Naked Wines plc
(“Naked Wines” or “Group”)

Full Year Results for the 52 weeks ending 30 March 2020

Delivering growth, opportunity accelerated

FY20 performance on track

- FY20 results from continuing operations marginally ahead of expectations
  - Revenue of £203m, up 14% year on year, of which US up 20%
  - Adjusted EBIT[(2)(6)] loss reduced by 50% to (£1.4m)
  - Loss before tax reduced by 46% to (£5.4m)

- Significantly improved KPIs positively influenced by COVID-19 impact
  - Repeat customer contribution[(6)] +15% to £45.7m
  - Investment in new customers[(6)] of £22.9m (+20%)
  - Sales retention[(6)] of 83% (+2p.p.), 20 year payback[(6)] 4.9x (+0.8x)

- Total profit for the period £8.2m reflecting discontinued operations profit after tax of £14.8m

- Strong balance sheet after group reorganisation, with net cash of £55m (FY19: net debt[(6)] (£15.5m))

COVID-19: Resilient operational performance supported strong trading

- Significant improvement in sales retention and 20 year payback metrics driven by strong second half and COVID acceleration in final weeks of the year

- Teams responded to the challenges quickly and effectively, to focus on keeping our people, customers and winemakers safe, while still delivering a high quality customer service

- Operational infrastructure proving resilient and well equipped to serve increased consumer demand, with supply chain and distribution networks operating efficiently within restrictions

- Taken steps to serve our communities and support the wine industry through the crisis

Current Trading: Well positioned for an accelerated shift to online

- Encouraging start to the year, with 81% revenue growth in the first two months of FY21

- Not providing full financial guidance due to uncertainty as to how long current trading conditions will persist; Expect fixed costs of £28m - £30m

- Direct to consumer (“DtC”) well aligned to shift to buying wine online

- Strong balance sheet gives flexibility to take a long-term perspective, manage the potential risk of an uncertain environment, and be open to growth opportunities that are emerging

Total Group		**Reported**		
Continuing business		**FY20**	FY19	%YoY
Revenue	£m	**202.9**	178.4	13.7%
Adj EBIT[(2)(6)]	£m	**(1.4)**	(3.0)	51.6%
Adj PBT[(3)(6)]	£m	**(1.9)**	(3.7)	48.5%
Loss before tax	£m	**(5.4)**	(9.9)	45.7%
Basic EPS	p	**(9.3p)**	(13.7p)	
Free cash flow[(5)]	£m	**(2.4)**	(9.6)	
Total business				
Profit after tax	£m	8.2	(9.4)	
Basic EPS	p	11.3p	(13.3p)	
Cash / (Net Debt)	£m	**54.7**	(15.5)	

Nick Devlin, Group Chief Executive, commented:

"I'm delighted to report a strong set of results to conclude a year of transition for Naked Wines. We are ending the year with great momentum behind our growth plans and a simplified, well-capitalised online pureplay model that is ideally suited to the current climate.

I would like to thank all our colleagues for their determination, flexibility, and commitment to our customers throughout the year, but especially over the past 3 months. I'm proud of the way they have allowed Naked to respond to the challenges posed initially by COVID-19 and subsequently by the sharp acceleration in growth we have seen since mid-March

Whilst predictions are harder than ever this year, I am excited about our plans for growth and confident that the mission of Naked to connect everyday wine drinkers to the world's best winemakers is more relevant than ever. I believe the enduring impact of COVID-19 will be to accelerate trends towards direct, online models in categories like wine and that Naked is well positioned to deliver the combination of quality, value and community customers are looking for."

Naked Wines plc will host an analyst and investor conference call at 2pm BST / 9am EDT / 6am PDT on 24 June 2020. The briefing will be webcast using the following link https://webcasting.brrmedia.co.uk/broadcast/5ee748d15e278421d0698629. A recording will also be made available after the meeting on our investor website at https://www.nakedwinesplc.co.uk/investor-centre/results-centre/. To receive the conference call details, please contact the Investor Relations Team (IR@nakedwines.com).

Notes:
(1) Figures including comparatives reflect continuing operations as a result of the disposal of the Majestic Wine and Lay & Wheeler businesses in the year unless otherwise stated.
(2) Adjusted EBIT is operating profit adjusted for amortisation and impairments of acquired intangibles and goodwill, acquisition costs, share based payment charges, impairment charges, restructuring costs, net fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment
(3) Adjusted PBT is defined as Adjusted EBIT less net finance charges
(4) Adjusted EPS is calculated by excluding the effect of the adjusted items described in note (2) above from the (loss) / profit for the period
(5) Free cash flow is defined as cash generated from operations less capital expenditure and rent cash expenditure, excluding cash adjusted items
(6) This is an alternative performance measure. See details at the end of this document

For further information, please contact:

Naked Wines plc	
Nick Devlin, Chief Executive Officer	**ir@nakedwines.com**
James Crawford, Chief Financial Officer	
Investec (NOMAD & Broker)	
David Flin / Carlton Nelson / Tejas Padalkar	**Tel: 0207 597 5970**
Instinctif Partners (PR Agency)	
Damian Reece / Guy Scarborough	**Tel: 0207 457 2020**
	or 07931 598 593

About Naked Wines plc

Naked Wines connects everyday wine drinkers with the world's best independent winemakers.

Why? Because we think it's a better deal for everyone. Talented winemakers get the support, funding and freedom they need to make the best wine they've ever made. The wine drinkers who support them get much better wine at much better prices than traditional retail.

It's a unique business model. Naked Wines customers commit to a fixed prepayment each month which goes towards their next purchase. Naked in turn funds the production costs for winemakers, generating savings that are passed back to its customers. It creates a virtuous circle that benefits both wine drinker and winemaker.

Our mission is to change the way the whole wine industry works for the better. In the last year, we have served nearly 600,000 individual customers in the US, UK and Australia, making us a leading player in the fast growing direct-to-consumer wine market.

Our customers (who we call Angels) have direct access to over 200 of the world’s best independent winemakers making over 1,000 quality wines in 19 different countries. We collaborate with some of the world's best independent winemakers like Matt Parish (Beringer, Stags’ Leap) and 8-time Winemaker of the Year Daryl Groom (Penfolds Grange).

