FY23

As noted in the Chair's statement, the Committee determined that the bonus scheme should be adjusted mid-year to align with the strategic pivot to profit. The full details of the bonus measures that applied for different parts of the year are set out in the table below. Note that the CEO waived his bonus for the entire year. The CFO was entitled to receive a bonus for the financial periods 5-12 based on his appointment in August 2022. For periods 5-6, James Crawford did not receive a bonus as for these financial periods, the award of 100% of bonus entitlement with no performance conditions attached did not apply to Executive Directors.

Performance condition	Financial period	Weighting	Group Total Equivalent			Actual performance ⁴ £'000	Outturn ⁵ (% of total bonus entitlement)
			Entry Target ¹ £'000	Full Target ² £'000	Maximum Target ³ £'000		
Total sales	1-4	33%	n/a	108.3	n/a	102.1	0%
Repeat Customer contribution	1-4	33%	n/a	7.9	21.6	11.5	50%
Value creation	1-4	33%	n/a	17.9	21.9	13.6	0%
	1-4	100%					17%
100% for all BUs excl. Execs	5-6	100%	n/a	n/a	n/a	n/a	100%
	5-6	100%					100%
Total sales	7-12	20%	193.3	199.1	203.0	191.7	11%
A Adjusted EBITDA	7-12	30%	6.8	10.2	13.5	14.8	120%
Net inventory ⁶	7-12	50%	108.5	106.4	104.4	107.6	75%
	7-12	100%					76%
							60%

1 Attainment of entry target resulted in 25% of bonus entitlement.

2 Attainment of full target resulted in 100% of bonus entitlement.

3 Attainment of maximum target resulted in 125% of bonus entitlement.

4 P1-4 actual performance is calculated at budget FX rates, P7-12 actual performance is calculated at outlook FX rates.

5 Total bonus entitlement is based on the performance of each market versus target, weighted 50%, 35% and 15% for the performance of the US, the UK and Australia respectively.

6 The net of inventory less Angel Funds.

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	Outturn (% of total bonus entitlement)	Total bonus payable for FY23 £'000
Nick Devlin	50% of salary	43% of salary	– ¹
James Crawford ²	50% of salary	57% of salary	26

1 Nick Devlin waived his rights to FY23 bonus which would have been £71,958.

2 James Crawford's bonus opportunity for FY23 was pro-rated from the period of the year he was appointed interim CFO in August 2022. His total bonus payable also relates to his CFO role.

Long-term incentives with performance periods substantially completed in FY23

The performance period for the LTIP awards granted in July 2020 ended in July 2023. Performance for each award is based solely on TSR performance relative to a comparator group of UK-based store retailers. The performance targets and actual performance against these targets are set out in the table below.

Award	Threshold TSR target (25% vesting)	Maximum TSR target (100% vesting)	Naked Wines performance	Actual vesting (% of max)
July 2020	Median	Upper quartile	Below median	0%

Long-term incentive awards granted during the year

Share options as per the FY23 LTIP were granted to Nick Devlin and James Crawford during the year. These awards will vest, subject to continued employment, over a four-year period with 25% vesting after one year, and 6.25% quarterly thereafter. In addition, for Nick Devlin's awards, additional criteria apply such that vested options may not be exercised until after three years from grant and furthermore, the share price must exceed £4.00 over a one-month average period before options may be exercised.

	Date of grant	% salary grant	Options granted	Market price at date of award	Exercise price ¹	Face value of award ² £'000	Vesting/ exercise period
Nick Devlin	August 2022	57%	173,684	£1.575	£1.575	274	August 2023/ August 2025 – August 2032
James Crawford	August 2022	83%	144,444	£1.575	£1.575	227	August 2023 – August 2032

1 Exercise price is equal to the closing share price on the date of the grant.

2 Face value of award is calculated as the number of shares under option multiplied by the market price at the date of award.

A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

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 or have been appointed since the year end. Any Directors not included in the table below did not hold any shares during the year.

Director	Total beneficially owned shares		Unvested LTIP shares (subject to performance conditions)	Unvested shares (subject to continued employment only)	Shareholding required % of salary	Shareholding at 3 April 2023* % of salary
	28 March 2022	3 April 2023 ¹				
Nick Devlin	111,644	216,095	213,379	2,710	200%	65%
James Crawford	114,687	169,961	75,990	444	200%	61%
Darryl Rawlings	15,868	105,766				
Justin Apthorp	50,000	50,000				
Katrina Cliffe	15,000	15,000				
David Stead	–	23,956				
Rowan Gormley	n/a	1,780,696				
Jack Pailing ²	n/a	9,273				

* Based on the share price on 3 April 2023 of 99p.

¹ Shareholding for Darryl Rawlings, Justin Apthorp and Katrina Cliffe at point of resignation from the Board. Shareholding for Rowan Gormley and Jack Pailing at date of appointment to the Board.

² Jack Pailing is an officer of Colebrook Partners Ltd, which owns 368,116 shares in Naked Wines plc.

	Total beneficially owned shares	Share price	Value (£)	Salary (£)	Shareholding as a % of salary
Nick Devlin	216,095	£0.99	213,934	331,592	65%
James Crawford	169,961	£0.99	168,261	275,000	61%

Non-Executive Directors' remuneration for FY23 (audited)

The table below sets out the fees received by non-Executive Directors for FY23 and the prior year. Non-Executive Directors are not entitled to receive any other remuneration other than fees.

Name	Position	Total fees 2023 £'000	Total fees 2022 £'000
David Stead	NED/Chairman/Nominations Committee Chair	77	58
Justin Apthorp ²	NED	31	40
Katrina Cliffe ³	NED/Remuneration Committee Chair	15	45
Darryl Rawlings ¹	NED/Chairman	–	166
Deirdre Runnette ⁴	NED/SID/Remuneration Committee Chair	29	–
Melanie Allen ⁵	NED	25	–
Stephen Bolton ⁶	NED/Audit Committee Chair	16	–
Total remuneration		193	309

¹ Darryl Rawlings resigned from the Board on 31 October 2022. Following Darryl Rawlings' resignation from the Board and as Chairman, the portion of his award in respect of the remainder of the three-year period Darryl will not serve as Chairman lapsed. Furthermore, Darryl's matching award lapsed in full on his resignation.

² Justin Apthorp resigned from the Board on 5 January 2023.

³ Katrina Cliffe resigned from the Board on 29 July 2022.

⁴ Deirdre Runnette joined the Board on 23 June 2022.

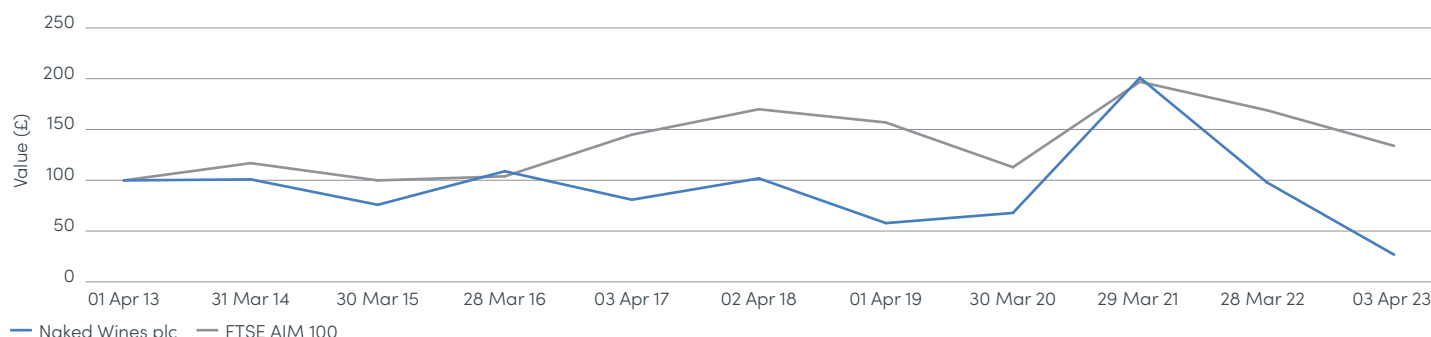
⁵ Melanie Allen joined the Board on 23 June 2022.

⁶ Stephen Bolton joined the Board on 21 November 2022.

Total shareholder return performance

The chart below shows the Company's total shareholder return performance over the last ten 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 FY24

Executive Directors

There will be no changes to Nick Devlin's base salary, which will remain at \$400,000, nor his pension, which will remain at 4% of base salary in line with all other US employees.

James Crawford, who joined the Board as CFO and an Executive Director in FY23, has a base salary of £275,000 and pension of 4.5% of base 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 FY24 are:

- Sales 30%;
- Adjusted EBITDA 20%; and

- Net cash excluding lease liabilities 50%.

Bonuses are payable in cash.

FY24 LTIP award

This award will be granted under the terms of the existing 2016 LTIP, which was the plan used prior to the introduction of the new LTIP last year. The 2016 LTIP will be modified only to retain the 15% in ten years dilution limit that was approved by shareholders last year as part of the terms of the 2023 LTIP. There will be no awards under the Naked Wines plc Long-Term Incentive Plan 2023 introduced last year and we would engage again should this plan be used in the future.

The grant level will be 75% of salary for the CEO and 50% of salary for the CFO. These are scaled back from the normal grant

level under this plan of 150% and 100% of salary. Whilst relatively modest by market standards, this is felt to be appropriate to recognise the current low share price and to mitigate dilution to shareholders. The Committee is comfortable that the Executives will be appropriately incentivised to achieve long-term performance objectives in line with the strategy, with upside potential through share price growth. Lower grants to the Executive Directors also enables awards to be granted to a wider employee population (albeit also on a similarly scaled back basis) which is an important part of the equity incentive culture at Naked Wines.

At least 50% of any vested award will need to be retained to count towards the Executive Director's shareholding requirement of 200% of base salary.

The performance conditions will be focused on the immediate financial KPIs in line with our business strategy, as set out in the table below:

	Weighting	Definition	Target range and vesting percentage (% of total award)	Performance period	Approximate vesting date
A Free cash flow	33.33%	Cumulative FY24 and FY25	Entry £60m for 11.1% vesting Max £80m for 33.3% vesting Straight-line vesting between points	FY24 – FY25	July 2025
Revenue with EBIT margin underpin	33.33%	FY26 Revenue FY26 EBIT margin	FY26 EBIT margin must be >4%, as a gateway condition Entry £350m revenue for 11.1% vesting Max £400m revenue for 33.3% vesting Straight-line vesting between points	FY25 – FY26	July 2026
Total shareholder return	33.33%	Three-month average share price (assessed over any rolling three-month period) (plus customary adjustments for dividends and any other returns of capital)	Share price (+ dividend) = £2.00 11.1% vesting Share price (+ dividend) = £3.25 11.1% vesting Share price (+ dividend) = £4.50 11.1% vesting	FY24 – FY27	July 2027

Non-Executive Directors

Non-Executive Directors' fees for FY24 are as follows:

	FY24	FY23
UK Chairman	£100,000	n/a
UK NED	£40,000	£40,000
US NED	\$50,000	n/a
UK Committee Chair	+£5,000	+£5,000
US Committee Chair	+\$5,000	n/a
UK SID	n/a	+£13,000
US SID	+\$5,000	n/a

For FY24 a fee structure which differentiates between US-based and UK-based non-Executive Directors has been introduced.

Deirdre Runnette

Remuneration Committee Chair

On behalf of the Board

18 September 2023

A See pages 129 and 130 for definitions of alternative performance measures and pages 131 to 133 for reconciliations to statutory reported figures.

UK gender mix and gender based pay analysis

% UK employment men : women



First quartile
71 29



Second quartile
68 32



Third quartile
53 47



Fourth quartile
21 79



Total
53 47

UK gender pay facts



Portion of employees receiving a bonus 2023
62 63
%



Portion of employees receiving a bonus 2022
74 65
%

Gender pay gap analysis

	Hourly pay rate 2023	Hourly pay rate 2022	Bonuses paid 2023	Bonuses paid 2022
Mean gender pay gap	31%	38%	52%	54%
Median gender pay gap	45%	45%	76%	37%

We are encouraged to report that our UK gender-based pay analysis continues to show positive year-on-year development, supported by the ongoing initiatives we highlighted in previous years.

In the UK overall, we have maintained the male to female headcount ratio. This is despite a reduction in the total UK workforce (280 down to 220).

The gender pay gap, as measured by the mean hourly pay rate difference, has reduced to 31% with the percentage in each quartile staying broadly the same.

The Group remains actively engaged in initiatives to promote gender pay equality and our local Equality, Diversity and Inclusion teams are now established with the aim of educating and supporting positive development.

A high proportion of technology roles in the UK have historically been under-represented by female staff and is an area of focus for us.

We are incredibly proud of Elle Overvoorde, Senior Product Manager, who won two awards at the DevelopHER awards.

This year has also seen Carolyn Jones, a Technology leader at Naked Wines, take an active role in the technology community to promote female workers in technology. Among many panel and judging appearances, she has been the driving force behind our Menopause Policy and education workshop that was launched earlier this year.

Audit Committee report

Strengthening our risk mitigation



We have worked at pace to strengthen our liquidity position and improve working capital controls and processes

Stephen Bolton
Chairman of the Audit Committee

This is my first year as a Director of Naked Wines plc and Chairman of the Audit Committee. In the first instance I would like to thank David for his service as the outgoing Chair of the Committee, and I am pleased to share with you the progress we have made improving the Company's risk profile and developing its control environment this year.

The Company has worked hard to improve its underlying liquidity. It has worked closely and at pace with our banking partners to continue to evolve its banking facility covenants to strengthen its resilience. Working within the constraints of an uncertain economic and trading environment, management has undertaken significant work to ensure that our future plans reflect a robust view of future trading. The Board and Committee has rigorously challenged these plans as part of our going concern assessment. As we continue to pursue our pivot to profit strategy, the Committee and the Board will continue to monitor our working capital and growth assumptions and delivery of the initiatives required to do so to allow the Company to remain on course to deliver the liquidity foundations we are laying.

The Company has also engaged in a rigorous review of our inventory holdings and concluded that in the US, as a result of the revision to sales and growth forecasts, an inventory right-sizing exercise is required. As a result of this review, the Company has recognised an inventory provision charge in the FY23 accounts which the committee has scrutinised carefully. This provision has been reported as an adjusted item in the income statement. The Committee believes this treatment is appropriate due to its material size and its infrequent and exceptional nature. The inventory right-sizing activity will allow the US business to consolidate its inventory holdings around wine and the winemakers core to our mission to connect everyday wine drinkers with the world's best independent winemakers.

During the year, we continued to invest in our control fundamentals. I am very pleased that our Group Head of Assurance has been instrumental in a comprehensive process to build robust internal controls around and within our core finance systems, including improvements to the reporting and controls over inventory commitments, and we have also begun to make clear external disclosure of our purchasing commitments. The business has also continued to review and test our control environment, notably improving our access controls and the Committee has also focused on the systems and processes around cash flow forecasting.

Finally, we also held a tender process for both external auditors and global tax advisors and I am pleased to report the appointment of KPMG as our new auditors from the beginning of FY24, and Grant Thornton as our tax advisors. We look forward to working together with both firms in the years to come.

Stephen Bolton
Chairman of the Audit Committee
18 September 2023

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; and
- 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/default.aspx>.

Audit Committee governance

The Audit Committee is chaired by Stephen Bolton following the appointment of David Stead as Chairman of the Board of Directors. Stephen is an Independent Director and has been a member of the Board and chairman of the committee 21 November 2022. Stephen is a highly experienced finance director, with nearly forty years of experience in all facets of "Blue Chip" organisation finance, including 13 years with Diageo plc. He is also an experienced non-Executive Director, serving on the boards of Clarks, an international footwear company, where he chairs the Audit Committee, and Sedex, a world-leading ethical trade membership organisation.

The other members of the Audit Committee are Deirdre Runnette and Melanie Allen. In addition to the permanent members and Company Secretary, and at the invitation of the Audit Committee, during the year meetings were also attended by Nick Devlin, both Shawn Tabak and James Crawford as Chief Financial Officer, 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 and Accounts 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 has undertaken a comprehensive review of our developing treasury and cash flow forecasting process. The results of this review have been reported to the Audit Committee and the implementation of recommendations will be monitored. The Group Head of Assurance has also been instrumental in the development of a process to systematically analyse the Group's future inventory commitments, the results of which are included in our FY23 financial statements in note 29 Commitments.

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. The Risk management and control environment section within the Strategic report on pages 35 to 43 includes further detail on the key business risks identified and actions being taken. During the year the Audit Committee has received a presentation on specified key risk areas, 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.