CHAIRMAN'S STATEMENT

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

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

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

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

FY20 performance

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

Emergence of Naked Wines plc

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

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

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

Our Board

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

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

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

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

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

Looking Ahead

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

I look forward to this exciting journey.

CHIEF EXECUTIVE REVIEW
A year of change, challenge and opportunity

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

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

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

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

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

- Sales growth of 14%, with 20% growth in the US
- Investment in customer acquisition up 20% to £22.9m (FY19: £19.1m) with forecast payback of 4.9x
- Repeat customer contribution growth of £5.9m or +14.7%, to £45.7m
- Loss before tax from continuing operations of £5.4m (FY19: £9.9m) from the Group's continuing business driven by stronger trading and reduction in adjusted items

The full year results above reflect an improvement in performance on our key measures from our interim results, with the second half of the year showing improvement, in particular, in investment efficiency. In H2 we started to realise benefits of rebalancing investment spend mix away from first order discounts; the benefit of our global rollout of machine learning led LTV[6] forecasting and initial results from our investment in the US Growth team. Whilst attention is understandably drawn to the sharp COVID-19 induced acceleration in the final weeks of the year, the five months ending Feb 2020 reflected a steady trend of improvement from these initiatives.

COVID-19 Impact

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

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

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

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

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

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

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

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

The Growth Opportunity

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

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

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

The headroom for growth is vast:

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

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

1. Improve proposition to increase LTV

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

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

2. Harness scale efficiency to drive LTV

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

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

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

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

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

3. Unlock new investment channels

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

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

Capital allocation

Our capital allocation policy is as follows:

1. Maintain a healthy balance sheet which, in the near-term, means no net debt,
2. Invest in growth in a disciplined way to take advantage of the large perceived growth opportunity particularly in the US

3. Return to shareholders any funds in excess of the level needed to fund growth and manage risk.

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

In summary

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

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

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

FINANCIAL REVIEW

The Chief Operating Decision Maker ("CODM") of the Company is the Board of Directors. In discussing business performance the CODM uses adjusted measures. These differ from statutory reporting as described on note 6 below.

There have been material changes to the Group's structure following completion of the disposal of the Majestic Wine business on 10 December 2019 and the Lay & Wheeler business on 1 October 2019. As such, income and expenses of these business segments are reported as profit after tax from discontinued operations at the end of March 2020 and for comparative periods and are disclosed in note 8 Discontinued operations below. All figures related to the 2019 and 2020 financial years presented in this report refer to the Group's continuing operations unless otherwise stated:

- The Continuing business is the Naked Wines territories and central support functions
- Adjusted measures exclude share based payment charges, amortisation of acquired intangibles, mark to market on FX contracts, transaction related costs and in FY20 FX revaluation of foreign current funding balances (FY19: nil)

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

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

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

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

Group Performance

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

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

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

This improvement was driven by:

- £5.9m higher contribution from repeat customers

offset by

- (£3.8m) higher investment in new customers
- (£0.5m) higher fixed costs(6)
- £0.3m improvement in finance costs

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

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

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

This late surge did not have a material impact on the financial results for FY20, but did flatter our Investment KPIs as noted below.

	FY20 £m	FY19 £m	YoY %
New customers			
- Revenue	29.2	25.5	14.6%
- Contribution	(22.9)	(19.1)	20.0%
Repeat customers			
- Revenue	173.7	152.9	13.6%
- Contribution	45.7	39.8	14.7%

Fixed costs (including central costs)	(24.2)	(23.7)	2.3%
Adjusted EBIT	**(1.4)**	**(3.0)**	**-51.6%**
Finance charges	(0.5)	(0.8)	-36.7%
Adjusted loss before tax	**(1.9)**	**(3.7)**	**-48.5%**
Memo: Total revenue	**202.9**	**178.4**	**13.7%**
KPIs			
Forecast payback	4.9x	4.0x	+0.9x
Year 1 payback	0.67x	0.78x	(0.11x)
Active Angels	594k	537k	+10.6%
Repeat customer sales retention	83.3%	80.7%	+2.6p.p.
Repeat customer contribution margin	26.3%	26.1%	+0.2p.p.
Standstill EBIT(6)	£10.1m	£6.3m	60.3%

New customers

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

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

We have been benchmarking our forecast payback measure to other businesses that use similar Investment KPIs and concluded that, while a useful measure in the context of our business which continues to derive contribution from cohorts in excess of 10 years old, our 20-year measurement period is very long and this impacts comparability and understanding of shorter-term returns. To aid understanding in this, we have laid out the 5-year and 20-year payback forecasts for recent cohorts, as well as the accumulated payback to date. We expect to begin reporting 5-year payback as a KPI on a regular basis. Over time this measure may displace 20-year payback, although for the foreseeable future we will continue to report both numbers to assist in comparability and understanding.

Cohort	**Age at reporting date**	**Payback**		**Payback to date**
		5 years (forecast)	**20 years (forecast)**	
FY16	49-60 months	3.1x (Actual)	6.3x	3.1x
FY17	37-48 months	2.5x	5.2x	2.1x
FY18	25-36 months	2.5x	5.1x	1.6x

FY19	13-24 months	2.3x	4.4x	0.9x
FY20	0-12 months	2.6x	4.9x	0.3x

Note: Historic payback stability

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

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

Repeat customers

FY20 repeat customer contribution of £45.7m is sourced from: (a) 83% Sales Retention from FY19, at an FY20 contribution margin of 26.3%, (b) Year 1 payback of 0.67x on the £19m new customer investment made in FY19.

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

- Sales retention of 83.3%:
    - An improvement of +2pps vs the prior year, with gains in the UK and Australia, whereas the US was flat
    - This measure was inflated by strong repeat customer sales in the final two weeks of the year as the lockdown measures to control the COVID-19 pandemic took hold. Excluding these weeks we estimate sales retention to have been 81%

- Year 1 payback from our FY19 investments of 67%:
    - This is within the 65–70% range we indicated at the half year
    - Excluding the COVID-19 impact, this would have been c. 65%
    - This is 11pps lower year on year, which is driven by the increased level of digital sourced customers in our recruitment mix

    - These customers show lower year 1 payback, but higher retention, resulting in similar long-term paybacks to other customers but reducing the year 1 payback overall

- Repeat contribution margins 0.2pps higher year on year, driven by:
    - Lower margins during H1 due to increased sampling of premium wines to migrate customers to our "sweet spot", and more pro-active refunds to encourage broader sampling and experimentation within the range
    - H2 margins improving by 0.9pps due to improved fulfilment costs as the benefits of scale start to be realised

Fixed costs

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

Standstill EBIT

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

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

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

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

Financing costs and tax

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

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

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

Adjusted items

Adjusted items represented a net cost of (£3.4m), a reduction from (£6.2m) in FY19. The main driver is the reduction in charges relating to the acquisition of Naked Wines by Majestic Wine plc in FY16. A full analysis is shown in note 6.