In addition to examination of the recognition and disclosure of the inventory provision in the US set out above, these matters included:

Going concern: The Audit Committee and the Board have carefully considered the cash flow forecasts and scenarios prepared by management to support the going concern basis of accounting. As set out more comprehensively in accounting policy note 3.2 Going concern, the Committee and the Board have challenged management's assumptions and sensitivity assessments in this analysis. The Committee noted that the going concern cash flow provides headroom even in a severe but plausible downside scenario, however also noted that there is a relatively modest headroom between this scenario and a reverse stress test covenant point of failure.

Achievement of the forecast cash flow includes assumptions regarding (1) the currently uncertain macroeconomic and trading environment (2) the successful delivery of a number of cash and cost improvement initiatives over the forecast period and (3) access to a forecast level of borrowing from the Group's asset backed lending facility, based on the level and valuation of the Group's US inventory holding.

Given uncertainty around these assumptions and that adverse changes in these assumptions may result in a reduction in actual cash flows which would result in the business being unable to meet its covenant commitments the Committee and the Board have concluded that it is appropriate to prepare the accounts on

a going concern basis but noting a material uncertainty. See accounting policy note 3.2 Going concern for further details.

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 FY22 and FY23 and the rationale is clearly disclosed (see note 7 Adjusted items). As noted above, the Audit Committee has closely examined management's disclosure of the inventory right-sizing charge in the Group's US segment and is content with this presentation.

The presentation of development expenditure on Software as a Service (SaaS): In response to a March 2021 IFRIC agenda decision, the Company revised its accounting policy for the presentation of SaaS expenditure, specifically with regards to the ERP expenditure made in the current and previous financial year. The Committee reviewed management's analysis of the nature of the spend and the applicability of the IFRIC agenda decision and was content that this decision was applicable to this spend. The Committee also examined management's assessment that the SaaS expenditure is reported within adjusted items.

The carrying value of goodwill and other intangible assets including deferred tax 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. Having scrutinised this analysis, the Committee concurred with management's assessment that the carrying value of goodwill and other non-current assets including deferred tax have suffered a partial impairment in carrying value. The Committee was satisfied that appropriate disclosure has been made. See note 17 Impairment for further analysis and disclosure of this conclusion.

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.

Audit Committee report

continued

External audit

The Group's external auditors has been Deloitte LLP since 2014.

The Audit Committee considers a number of areas in relation to the appointment and performance 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 external auditors also report to the Audit Committee on actions taken to comply with professional and regulatory requirements. The Committee was satisfied with the independence, objectivity and effectiveness of Deloitte LLP in the year.

During the year, Deloitte informed the Board that they did not wish to seek reappointment as external auditors following completion of the FY23 audit. A comprehensive tender process was undertaken and following this process, KPMG will be nominated as auditor at the forthcoming Annual General Meeting.

The Audit Committee considers a number of areas in relation to the appointment or re-appointment of the external auditors, and as part of the tender process considered the candidate firm's recent regulatory evaluations as well as considering the scope of the audit and terms of engagement, their independence and objectivity and their remuneration.

The Audit Committee confirms that the tender process undertaken was fair and independent. The Committee is pleased with the appointment of KPMG, and is satisfied that they will be able to execute the audit with objectivity and independence.

As a consequence of the audit retender, the Company also undertook a global tax advisor retender. Following a competitive process, I am pleased to confirm the appointment of Grant Thornton to this role.

Stephen Bolton

Chairman of the Audit Committee

18 September 2023

Directors' report

As required under the Companies Act, the Directors present their report and Group financial statements for the 53 week period ended 3 April 2023.

(a) Results and review of the business

The Group income statement is set out on page 81. The Directors' report should be read in conjunction with the Strategic report on pages 8 to 53, which includes information about the Group's business performance during the year and indication of future prospects. An indication of likely future developments in the business of the Company are included in the Financial review on pages 24 to 29. Information about the use of financial instruments by the Company and its subsidiaries is given in note 25 Financial instruments.

(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 8 to 53, 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 22 August 2023, the Directors concluded an amendment to the principal covenant obligations of the Group's asset backed lending facility. See note 31 Events after the balance sheet date for further details.

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 Charter, Committee Terms of Reference, and 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 Share capital and reserves. 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 1 August 2023 is 4.0%. This percentage comprises the holdings of Directors and related parties.

(g) Major shareholders

At 1 August 2023, the following interests of shareholders in excess of 3% have been notified to the Company:

Shareholder	Number of ordinary shares held	Ordinary shares as a % of issued share capital
Baillie Gifford & Co (Edinburgh)	7,821,972	10.57
Punch Card Mgt (Florida)	7,394,159	9.99
Conifer Capital Mgt (New York)	7,246,610	9.79
Morgan Stanley (London)	5,934,825	8.02
Interactive Brokers (Chicago)	4,115,720	5.56
Investmentaktiengesellschaft Fuer Langfristige Investoren TGV (Bonn)	4,012,324	5.42
Lombard Odier Asset Mgt (London)	3,547,914	4.79
UBS Securities (London)	2,803,903	3.79
Pershing Securities (Jersey City)	2,407,738	3.25

(h) Political donations

The US business made \$11,100 of donations to New Jersey legislators in FY23 (FY22: \$24,200) in connection with its efforts to amend New Jersey state laws that currently prohibit the US business from shipping wine to New Jersey consumers.

(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 (AGM) will be held at 4pm on 29 September 2023 at the offices of Fladgate LLP. The Notice of Annual General Meeting, which sets out the resolutions to be proposed at the forthcoming AGM, is enclosed with this Annual Report and Accounts. The Company will hold an additional general meeting as soon as practical and legally-permitted after publication of the Annual Report and Accounts to approve items related to the Annual Report and Accounts. 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 AGM 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 25 July 2022, by means of a non-binding advisory vote. The shareholders approved the resolution relating to the 2022/23 Directors' remuneration by a majority of 96.38%, with 3.62% of votes cast against and 0.00% votes withheld. Shareholders will be asked to vote on the Directors' Remuneration Policy at the AGM in 2023.

(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 Financial instruments.

(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/default.aspx>.

(n) Key performance indicators (KPIs)

The Group monitors a number of performance indicators, both financial and non-financial. See pages 129 and 130 for a full list of KPIs.

Directors' report

continued

(o) Disclosure of information to auditor

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

(p) Board of Directors

Details on the Board of Directors can be found on pages 54 and 55.

(q) Stakeholder engagement

Refer to the section 172(1) statement on page 32 and to the stakeholder engagement initiatives mentioned on pages 32 to 34 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. Should an individual with a disability be invited for an interview, we'll contact them to determine if they require any specific arrangements to be made. All interviews carried out will be without prejudice and will be within the scope of current legislation.

If a colleague becomes disabled in the course of their employment with us, reasonable steps will be taken to accommodate their disability by making reasonable adjustments to their employments or redeployment and, through appropriate retraining, to enable such staff to remain in employment with us wherever possible.

(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 53 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; and
- 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 2022 to calculate the above disclosures.

Statement of Directors' responsibilities

Directors' responsibility statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards, 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 the 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; and
- 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; and
- 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; and
- 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 18 September 2023 and signed on its behalf below.

Auditor

A resolution to appoint KPMG as auditor of the Group will be raised at 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
18 September 2023

James Crawford
Chief Financial Officer
18 September 2023

Registered in England and Wales company registration number 02281640

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Naked Wines plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 April 2023 and of the Group's loss for the period 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 52.

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 ('ABL') on 31 March 2022 that was subject to three financial covenants including a covenant on a minimum level of cash that must be held within the Group. The level of facility that can be drawn down is calculated on inventory held in the US.

The directors' base case and their plausible downside forecasts indicate that the covenants will be met throughout the going concern period. However, headroom on the latter is limited and the ongoing ability of the Group to generate sufficient cash flows through trading in a volatile environment as well as successful completion of planned actions and maintaining access to the forecast level of asset backed facility gives rise to uncertainty over the Group's ability to meet its minimum cash covenant in the going concern period.

The Audit Committee has considered the adoption of the going concern basis of accounting as key area of focus for the Committee as set out on page 69 and a critical accounting judgement has been identified in the financial statements as set out on page 92.

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. Our opinion is not modified in respect of this matter.

Notwithstanding the material uncertainty, 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 procedures where we:

- obtained a detailed understanding of the relevant controls that the Group has established regarding the drafting, review and approval of the Group's going concern assessment;
- tested the mechanical accuracy of the model used to prepare the Group's going concern forecast;
- evaluated the consistency of management's forecasts with other areas of the audit (e.g.: goodwill impairment and deferred tax);
- obtained confirmation of the revolving credit facility entered into on 31 March 2022 and subsequent amendments to understand repayment terms and covenant requirements;
- evaluated management's cashflow forecasts and challenged key assumptions used in their preparation, through comparison to historical performance and external data sources. This included evaluating the business model and medium-term risks, economic factors, and climate change, to assess whether recent trading performance is considered likely to continue going forward;
- evaluated the amount of headroom under 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;
- assessed and challenged the mitigating actions available to management, including in respect of future cost savings, should these be required to offset the impact of forecast performance not being achieved;
- assessed relevant commercial matters and the appropriateness of risk factors disclosed in the Group's going concern statement; and
- challenged the appropriateness of the Group's disclosures, including the reasonableness of the sensitivities, relating to going concern basis of preparation by reference to FRC guidance on going concern 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)
- Impairment of UK and US component goodwill
- Valuation of US component inventory

Within this report, key audit matters are identified as follows:

- ! Newly identified
- ^ Increased level of risk
- ◇ Similar level of risk

Materiality	The materiality that we used for the Group financial statements was £3.8m 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, 100% of the Group's loss before tax, and 93% of the Group's net assets.
Significant changes in our approach	<p>Our audit approach has been designed to respond to the operational challenges faced by the Group and their impact on the Group's trading performance.</p> <p>Consideration of the carrying value of goodwill in both the UK and US components has been identified as a new key audit matter as a result of the deterioration in recent and forecast component trading with resulting reduced headroom.</p> <p>The valuation of US component inventory has been identified as a new key audit matter in response to the growth in inventory as a result of trading performance, thereby posing a risk that the net realisable value of inventory is below the year-end valuation.</p> <p>The risk of fraudulent recognition of revenue through manual adjustments was identified as a key audit matter in 2022. This is no longer a key audit matter due to the volume and quantum of manual adjustments to revenue being immaterial in the current year.</p>

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. Impairment of UK and US component goodwill !

Key audit matter description	<p>The carrying value of the goodwill at year end in the UK and US components is £5.9m (2022: £5.9m) and \$9.9m (2022: \$29.8m) respectively.</p> <p>There has been a substantial decrease in the value in use of the UK component to £21.7m (2022: £74.2m) and of the US component to \$86.4m (2022: \$279.8m). These decreases are due to increases in the discount rate and revised future cash flow forecasts as a result of the recent trading environment and the Group's change in strategy ("pivot to profit").</p> <p>UK headroom has fallen to £15.6m (2022: £67m) and US headroom has been eroded completely by the changes in value in use resulting in a \$20m impairment being recognised (2022: \$248.7m headroom). There is a risk of an additional impairment of goodwill in both of these components as a result of sensitivities in these key assumptions.</p> <p>Further details are included within the Audit Committee report on page 69, and notes 4, 14 and 17 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>To respond to this key audit matter, we have:</p> <ul style="list-style-type: none"> • obtained an understanding of the relevant controls around the impairment review, including the budget and forecast setting process which support the cash flow used within the impairment model (and going concern judgement); • assessed the methodology applied in performing the impairment review with reference to the requirements of IAS 36 "Impairment of Assets"; • assessed and challenged the inputs into the impairment model, including future forecasts on cash flow, revenue and costs, the discount rate, the terminal growth rate and reviewed the financial performance in 2023 in comparison to previous forecasts and performing a search for contradictory evidence with reference to external market data; • assessed management's sensitivity analysis in relation to the key assumptions in the cashflow forecasts, including performing a market capitalisation to value in use reconciliation in order to assess for impairment indicators; • engaged internal valuations specialists to assist in determining the appropriateness of the discount rate; and • evaluated the appropriateness of the Group's goodwill disclosures, including the key sources of estimation uncertainty.
Key observations	We are satisfied that the carrying value of UK and US component goodwill together with the disclosures in respect of the key sources of estimation uncertainty in management's assessment are appropriate.

5.2. Valuation of US component inventory !

Key audit matter description As at 3 April 2023 the Group held £165.6m of inventory (2022: 142.4m). The inventory provision was £11.2 (2022: £1.1m). US component inventory totalled £107.3m (2022: £96.4m) with a provision of £10.3m (2022: £0.5m).

The Directors intend to reduce the overall level of stock held by the Group and in particular in respect of the US component. To execute this plan, the US component currently holds a provision for wine sales that are planned to be made in bulk, at reduced cost. As a result, we have identified a potential risk over US inventory valuation, specifically pin-pointed to the valuation of the provision. Given the large volumes of stock held across all categories, and the high degree of judgement in regard to what the future net realisable value of this stock is, especially when sold in bulk, there is a risk that stock is not being held at the lower of cost and net realisable value, and therefore inventory is overstated.

Further details are included within notes 4 and 18 to the financial statements.

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 that the Group has established regarding the US inventory provision;
- recalculated the provision with reference to the accounting policy and challenged exceptions to the policy through searches for independent evidence to support the shelf life of individual wines;
- analysed sell through rates of inventory in the year and post year end in order to identify any slow moving or unsold inventory lines which may require a specific provision;
- evaluated the completeness of the inventory provision by selecting a sample of unprovided inventory and performing an independent assessment using historical average run rates by wine variety and/or wine maker to identify indicators that volume of wine on hand would not sell through within the expected shelf life;
- obtained 3rd party evidence to support the recoverable amount of bulk wine in assessing completeness of provisions over bulk wine inventory; and
- evaluated the appropriateness of the key sources of estimation uncertainty disclosures in the financial statements.

Key observations We are satisfied that the level of the US inventory provision recognised by the Group and the associated disclosures in the financial statements are appropriate.

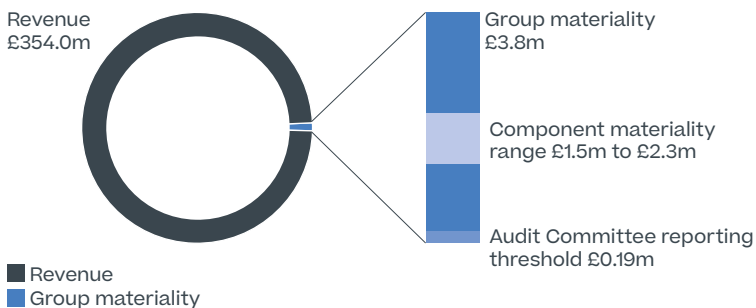
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£3.8m (2022: £4.1m)	£2.2m (2022: £2.2m)
Basis for determining materiality	1.1% (2022: 1.2%) of Group revenue.	The basis of materiality is net assets. Parent company materiality equates to 2.6% (2022: 1.8%) of parent company net assets, which is capped at 58% (2022: 54%) 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 focused 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% (2022: 70%) of Group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining Group performance materiality, we considered the following factors, namely: <ul style="list-style-type: none"> • our risk assessment and the quality of the control environment; • low turnover of management and key accounting personnel; and • our past experience of the audit, including the quantum of corrected and uncorrected misstatements in prior periods. Given the nature of the parent company’s operations as a holding company and the control environment is non-complex, we considered performance materiality of 70% was appropriate.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £190,000 (2022: £205,000), 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 trading components, based in the UK, US and Australia, as well as the non-trading components.

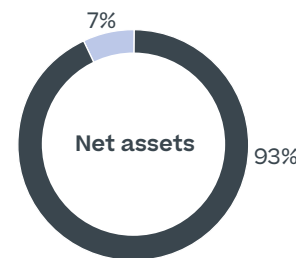
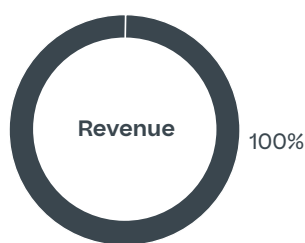
Our Group audit was scoped on a subsidiary entity basis, assessing components against the risk of material misstatement at the Group level. We considered Group wide controls, and the quantum of financial statement balances and individual financial statement transactions of a significant nature.

We performed full scope audit procedures on all trading components. The results taken together for these components account for 100% (2022: 100%) of the Group’s revenue, 100% (2022: 84%) of the Group’s loss before tax, and 93% (2022: 99%) of the Group’s net assets.

All UK components 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 £1.5 million to £2.3 million (2022: £1.4m to £2.3 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.

■ Full audit scope
 ■ Review at group level



7.2. Our consideration of the control environment

We have obtained an understanding of relevant controls over key business cycles across all Group geographies and of Group IT systems which are managed in the UK. We have obtained an understanding of the relevant controls including financial reporting, revenue, inventory, goodwill impairment, and cash and in relation to significant accounting estimates. In addition, we worked with our internal IT specialists to evaluate general IT controls over relevant IT systems on access security, change management and network operations.

There continues to be a lack of formality and documentation in the Group’s control environment, particularly in respect of models and inventory provisioning. As a result of our findings, we are unable to adopt a controls reliance approach, consistent with the prior year audit.

Control improvements have been reported to the directors and the Audit Committee.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impacts of climate change on the Group's business and its financial statements. The Group does not assess climate risks and opportunities separately, but in conjunction with its assessment of principal risks and uncertainties and have identified the principal climate risk to be within the supply chain as disclosed within the Strategic Report.

As part of our audit procedures we have obtained an understanding of management's process and controls in considering the impact of climate risks and assessed whether the risks identified by the directors are complete and consistent with our understanding of the Group.

The directors have concluded that climate change risk does not pose a material risk to the Group's operations and as such climate related risks have not been included within the directors' impairment assessments or going concern considerations.

The directors have determined the biggest climate related risks to the business relate to severe weather conditions impacting winemakers' ability to grow grapes to be used in wine production or wildfires causing smoke-taint on grape harvests impacting wine quality and flavour. The directors have also identified a physical climate risk of wildfires in relation to its winery and third-party warehousing facilities in California impacting the entity's ability to service customers.

We have evaluated whether appropriate disclosures have been made in the financial statements including reading the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. 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 again visited the US component in person and have obtained remote access to working papers for the both the US and Australia components in order to review the work performed and have reviewed component reporting documents.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of the directors, management, internal audit, those charged with governance and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector;
- any matters we identified having obtained and reviewed the Group's documentation of its 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, financial instruments and forensic specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: going concern and the valuation of US component inventory.

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 going concern and the valuation of US component inventory as key audit matters 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;
- 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

18 September 2023

Group income statement

For the 53 weeks ended 3 April 2023

	Note	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Continuing operations			
Revenue	5	354,045	350,263
Cost of sales		(205,739)	(208,542)
Gross profit pre inventory provision		148,306	141,721
Inventory provision	7	(10,254)	–
Gross profit		138,052	141,721
Fulfilment costs		(68,159)	(62,601)
Advertising costs		(17,690)	(34,131)
General and administrative costs		(53,092)	(43,085)
Impairment of goodwill, property, plant and equipment and right-of-use assets	17	(18,183)	–
Profit on disposal of asset classified as held for sale	7	4,814	–
Operating (loss)/profit	8	(14,258)	1,904
Analysed as:			
Adjusted EBIT		17,365	1,995
Adjusted items:	7		
– Non-cash charges relating to acquisitions		(1,293)	(1,321)
– Right-sizing of US inventory		(13,964)	–
– Impairment of goodwill, property, plant and equipment and right-of-use assets		(18,183)	–
– Other adjusted items		1,817	1,230
Operating (loss)/profit		(14,258)	1,904
Finance costs	10	(2,217)	(111)
Finance income	10	1,455	1,080
(Loss)/profit before tax		(15,020)	2,873
Tax	11	(2,393)	(490)
(Loss)/profit for the year		(17,413)	2,383
(Loss)/earnings per share			
Basic	12	(23.6)p	3.3p
Diluted		(23.6)p	3.2p

Group statement of comprehensive income

For the 53 weeks ended 3 April 2023

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
(Loss)/profit for the year	(17,413)	2,383
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	4,747	3,084
Other comprehensive income	4,747	3,084
Total comprehensive (loss)/income for the year	(12,666)	5,467

The total comprehensive (loss)/income for the year and 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 53 weeks ended 3 April 2023

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 29 March 2021		5,487	21,162	363	99	76,254	103,365
Profit for the year		-	-	-	-	2,383	2,383
Other comprehensive income for the year		-	-	-	3,084	-	3,084
Total comprehensive income for the year		-	-	-	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 payments	11	-	-	-	-	(260)	(260)
At 28 March 2022		5,508	21,162	363	3,183	79,667	109,883
Loss for the year		-	-	-	-	(17,413)	(17,413)
Other comprehensive income for the year		-	-	-	4,747	-	4,747
Total comprehensive (loss)/income for the year		-	-	-	4,747	(17,413)	(12,666)
Shares issued	27	42	-	-	-	(42)	-
Credit to equity for equity-settled share based payments	28	-	-	-	-	1,604	1,604
Deferred tax on share based payments	11	-	-	-	-	(143)	(143)
At 3 April 2023		5,550	21,162	363	7,930	63,673	98,678

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

Group balance sheet

As at 3 April 2023

	Note	3 April 2023 £'000	28 March 2022 £'000
Non-current assets			
Goodwill and intangible assets	14	14,938	33,516
Property, plant and equipment	15	2,757	2,544
Right-of-use assets	16	5,374	3,370
Deferred tax assets	11	7,328	5,402
Other receivables	19	10,711	10,114
		41,108	54,946
Current assets			
Inventories	18	165,666	142,444
Trade and other receivables	19	5,610	9,161
Financial instruments at fair value	25	30	324
Cash and cash equivalents	30	39,474	39,846
		210,780	191,775
Assets classified as held for sale	20	–	810
		210,780	192,585
Current liabilities			
Trade and other payables	21	(42,427)	(54,621)
Current tax liabilities		(1,836)	–
Angel funds and other deferred income	22	(71,314)	(76,003)
Lease liabilities	24	(2,030)	(991)
Provisions	26	(1,709)	(2,011)
Bond financing	23	(35)	(35)
Financial instruments at fair value	25	(290)	(476)
		(119,641)	(134,137)
Net current assets		91,139	58,448
Total assets less current liabilities		132,247	113,394
Non-current liabilities			
Provisions	26	(14)	(122)
Lease liabilities	24	(3,821)	(2,576)
Borrowings	23	(29,131)	–
Deferred tax liabilities	11	(603)	(813)
		(33,569)	(3,511)
Net assets		98,678	109,883
Equity			
Share capital	27	5,550	5,508
Share premium	27	21,162	21,162
Capital redemption reserve	27	363	363
Currency translation reserve	27	7,930	3,183
Retained earnings		63,673	79,667
Total equity		98,678	109,883

The financial statements of Naked Wines plc (company registration number 02281640) were approved by the Board and authorised for issue on 18 September 2023 and were signed on its behalf by James Crawford.

Group cash flow statement

For the 53 weeks ended 3 April 2023

	Note	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Operating activities			
Net cash flows used in operations	30	(29,981)	(40,929)
Overseas income tax paid		(2,020)	(2,189)
		(32,001)	(43,118)
Investing activities			
Interest received, including interest received on the vendor loan note		737	486
Purchase of property, plant and equipment	15	(1,478)	(1,681)
Purchase of intangible assets	14	–	(253)
Proceeds on disposal of property, plant and equipment		11	7
Proceeds from sale of asset held for resale		5,624	–
		4,894	(1,441)
Financing activities			
Interest paid		(1,719)	(6)
Lease interest paid		(233)	(105)
Repayments of principal under lease liabilities	30	(1,299)	(845)
Debt issuance costs paid	30	(791)	–
Movement in customer funded bonds	30	–	5
Drawdown of borrowings	30	30,464	–
		26,422	(951)
Net decrease in cash			
Cash and cash equivalents at the beginning of the year	30	39,846	85,148
Effect of foreign exchange rate changes	30	313	208
Cash and cash equivalents at the end of the year	30	39,474	39,846

Notes to the financial statements

1 General Information

Naked Wines plc (the Company) is a public limited company and is limited by shares. It 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 and principal place of business 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 or after 1 January 2023, do not have an impact on the financial statements of the Group:

IFRS	Subject
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

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 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 United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group's financial reporting year represents the 53 weeks to 3 April 2023 and the prior financial year, 52 weeks to 28 March 2022.

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 value 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

Background and context

Like many online retail businesses, Naked Wines has been severely impacted by COVID-19, rising inflation and falling consumer confidence. Lockdowns in all markets saw customers moving online which generated significant revenue growth for the Group and required significant investment in both operational capacity and inventory.

Naked Wines emerged from the COVID-19 pandemic almost double the size of pre-pandemic levels. However, expectations of the level of ongoing new customer acquisition have not been met and the level of business performance has been below the Directors' expectations. In particular, the number of new customers acquired and the return on investment in new customers have been below expectations which in turn has led to a fall in the repeat customer base. These changes have led to reduced expectations of the future sales and cash flow for the Company versus previously prepared financial plans.

In response to these challenging macroeconomic conditions, Naked changed strategy to "pivot to profit", (see page 14 for further details) focusing on short-term profit generation over long-term customer expansion and with a recognised near-term increase in cash investment in inventory.

Alongside this pivot to profit, the Company commenced a comprehensive review of the business which included a suite of further actions:

- Removing unnecessary costs from the business that had been introduced to support a business with significantly higher growth levels;
- Identifying several operational savings and cost efficiencies across the Group;

- Undertaking a project to remove excess inventory from the business whilst continuing to support independent winemakers; and
- Piloting and trialling new customer propositions.

These actions are ongoing with progress already being made to remove unnecessary costs and identify efficiencies. Achievement of the Group's forecasts will, in part, require the alignment and cooperation of strategic suppliers in order to achieve the Board's planned outcomes. If the outcome of these key strategic initiatives is not as anticipated by the Board, subsequent performance may be significantly different to that set out in the Company's financial plans.

Borrowing facilities

The Group has an asset backed lending (ABL) facility of up to \$60 million and as at the year-end \$36.75 million (FY22: \$nil) had been drawn down. The Group met all its credit facility covenant requirements in the current financial year, despite the material uncertainty noted regarding going concern in the FY22 Annual Report and Accounts relating to the Group's ABL credit facility profit covenant.

As set out more fully in note 23 Borrowings, following the Group's renegotiation of its senior secured lending facility covenants in October 2022 which addressed the underlying cause of the material uncertainty, the Group has three principal negative pledge covenant commitments defined within the credit facility. These covenants, in effect for periods starting after 26 September 2022 for the remaining duration of the agreement to 30 March 2025, relate to:

- 1) A facility defined minimum balance sheet current asset to current liability ratio test;
- 2) A facility defined minimum qualified cash balance of \$20 million to be held by loan parties with the lender group at all times; and
- 3) A facility defined measure of EBITDA business profitability.

As set out more fully in note 31 Events after the balance sheet date, on 22 August 2023 the Group concluded a further amendment to its credit facility, moving the facility defined adjusted EBITDA covenant threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 as well as increasing the size and specificity of the non-recurring expense add back in the calculation of the facility defined adjusted EBITDA measure.

Effective from 27 March 2023, the Group's credit facility was acquired as part of the loan portfolio purchased by First Citizens Bank & Trust Company as part of their acquisition of Silicon Valley Bridge Bank, N.A, previously Silicon Valley Bank. The Directors have received written confirmation from First Citizens Bank & Trust Company that First Citizens Bank has assumed all the liabilities and obligations of Silicon Valley Bridge Bank, formerly Silicon Valley Bank, associated with this facility. The administrative agent and issuing lender for the facility is now Silicon Valley Bank, a division of First Citizens Bank & Trust Company. As a result of the sale and purchase agreement of Silicon Valley Bridge Bank to First Citizens Bank and the confirmation of the transfer of all the liabilities and obligations in relation to the Company's credit facility to First Citizens Bank, the Directors have a reasonable expectation that the Group's lending facility provides the security of funding necessary to support its going concern assumptions.

Base case

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 ABL facility and (iii) potential variations in the cash requirements of the Group taking into account severe but plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook and post year-end trading.

The Directors have prepared cash flow forecasts extending for more than 12 months from the date of the approval of these financial statements to assess the liquidity of the Group. The first of these forecasts, prepared ahead of the end of the financial year in the final quarter of FY23, was based on expectations formed by trading experience at the time and anticipated future trends. It also included cost savings and efficiencies that the Group is already benefiting from, as well as additional cost and cash savings expected to be implemented over the going concern period including working capital improvements. Under this base case scenario (the "Original Baseline"), the Group had sufficient liquidity over this period and meets its credit facility covenant commitments.

Trading in the first quarter of FY24, beginning in April 2023, was below expectations with total revenues 18% lower than the comparable period in FY23. This reduction was a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profit and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year-on-year.

As a result, management revised its original plan for FY24 and FY25. This revised plan (the "Revised Baseline") took into account emerging trends in new customer acquisition and the rate of growth of revenue per Angel, partially offset by an improvement in mature Angel attrition, and resulted in lower forecasts for sales, profitability and cash flow generation versus the original plan for FY24 and FY25.

Sensitivities and reverse stress test

The Directors have considered several downside scenarios against both the Original Baseline and the Revised Baseline. The scenarios applied to the Original Baseline are:

- Increased year-on-year repeat customer attrition of between 10% and 30% (based on the level, by market, of the worst experienced attrition rate over a three-month period in recent history);
- Sustained lower level of new customer acquisition spend resulting in 15% year-on-year decline in Investment in New Customers; and
- A decline in repeat customer activation of 10% versus the Original Baseline.

The Directors also prepared a further severe but plausible downside customer activation scenario, modelling the impact of a 10% decline in repeat customer activation versus the Revised Baseline.

Under each downside scenario individually the forecasts show all covenant requirements being met. In the most severe downside scenario, being the 10% repeat customer activation downside versus the Revised Baseline, the most sensitive covenant was the \$20 million minimum cash requirement where headroom fell to £4 million, rising to £10 million with application of a contingency plan (see below), in excess of this covenant requirement at the lowest point of the forecast.

3 Accounting policies (continued)

A reverse stress test of the Revised Baseline downside scenario was also performed, being the downside scenario deliberately engineered to identify the point at which a covenant breaks. This reverse stress test shows that an additional 2% reduction in repeat customer activation (beyond the 10% severe but plausible downside scenario noted above) results in the Group not meeting its minimum cash covenant, reflecting the relatively high degree of sensitivity over downside modelling in this scenario.

The Directors have identified a contingency plan to improve cash generation should evidence of this downside scenario become apparent, including further working capital management and promotional sales and margin opportunities. Management believes that together, these actions add an additional 2% headroom between the severe but plausible downside scenario and reverse stress test. The modelled breach in the reverse stress test, including the identified additional mitigation, occurs 17 months after the balance sheet date in the second quarter of FY25.

In addition to the trading sensitivity disclosed above, compliance with the minimum cash covenant is reliant on being able to continue to access the anticipated level of the Group's ABL facility, where the level of available credit (the 'facility borrowing base') is determined by the level and carrying value of the Group's US inventory. The Directors highlight the key source of estimation uncertainty over inventory valuation (see note 4 Critical accounting policies, estimates and judgements) and also the requirement to maintain the existing level of supplier waivers (to include wine held at their facilities within the facility borrowing base calculation) in order to support the Group's forecast available credit. Together, these factors give rise to additional uncertainty over the level of the ABL facility available to be drawn down across the forecast period.

Given experienced trading volatility and the macroeconomic conditions increasing the uncertainty over future forecasts, the Directors note that forecast variances of more than 4% outside of the currently severe but plausible downside scenario would result in a breach of the Company's minimum cash holding covenant and whilst the Company's credit provider has proven to be responsive to accommodating the needs of the business, any further covenant amendments, should they be required, will be subject to negotiation.

This assessment is linked to a robust assessment of the principal risks facing the Group and the reverse stress test reflects the potential impact of these risks being realised. The principal risks are outlined on pages 38 to 42.

Summary

After considering the forecasts, sensitivities and mitigating actions available and having regard to the risks, uncertainties and challenges in recent trading and the macroeconomic environment, the Directors note that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern and therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty with regards to going concern relates to the Group's ability to generate sufficient future cash flows while trading in a volatile environment, successful completion of planned actions and maintaining access to the forecast level of ABL facility in order to meet its minimum cash covenant in the going concern period.

The financial statements have been prepared on a going concern basis, whilst noting the material uncertainty above.

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. In determining whether an event or transaction should be adjusted for, management considers qualitative as well as quantitative factors such as the frequency or predictability of the item and 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. This information is supplementary to statutory measures. Details of adjusted items can be found in note 7 Adjusted items.

3.5 Revenue

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers 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 Financial Instruments and are therefore not considered to be a contract liability in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers.

The transaction price allocated upon delivery of the order placed. Variable consideration, specific 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. Specific 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 within the Angel funds and other deferred income 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 e-commerce channel. Other revenue represents revenue from stock optimisation activities.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group does not offer payment terms and dispatches goods when funds have been received from customers. As such it does not have any significant payment term arrangements.

3.6 Cost of sales

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

Naked Wines generally trades with its suppliers on a simple purchase price agreement with no complex buying arrangements in place. Any supplier incentives, rebates and discounts are simple in nature and are recognised within cost of sales as they are earned.