We intend to cease reporting share-based payment charges as an adjusted item from FY21 onwards, reducing adjusted EBIT and PBT by likely more than the current year charge of £1.0m going forwards.

Discontinued operations and the impact of disposals

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

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

The sale of Majestic completed on 10 December 2019 generating:

- Immediate cash receipts of £77m;
- A vendor loan note receivable of £12m due for payment on 10 December 2024;
- Deferred contingent consideration of £5m for the Majestic Calais stores, payable on 10 December 2021 if they have been trading to an agreed performance level should Brexit have created restrictions impacting performance of that business
- Assets held for sale comprising one store that was subject to post-completion documentation requirements which were completed during June 2020 generating receipts of £1.0m.

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

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

Details of the disposals are disclosed in the note 8 below, Discontinued operations.

Cash and cash flow drivers

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

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

Principal drivers of the FY20 working capital movements were:

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

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

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

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

Current trading and cost guidance

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

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

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

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

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

GROUP INCOME STATEMENT

For the year ended 30 March 2020

	Note	Year ended 30 March 2020 £'000	Restated See note 9 Year ended 1 April 2019 £'000
Continuing operations			
Revenue		**202,911**	178,438
Cost of sales		(125,352)	(109,969)
Gross profit		**77,559**	68,469
Distribution costs		(34,955)	(30,057)
Administrative expenses		(47,478)	(47,528)
Operating loss		**(4,874)**	(9,116)
Net finance charge		(501)	(789)
Loss before tax from continuing operations		**(5,375)**	(9,905)
Analysed as:			
Adjusted loss before tax		**(1,931)**	(3,747)
Adjusted items:	6		
- Non-cash charges relating to acquisitions		(3,646)	(5,004)
- Other adjusted items		202	(1,154)
Loss before tax from continuing operations		**(5,375)**	(9,905)
Tax	7	(1,310)	278
Loss from continuing operations		**(6,685)**	(9,627)
Discontinued operations			
Profit from discontinued operations, net of tax	8	14,837	227
Profit/(loss) for the period		**8,152**	**(9,400)**
Loss per share - Continuing operations	10		
Basic and diluted		(9.3p)	(13.7p)
Earnings/(loss) per share - Total Group	10		
Basic		11.3p	(13.3p)
Diluted		11.1p	(13.3p)

GROUP BALANCE SHEET

As at 30 March 2020

	30 March 2020 £'000	1 April 2019 £'000
Non-current assets		
Goodwill and intangible assets	**35,996**	45,153
Property, plant and equipment	**1,234**	54,301
Right of use assets	**5,289**	-
Investment property	**899**	-
En primeur purchases	**-**	897
Prepaid operating lease costs	**-**	647
Deferred tax assets	**3,309**	2,259
Other receivables	**13,005**	-
	59,732	103,257
Current assets		
Inventories	**69,935**	119,464
Trade and other receivables	**5,737**	18,132
En primeur purchases	**-**	4,296
Financial instruments at fair value	**539**	-
Cash and cash equivalents	**54,736**	19,093
	130,947	160,985
Assets classified as held for sale	**953**	-
	131,900	160,985
Total assets	**191,632**	264,242
Current liabilities		
Trade and other payables	**(26,046)**	(66,363)
En primeur deferred income	**-**	(5,564)
Deferred Angel and other income	**(43,632)**	(39,657)
Bank overdraft	**-**	(12,096)
Lease liabilities	**(1,165)**	-
Provisions	**(1,165)**	(2,344)
Deferred lease inducements	**-**	(397)
Bond financing	**(84)**	(99)
Financial instruments at fair value	**(143)**	(3,011)
Current tax liabilities	**-**	(123)
	(72,235)	(129,654)
Non-current liabilities		
En primeur deferred income	**-**	(1,068)
Deferred lease inducements	**-**	(1,502)
Provisions	**(348)**	(203)
Bank loan	**-**	(22,444)
Lease liabilities	**(4,198)**	-
Deferred tax liabilities	**(1,272)**	(220)
	(5,818)	(25,437)
Total liabilities	**(78,053)**	(155,091)
Net assets	**113,579**	109,151
Shareholders' funds		
Called up share capital	**5,466**	5,411
Share premium	**21,162**	21,116
Capital reserve - own shares	**(17)**	(17)
Capital redemption reserve	**363**	363
Currency translation reserve	**1,381**	2,701
Retained earnings	**85,224**	79,577
Equity shareholders' funds	**113,579**	109,151

GROUP CASH FLOW STATEMENT

For the year ended 30 March 2020

	Note	Year ended 30 March 2020 £'000	Restated See note 9 Year ended 1 April 2019 £'000
Cash generated by operating activities			
Cash utilised by operations	11	**(117)**	(8,774)
UK income tax paid		**(276)**	(35)
Overseas income tax paid	-	**(268)**	(127)
Net cash utilised from operating activities - continuing operations		**(661)**	(8,936)
Net cash generated from operating activities - discontinued operations		**22,290**	14,774
Net cash generated by operating activities		**21,629**	5,838
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed of		**63,761**	-
Purchase of property, plant and equipment		**(569)**	(589)
Purchase of intangible fixed assets		**(544)**	(331)
Net cash generated/ (used) in investing activities - continuing operations		**62,648**	(920)
Net cash used in investing activities - discontinued operations		**(2,430)**	(6,092)
Net cash generated/ (used) in investing activities		**60,218**	**(7,012)**
Cash flows from financing activities			
Interest paid		**(344)**	(638)
Issue of ordinary share capital		**53**	131
Repayments of principal under lease liabilities		**(1,153)**	-
Draw down of borrowings		**-**	9,500
Repayment of borrowings		**(22,459)**	(2,346)
Equity dividends paid		**(3,786)**	(5,188)
Net cash (used in)/ from financing activities - continuing operations		**(27,689)**	1,459
Net cash from financing activities - discontinued operations		**(6,625)**	2
Net cash (used in)/ from financing activities		**(34,314)**	**1,461**
Net increase/(decrease) in cash		**47,533**	287
Cash and cash equivalents at beginning of year		**6,997**	6,781
Effect of foreign exchange rate changes		**206**	(71)
Cash and cash equivalents at end of year	11	**54,736**	6,997

Notes to the financial statements

1 General Information

Naked Wines plc “the Company” (formerly Majestic Wine plc) is a public limited company and is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is the ultimate controlling party of the Naked Wines plc Group (“the Group”) and its ordinary shares are traded on the Alternative Investment Market (“AIM”).