3.7 Advertising costs

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

3.8 General and administrative costs

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

3.9 Software as a Service (SaaS)

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements published in April 2021.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Where costs incurred for the development of software code enhances, modifies, or creates additional capability to existing on-premise systems as part of a SaaS implementation are readily identifiable and meets the definition of and recognition criteria for an intangible asset these costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The change in accounting policy has resulted in costs of £2.3 million being expensed to General and administrative costs that would previously have been capitalised as intangible assets under the former policy. In the cash flow statement, £2.1 million has been presented within net cash flows from operating activities that would previously have been presented within net cash flows used in investing activities under the former policy. The Group has not capitalised material amounts in relation to the configuration and customisation of SaaS arrangements prior to this period and as such no prior period adjustments are required.

3.10 Finance costs and income

Finance costs comprise interest payable on the credit facility including the amortisation of debt issuance costs and interest on lease liabilities. Finance income comprises interest receivable on funds invested, positive cash balances and accrued income on the vendor loan note (see accounting policy note 3.24 Financial instruments).

3.11 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 awards 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 awards that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of awards 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.

3.12 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.

3 Accounting Policies (continued)

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 tax liabilities are recognised for all temporary differences, except where the deferred 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.

3.13 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 GBP 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.

3.14 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.

3.15 Other intangible assets

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

Amortisation is charged to administrative expenses in the income statement on a straight line basis over the estimated useful lives of each asset. The estimated useful lives are as follows:

Customer list and relationships	6 years
Brand	8 years
Software	2-5 years
Facilities and trademarks	8 years

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

3.16 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. Management have assessed the risks of climate change and have concluded that there are no assets that are materially exposed in the current year. See note 17 Impairment for further explanation of the basis of impairment testing.

3.17 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. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease incentives received, lease payments made at or before the commencement date and any initial direct costs.

They are subsequently measured at cost less accumulated depreciation and 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.

3.18 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.

Provisions are made for obsolete, slow-moving or discontinued stock and for stock losses where net realisable value is estimated to be less than recorded historic cost.

3.19 Angel funds and other deferred 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 Angel funds and other deferred 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; and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

Right-of-use assets are depreciated over the shorter period 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 Leases. This expense is presented within administrative expenses in the consolidated income statement.

As a practical expedient, IFRS 16 Leases 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.

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 Accounting Policies (continued)

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 adjusted for any loss allowance. 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 remeasured 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 within operating costs.

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.

Critical accounting judgements

Going concern

In concluding on the going concern basis of the financial statements, the Directors have made a number of judgements as set out in accounting policy note 3.2 Going concern. The Directors draw attention to the critical nature of these estimates and judgements in the preparation of the financial statements.

Classification of adjusted items

A number of judgements are made in the presentation of costs and income as adjusted items in the Annual Report and Accounts. The factors considered in making this judgement are set out fully in accounting policy note 3.4 Presentation of adjusted items.

Key sources of estimation uncertainty

Goodwill and non-current asset carrying value

During the year, the Company's decision to focus on short-term profitability and cash generation over long-term growth has reduced future growth assumptions with a resultant downward impact on the headroom over the carrying value of goodwill and other non-current assets in the Group's goodwill impairment assessment.

The Group annually tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.16 Impairment reviews. Determining whether goodwill and other non-current assets are impaired requires an estimation of the value in use and/or the estimated recoverable amount of the asset derived from the cash generating unit (CGU) to which the goodwill has been allocated. The value in use calculation requires an estimate of the present value of future cash flows expected to arise from the CGU, by applying an appropriate discount rate to the timing and amount of future cash flows.

Management is required to make judgements regarding the timing and amount of future cash flows applicable to the CGU, based on current budgets and forecasts, and then in perpetuity, taking into account growth rates and expected changes to sales and operating costs.

Management estimates the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU. An analysis of the Group's goodwill is set out in note 14, property plant and equipment in note 15 and right-of-use assets in note 16.

The Group's impairment test at the balance sheet date results in a partial impairment of goodwill and other non-current assets, see note 17 Impairment for further details and for a sensitivity analysis to further impairment charges. The Directors note the year-on-year decline in headroom above the carrying value of goodwill in all markets and highlight the key assumptions driving the impairment assessment as set out in note 17 Impairment as a key source of estimate uncertainty with regard to the continuing carrying value of goodwill. The Directors also highlight that as a result of the decline in headroom above carrying value in the year resulting in the impairment charge reported, should the key assumptions used to calculate the value in use of goodwill move adversely in a future period, there is a risk that carrying value of goodwill may become further impaired.

Inventory valuation and impairment provision

An implication of the Company's pivot to profit during the year has been the reassessment of required inventory holding levels and future buying commitments in its US business unit. As a result of this review, a number of winemakers, brands and products have been delisted, winemaker commitments cancelled and plans made to exit certain quantities of inventory at less than historic cost. On the basis of this evaluation, the Group has recorded a charge of £14.0 million in the year in order to allow the US business to consolidate its inventory holdings around wine and winemakers core to the Company's mission to connect everyday wine drinkers with the world's best independent winemakers. On the basis of the forecast prepared for the evaluation of going concern of the Company, the Directors anticipate that the remaining cost of inventory held at the balance sheet date will be profitably realised.

A number of critical judgements have been made in the calculation of the US segment inventory provision analysis including:

- estimates of the likely use before expiry of wine approaching the end of its prime marketing life;
- planned evolution of range and winemaker portfolio;
- cannibalisation and absorption of wine volumes across the Naked range; and
- realisable value of bulk wine in the open market.

The Directors highlight that in the event that their estimates prove to be inaccurate, the magnitude of the inventory write off could change. A sensitivity assumption that is readily quantifiable is the average expiry life of wine. Management have prepared their estimated wine marketing expiry date from the experience of the life cycle of wine over time in the Naked US market and examination of customer feedback of wines as they age from first release. However, if every wine's expected expiry date was reduced by six months, the amount of wine expiring, and hence requiring write off, within the Company's forward review period would increase by £1 million. Reducing this assumption by a further six months to 12 months in total would increase the write-off by a further £6 million.

Other source of estimate uncertainty

Deferred tax assets on brought forward trading losses

The Company's UK tax group has historically not recognised brought forward trading losses due to the uncertainty over the level of future profitability against which those losses could be utilised. A consequence of the Company's pivot to profit has been higher levels of forecast short and medium-term EBITDA profitability, resulting in it being more likely than not that a portion of the UK tax group's brought forward losses will be utilised against future trading profits. As a result of this change in forecast, a total of £2.0 million

has been recognised as a deferred tax asset in the period. Application of the sensitivity downsides modelled as part of the Company's going concern assessment would reduce the deferred tax asset recognition to £0.8 million.

The Directors also draw attention to the deferred tax assets held in the US segment which relate to the inventory provision recognised in the year and also US tax s263a 'Unicap' inventory capitalisation requirements. As a result of the profit forecast in the latest Board approved budget, a portion of the inventory and Unicap provisions made in the current year have not resulted in the recognition of associated deferred tax assets. If future trading forecasts were to show a lower level of expected US taxable profit, then the Directors highlight that some or potentially all of the associated and currently recognised £4.6 million deferred tax asset may need to be expensed to the income statement. Any such charge to the income statement would be a non-cash item.

In the process of applying the Group's accounting policies, the Directors consider that there are no further 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 Operating Segments 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 and adjusted EBIT (being operating profit 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 allocated to the operating segments in accordance with 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 principally wine and some spirits.

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

Notes to the financial statements
continued

6 Segmental reporting (continued)

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.

53 weeks ended 3 April 2023	Naked Wines US £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue	171,035	137,192	45,818	–	354,045
Revenue associated with the US inventory impairment	(3,110)	–	–	–	(3,110)
Total adjusted sales¹	167,925	137,192	45,818	–	350,935
Analysed as:					
New Customer sales	17,180	6,400	3,312	–	26,892
Repeat Customer sales	147,448	130,792	42,506	–	320,746
Other revenue	3,297	–	–	–	3,297
Total adjusted sales¹	167,925	137,192	45,818	–	350,935
Investment in New Customers	(15,057)	(3,417)	(2,937)	–	(21,411)
Repeat Customer contribution	50,314	24,990	11,196	–	86,500
Other contribution	255	–	–	–	255
Total contribution after advertising costs²	35,512	21,573	8,259	–	65,344
General and administrative costs ³	(12,830)	(6,896)	(3,561)	(24,692)	(47,979)
Adjusted EBIT	22,682	14,677	4,698	(24,692)	17,365
Adjusted items (see note 7):					
Non-cash items relating to acquisitions	–	–	–	(1,293)	(1,293)
Right-sizing of US inventory	(13,964)	–	–	–	(13,964)
Impairment of goodwill, property, plant and equipment and right-of-use assets	–	–	–	(18,183)	(18,183)
Other adjusted items	–	–	–	1,817	1,817
Operating profit/(loss)	8,718	14,677	4,698	(42,351)	(14,258)
Finance costs	(2,155)	(36)	(24)	(2)	(2,217)
Finance income	342	–	–	1,113	1,455
Profit/(loss) before tax	6,905	14,641	4,674	(41,240)	(15,020)
Tax	(2,275)	(1,482)	(1,396)	2,760	(2,393)
Profit/(loss) for the year	4,630	13,159	3,278	(38,480)	(17,413)
Depreciation	1,897	353	225	38	2,513
Amortisation	1	–	–	1,785	1,786
Impairments	–	–	–	18,183	18,183
Total assets	146,629	47,626	23,139	34,494	251,888
Total liabilities	93,275	41,127	13,731	5,077	153,210

53 weeks ended 3 April 2023	US £'000	UK £'000	Australia £'000	Total £'000
Geographical analysis				
Revenue	171,035	137,192	45,818	354,045
Non-current assets excluding deferred tax assets	7,710	26,070	–	33,780

1 Total adjusted sales are calculated as revenue excluding revenue associated with the right-sizing of US inventory as analysed in note 7 Adjusted items.

2 Contribution after advertising costs is calculated as gross profit less fulfilment and advertising costs, excluding transactions associated with the right-sizing of US inventory included in contribution (details in note 7 Adjusted items).

3 Refer to the table on page 132 for a reconciliation of G&A costs to those reported in the income statement.

52 weeks ended 28 March 2022	Naked Wines US £'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
Investment in New Customers	(23,225)	(13,495)	(4,583)	–	(41,303)
Repeat Customer contribution	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
Adjusted items (see note 7):					
Non-cash items relating to acquisitions	–	–	–	(1,321)	(1,321)
Other adjusted items	–	–	–	1,230	1,230
Operating profit/(loss)	8,561	8,116	2,880	(17,653)	1,904
Finance costs	(91)	(9)	(11)	–	(111)
Finance income	–	1	–	1,079	1,080
Profit/(loss) before tax	8,470	8,108	2,869	(16,574)	2,873
Tax	(1,384)	(568)	(326)	1,788	(490)
Profit/(loss) for the year	7,086	7,540	2,543	(14,786)	2,383
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
52 weeks ended 28 March 2022	US £'000	UK £'000	Australia £'000		Total £'000
Geographical analysis					
Revenue	157,390	146,959	45,914		350,263
Non-current assets excluding deferred tax assets	4,919	44,261	364		49,544

¹ Refer to the table on page 132 for a reconciliation of G&A costs to those reported in the income statement.

Notes to the financial statements

continued

7 Adjusted items

The Directors believe that adjusted EBIT provides additional useful information for shareholders on trends and performance. These measures are used for performance analysis. Adjusted EBIT 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 operating profit are:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Non-cash charges relating to acquisitions – amortisation of acquired intangibles	(1,293)	(1,321)
US inventory provision	(10,254)	–
US cancellation of winemaker contracts	(527)	–
Sale of US inventory – contribution loss (see glossary of definitions on page 129)	(2,360)	–
Right-sizing of US inventory included in contribution	(13,141)	–
Disposal of US inventory – charitable donations	(823)	–
Right-sizing of US inventory	(13,964)	–
Impairment of goodwill, property, plant and equipment and right-of-use assets	(18,183)	–
Profit on disposal of asset classified as held for sale	4,814	–
Restructuring costs	(1,522)	–
Software as a Service costs incurred in the implementation of new ERP platform	(2,347)	–
Legal settlement for Payment card Interchange fees	740	–
Fair value movement through the income statement on foreign exchange contracts and associated unrealised foreign currency inventory	132	1,091
Foreign exchange movements on plc company bank balances	–	139
Other adjusted items	1,817	1,230
Total adjusted items	(31,623)	(91)

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 EBIT, 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.

Right-sizing of US inventory

As a result of the Group's pivot to profit strategy in the current financial year, management has engaged in a rigorous review of inventory holdings and concluded that in the US business unit, as a result of the revision to future sales and growth forecasts, an inventory right-sizing exercise was required.

On the basis of this evaluation, the Group has recorded a charge of £14.0 million in the year in order to allow the US business to consolidate its inventory holdings around wine and winemakers core to the Group's mission to connect everyday wine drinkers with the world's best independent winemakers.

As a result of this decision, a number of winemakers, brands and products have been delisted, winemaker commitments cancelled and plans made to exit certain quantities of inventory at less than historic cost. Where inventory that has been sold on the secondary market as part of this right-sizing exercise for less than historic cost of goods, these transactions are reported net within adjusted items as part of adjusted performance measures and are disclosed as sale of US inventory – contribution loss.

Management considers these provisions and charges to be one-off in nature as amounts relate to purchases made on the back of continued expected growth following the COVID-19 pandemic and based on the Group's previous strategy of customer acquisition. As a result of the strategic shift from customer acquisition to short-term profitability and cash generation, this impairment charge forms part of the one-off exercise undertaken in the year to better align purchasing and inventory management going forwards whilst still ensuring the Group holds sufficient inventory to meet customer demand.

Management has concluded it is appropriate to include the inventory impairment within adjusted items to provide a more consistent basis with the comparative adjusted EBIT alternative performance measure.

7 Adjusted items (continued)

Impairment of goodwill, property, plant and equipment and right-of-use assets

As a result of the Company's decision to focus on short-term profitability and cash generation over long-term growth, an impairment of £18.2 million has been recognised in the FY23 income statement. This represents a partial impairment of the goodwill allocated to the US business and a full impairment of the goodwill, property, plant and equipment and right-of-use assets in the Australian business. See note 17 Impairment for more details.

Profit on disposal of asset classified as held for sale

In May 2022, the sale of the asset classified as held for sale was completed. The profit arising on the sale is the difference between the proceeds of £5.85 million less commissions and costs of £0.2 million and the carrying value of the asset of £0.8 million.

Restructuring costs

The Group undertook a restructuring program in FY23 seeking to generate improved efficiency and reduce costs. Following this review, one-off termination payments and associated costs were incurred in the US and the UK.

Software as a Service cost

During the year, the Group incurred upfront configuration and implementation costs relating to the development of a new ERP system. Under the change of accounting policy set out in accounting policy note 3.9 Software as a Service, these costs are reported as incurred in the income statement. As material non-recurring expenditure, the costs relating to the configuration of the ERP platform have been disclosed as an adjusted item.

Legal settlement in relation to Payment card Interchange fees

Naked Wines were part of a class action group that brought proceedings against Visa and Mastercard for engaging in anti-competitive conduct in relation to arrangements for setting and implementing multilateral Payment card Interchange fees. This amount is net of costs and is in full and final settlement of the claim.

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

We commit in advance to buying foreign currency to purchase wine to mitigate exchange rate fluctuations. International accounting standards require us to mark the value of these contracts to market. As this may materially fluctuate we adjust this, and associated foreign currency inventory revaluation, as to better reflect our trading profitability.

Foreign exchange movements on plc company bank accounts

In the prior year, the parent company held foreign currency cash balances, which it used to fund its US and Australian businesses. The revaluation of the foreign currency balances held were reported as adjusted items so as not to distort the picture of the underlying business cost base.

8 Operating (loss)/profit

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

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Depreciation of property, plant and equipment and investment property	987	718
Amortisation of intangible assets	1,786	1,901
Depreciation of right-of-use assets	1,526	939
Impairment of goodwill, property, plant and equipment and right-of-use assets	18,183	–
Loss on disposal of fixed assets	327	18
Loss on disposal of right-of-use assets	–	17
Inventory write-downs	597	391
Fair value of forward contracts	109	(1,212)
Net currency exchange (gains)/losses	(528)	242
Expenses on short-term and low-value leases	2	207
Auditor's remuneration		
Fees payable for the audit of the Company's subsidiaries	1,111	565
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	160	80
Total audit fees	1,271	645
Audit-related assurance services	65	45
Total non-audit fees	65	45
Total fees paid to the Company's auditor	1,336	690

Notes to the financial statements

continued

9 Staff costs

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

	53 weeks ended 3 April 2023 number	52 weeks ended 28 March 2022 number
Administrative and distribution	289	294
Sales	194	192
	483	486

Their aggregate remuneration comprised:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Wages and salaries	27,999	26,026
Social security costs	2,457	2,287
Contributions to defined contribution pension plans	866	759
Share based payment charges	1,604	1,311
	32,926	30,383

The total emoluments of key management personnel comprised:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Salary and benefits	488	148
Bonuses accrued and paid in the year relating to the current year	137	2
Payments in lieu of pension contributions to money purchase schemes and contributions to money purchase scheme (401(k))	12	15
Emoluments before share based payment charges	637	165
Share based payment charges	166	66
	803	231

Directors' emoluments comprised:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Salary and benefits	785	805
Compensation for loss of office	371	–
Bonuses accrued and paid in the year relating to the current year	26	–
Payments in lieu of pension contributions to money purchase schemes and contributions to money purchase scheme	17	11
Emoluments before share based payment charges	1,199	816
Share based payment charges	160	462
	1,359	1,278

The highest paid Director's emoluments comprised:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Salary and benefits	338	299
Bonus accrued	–	–
Pension contributions to money purchase schemes	11	11
Emoluments before share based payment charges	349	310
Share based payment charges	245	209
	594	519

Detailed disclosure of Directors' remuneration is set out in the Directors' remuneration report on pages 63 to 65.