The address of the Company’s registered office is 29-33 Chapel Field Road, Norwich NR2 1RP. The Group’s principal activity is the retailing of wine and associated alcoholic beverages. The Company’s principal activity is to act as a holding company for its subsidiaries.

2 Basis of preparation

The financial information set out above does not constitute statutory accounts within the meaning of section 435(1) and (2) of the Companies Act 2006 nor contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (“IFRS”) but are derived from those statements.

The consolidated financial statements comprise the financial statements of the Group as at 30 March 2020 and are presented in UK Sterling and all values are rounded to the nearest thousand (£’000), except when otherwise indicated.

The auditors have reported on the underlying accounts from which this financial information has been drawn and their report is unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

The financial statements of Naked Wines plc for the year ended 30 March 2020 were authorised for issue by the Board of Directors on 24 June 2020 and the balance sheet was signed on behalf of the Board by James Crawford, Chief Financial Officer.

The financial information presented in this document has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted by the European Union as they apply to the financial statements of the Group for the 52 week period ending 30 March 2020.

The Group’s financial reporting year represents the 52 weeks to 30 March 2020 and the prior financial year, 52 weeks to 1 April 2019.

The Group implemented the new accounting standards IFRS 16 on a modified retrospective basis in the year. Their implementation has a material impact on the financial statements.

3 Going Concern

In the light of the ongoing COVID-19 pandemic, the Directors have paid particularly close attention to their assessment of going concern in the preparation of the preliminary report.
The Group is well capitalised with £54.7m of cash and no debt as of March 30 2020. The Directors do not see any practical regulatory or legal restrictions which would limit their ability to fund the different territories of the business as required to the extent of the Group’s available resources.
The Group is currently trading significantly ahead of the original expectations for the period to date driven by changing consumer behaviours in light of the COVID-19 pandemic. Management have produced forecasts that have been sensitised for adverse downturns in its key assumptions around repeat customer subscription and purchasing behaviour and the levels of new customers acquired. Additional scenario modelling has been undertaken to assess the impact of a delayed reassessment of wine purchasing plans in the face of a sustained downturn in trading. These assumptions were combined in a scenario where the drivers of the Group’s current trading upside versus original expectations all reversed in the very short term to levels below the original expectation resulting in significantly higher levels of inventory being carried. Management has also produced a maximum stress forecast which has been deliberately engineered to challenge the Group’s liquidity position

during the forecast period through a one-off immediate reduction in the number of Angels (subscribers) to the business.

These forecasts and analysis demonstrated that the Group's freely deployable cash reserves and its ability to moderate stock purchasing over a realistic timescale versus a substantial immediate downturn in trade and customer numbers are sufficient for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of the signing of these financial statements.

These forecasts and the associated analysis have been reviewed by the Board of Directors.

Accordingly, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

4 New accounting policies

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 2 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets.

The Group is not party to any material leases where it acts as a lessor, but the Group does have a number of property and equipment leases.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policies under IFRS 16 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leases of a value of less than the equivalent of £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

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

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

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated income statement.
As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Notes to the financial statements

Approach to transition
The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(ii). Under IFRS 16.C8(b)(ii), the right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives at transition date. Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(i), whereby right-of-use assets are calculated as if the standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 2 April 2019 ranges from 3.205% to 3.918%.

Financial impact
The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

	As previously reported at 1 April 2019 £'000	Impact of IFRS 16 £'000	**As restated 2 April 2019 £'000**
Right of use assets	-	59,436	59,436
Non-current assets	103,257	482	103,739
Current assets	160,985	(1,543)	159,442
Total impact on assets	**264,242**	**58,375**	**322,617**
Current liabilities	(129,654)	(9,443)	(139,097)
Non-current liabilities	(25,437)	(48,896)	(74,333)
Total impact on liabilities	(155,091)	(58,339)	(213,430)
Retained earnings	**109,151**	**36**	**109,187**

Of the right-of-use assets of £59.4m recognised at 2 April 2019, £58.5m related to leases of property and £0.9m to leases of plant and motor vehicles.

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared with IAS 17. During the financial year ended 30 March 2020, in relation to leases under IFRS 16, the Group recognised the following amounts for continuing operations in the consolidated income statement:

	Depreciation £'000	**Loss on disposal of lease £'000**	**Finance charges £'000**	**Net lease expense £'000**	**Total £'000**
Operating loss/(profit)	1,163	8	-	(1,263)	**(92)**
Net finance charge	-	-	156	-	**156**
Loss/(profit) before tax	1,163	8	156	(1,263)	**64**

Notes to the financial statements

5 Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses, the Group only operates one distinct operating segment, being Naked Wines which is a customer funded international online wine retailer.

Performance of this operating segment is assessed on revenue, adjusted EBIT (being operating profit excluding adjusted items) and adjusted PBT (being profit before taxation excluding adjusted items). These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of the segment. Adjusted items are not allocated to the operating segment as this reflects how they are reported to the Board.

The table below sets out the basis on which the performance of the business is presented to the Board. The Board considers that, as a single route to market and solely consumer facing business, the business is comprised of a single segment being exposed to similar underlying economic drivers across its whole business. The Group reports revenue from external customers as a single product group being wine and associated beverages.

Costs relating to centralised Group functions are not allocated to the operating segment for the purposes of assessing segmental performance and consequently central costs are presented separately.

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

Year ending 30 March 2020	**Continuing operations**			**Discontinued operations**				**Group**
	Naked	**Un-allocated**	**Total**	**Retail**	**Commercial**	**L&W**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	202,911	-	**202,911**	177,021	31,564	7,693	**216,278**	**419,189**
Movement in en primeur sales	-	-	-	-	-	477	**477**	**477**
Revenue	**202,911**	**-**	**202,911**	**177,021**	**31,564**	**8,170**	**216,755**	**419,666**
Adjusted EBIT	**8,470**	**(9,900)**	**(1,430)**	**3,947**	**733**	**298**	**4,978**	**3,548**
Finance income	**-**	**321**	**321**	**-**	**-**	**-**	**11**	**332**
Finance charges	**(179)**	**(643)**	**(822)**	**-**	**-**	**-**	**(1,283)**	**(2,105)**
Adjusted profit/(loss) before tax	**8,291**	**(10,222)**	**(1,931)**	**3,947**	**733**	**298**	**3,706**	**1,775**
Adjusted items:								
- Non cash items relating to acquisitions			**(3,646)**				**(113)**	**(3,759)**
- Other adjusted items			**202**				**(1,423)**	**(1,221)**
Profit/(loss) before tax			**(5,375)**				**2,170**	**(3,205)**
Depreciation	**1,623**	**15**	**1,638**	**9,732**	**-**	**64**	**9,795**	**11,433**
Amortisation	**3,647**	**51**	**3,698**	**199**	**-**	**179**	**378**	**4,075**
Impairments	**-**	**-**	**-**	**740**	**-**	**-**	**740**	**740**

Notes to the financial statements

5 Segmental reporting (continued)

Geographical analysis	Continuing operations				Discontinued operations			Group
	UK	**US**	**Australia**	**Total**	**UK**	**Rest of Europe**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Reported third party revenue	**79,993**	**90,904**	**32,014**	**202,911**	**211,185**	**5,570**	**216,755**	**419,666**
Non-current assets excluding deferred tax assets	**51,637**	**4,161**	**625**	**56,423**	**-**	**-**	**-**	**56,423**

Restated Year ending 1 April 2019	Continuing Operations			Discontinued Operations				Group
	Naked	Un-allocated	Total	Retail	Commercial	L&W	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	178,438	-	178,438	267,664	44,132	14,896	326,692	505,130
Movement in en primeur sales	-	-	-	-		1,014	1,014	1,014
Revenue	178,438	-	178,438	267,664	44,132	15,910	327,706	506,144
Adjusted EBIT	6,656	(9,614)	(2,958)	11,333	2,512	1,151	14,996	12,038
Finance income	2	-	2	-	-	-	2	4
Finance charges	(77)	(714)	(791)	-	-	-	-	(791)
Adjusted profit/(loss) before tax	6,581	(10,328)	(3,747)	11,333	2,512	1,151	14,998	11,251
Adjusted items:								
- Non cash items relating to acquisitions			(5,004)				(225)	(5,229)
- Other adjusted items			(1,154)				(13,363)	(14,517)
Profit/(loss) before tax			(9,905)				1,410	(8,495)
Depreciation	457	-	457	5,269	-	82	5,351	5,808
Amortisation	3,759	45	3,804	311	-	232	543	4,347
Impairments	-	-	-	11,108	-	-	11,108	11,108

Geographical analysis	**Continuing Operations**				**Discontinued operations**			**Group**
	UK	US	Australia	Total	UK	Rest of Europe	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported third party revenue	71,825	75,657	30,956	178,438	318,324	9,382	327,706	506,144
Non-current assets excluding deferred tax assets	37,024	936	77	38,037	59,970	2,991	62,961	100,998

6 Adjusted items

The Directors believe that adjusted profit before tax and adjusted diluted earnings per share measures provide additional useful information for shareholders on trends and performance. These measures are used for performance analysis. Adjusted profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit. The reconciliation from the reported prior year comparatives to the restated comparatives shown below is in note 9. The adjustments made to reported profit before tax are:

	Year ended 30 March 2020 £'000	Restated See note 9 Year ended 1 April 2019 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	**(3,646)**	(3,646)
Acquisition related share based payment charges	**-**	(1,358)
	(3,646)	(5,004)
Other adjusted items		
Restructuring costs	**-**	(107)
Fair value movement through P&L on foreign exchange contracts	**396**	(539)
Foreign exchange movements on currency bank balances	**771**	-
Share based payment charges	**(965)**	(508)
	202	(1,154)
Total adjusted items	**(3,444)**	(6,158)

Amortisation of acquired intangibles
These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current new customer acquisition in its adjusted PBT, the Group includes the expenses of all ongoing customer acquisition in its adjusted profit measures but removes the amortisation cost of those customers acquired before acquisition by Naked Wines plc.

Restructuring costs
The Group has incurred cash costs in 2019 in relation to the exit of a number of retail stores and Support Centre redundancy costs as part of the Group's restructuring process.

Fair value movement on foreign exchange contracts
We commit in advance to buying foreign currency to purchase wine in order to mitigate exchange rate fluctuations. International accounting standards require us to mark the value of these contracts to market at year end. As this may fluctuate materially we adjust it out to better reflect our trading profitability.

Foreign exchange movements on funding currency bank accounts
Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses during the year, the Group is now holding net cash on its balance sheet and this includes sums of foreign currency which it will deploy to fund its US and Australian businesses. At 30 March 2020, the FX revaluation of foreign currency balances held in the company were reported as adjusted items so as not to distort the picture of the underlying business cost base.

6 Adjusted items (continued)

Share based payment charges
We operate SIP and LTIP schemes to incentivise employees. The majority of shares have been awarded under the LTIP scheme which delivers the shares to the employee subject to continued employment and the relative performance of the Group vs a set of peers in terms of total shareholder return performance. The relative nature of this performance criterion means that short-term fluctuations in share prices prior to the date of the award can have a material impact on the calculated expense of these schemes. To mitigate the volatility of these charges we adjust them out, while ensuring that we report the maximum total dilution from all share schemes so that our shareholders can calculate our financial performance on a fully diluted basis.