10 Finance costs and income

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Finance costs		
Interest payable on borrowings	(1,700)	–
Interest on lease liabilities	(233)	(105)
Amortisation of debt issuance costs	(264)	–
Other interest payable	(20)	(6)
	(2,217)	(111)
Finance income		
Financial instruments measured at amortised cost		
Bank interest receivable	378	125
Other interest receivable	–	1
Interest income on vendor loan note	1,077	954
	1,455	1,080
Net finance (costs)/income	(762)	969

11 Tax

(a) Tax charge

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Current tax		
UK tax	–	4
Overseas tax	(4,198)	(2,011)
Adjustment in respect of prior periods	(377)	27
Current tax charge	(4,575)	(1,980)
Deferred tax		
Origination and reversal of temporary differences	1,085	1,077
Adjustment in respect of prior periods	560	64
Effect of change in tax rate on prior period balances	537	349
Deferred tax credit	2,182	1,490
Total tax charge for the year	(2,393)	(490)

Notes to the financial statements

continued

11 Tax (continued)

(b) Tax reconciliation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The reasons for this are detailed below:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
(Loss)/profit before tax	(15,020)	2,873
Tax charge at the standard UK corporation tax rate of 19% (2022: 19%)	2,854	(546)
Adjustments in respect of prior periods	183	91
Disallowable expenditure	(1,926)	(485)
Overseas income tax at higher rates	(588)	(44)
Income not taxable	–	12
Fixed asset differences	60	–
Change in unrecognised deferred tax assets	(3,054)	475
Share based payments	(138)	141
Change in tax rate on prior period deferred tax balances	263	(134)
Foreign exchange	(47)	–
Total tax charge	(2,393)	(490)
Effective tax rate	(15.9)%	17.1%

Deferred tax balances have been calculated to 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

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Deferred tax charge on share based payments	(143)	(260)
Total tax on items charged to equity	(143)	(260)

(d) Deferred tax

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
At the beginning of the year	4,589	3,222
Adjustment in respect of prior years	560	64
Credited to the income statement in the year	1,622	1,426
Charged to equity in the year	(143)	(260)
Foreign exchange	97	137
At the end of the year	6,725	4,589

The Group's UK businesses hold brought forward trading losses that have historically not been recognised as deferred tax assets due to the uncertainty of future profits being available against which they could be utilised. As a result of the Group's change in strategy and the pivot to profit in the year, the forecast used as part of the Board's going concern assessment now shows that it is more likely than not that future profits will be available against which to offset some of the carried forward trading losses. Therefore, in FY23, a deferred tax asset of £2.0 million has been recognised at the balance sheet date in relation to the utilisation of brought forward trading losses (see page 102 for more details of the basis of this assessment).

The Group has also recognised deferred tax assets for deductible temporary differences that it believes are recoverable based on the Group's forecast projections in each trading market. 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	
	3 April 2023 £'000	28 March 2022 £'000	3 April 2023 £'000	28 March 2022 £'000
Fixed assets	70	–	(603)	(813)
Share based payments	173	512	–	–
Tax losses carried forward	2,006	735	–	–
Inventories	3,865	2,614	–	–
Deferred income	125	121	–	–
Accruals	405	266	–	–
Provisions	202	326	–	–
Unrealised foreign exchange differences	482	828	–	–
	7,328	5,402	(603)	(813)
Analysed by geographical region:				
US	4,662	3,014	(603)	(497)
UK	2,666	1,847	–	(316)
Australia	–	541	–	–
	7,328	5,402	(603)	(813)

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

	28 March 2022 £'000	Recognised in income statement £'000	Recognised in equity £'000	Foreign exchange £'000	3 April 2023 £'000
Fixed assets	(813)	306	–	(26)	(533)
Share based payments	512	(201)	(143)	5	173
Tax losses carried forward	735	1,272	–	(1)	2,006
Inventories	2,614	1,145	–	106	3,865
Deferred income	121	4	–	–	125
Accruals	266	154	–	(15)	405
Provisions	326	(125)	–	1	202
Unrealised foreign exchange differences	828	(373)	–	27	482
	4,589	2,182	(143)	97	6,725

	3 April 2023 £'000	28 March 2022 £'000
Analysed in the balance sheet as:		
Deferred tax assets	7,328	5,402
Deferred tax liabilities	(603)	(813)
	6,725	4,589

Deferred tax on losses of £16.7 million (2022: £23.0 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. In addition, the Group has not recognised deferred tax assets of £1.8 million on inventory provisions arising in the year in the US and has derecognised £0.6 million of deferred tax assets in Australia due to uncertainty over future profits being available against which these deferred tax assets can be recovered.

Notes to the financial statements

continued

11 Tax (continued)

(d) Deferred tax (continued)

Unrecognised deferred tax assets are re-assessed at each reporting date and are considered for the probability that future taxable profits would be available against which such losses can be used. Projections of taxable profits were based on the Group's Board approved forecasts which are the same as the projections used for going concern. In concluding on the recognition of the deferred tax asset, the Board have taken into consideration the material uncertainty over going concern (see accounting policy note 3.2 Going concern). The assessment period for recognition of deferred tax assets has been limited to three years as management believes profit forecasts beyond this time frame carry with them a higher degree of uncertainty. As noted above, management revised its estimates of future taxable profits in the UK and the Group following the change in strategy in the current financial year and recognised the tax effect of £8.0 million of previously unrecognised tax losses (deferred tax asset of £2 million). Refer to note 4 Critical accounting policies, estimates and judgements for further details.

In the prior year, an amount of £3.9 million relating to the loss arising on the settlement of the deferred contingent consideration not previously recognised was recognised as the capital loss was utilised in the current 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 United States of America are taxed at an effective statutory rate of 21% 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 (Loss)/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 220,137 (2022: 145,557) shares held by the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit 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. Share awards granted over 3,382,710 (2022: nil) ordinary shares have been excluded from the calculation as they are anti-dilutive. All other outstanding share awards have been included in the calculation as they are potentially dilutive at the year end.

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
(Loss)/earnings per share		
Basic (loss)/earnings per share	(23.6)p	3.3p
Diluted (loss)/earnings per share	(23.6)p	3.2p
	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
(Loss)/earnings for the purpose of basic earnings per share calculation (£'000)	(17,413)	2,383
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	73,663,498	73,172,727
Dilutive potential ordinary shares:		
Employee share awards	520,030	1,803,937
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	74,183,528	74,976,664
Total number of shares in issue	74,004,135	73,439,132

As noted above, the denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to exclude the shares held by the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust.

If all the Company's share awards had vested at 100%, the Company would have 77,370,058 issued shares.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

13 Dividends

The Group did not pay any dividends during the year (2022: £nil) and the Directors do not propose a dividend for this year (2022: £nil).

14 Goodwill and intangible assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
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
Disposals	–	–	–	–	(4)	(4)
Transfer of Software as a Service to the income statement	–	–	–	–	(253)	(253)
Foreign currency	1,197	–	–	–	1	1,198
At 3 April 2023	31,541	1,607	14,300	10,100	2,480	60,028
Accumulated amortisation						
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)
Charge for the year	–	(204)	–	(1,292)	(290)	(1,786)
Impairments	(18,076)	–	–	–	–	(18,076)
Disposals	–	–	–	–	4	4
Foreign currency	339	–	–	–	–	339
At 3 April 2023	(17,737)	(473)	(14,300)	(10,100)	(2,480)	(45,090)
Net book value						
At 3 April 2023	13,804	1,134	–	–	–	14,938
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

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. During the year, the Group recorded an impairment charge of £18.1 million. See note 17 Impairment for details.

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	7,945	1,134	–	–	–	9,079
Naked Wines UK	5,859	–	–	–	–	5,859
Naked Wines Australia	–	–	–	–	–	–
At 3 April 2023	13,804	1,134	–	–	–	14,938

Amortisation

Intangible assets are amortised on a straight-line basis through the income statement, based on the estimated useful lives as disclosed in accounting policy note 3.15 Other intangible assets.

15 Property, plant and equipment

	Leasehold improvements £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost			
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
Additions	64	1,414	1,478
Disposals	(33)	(620)	(653)
Foreign currency	(1)	167	166
At 3 April 2023	160	5,492	5,652
Accumulated depreciation			
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)
Charge for the year	(20)	(967)	(987)
Impairments	(6)	(52)	(58)
Disposals	1	314	315
Foreign currency	(1)	(47)	(48)
At 3 April 2023	(123)	(2,772)	(2,895)
Net book value			
At 3 April 2023	37	2,720	2,757
At 28 March 2022	33	2,511	2,544
At 29 March 2021	17	1,435	1,452

The gross value of fully depreciated assets in use was £0.5 million (2022: £0.5 million). Total assets under construction amounts to £0.1 million (2022: £nil).

Impairment of property plant and equipment

CGUs are reviewed at least annually to identify if there are any indicators of impairment. During the year, the Group recorded an impairment charge of £0.06 million. See note 17 Impairment for details.

16 Right-of-use assets

	Buildings £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost			
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
Additions	3,486	–	3,486
Foreign currency	127	–	127
At 3 April 2023	9,237	–	9,237
Depreciation			
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)
Charge for the year	(1,526)	–	(1,526)
Impairments	(49)	–	(49)
Foreign currency	(34)	–	(34)
At 3 April 2023	(3,863)	–	(3,863)
Net book value			
At 3 April 2023	5,374	–	5,374
At 28 March 2022	3,370	–	3,370
At 29 March 2021	2,758	22	2,780

Impairment of right-of-use assets

CGUs are reviewed at least annually to identify if there are any indicators of impairment. During the year, the Group recorded an impairment charge of £0.05 million. See note 17 Impairment for more details.

The Group leases several buildings for use as offices, a warehouse and a winery. The average lease term is five years. The total cash flow for leases was £1.3 million (2022: £0.9 million). The cost of short term and low value leases is presented in note 8 Operating (loss)/profit.

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

17 Impairment

Summary

Following the completion of the annual impairment review detailed below, the carrying value of the Naked Wines US and Naked Wines Australia segments have been reduced to their recoverable amount through recognition of an impairment charge of £18.2 million against goodwill, property, plant and equipment and right-of-use assets. This charge is recognised within adjusted items in the income statement and is analysed by segment and asset type as set out below, along with the FY23 cash generating unit (CGU) value in use.

	Goodwill £'000	Property, plant and equipment £'000	Right-of-use assets £'000	Total £'000	CGU value in use ¹ £'000
Naked Wines US	16,433	–	–	16,433	69,710
Naked Wines UK	–	–	–	–	21,739
Naked Wines Australia	1,643	58	49	1,750	(2,086)
Total	18,076	58	49	18,183	89,363

1. The value in use of each CGU is calculated after a full allocation of corporate costs and in accordance with IAS 36 Impairment of assets.

Notes to the financial statements

continued

17 Impairment (continued)

Key assumptions

Cash flow assumptions

The primary determinants of cash flow are expected sales and the cost of sales of those goods, the level of expenditure on the acquisition of new customers and other associated costs which relate to the cash flows of the operating business units.

In preparing the cash flows for the year end impairment review, changes to key cash flow assumptions have been

- Investment in new customers remains broadly at the levels experienced in the recent past versus a previous expectation that investment levels would grow in the short and medium term;
- Continuation of the current trend of 5-Year Payback on Investment in New Customers versus historically higher rates experienced
- Repeat customer contribution declines as a result of the declining Angel base with lower levels of new customers not replenishing the exit of current customers leaving the business
- Repeat customer margin has been revised to reflect probable changes in contracted costs as well as anticipated sales price and unit input cost changes

The net impact of the changes of these key variables versus previous forecast estimates, along with adverse movement in the discount rate driven by the external interest rate environment, has given rise to the reduction in value in use resulting in the reported impairment charge.

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 12 months of which being the latest Board approved budget and which aligns with the forecast used in the preparation of the going concern analysis, as set out in accounting policy note 3.2 Going concern, amended only to align with the requirements of IAS 36 Impairment of Assets. An estimate of capital expenditure required to maintain these cash flows is also made.

Discount rate and long-term growth rate assumptions

The discount rate and terminal growth rates used are as set out below:

	FY23		FY22	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Naked Wines US	17.3%	1%	13.1%	2%
Naked Wines UK	17.9%	1%	13.1%	2%
Naked Wines Australia	19.1%	1%	13.1%	2%

The long-term growth rate assumption used is not considered to be higher than the long-term industry average.

The discount rate applied to the cash flows of each market 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 each of the Group's markets. Management believe it is appropriate to use a country specific pre-tax WACC for the testing of the Naked Wines goodwill and intangible assets based on the difference in the observed risk-free rate between the US and other industrialised economies and their different headline corporate income tax rates. The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing.

Sensitivity to further impairment charges

The key assumptions used in the recoverable amount estimates are the discount rates applied and the forecast cash flows. The Group has conducted a sensitivity to further impairment analysis on the goodwill and intangible assets, property, plant and equipment and right-of-use assets reported on the balance sheet at the end of the period. The table below sets out the level at which, independently, fluctuations in the key assumptions by segment result in the carrying value of these assets being equal to the segment recoverable amount, defined as its value in use:

	FY23		FY22	
	Breakeven discount rate	Breakeven cash flow sensitivity	Breakeven discount rate	Breakeven cash flow sensitivity
Naked Wines US	n/a	n/a	49.9%	(93.8)%
Naked Wines UK	223.1%	(71.9)%	87.9%	(90.1)%
Naked Wines Australia	n/a	n/a	206.7%	(93.8)%

In addition, the Directors note the Naked Wines US segment's sensitivity to further impairment in the event of the following changes in key assumptions:

	Material change in impairment of goodwill	Full impairment of	
		Goodwill	Goodwill and other non-current assets ¹
Carrying value written down by a further	£3.8m	£8.0m	£16.8m
In the event of:			
Discount rate increasing to	18.8%	19.6%	26.2%
OR			
Forecast cash flows declining by	(5.4)%	(11.4)%	(24.1)%

1. Other non-current assets include other intangible assets, property, plant and equipment and right-of-use assets.

No sensitivities have been performed for the Naked Wines Australia business as the goodwill allocated to this CGU, as well as the carrying value of property, plant and equipment and right-of-use assets, has been fully impaired.

See also note 4 Critical accounting policies, estimates and judgements drawing attention to the identification of goodwill as a key source of estimation uncertainty.

Note also that consistent with the operating segments of the business, being the three geographical markets in which the Group operates, the Directors recognise these operating segments as the cash generating units of the business.

18 Inventories

	3 April 2023 £'000	28 March 2022 £'000
Raw materials	46	183
Work in progress	55,159	57,591
Finished goods	110,461	84,670
	165,666	142,444

Recognising the Group's control of this asset, all inventory has been reported as a current asset in the balance sheet. Note, £1.7 million (2022: £3.3 million) 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 £205.7 million (2022: £208.5 million).

An amount of £10.3 million (2022: £nil) in respect of non-recurring write-downs of inventory in the US business segment is included on the face of the income statement.

Inventory of £0.03 million (2022: £0.03 million) was expensed through the income statement in the year relating to samples and tasting products.

19 Trade and other receivables

	3 April 2023 £'000	28 March 2022 £'000
Current		
Trade receivables	581	1,261
Vendor loan note	480	360
Other debtors	2,617	5,121
Prepayments	1,932	2,419
	5,610	9,161
Non-current		
Vendor loan note	10,711	10,114

Other debtors consist predominantly of credit card receivables.

The vendor loan note will mature in December 2024 unless repaid in full before that date. The loan note bears cash interest receivable of 3% per annum for the first three years, 4% in year four and 5% in year five, to be paid annually with an effective interest rate of 10% on the financial asset. Interest payments for the first three years were made 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.

Notes to the financial statements

continued

20 Assets classified as held for sale

The asset classified as held for sale at 28 March 2022 for £0.8 million was sold on 5 May 2022 for £5.85 million less commissions and costs of £0.3 million. The profit on the sale of the asset of £4.8 million was disclosed on the face of the income statement and within adjusted items.

Prior to an offer made on 12 November 2021 for the purchase of the asset, the asset was held on the Company's books as an investment property. The Directors adopted the cost model for the value of this asset which was recorded on acquisition at the transferred net book value. The Directors of the Company assessed the fair value of the property and consider it to be broadly in line with the book value. The letting agreement of the property allowed for the termination of this lease by either party immediately prior to completion of the sale of the property or to the benefit of the tenant by giving six months notice during which time the property was being sublet for a peppercorn rent.

21 Trade and other payables

	3 April 2023 £'000	28 March 2022 £'000
Trade payables	18,680	21,745
Taxation and social security	6,922	10,886
Accruals	16,298	21,803
Other payables	527	187
	42,427	54,621

Amounts payable in respect of defined contribution pension schemes were £0.07 million (2022: £0.08 million).

22 Angel funds and other deferred income

	3 April 2023 £'000	28 March 2022 £'000
Angel funds	67,425	72,198
Other deferred income	3,889	3,805
	71,314	76,003

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 Angel funds and other deferred 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 Borrowings

	3 April 2023 £'000	28 March 2022 £'000
Current		
Customer bond finance	35	35
	35	35
Non-current		
Borrowings	29,644	–
Debt issuance costs	(513)	–
	29,131	–
	29,166	35

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. At 3 April 2023, the carrying amount of inventories pledged as a security for liabilities was £39.2 million.

On 19 October 2022, the Directors concluded a first amendment to the Group's asset backed lending facility where the original profit condition covenant (calculated as a minimum repeat contribution level to be equal to or greater than facility defined quarterly contribution targets over the course of the agreement on signing), was replaced by a new facility defined adjusted EBITDA profit test. This new covenant came into effect for periods beginning after 26 September 2022.

The introduction of the revised covenant has no financial effect on the operation of the credit agreement. However, the Directors believe that this new profit covenant test provides significantly greater latitude to the orderly operation of the facility across a wide range of economic circumstances.

The Group met all its legacy covenant conditions prior to the commencement of the first amendment to the agreement and has met all its subsequent covenant commitments in the financial year.

Following the first amendment to the agreement, the Group has three substantive financial condition covenants in relation to this credit facility:

- a) A facility defined minimum balance sheet current ratio test
- b) A facility defined minimum qualified cash balance of \$20 million to be held by loan parties at all times
- c) A facility defined adjusted EBITDA profit test (as amended on 19 October 2022)

As set out in note 31 Events after the balance sheet date, on 22 August 2023 the Group concluded a further amendment to credit facility, revising the calculation of the facility defined adjusted EBITDA profit test.

Effective from 27 March 2023, the Group's credit facility was acquired as part of the loan portfolio purchased by First Citizens Bank & Trust Company (First Citizens Bank) as part of their acquisition of Silicon Valley Bridge Bank, N.A, formerly Silicon Valley Bank. The Directors have received written confirmation from First Citizens Bank that the Bank has assumed all the liabilities and obligations of Silicon Valley Bridge Bank, N.A. associated with this facility. The administrative agent and issuing lender for the facility is now Silicon Valley Bank, a division of First Citizens Bank.

24 Lease liabilities

The Group leases a winery and office facilities. The leases run for a period between one and ten 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 year or less and/or low-value items which the Group has elected not to recognise as IFRS 16 leases. The maturity analysis of the lease liabilities is set out below:

	3 April 2023 £'000	28 March 2022 £'000
Maturity analysis		
Due within one year	2,301	1,089
Due between one and two years	1,773	818
Due between two and three years	1,298	530
Due after three years	1,008	1,432
	6,380	3,869
Less: unearned interest	(529)	(302)
	5,851	3,567

Lease liability analysed as:

	3 April 2023 £'000	28 March 2022 £'000
Current	2,030	991
Non-current	3,821	2,576
	5,851	3,567

Notes to the financial statements

continued

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.

On 31 March 2022, the Group entered into a 36-month senior secured credit facility. Refer to note 23 Borrowings for details.

The Group's net cash excluding lease liabilities 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 cash excluding lease liabilities position levels at the period end date may not be indicative of the cash excluding lease liabilities position at other points throughout the period.

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the contractual undiscounted cash flows. Forward currency assets and liabilities are held at fair value and have been presented separately.

	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
At 3 April 2023							
Financial assets							
Trade and other receivables	3,198	–	–	–	3,198	3,198	–
Vendor loan note	480	10,711	–	–	11,191	11,191	–
Cash and cash equivalents	39,474	–	–	–	39,474	–	39,474
	43,152	10,711	–	–	53,863	14,389	39,474
Financial liabilities							
Trade and other payables	(35,505)	–	–	–	(35,505)	(35,505)	–
Angel funds and other deferred income	(71,314)	–	–	–	(71,314)	(71,314)	–
Borrowings	–	–	(29,131)	–	(29,131)	–	(29,131)
Lease liabilities	(2,030)	(1,612)	(1,235)	(974)	(5,851)	(5,851)	–
Customer bond finance	(35)	–	–	–	(35)	(35)	–
	(108,884)	(1,612)	(30,366)	(974)	(141,836)	(112,705)	(29,131)
At 28 March 2022							
Financial assets							
Trade and other receivables	6,382	–	–	–	6,382	6,382	–
Vendor loan note	360	480	9,634	–	10,474	10,474	–
Cash and cash equivalents	39,846	–	–	–	39,846	–	39,846
	46,588	480	9,634	–	56,702	16,856	39,846
Financial liabilities							
Trade and other payables	(43,735)	–	–	–	(43,735)	(43,735)	–
Angel funds and other deferred income	(76,003)	–	–	–	(76,003)	(76,003)	–
Lease liabilities	(991)	(745)	(473)	(1,358)	(3,567)	(3,567)	–
Customer bond finance	(35)	–	–	–	(35)	(35)	–
	(120,764)	(745)	(473)	(1,358)	(123,340)	(123,340)	–

Financial assets consist of cash and cash equivalents, trade and other receivables and a vendor loan note. The Group applies the IFRS 9 Financial Instruments simplified approach to measuring expected credit losses as all assets, with the exception of the vendor loan note, are considered low risk.

The five-year, £12 million vendor loan note arising as part of the Group's disposal of the Majestic group of companies is due in December 2024. It is held on the balance sheet of Naked Wines plc at amortised cost and is subject to an annual impairment review.

An expected credit loss would occur if the Directors believed that there existed a risk to the timing or quantum of recovery of the amounts due from the issuer of the vendor loan note. Management's annual impairment review of the vendor loan note considers the appropriate level of expected credit loss to hold against this financial asset.

Vendor loan note recoverability is reported by the Directors as a principal risk on the basis of the limited publicly available financial information on the private buyer of the Majestic group of businesses which cannot be mitigated by established covenant reporting obligations and because of the timing and nature of the cashflows associated with this asset.

Financial liabilities held at amortised cost consist of trade and other payables, Angel funds and other deferred income, lease liabilities and customer funded bonds. See note 22 Angel funds and other deferred 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.

The following table analyses the Group's 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 3 April 2023			
Outflow	(18,250)	–	(18,250)
Inflow	17,990	–	17,990
	(260)	–	(260)
At 28 March 2022			
Outflow	(33,242)	(272)	(33,514)
Inflow	33,085	277	33,362
	(157)	5	(152)

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 and relating to the vendor loan note as set out in accounting policy note 3.24 Financial instruments.

In addition, the Group is exposed to credit risk in relation to a deposit with Barclays Bank of £0.3 million included in other debtors, which relates to a guarantee to HMRC for customs duties for the UK trading subsidiary, and the amounts receivable from the Group's card acquiring partners, amounting to payments within the settlement system at any point in time. Barclays Bank UK plc held an investment grade credit rating at April 2023 and the Group's principle card acquirer was the issuer of investment grade debt before and shortly after the end of Naked's financial year, the best credit rating information available for this entity.

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.

Notes to the financial statements

continued

25 Financial instruments (continued)

As at the balance sheet date, the ageing analysis of trade receivables is shown below. The expected credit loss is considered immaterial as the balances are mostly current.

	Current £'000	Up to three months past due £'000	Three - six months past due £'000	Over six months past due £'000	Total trade debtors £'000
At 3 April 2023	443	137	–	1	581
At 28 March 2022	1,250	–	11	–	1,261

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. At the balance sheet date, balances held with the Group's principal banks are held with institutions with investment grade credit ratings. The Directors note that subsequent to the year end, Western Alliance Bancorporation, the parent company of Bridge Bank who are one of the Company's two borrowing facility partner banks, had their credit ratings reduced to a sub investment level by one of their credit rating agencies. Western Alliance Bancorporation retain an investment grade credit rating with their other rating agency. The Group's financial derivative instruments partner does not require nor have a credit rating and is not subject to credit default swap rating. As such, the Board does not categorise this organisation as an investment grade entity.

Interest rate risk

The Group's interest rate risk arises primarily from its asset backed lending facility. At 3 April 2023, the Group had drawn \$36.75 million as borrowings.

Interest payable on this facility is calculated on a margin of between +325bps and +375bps 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 and may not be representative of actual final applicable margins, a \$10 million of drawdown for 12 months would amount to an interest and commitment fee payable of approximately £0.7 million. Based on the current credit facility the Group has drawn, an increase in the SOFR interest rate of 5% would amount to an additional annual interest charge of £1.5 million.

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 GBP, 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	3 April 2023	28 March 2022
Australian dollar : GBP		
Period end	1.828	1.750
Average	1.761	1.850
US dollar : GBP		
Period end	1.240	1.309
Average	1.206	1.368

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the US and Australian subsidiaries.

The following table demonstrates the sensitivity to a reasonable change in GBP against the exchange rates, with all other variables held constant, of the Group's profit before tax:

	Sensitivity in exchange rate	Impact of increase in rate in rate £'000	Impact of decrease in rate in rate £'000
53 weeks ended 3 April 2023			
Australian dollar : GBP	5%	(43)	46
Euro : GBP	5%	(695)	661
US dollar : GBP	5%	(62)	76
Other currencies : GBP	5%	(59)	82
52 weeks 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

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 a midpoint of in year foreign exchange fluctuations on major currencies used by the Group.

Currency:	3 April 2023 £'000	28 March 2022 £'000
Australian dollar	3,445	5,076
Euro	43	166
US dollar	24,272	15,289
Other currencies	46	7
	27,806	20,538
Group's functional currency:		
GBP	11,668	19,308
	39,474	39,846

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.

25 Financial instruments (continued)

	At 3 April 2023			At 28 March 2022		
	Nominal value £'000	Fair value		Nominal value £'000	Fair value	
		Assets £'000	Liabilities £'000		Assets £'000	Liabilities £'000
Forward foreign currency contracts						
Australian dollar	724	–	(39)	1,753	76	(4)
Euro	13,701	13	(135)	21,068	–	(521)
New Zealand dollar	832	–	(21)	2,375	45	(11)
US dollar	1,554	2	(48)	2,644	69	(2)
South African rand	255	–	(14)	2,307	134	(2)
	17,066	15	(257)	30,147	324	(540)
Forward foreign currency swaps						
Australian dollar	208	–	(7)	–	–	–
Euro	105	–	–	3,367	–	64
New Zealand dollar	350	10	–	–	–	–
US dollar	150	5	–	–	–	–
South African Rand	372	–	(26)	–	–	–
	1,185	15	(33)	3,367	–	64
	18,251	30	(290)	33,514	324	(476)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains capital ratios sufficient to meet the needs of its banking partners and the Group's own internal capital ratio targets, 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

	Social security costs £'000	Loss on vouchers provision £'000	Refund liability provision £'000	Dilapidations provision £'000	Redundancy provision £'000	Total £'000
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
Provided in the year	–	42	1,229	157	151	1,579
Released in the year	(161)	(134)	(1,614)	–	–	(1,909)
Utilised in the year	(118)	–	–	–	–	(118)
Foreign currency	–	–	38	–	–	38
At 3 April 2023	50	42	1,323	157	151	1,723

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

	3 April 2023 £'000	28 March 2022 £'000
Current	1,709	2,011
Non-current	14	122
	1,723	2,133

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 for. The share based payment awards can be exercised at various dates from the balance sheet date to 12 August 2032. The value of social security costs payable on the vesting of share based payment awards is dependent on the Group's share price at the date of exercise of 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 99p and the assumption that 100% of employees will take up their vested share based payment awards and that the rate of social security is 13.8% for UK employees, 7.65% for US employees and 0% for Australian employees.

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.

Refund liability provision

Under the requirements of IFRS 15 Revenue from Contracts with Customers, 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.

Dilapidations provision

This provision relates to dilapidations on one of the office buildings leased by the Group.

Redundancy provision

Redundancies were announced prior to the year end and some of the individuals who are expected to receive redundancy payments are not due to leave until the following financial year.

27 Share capital and reserves

	3 April 2023		28 March 2022	
	Number of shares	Value £'000	Number of shares	Value £'000
Authorised				
Ordinary shares of 7.5p each	140,000,000	10,500	140,000,000	10,500
Allotted, called up and fully paid				
At the beginning of the year	73,439,132	5,508	73,161,485	5,487
Issue of shares on the vesting of share based payment schemes	565,003	42	269,412	20
Issue of shares into the Naked Wines plc Share Incentive Plan	–	–	8,235	1
At the end of the year	74,004,135	5,550	73,439,132	5,508

During the year 565,003 (2022: 277,647) ordinary shares of 7.5p each were allotted for a consideration of £0.04 million (2022: £0.02 million). These shares were allotted under the terms of the Company's share schemes, which are described in note 28 Share based payments.

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.

Notes to the financial statements

continued

28 Share based payments

The charge recognised in the income statement in respect of share based payments is £1.6 million (2022: £1.3 million), which includes a credit of £0.1 million (2022: charge of £0.2 million) relating to the Chairman's remuneration (see the Directors' remuneration report on pages 58 to 67 for further details).

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Share schemes	1,675	1,135
Chairman's remuneration	(71)	176
	1,604	1,311

The Company operated three share schemes during the year, all 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 options under the rules of the scheme was made in July 2016. This scheme is unapproved. All LTIP awards have a three-year vesting period. The LTIP's granted prior to July 2020 are subject to a relative Total Shareholder Return ("TSR") performance condition, where the TSR of the Company over the performance period is compared to the TSR of a comparator group of similar companies. The LTIP's granted in July 2020 and July 2021 are subject to a combination of TSR performance and a non-market condition Standstill EBIT (refer to page 130 for the APM definition and page 133 for the calculation).

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

	53 weeks ended 3 April 2023		52 weeks ended 28 March 2022	
	LTIP shares	WAEP	LTIP shares	WAEP
Outstanding at the beginning of the year	1,503,689	–	1,649,706	–
Exercised	(453,554)	£2.24	(317,845)	£7.59
Lapsed	(312,218)	–	(369,182)	–
Granted	–	–	541,010	–
Outstanding at the end of the year	737,917	–	1,503,689	–
Exercisable at the end of the year	–	–	–	–
Weighted average remaining contractual life in years	0.70		1.28	
Range of exercise prices	£nil		£nil	

Based on the share price of 99p at the year end, the Group expects to transfer an estimated amount of £0.03 million 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. All SIP awards have a three year vesting period and is not subject to any performance conditions other than continued employment.

The following table reconciles the number of share awards outstanding and the weighted average exercise price (WAEP) for the SIP scheme:

	53 weeks ended 3 April 2023		52 weeks ended 28 March 2022	
	SIP shares	WAEP	SIP shares	WAEP
Outstanding at the beginning of the year	196,027	–	143,760	–
Exercised	(50,096)	£1.17	(21,709)	£6.68
Lapsed	(21,338)	–	(24,462)	–
Granted	–	–	98,438	–
Outstanding at the end of the year	124,593	–	196,027	–
Exercisable at the end of the year	–	–	–	–
Weighted average remaining contractual life in years	0.86		1.60	
Range of exercise prices	£nil		£nil	

Based on the share price of 99p at the year end, the Group expects to transfer an estimated amount of £0.01 million to the tax authorities to settle the employees' tax obligation.

c) The Naked Wines plc Long-Term Incentive Plan 2022 (New LTIP) was adopted on 10 August 2022. The first grant of options under the rules of the scheme was made in August 2022. This scheme is unapproved. The New LTIP award will vest as follows: 25% of the Shares will vest on the first anniversary of the grant date and 6.25% per quarter thereafter subject to continued employment (i.e. the awards will fully vest after four years for all staff and after seven years for the CEO).