7 Taxation

(a) Tax charge

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Current income tax expense		
UK income tax	**12**	263
Overseas income tax	**(324)**	(92)
Adjustment in respect of prior periods	**(2,427)**	10
Current income tax (charge)/credit	**(2,739)**	181
Deferred tax expense		
Origination and reversal of temporary differences	**1,159**	99
Adjustment in respect of prior periods	**246**	(6)
Effect of change in tax rate on prior period balances	**24**	4
Total deferred tax credit	**1,429**	97
Total income tax (charge)/credit for the year	**(1,310)**	278

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

7 Taxation (continued)

(b) Taxation reconciliation

	Year ended 30 March 2020	Restated Year ended 1 April 2019
	£'000	£'000
Loss before tax - continuing operations	**(5,375)**	(9,905)
Taxation credit at the standard UK corporation tax rate of 19% (2019: 19%)	**1,021**	1,882
Adjustments in respect of prior periods*	**(2,181)**	4
Overseas income tax at higher rates	**95**	(186)
Disallowable expenditure**	**-**	(1,228)
Deferred tax not previously recognised***	**(755)**	-
Share based payments	**410**	(198)
Change in tax rate on prior period deferred tax balances	**100**	4
Total income tax (charge)/ credit	**(1,310)**	278
Effective tax rate	**-24.4%**	2.8%
Adjusted effective tax rate	**-141.8%**	**4.8%**

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The reasons for this are detailed below:

* Adjustments in respect of 2019 mainly relate to Group tax relief for losses surrendered to discontinued operations in previous years.
** Disallowable expenditure in FY20 relates to modest amounts of relocation expenses and entertaining offset by non-deductible provision movements. FY19 disallowable expenditure was driven by conservative assumptions based on the information available at that time.
*** Adjusted effective tax excludes the impact of deferred tax so as to more closely mirror the tax on the constituents of the adjusted profit or loss before tax which also excludes share based payment charges and the amortisation of goodwill and intangible assets, both key drivers of the deferred tax charge.

(c) Taxation on items recorded in reserves

	Year ended 30 March 2020	Year ended 1 April 2019
	£'000	£'000
Deferred tax (charge)/ credit on share based payments	**(397)**	84
Total tax on items (charged)/credited to equity	**(397)**	84

Notes to the financial statements

7 Taxation (continued)

(d) Deferred tax

	Year ended 30 March 2020	Year ended 1 April 2019
	£'000	£'000
At beginning of year	**2,039**	832
Adjustment in respect of prior years	**246**	61
Credited to the income statement in the year	**1,183**	984
(Credited)/ charged to other comprehensive income in the year	**(397)**	84
Disposal of subsidiaries	**(1,106)**	-
Foreign exchange	**72**	78
At end of year	**2,037**	2,039

The group has recognised deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable.

Deferred tax assets and liabilities

	Deferred tax assets		**Deferred tax liabilities**	
	30 March 2020	1 April 2019	**30 March 2020**	1 April 2019
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**-**	727	**(208)**	-
Share based payments	**240**	974	**-**	-
Tax losses carried forward	**59**	437	**-**	-
Rolled over gains	**-**	-	**-**	(220)
Intangible assets	-	(1,757)	**(1,064)**	-
Inventories	**1,634**	1,028	**-**	-
Trade receivables	**-**	23	**-**	-
Deferred income	**245**	62	**-**	-
Accruals	**250**	365	**-**	-
Provisions	**283**	299	**-**	-
Unrealised foreign exchange differences	**598**	101	**-**	-
	3,309	2,259	**(1,272)**	(220)

Notes to the financial statements

7 Taxation (continued)

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

	1 April 2019	Recognised in income statement	Recognised in OCI	Foreign exchange	Disposal of subsidiaries	**30 March 2020**	**Deferred tax assets**	**Deferred tax liabilities**
	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Property, plant and equipment	727	(20)	-	(13)	(902)	**(208)**	-	**(208)**
Share based payments	974	(153)	(397)	2	(186)	**240**	**240**	-
Tax losses carried forward	437	(408)	-	30	-	**59**	**59**	-
Rolled over gains	(220)	-	-	-	220	-	-	-
Intangible assets	(1,757)	693	-	-	-	**(1,064)**	-	**(1,064)**
Inventories	1,028	547	-	59	-	**1,634**	**1,634**	-
Trade receivables	23	-	-	-	(23)	-	-	-
Deferred income	62	188	-	(5)	-	**245**	**245**	-
Accruals	365	(109)	-	1	(6)	**251**	**251**	-
Provisions	299	192	-	-	(209)	**282**	**282**	-
Unrealised foreign exchange differences	101	499	-	(2)	-	**598**	**598**	-
	2,039	**1,429**	**(397)**	**72**	**(1,106)**	**2,037**	**3,309**	**(1,272)**

Deferred tax on losses of £15.5m (2019: £11.5m) relating to losses in the UK, have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created.

(e) Factors that may affect future tax charges
The Group's overseas tax rate is higher than that in the UK as future profits earned by the Naked Wines subsidiaries in the United States of America and Australia are taxed at 21.0% and 30.0% respectively.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as following the enactment of the Finance Act 2009 the Group considers that it would have no liability to additional taxation should such amounts be remitted.

8 Discontinued operations

During the year ended 30 March 2020, the Group entered into, and completed on two sale agreements. Following these two disposals, Naked is now a single brand online business that is well capitalised and wholly focused on realising the attractive growth opportunity ahead.

- On 10 December 2019, the Group announced that the disposal of Majestic Wine Warehouses Limited and Les Celliers de Calais S.A.S, which together comprise the Majestic Wine business pursuant to the terms previously announced by the Company on 2 August 2019. The businesses were sold to CF Bacchus Holdco Limited, a vehicle controlled by funds managed by Fortress Investment Group LLC, for a total consideration of £95m.
- On 1 October 2019, the Group completed the disposal of Lay & Wheeler Limited and Vinotheque Holdings Limited, which together comprise the Lay & Wheeler business ("L&W"), to Coterie Limited ("Coterie") for a total cash consideration of £11.3m.

The results of the Majestic Wine business and Lay & Wheeler operations which have been included in the consolidated income statement as discontinued, were as follows:

	Year ended 30 March 2020 £'000	Year ended 1 April 2019 £'000
Revenue	**216,278**	327,706
Expenses	(214,108)	(326,296)
Profit from operating activities	**2,170**	1,410
Tax	659	(1,183)
Profit from operating activities, net of tax	**2,829**	227
Profit on sale of discontinued operations	12,008	-
Profit from discontinued operations	**14,837**	227
Earnings per share		
Basic	**20.6p**	0.4p
Diluted	**20.2p**	0.4p

During the year ended 30 March 2020, the discontinued operations contributed £22,290,000 to the Group's net operating cash flows (year ended 1 April 2019: £14,774,000), paid £2,430,000 (year ended 1 April 2019: £6,092,000) in respect of investing activities and paid £6,625,000 (year ended 1 April 2019: received £2,000) in respect of financing activities.

Notes to the financial statements

9 Prior year comparatives

The prior year comparatives for the Group income statement, the Group cash flow statement and associated notes to the financial statements have been restated and presented as if the operations had been discontinued from the start of the comparative year.

The reconciliations of the Group income statement and the Group cash flow statement as presented in the prior year financial statements to the restated prior year comparatives are show below:

Reconciliation of restated prior year group income statement

	Year ended 1 April 2019		
	As reported	Discontinued operations	Restated
	£'000	£'000	£'000
Revenue	506,144	327,706	178,438
Cost of sales	(366,990)	(257,021)	(109,969)
Gross profit	139,154	70,685	68,469
Distribution costs	(65,612)	(35,555)	(30,057)
Administrative expenses	(82,071)	(34,543)	(47,528)
Other operating income	821	821	-
Operating loss	(7,708)	1,408	(9,116)
Net finance charge	(787)	2	(789)
Loss before tax	(8,495)	1,410	(9,905)
Analysed as:			
Adjusted loss before tax	11,251	14,998	(3,747)
Adjusted items:			
- Non-cash charges relating to acquisitions	(5,229)	(225)	(5,004)
- Other adjusted items	(14,517)	(13,363)	(1,154)
Loss before tax	(8,495)	1,410	(9,905)
Tax	(905)	(1,183)	278
Profit/(loss) for the period	**(9,400)**	**227**	**(9,627)**

Notes to the financial statements

9 Prior year comparatives (continued)

Reconciliation of restated prior year cash flow statement

	Year ended 1 April 2019		
	As reported	Discontinued operations	Restated
	£'000	£'000	£'000
Cash generated by operating activities			
Cash generated by operations	7,946	16,720	(8,774)
UK income tax paid	(1,729)	(1,694)	(35)
Overseas income tax paid	(379)	(252)	(127)
Net cash generated by operating activities	5,838	14,774	(8,936)
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,472)	(4,883)	(589)
Purchase of intangible fixed assets	(1,518)	(1,187)	(331)
Purchase of prepaid lease assets	(53)	(53)	-
Proceeds from sale of non-current assets	31	31	-
Net cash used in investing activities	(7,012)	(6,092)	(920)
Cash flows from financing activities			
Interest paid	(636)	2	(638)
Issue of ordinary share capital	131	-	131
Draw down of borrowings	9,500	-	9,500
Repayment of borrowings	(2,346)	-	(2,346)
Equity dividends paid	(5,188)	-	(5,188)
Net cash used in investing activities	1,461	2	1,459
Net increase/(decrease) in cash	287	8,684	(8,397)
Cash and cash equivalents at beginning of year	6,781		
Effect of foreign exchange rate changes	(71)		
Cash and cash equivalents at end of year	6,997		

Reconciliation of prior year restated adjusted items

	Year ended 1 April 2019		
	As reported	Discontinued operations	Restated
	£'000	£'000	£'000
Non-cash charges relating to acquisitions			
Amortisation of acquired intangibles	(3,871)	(225)	(3,646)
Acquisition related share based payment charges	(1,358)	-	(1,358)
	(5,229)	(225)	(5,004)
Other adjusted items			
Impairment of fixed assets	(11,108)	(11,108)	-
Restructuring costs	(957)	(850)	(107)
Fair value movement through P&L on foreign exchange contracts	(1,540)	(1,001)	(539)
En primeur adjustment	38	38	-
Share based payment charges	(950)	(442)	(508)
	(14,517)	(13,363)	(1,154)
Total adjusted items	(19,746)	(13,588)	(6,158)

Notes to the financial statements

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding nil (2019: 1,214,671) contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options), 243,055 (2019: 229,009) shares held by the Naked Wines plc Share Incentive Plan Trust (which have been treated as dilutive share options), and 3,934 (2019: 3,934) shares held by Employee Share Ownership Trust.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These comprise contingently returnable shares and share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Share options granted over 365,626 (2019: 573,880) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the year end.

Adjusted earnings per share is calculated by excluding the effect of adjusted items (see note 6). The tax attributable to adjusting items is included in the group's measure of adjusted EPS. This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's underlying trading performance.

	Continuing operations		Total Group	
	Year ended 30 March 2020	Restated Year ended 1 April 2019	**Year ended 30 March 2020**	Year ended 1 April 2019
(Loss)/earnings per share	**£**	£	**£**	£
Basic (loss)/earnings per share	**(9.3p)**	(13.7p)	**11.3p**	(13.3p)
Diluted (loss)/earnings per share	**(9.3p)**	(13.7p)	**11.1p**	(13.3p)
Adjusted basic (loss)/earnings per share	**(4.5p)**	(4.9p)	**18.3p**	14.7p
Adjusted diluted (loss)/earnings per share	**(4.5p)**	(4.9p)	**17.9p**	14.1p

	Continuing operations		Total Group	
	Year ended 30 March 2020	Restated Year ended 1 April 2019	**Year ended 30 March 2020**	Year ended 1 April 2019
	£'000	£'000	**£'000**	£'000
(Loss)/profit for the period	**(6,685)**	(9,627)	**8,152**	(9,400)
Add back adjusted items:				
- Non-cash charges relating to acquisitions	**3,646**	5,004	**3,759**	5,229
- Other adjusted items	**(202)**	1,154	**1,221**	14,517
Adjusted (loss)/profit after tax	**(3,241)**	(3,469)	**13,132**	10,346

	Year ended 30 March 2020	Year ended 1 April 2019
Weighted average number of shares in issue	**71,909,151**	70,518,556
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	**1,552,166**	2,802,836
Weighted average number of shares for the purpose of diluted earnings per share	**73,461,317**	73,321,392
Total number of shares in issue	**72,874,018**	72,137,402

If all the Company's share option schemes had vested at 100% the Company would have 74,637,874 issued shares.