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

	53 weeks ended 3 April 2023	
	LTIP shares	WAEP
Outstanding at the beginning of the year	-	-
Exercised	-	-
Lapsed	(534,440)	£1.575
Granted	3,257,990	£1.575
Outstanding at the end of the year	2,723,550	£1.575
Exercisable at the end of the year	-	-
Weighted average remaining contractual life in years	9.37	
Range of exercise prices	£1.575	

Based on the share price at the year end being under water, there will be no employees' tax obligation to settle.

The fair value of equity-settled share 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.

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022	
	New Long Term Incentive Plan	Long Term Incentive Plan	Share incentive plan
Weighted average share price at grant	£0.86	£8.60	£8.59
Weighted average exercise price	£157.50	£0.00	£0.00
Expected life of awards (years)	6.29	3	3
Contractual life (years)	4	3	3
Volatility (%)	58.5%	39.9% to 41.0%	39.9%
Dividend yield (%)	n/a	n/a	n/a
Risk free interest rate (%)	1.95% to 1.98%	0.15% to 0.46%	0.15%
Weighted average fair value of shares granted during the year	£0.86	£7.82	£8.59

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

Future minimum amounts payable	3 April 2023	28 March 2022
	£'000	£'000
Within one year	114,185	140,922
Between one and five years	66,253	95,165
Over five years	2,469	9,635
	182,907	245,722

This note includes future minimum amounts payables for the provision of warehousing facilities, delivery services, logistics and bottling services and contractual obligations and commitments relating to wine.

The contractual obligations and commitments relating to wine which are made in the course of securing the wine the Company sells to its customers, not previously disclosed, have been included for the first time. Prior year comparatives have been revised to include an additional £213 million of comparable wine purchase order commitments giving a total reported prior year wine order commitment of £223 million.

Capital expenditure authorised and contracted for but not provided in the accounts is £nil (2022: £0.8 million).

Notes to the financial statements

continued

30 Notes to the cash flow statement

(a) Reconciliation of profit to cash flows from operations

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Cash flows from operations		
Operating (loss)/profit	(14,258)	1,904
Add back/(deduct):		
Depreciation and amortisation	4,299	3,558
Impairment of goodwill, property, plant and equipment and right-of-use assets	18,183	–
Loss on disposal of fixed assets	327	18
Intangible assets previously capitalised under former accounting policy	253	–
Profit on sale of asset held for resale	(4,814)	–
Fair value movement on foreign exchange contracts	109	(1,212)
US segment inventory provision	10,254	–
Share based payment charges	1,604	1,311
Operating cash flows before movements in working capital	15,957	5,579
Increase in inventories ¹	(28,770)	(61,174)
(Decrease)/increase in Angel funds and other deferred income	(6,193)	3,582
Decrease/(increase) in trade and other receivables	3,501	(1,779)
(Decrease)/increase in trade and other payables	(14,476)	12,863
Net cash flows used in operations	(29,981)	(40,929)

1. Increase in inventories is calculated as the GBP movement in the balance sheet of £23.3 million (FY23 inventory of £165.7 million less FY22 inventory of £142.4 million), plus the non-cash inventory provision of £10.3 million and after adjusting for FX of £4.8 million.

(b) Cash and cash equivalents

	3 April 2023 £'000	28 March 2022 £'000
Cash and cash equivalents	39,474	39,846

(c) Analysis of movement in net cash and changes in liabilities arising from financing activities

	28 March 2022 £'000	Cash flows £'000	Non-cash movements ¹ £'000	3 April 2023 £'000
Cash and cash equivalents	39,846	(685)	313	39,474
Borrowings:				
Borrowings net of issuance costs	–	(29,673)	542	(29,131)
Customer funded bond	(35)	–	–	(35)
Lease liabilities	(3,567)	1,299	(3,583)	(5,851)
Net liabilities arising from financing activities	(3,602)	(28,374)	(3,041)	(35,017)
Total net cash/(borrowings)	36,244	(29,059)	(2,728)	4,457

1. Non-cash movements relate to lease additions and foreign exchange movements.

31 Events after the balance sheet date

On 22 August 2023, the Directors concluded an amendment to the principal covenant obligations of the Group's asset backed lending facility. This amendment moves the facility defined adjusted EBITDA covenant commitment threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 and increases the size and specificity of the non-recurring expense add-back in the calculation of the facility defined adjusted EBITDA covenant commitment. The amendment also documented as a post-close completion obligation the inclusion of the Group's Australian businesses as loan parties to the agreement. These revised covenant obligations come into effect for periods beginning after 2 October 2023.

The introduction of the revised covenant commitments has no financial effect on the operation of the credit facility. However, the Directors believe that the revised profit covenant test provides the Company with greater latitude in the unwind of the Group's excess inventory and management of its operating cost base.

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.

The recently appointed non-Executive Director Jack Pailing is the founder and portfolio manager at Colebrooke Partners Limited which holds 368,116 shares in Naked Wines plc.

There are no other related party transactions which require disclosure (2022: none).

33 Investments in subsidiaries

Details of the Group's subsidiaries at 3 April 2023 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 3 April 2023

	Note	3 April 2023 £'000	28 March 2022 £'000
Non-current assets			
Investments in subsidiaries	37	18,303	58,244
Loan notes receivable from subsidiaries	38	103,143	85,701
Right-of-use assets	39	86	–
Intangible assets	40	–	542
Deferred tax assets	41	94	1,098
Other receivables	42	10,711	10,114
		132,337	155,699
Current assets			
Trade and other receivables	42	917	911
Cash and cash equivalents		5,427	10,495
		6,344	11,406
Assets classified as held for sale	43	–	810
		6,344	12,216
Current liabilities			
Trade and other payables	44	(55,355)	(42,759)
Lease liabilities	45	(87)	–
Provisions	46	(187)	(207)
		(55,629)	(42,966)
Net current liabilities		(49,285)	(30,750)
Total assets less current liabilities		83,052	124,949
Non-current liabilities			
Provisions	46	(14)	(122)
		(14)	(122)
Net assets		83,038	124,827
Equity			
Share capital	47	5,550	5,508
Share premium	47	21,162	21,162
Capital redemption reserve		363	363
Retained earnings		55,963	97,794
Total equity		83,038	124,827

For the 53 weeks ended 3 April 2023, the Company reported a loss of £43.3 million (52 weeks ended 28 March 2022: profit of £0.9 million).

The financial statements of Naked Wines plc were approved by the Board of Directors and authorised for issue on 18 September 2023. They were signed on its behalf by James Crawford.

Company statement of changes in equity

For the 53 weeks ended 3 April 2023

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 29 March 2021		5,487	21,162	363	95,814	122,826
Profit for the year		-	-	-	942	942
Total comprehensive profit for the year		-	-	-	942	942
Shares issued	47	21	-	-	(21)	-
Share based payment charges – subsidiary employees	28	-	-	-	572	572
Share based payment charges – Company	28	-	-	-	739	739
Deferred tax on share based payments	41	-	-	-	(252)	(252)
At 28 March 2022		5,508	21,162	363	97,794	124,827
Loss for the year		-	-	-	(43,312)	(43,312)
Total comprehensive loss for the year		-	-	-	(43,312)	(43,312)
Shares issued	47	42	-	-	(42)	-
Share based payment charges – subsidiary employees	28	-	-	-	894	894
Share based payment charges – Company	28	-	-	-	710	710
Deferred tax on share based payments	41	-	-	-	(81)	(81)
At 3 April 2023		5,550	21,162	363	55,963	83,038

Notes to the Company financial statements

34 Significant accounting policies

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

Naked Wines plc is the parent of the Naked Wines group in whose consolidated financial statements its financial statements are consolidated. The Naked Wines plc Group annual report and accounts are available to the public and may be obtained via the Investors section of the Naked Wines website: www.nakedwinesplc.co.uk.

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, IFRS 5, IFRS 16 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 to the consolidated financial statements except as noted below.

Revenue

Revenue in the Company represents management fee income from its subsidiary, Naked Wines International Limited. Management fee income is charged and invoiced on a quarterly basis in respect of each financial year.

Software as a Service (SaaS)

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements published in April 2021.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Where costs incurred for the development of software code enhances, modifies, or creates additional capability to existing on-premise systems as part of a SaaS implementation are readily identifiable and meets the definition of and recognition criteria for an intangible asset, these costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Share based payments

Refer to accounting policy note 3.11 Share based payments within the Group accounting policies. A capital contribution on share based payment awards granted to subsidiary employees is booked as an increase to the investment in subsidiaries.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Detailed cash flow forecasts prepared on a business unit basis reflecting intergroup recharges and the availability of liquidity from Group sources are used as an indicator of impairment when looking at the recoverability of the parent company's investments and loans in subsidiaries.

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 accounting policy note 3.17 Property, plant and equipment and right-of-use assets 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 accounting policy note 3.23 Assets classified as held for sale for details.

35 Key accounting judgements and estimates

Key sources of estimation uncertainty

The Directors have prepared detailed value in use calculations, including separate cash flow forecasts for each business unit, for the purpose of evaluating the Company's investment in subsidiaries for impairment. This exercise was performed following the significant decline in the Company's market capitalisation during the year which amounts to an indicator of impairment. These calculations and forecasts contain estimates and judgements on the expected future trading prospects of each of the Company's subsidiaries. For further disclosure relating to this key source of estimation uncertainty see note 4 Critical accounting policies, estimates and judgements. As a result of these assessments, the Directors identified that the carrying value of investments in subsidiaries had become partially impaired at the year end, as set out in note 37 Investment in subsidiaries. The Directors draw attention to the importance of the estimates and judgements contained within the value in use calculation to support the carrying value of the subsidiaries and note that in the event of a further adverse movement in either the value in use discount rate or in forecast cash flows that the carrying value of the Company's investment in subsidiaries would be further impaired.

The Directors do not consider that there are any other 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 and they have no critical accounting judgements.

36 Staff costs

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

	53 weeks ended 3 April 2023 number	52 weeks ended 28 March 2022 number
Administrative	102	105

The aggregate remuneration comprised:

	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
Wages and salaries	6,818	5,834
Social security costs	645	699
Contributions to defined contribution pension plans	318	256
Share based payment charges	710	563
	8,491	7,352

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

37 Investment in subsidiaries

	£'000
Cost or valuation:	
At 28 March 2022	58,244
Capital contribution on share based payment awards granted to subsidiary employees	894
At 3 April 2023	59,138
Amounts provided for:	
At 28 March 2022	–
Impairments	(40,835)
At 3 April 2023	(40,835)
Net book value	
At 3 April 2023	18,303
At 28 March 2022	58,244

Details of the Company's subsidiaries at 3 April 2023 are disclosed in note 33 Investments in subsidiaries.

The impairment test on the recoverability of the Company's investment in subsidiaries has resulted in an impairment charge in the year of £40.8 million. Refer to note 34 Significant accounting policies for details of the basis of the impairment test.

37 Investment in subsidiaries (continued)

Sensitivity to further impairment charges

The key assumptions used in the recoverable amount estimates are the discount rate applied and the forecast cash flows. The Directors note the Company's sensitivity to further impairment in the event of the following changes in key assumptions:

	Material change in impairment	Full impairment
Carrying value written down by a further	£2.2m	£18.3m
In the event of:		
Discount rate increasing by ¹	0.9%	9.4%
OR		
Forecast cash flows declining by	(2.5)%	(20.5)%

1. A range of discount rates have been used in calculating the recoverable amounts. The increases given represent a uniform increase across all markets.

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. Loan notes receivable from subsidiaries are considered low credit risk as the subsidiaries are either solvent or benefit from ultimate parent company letters of support and are covered by the Group's liquidity arrangements.

39 Right-of-use assets

	Buildings £'000	Equipment, fittings & vehicles £'000	Total £'000
Cost			
At 28 March 2022	–	12	12
Additions	124	–	124
Disposals	–	(12)	(12)
At 3 April 2023	124	–	124
Accumulated depreciation			
At 28 March 2022	–	(12)	(12)
Charge for the year	(38)	–	(38)
Disposals	–	12	12
At 3 April 2023	(38)	–	(38)
Net Book Value			
At 3 April 2023	86	–	86
At 28 March 2022	–	–	–

Total cash outflow for leases was £0.04 million (2022: £0.003 million). The interest expense on lease liabilities is £nil (2022: £nil).

40 Intangible assets

	Software £'000
Cost	
At 28 March 2022	1,833
Transfer of Software as a Service to the income statement	(253)
At 3 April 2023	1,580
Accumulated amortisation	
At 28 March 2022	(1,291)
Charge for the year	(289)
At 3 April 2023	(1,580)
Net Book Value	
At 3 April 2023	–
At 28 March 2022	542

41 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.

	28 March 2022 £'000	Recognised in income statement £'000	Recognised in OCI £'000	3 April 2023 £'000
Fixed assets	–	29	–	29
Provisions	112	(106)	–	6
Losses	735	(735)	–	–
Share based payments	251	(111)	(81)	59
	1,098	(923)	(81)	94

Deferred tax assets arising from timing differences are not 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 £6.2 million (2022: £4.4 million) 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. In the prior year, deferred tax on £3.9 million not previously recognised, was recognised and was utilised in the current year. There is no expiry date on these unrecognised losses.

42 Trade and other receivables

	3 April 2023 £'000	28 March 2022 £'000
Current		
Vendor loan note	480	360
Other debtors	40	–
Prepayments	397	551
	917	911
Non-current		
Vendor loan note	10,711	10,114

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

Notes to the financial statements

continued

43 Asset classified as held for sale

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

44 Trade and other payables

	3 April 2023 £'000	28 March 2022 £'000
Trade payables	360	82
Other taxes and social security	24	200
Amounts due to Group undertakings	50,964	39,951
Accruals	3,800	2,478
Other payables	207	48
	55,355	42,759

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

45 Lease liabilities

The Company leases an office with a total term of 13 months. The maturity analysis of the lease is set out below, disclosed within current liabilities.

	3 April 2023 £'000	28 March 2022 £'000
Due within one year	89	–
Less: unearned interest	(2)	–
	87	–

46 Provisions

	Social security costs £'000	Redundancy provision £'000	Total £'000
At 28 March 2022	329	–	329
Provided in the year	–	151	151
Released during the year	(161)	–	(161)
Utilised during the year	(118)	–	(118)
At 3 April 2023	50	151	201

	3 April 2023 £'000	28 March 2022 £'000
Current	187	207
Non-current	14	122
	201	329

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 12 August 2032. The value of social security costs payable on the vesting of share based payment awards is dependent on the Group's share price at the date of exercise of 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 99p and the assumption that 100% of employees will take up their vested share based payment awards and that the rate of social security is 13.8% for UK employees, 7.65% for US employees and 0% for Australian employees.

Redundancy provision

Redundancies were announced prior to the year end and some of the individuals who are expected to receive redundancy payments are not due to leave until the following financial year.

47 Share capital and share premium

Details are disclosed in note 27 Share capital and reserves.

48 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 options outstanding at the end of the period.

49 Commitments

Future minimum amounts payable:	3 April 2023 £'000	28 March 2022 £'000
Within one year	237	90
Between one and five years	595	–
	832	90

Commitments relate to committed software contract expenditure.

Capital expenditure authorised and contracted for but not provided in the accounts is £nil (2022: £771,000).

Naked Wines plc, the Company, guarantees Angel funds (refer to note 22 Angel funds and other deferred income for an explanation on what these funds are), and has provided a guarantee to the credit card acquirer through whom refunds would be made.

50 Events after the balance sheet date

On 22 August 2023, the Directors concluded an amendment to the principal covenant obligations of the Group's asset backed lending facility. This amendment moves the facility defined adjusted EBITDA covenant commitment threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 and increases the size and specificity of the non-recurring expense add-back in the calculation of the facility defined adjusted EBITDA covenant commitment. The amendment also documented as a post-close completion obligation the inclusion of the Group's Australian businesses as loan parties to the agreement. These revised covenant obligations come into effect for periods beginning after 2 October 2023.

The introduction of the revised covenant commitments has no financial effect on the operation of the credit facility. However, the Directors believe that the revised profit covenant test provides the Company with greater latitude in the unwind of the Group's excess inventory and management of its operating cost base.

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

51 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. The recently appointed non-Executive Director Jack Pailing is the founder and portfolio manager at Colebrooke Partners Limited which holds 368,116 shares in Naked Wines plc.

There are no other related party transactions which require disclosure (2022: none).

52 Ultimate controlling party

The Company, Naked Wines plc, is the ultimate parent and the ultimate controlling party of the Naked Wines Group.

Shareholder information

Annual General Meeting

The AGM will be held at the offices of Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG on 29 September 2023 at 4pm. The Notice of Meeting will be separately distributed to shareholders. The Company will hold an additional general meeting as soon as practicable and legally-permitted after publication of the Annual Report and Accounts to approve items related to the Annual Report and Accounts.

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

Fladgate LLP
16 Great Queen Street
London, WC2B 5DG

Tax Advisor

Grant Thornton
30 Finsbury Square
London EC2A 1AG

Banker

Silicon Valley Bank, a division of First
Citizens Bank & Trust Company
505 Howard Street, 3rd Floor
San Francisco, CA 94105

Glossary of definitions, alternative performance measures (APMs) and key performance indicators (KPIs)

Definitions

5* customer service	The percentage of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale of 1 to 5.	Customer experience KPI
5-Year Forecast Payback	The ratio of projected future Repeat Customer contribution we expect to earn from the new customers recruited in the year, divided by the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm that weighs several characteristics including demographics, interactions and transactions forecast over a five-year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes. An explanation of why this is used is on page 31. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results.	Investment measure
5-Year Lifetime Value (LTV)	The future Repeat Customer contribution we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a machine learning 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 machine learning algorithms then predict the future (lifetime) value of that customer.	Investment measure
Active Angel	An Angel that is an active subscriber who has placed an order in the past 12 months.	
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, impairment of goodwill, restructuring costs, fair value movement through the income statement on financial instruments and revaluation of funding cash balances held and any items that are either material, one-time charges we do not expect to be repeated, or are non-trading related. A reconciliation to operating profit can be found on the face of the Group income statement.	APM
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.	APM
AGM	Annual General Meeting	
Angel	A customer who deposits funds into their account each month to spend on the wines on our website.	
CAGR	Compound annual growth rate. The year-on-year growth rate required for a number of years for a value to grow from its beginning balance to its ending balance.	
Company, Naked or Naked Wines	Naked Wines plc	
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of 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. A reconciliation of operating profit to contribution is shown in note 6 Segmental reporting.	
DtC	Direct-to-consumer	
EBIT	Operating profit as disclosed in the Group income statement.	APM
EBITDA	EBIT plus depreciation and amortisation.	
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 132.	APM
Group	Naked Wines plc and its subsidiary undertakings	
Investment in New Customers	The amount we have invested in acquiring new customers during the year, including contribution profit/loss from New Customer sales and advertising costs. Please note that we have updated the description of this term to elaborate on its components, however the underlying calculation has not changed.	Investment measure
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.	
Net cash excluding lease liabilities	The amount of cash we are holding less borrowings at year end excluding lease liabilities.	APM
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.	
Other revenue	Revenue from stock optimisation activities. See accounting policy note 3.5 Revenue.	

Glossary of definitions, alternative performance measures (APMs) and key performance indicators (KPIs) continued

Definitions

Other contribution	The profit or loss attributable to sales meeting the definition of other revenue.	Investment measure
Product availability	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.	Customer experience KPI
Repeat customer	A customer (Angel) who has subscribed and made their first monthly subscription payment.	
Repeat Customer contribution	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment and service costs. An explanation of why this is used is on page 31. A reconciliation of adjusted EBIT to Repeat Customer contribution is shown in note 6 Segmental reporting.	Investment measure
Repeat Customer contribution margin	Repeat Customer contribution as a percentage of Repeat Customer sales.	Investment measure
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.	
Repeat Customer sales retention	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 and summed to calculate the full year retention.	Investment measure
SIP	Share Incentive Plan	
Standstill EBIT	The adjusted EBIT that would be reported if Investment in New Customers was reduced to the level needed only to replenish the portion of the customer base that was lost to attrition during the period. See page 133 for calculation from constituent Group KPIs and APMs.	Investment measure
Total addressable market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.	
Wine quality – “Buy it again” ratings	The percentage of “Yes” scores given by customers in the year indicating that the customer would buy the product again.	Customer experience KPI
Year 1 Payback	A short-term payback measure showing the actual return in this financial year of our investment in the prior year.	Investment measure

Alternative performance measures (APMs)

Reconciliation of reported results to 52 week comparable figures

	FY23					FY22					
	Reported £m	Adjusted items £m	Adjusted £m	Less 53rd week £m	52 week comparable £m	Reported £m	Adjusted items £m	Adjusted £m	Constant FX £m	Prior year comparable £m	
Sales	Group										
	New Customer sales	26.9	–	26.9	(0.9)	26.0	34.0	–	34.0	2.5	36.5
	Repeat Customer sales	320.7	–	320.7	(6.2)	314.5	315.1	–	315.1	20.3	335.4
	Other revenue	6.4	(3.1)	3.3	(0.1)	3.2	1.2	–	1.2	0.1	1.3
		354.0	(3.1)	350.9	(7.2)	343.7	350.3	–	350.3	22.9	373.2
	Naked Wines US										
	New Customer sales	17.2	–	17.2	(0.4)	16.8	17.6	–	17.6	2.2	19.8
	Repeat Customer sales	147.4	–	147.4	(3.3)	144.1	138.7	–	138.7	18.3	157.0
	Other revenue	6.4	(3.1)	3.3	(0.1)	3.2	1.2	–	1.2	0.1	1.3
		171.0	(3.1)	167.9	(3.8)	164.1	157.5	–	157.5	20.6	178.1
	Naked Wines UK										
	New Customer sales	6.4	–	6.4	(0.4)	6.0	11.3	–	11.3	–	11.3
	Repeat Customer sales	130.8	–	130.8	(1.6)	129.2	135.6	–	135.6	–	135.6
		137.2	–	137.2	(2.0)	135.2	146.9	–	146.9	–	146.9
	Naked Wines Australia										
New Customer sales	3.3	–	3.3	(0.1)	3.2	5.1	–	5.1	0.3	5.4	
Repeat Customer sales	42.5	–	42.5	(1.3)	41.2	40.8	–	40.8	2.0	42.8	
	45.8	–	45.8	(1.4)	44.4	45.9	–	45.9	2.3	48.2	
Contribution after advertising costs	Group										
	Investment in New Customers	(21.4)	–	(21.4)	0.7	(20.7)	(41.3)	–	(41.3)	(3.3)	(44.6)
	Repeat Customer contribution	86.5	–	86.5	(1.7)	84.8	86.2	–	86.2	6.6	92.8
	Repeat contribution margin (%)	27%	–	27%	–	27%	27%	–	27%	–	28%
	Other contribution	(12.9)	13.2	0.3	(0.1)	0.2	0.1	–	0.1	–	0.1
		52.2	13.2	65.4	(1.1)	64.3	45.0	–	45.0	3.3	48.3
	Naked Wines US										
	Investment in New Customers	(15.1)	–	(15.1)	0.7	(14.4)	(23.2)	–	(23.2)	(3.1)	(26.3)
	Repeat Customer contribution	50.3	–	50.3	(1.2)	49.1	46.6	–	46.6	6.1	52.7
	Repeat contribution margin (%)	34%	–	34%	–	34%	34%	–	34%	–	34%
	Other contribution	(12.9)	13.2	0.3	(0.1)	0.2	0.1	–	0.1	–	0.1
		22.3	13.2	35.5	(0.6)	34.9	23.5	–	23.5	3.0	26.5
	Naked Wines UK										
	Investment in New Customers	(3.4)	–	(3.4)	–	(3.4)	(13.5)	–	(13.5)	–	(13.5)
	Repeat Customer contribution	25.0	–	25.0	(0.1)	24.9	28.2	–	28.2	–	28.2
Repeat contribution margin (%)	19%	–	19%	–	19%	21%	–	21%	–	21%	
	21.6	–	21.6	(0.1)	21.5	14.7	–	14.7	–	14.7	
Naked Wines Australia											
Investment in New Customers	(2.9)	–	(2.9)	–	(2.9)	(4.6)	–	(4.6)	(0.2)	(4.8)	
Repeat Customer contribution	11.2	–	11.2	(0.4)	10.8	11.3	–	11.3	0.6	11.9	
Repeat contribution margin (%)	26%	–	26%	–	26%	28%	–	28%	–	28%	
	8.3	–	8.3	(0.4)	7.9	6.7	–	6.7	0.4	7.1	
General and administrative costs	Naked Wines US	(13.6)	0.8	(12.8)	–	(12.8)	(14.9)	–	(14.9)	(1.6)	(16.5)
	Naked Wines UK	(6.9)	–	(6.9)	–	(6.9)	(6.6)	–	(6.6)	–	(6.6)
	Naked Wines Australia	(3.6)	–	(3.6)	–	(3.6)	(3.9)	–	(3.9)	(0.2)	(4.1)
	Unallocated	(28.9)	4.2	(24.7)	–	(24.7)	(17.7)	0.1	(17.6)	–	(17.6)
	Group	(53.1)	5.0	(48.0)	–	(48.0)	(43.1)	0.1	(43.0)	(1.8)	(44.8)
Other costs	Profit on sale of property	4.8	(4.8)	–	–	–	–	–	–	–	
	Impairment	(18.2)	18.2	–	–	–	–	–	–	–	
EBIT	Naked Wines US	8.7	14.0	22.7	(0.6)	22.1	8.6	–	8.6	1.4	10.0
	Naked Wines UK	14.7	–	14.7	(0.1)	14.6	8.1	–	8.1	–	8.1
	Naked Wines Australia	4.7	–	4.7	(0.4)	4.3	2.9	–	2.9	0.1	3.0
	Unallocated	(42.4)	17.6	(24.7)	–	(24.7)	(17.7)	0.1	(17.6)	–	(17.6)
	Group	(14.3)	31.6	17.4	(1.1)	16.3	1.9	0.1	2.0	1.5	3.5

Alternative performance measures (APMs) continued

General and administrative costs reconciliation

	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
G&A costs per income statement	(53.1)	(43.1)
Add back/(deduct) adjusted items (see note 7):		
Amortisation of acquired intangibles	1.3	1.3
Disposal of US inventory – charitable donations	0.8	–
Restructuring costs	1.5	–
Software as a Service costs	2.3	–
Legal settlement for Payment card Interchange fees	(0.7)	–
Fair value movement on open foreign exchange contracts	(0.1)	(1.1)
Plc company foreign exchange revaluations	–	(0.1)
G&A costs per note 6 Segmental reporting	(48.0)	(43.0)
Add back marketing R&D spend	5.4	3.0
G&A costs per the calculation of the APM Standstill EBIT	(42.6)	(40.0)
Add back share based payment charges including social security costs	1.5	1.1
Operating G&A costs	(41.1)	(38.9)

Free cash flow

	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
Adjusted EBIT	17.4	2.0
Add back depreciation and amortisation (excludes adjusted amortisation of acquired intangibles)	3.3	2.3
Adjusted EBITDA	20.7	4.3
Intangible assets previously capitalised under former accounting policy	0.3	–
Add back share based payment charges	1.6	1.3
Cash flows before movements in working capital	22.6	5.6
Working capital movement		
Inventories	(29.4)	(61.2)
Angel funds and other deferred income	(6.2)	3.6
Trade and other receivables	3.5	(1.8)
Trade and other payables	(14.5)	12.9
Repayments of principal under lease liabilities	(1.3)	(0.8)
Working capital movement	(47.9)	(47.3)
Pre-tax operating cash flow	(25.3)	(41.7)
Capital expenditure	(1.5)	(1.9)
Free cash flow	(26.8)	(43.6)
Reconciliation to statutory cash flow statement		
Free cash flow	(26.8)	(43.6)
Cash adjusted items	(6.0)	–
Capital expenditure	1.5	1.9
Repayments of principal under lease liabilities	1.3	0.8
Net cash flows from operations	(30.0)	(40.9)

Net cash excluding lease liabilities

	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
Cash and cash equivalents	39.5	39.8
Borrowings:		
Borrowings net of issuance costs	(29.2)	–
Customer funded bond	–	–
Net cash excluding lease liabilities	10.3	39.8

Standstill EBIT

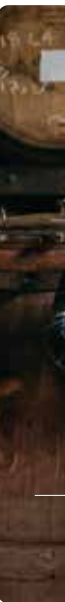
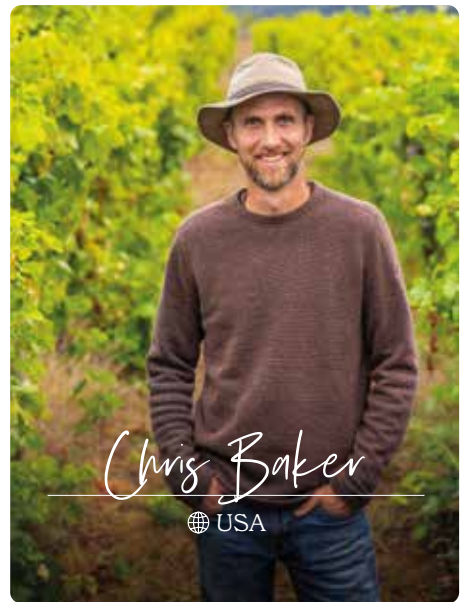
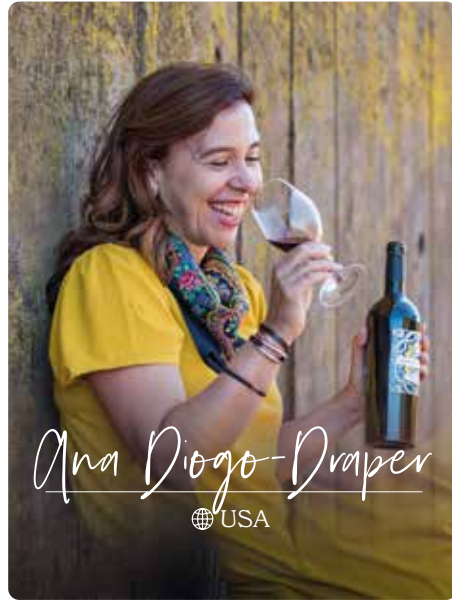
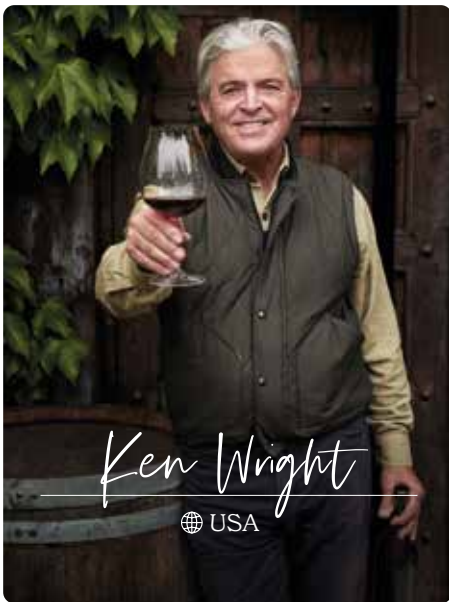
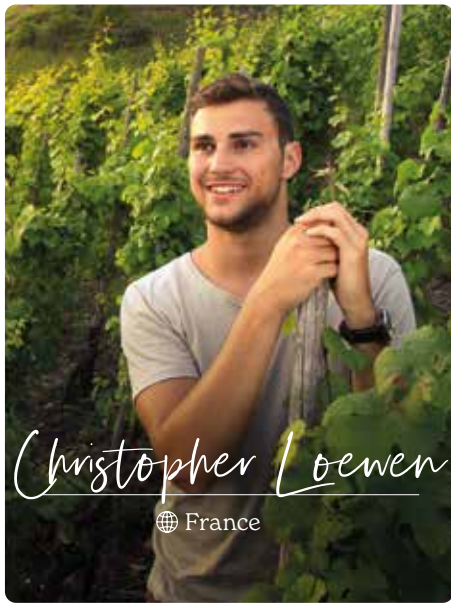
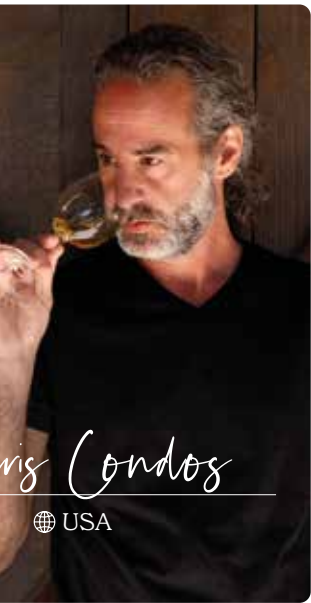
	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
Standstill EBIT is calculated as:		
Repeat Customer contribution (a)	86.5	86.2
Less: replenishment spend (e)	(49.7)	(25.0)
Less: G&A costs ¹	(42.6)	(40.0)
	(5.8)	21.2
(a) Repeat Customer contribution	86.5	86.2
(b) Repeat Customer sales retention	77.6%	80.4%
(c) Repeat Customer contribution lost to attrition (a x (1-b))	19.4	16.9
(d) Year 1 Payback	39.0%	67.5%
(e) Spend to replenish lost Repeat Customer contribution (c/d)	49.7	25.0

¹ Refer to general and administrative costs reconciliation above. Adjusted items and marketing R&D spend included within G&A costs are excluded in the calculation of the Standstill EBIT due to these costs being one-off or non-recurring transactions.



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