Notes to the financial statements

11 Notes to the cash flow statement

(a) Reconciliation of operating loss to cash generated/(utilised) by operations

	Year ended 30 March 2020 £'000	Restated Year ended 1 April 2019 £'000
Cash utilised by continuing operations		
Operating loss	**(4,874)**	(9,116)
Add back:		
- Depreciation and amortisation	**5,336**	4,148
- Loss on disposal of fixed assets	**71**	79
- Fair value movement on foreign exchange contracts	**(935)**	548
- Share based payment charges	**833**	1,977
Operating cash flows before movements in working capital	**431**	(2,364)
Increase in inventories	**(13,291)**	(13,214)
Increase in customer funds in deferred income	**5,312**	5,819
Decrease/(increase) in trade and other receivables	**594**	(230)
Decrease in trade and other payables	**6,837**	1,215
Net cash used by operating activities - continuing operations	**(117)**	(8,774)

(b) Cash and cash equivalents

	30 March 2020 £'000	1 April 2019 £'000
Cash and cash equivalents		
Cash and cash equivalents	**54,736**	19,093
Bank overdraft	**-**	(12,096)
Total cash and cash equivalents	**54,736**	6,997

(c) Analysis of movement in net borrowings

	1 April 2019 £'000	Cash flows £'000	Non-cash movements £'000	30 March 2020 £'000
Cash and cash equivalents	19,093	35,436	207	**54,736**
Bank overdrafts	(12,096)	12,096	-	**-**
Net cash and cash equivalents	**6,997**	**47,532**	**207**	**54,736**
Borrowings - revolving credit facility	(23,000)	23,000	-	**-**
Borrowings – IFRS 16 lease liabilities	-	(1,153)	(4,210)	(5,363)
Borrowings - customer-funded bond	(99)	15	-	**(84)**
Gross borrowings	**(23,099)**	**21,862**	**(4,210)**	**(5,447)**
Debt issuance costs	556	-	(556)	**-**
Total net borrowings	(15,546)	69,394	(4,559)	**49,289**

Alternative performance measures (APMs)

ALTERNATIVE PERFORMANCE MEASURES (APMS)

EBIT	Operating profit as disclosed in the Group income statement.
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, share based payment charges, impairment of goodwill, restructuring costs and fair value movement through the income statement on financial instruments and revaluation of funding cash balances held.
EBITDA	EBIT plus depreciation and amortisation
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation,but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.
Adjusted PBT	Adjusted EBIT less net finance charges
Adjusted effective tax rate	Defined as the current year's current tax charge divided by the adjusted profit before tax.
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and taxation. A reconciliation of this metric is provided below.
Net Debt	Borrowings less cash and debt issuance cost.
Operating Costs	Defined as administrative expenses less other operating income excluding adjusted items
Investment Measures	
Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers.
Lifetime Payback	The ratio of the Lifetime value (see below) of the customers recruited this year to the investment we made recruiting them. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected returns from prior year investment.
Lifetime value	The future contribution we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a Machine Learning (ML) model. Collecting data for a number of key customer characteristics including retention, order frequency and order value along with customer demographics and non-transactional data, the ML algorithms then predict the future (lifetime) value of that customer.
Repeat customer contribution	The profit attributable to those sales meeting the definition of sales to repeat customers after fulfilment and service costs.
Repeat customer sales retention	The proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. Using our website data, the population who were subscribers in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention.
Fixed costs	Administrative costs excluding marketing spend.

Alternative performance measures (APMs)

Definitions	
Angel	A customer who deposits funds into their Angel account each month to spend on the wines on our website.
CAGR	Compound annual growth rate. The year on year growth rate required for a number of years for a value to grow from its beginning balance to its ending balance.
Company	Naked Wines plc, Naked or Naked Wines
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer facing staff costs) and marketing expenses. We often split contribution into that from new and repeat customers as they can have different levels of profitability.
DTC	Direct to consumer
ESO	Employee stock option
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
New customer	A customer who, at the time of purchase, does not meet our definition of a repeat customer; for example, because they are brand new, were previously a repeat customer and have stopped subscribing with us at some point or cannot be identified.
New customer sales	Revenues derived from transactions with customers who meet our definition of a new customer.
Repeat customer	A customer ('Angel') who has subscribed and made their first monthly subscription payment.
SIP	Share Incentive Plan
Standstill EBIT	The adjusted EBIT that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base.
Operational KPIs	
Product availability	% of targeted range available on websites as indicated by our inventory reporting.
Wine quality – "Buy it again ratings"	% of "Yes" scores in the last 12 months as recorded by websites/ apps
Service ratings – "5* customer service"	The number of service ratings scoring 5* as a % of total ratings in the last 12 months as recorded by websites/apps/telephone feedback.

Alternative performance measures (APMs)

Additional unaudited information

1. Naked Wines historic performance (£m, unaudited)

	New customers		Repeat customers		Fixed costs	
					NW business only (as previously reported)	NW Inc PLC costs
	Revenue	Contribution	Revenue	Contribution		
	£m	£m	£m	£m	£m	£m
FY16	20	(9)	85	20	(10)	
FY17	26	(15)	115	27	(11)	
FY18	22	(14)	134	34	(11)	(18)
FY19	26	(19)	153	40	(14)	(24)
FY20	29	(23)	174	46		(24)

2. Free cash flow reconciliation

	30 March 2020	01 April 2019
	£m	£m
Adjusted EBIT	(1.4)	(3.0)
Add back depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	1.8	0.6
Adjusted EBITDA	**0.4**	**(2.4)**
Working capital movement		
- Inventories	(13.3)	(13.2)
- Deferred Income	5.3	5.8
- Trade and other receivables	0.6	(0.2)
- Trade and other payables	6.9	1.3
- Repayments of principal under lease liabilities	(1.2)	-
Working capital movement	(1.7)	(6.3)
Pre-tax operating cash flow	**(1.3)**	**(8.7)**
Capital expenditure	(1.1)	(0.9)
Pre-tax operating cash flow / "Free cash flow"	**(2.4)**	**(9.6)**
Reconciliation to statutory cash flow statement		
Free cash flow	(2.4)	(9.6)
Cash adjusted items	-	(0.1)
Capital expenditure	1.1	0.9
Repayments of principal under lease liabilities	1.2	-
Cash used by operations	**(0.1)**	**(8.8)**