For Immediate Release 16 November 2015

**Majestic Wine PLC**
**("Majestic" or the "Company")**

**Interim Results**

**Majestic reports encouraging first half results and launches three year transformation plan**

Majestic Wine PLC, the UK's largest wine specialist, today announces its unaudited interim results for the 26 weeks ended 28 September 2015.

**Summary:**

- Underlying H1 trading encouraging at Majestic Wine whilst strong growth continued at Naked Wines
- Thorough strategic review now completed, challenging medium term target announced today along with key new initiatives and updated short term cost guidance
- New management structure and team in place and working well

**Results:**

| | 26 weeks to Sep 28 2015 £m | 26 weeks to Sep 29 2014 £m | % YoY[2] | % YoY Exc. Naked Wines[3] |
|---|---|---|---|---|
| Sales | 181.6 | 133.8 | +36% | +6% |
| Adjusted EBIT[1] | 9.5 | 8.4 | +12% | +6% |
| Movement in En Primeur | -0.1 | 0.2 | | |
| Finance charges | -0.9 | -0.1 | | |
| Adjusted PBT | 8.4 | 8.5 | -1% | |
| **Profit before Tax** | **4.3** | **8.5** | **-50%** | |
| Basic EPS | 2.7p | 9.8p | -72% | |
| Dividend per Share | Nil | 4.2p | -100% | |
| Net Debt | (25.2) | (4.8) | | |

1. Adjusted EBIT is reconciled to Adjusted PBT in note 3 to the interim financial statements. As well as the exceptional items and non-cash charges relating to the acquisition of Naked Wines it excludes net finance costs and the movement in en primeur profit which is also explained in note 3
2. % YoY comparator at constant FX translation rates, see Additional Note 2
3. Trend excluding any contribution from Naked Wines on constant currency basis, see Additional Note 2

**Financial Highlights:**

Unless noted, Sales and Adjusted EBIT trends are shown on a constant currency basis as shown in Additional Note 2

- Group sales (+36%) and adjusted EBIT (+12%) are strongly ahead reflecting the Naked Wines acquisition at the start of this financial year
- Underlying revenue (i.e. Total Group excluding Naked Wines) is +6% (Retail Like for Like ("LFL")* +2.3%, Commercial sales +8%, Lay & Wheeler +23% excluding movement in En Primeur sales)

* Retail LFL includes sales through stores in the UK and Calais to non-commercial customers and including ecommerce orders. Calais sales are translated at constant currency.

- Underlying adjusted EBIT (i.e. Total Group excluding Naked Wines) up +6%, with a flat adjusted EBIT margin reflecting growth in the cost base due to legacy cost investments and spend on ongoing strategic initiatives of £0.8m in the half, lower than previously indicated
- Strong sales growth at Naked Wines +35% (comparing the full 6 months to 30 September year on year). Adjusted EBIT of £0.9m (£0.6m reported in the period of ownership) reflects better than planned performance from existing customers and the decision to delay spend on customer acquisition into H2
- Despite growing sales at L&W, we did not achieve the targets set at the end of FY15, consequently we reviewed the goodwill associated with the business and recognised impairment of £2.6m
- Group Adjusted PBT, which excludes accounting charges relating to the Naked Wines acquisition, impairment of subsidiary, one-off gains on disposal of property and one-off acquisition and termination costs, was lower by 1% due to the interest costs on the new banking facility
- Reported PBT (-50%) reduced as a result of non-cash charges relating to the Naked Wines acquisition, interest costs and exceptional items
- Basic EPS declined by 72%, a steeper decline than reported PBT, due to reported tax rate impacted by a high number of disallowable non-cash expenses
- Closing net debt of £25m (vs net funds of £11m as of 30 March 2015) reflects the borrowing to fund the acquisition of Naked Wines and the cashflow performance in the period

**Three year transformation plan highlights:**

- Announcing today a new strategy to deliver sustainable, volume led earnings growth and improved return on capital
- Targeting over £500m sales by 2019. Key performance indicators to demonstrate progress are also published today
- Good progress made on structure, team and key initiatives
- Key elements of the plan include:
  - Absolute focus on disciplined investment to generate returns on investment – measured as annual recurring EBIT generated as a % of investment outlay - above our target of 25%
  - Change of emphasis from opening new stores to new customer recruitment to drive higher returns from the current level of investment spend
  - Total UK store target reduced from 330 to 230, currently 211
  - Reviewing the existing store network for opportunities to unlock value
  - Reinvigorating sales growth in mature Majestic Retail stores with a new and simplified pricing policy (including no minimum purchase) and improved customer experience in store and on-line
  - Continuing to expand the fast growing and successful Majestic B2B business by winning additional accounts
  - Continuing to expand the fast growing and successful Naked Wines businesses in the UK, USA and Australia

**Guidance:**

- Majestic underlying costs have grown above the rate of inflation due to legacy of store opening programme. Total growth c. £4.5m in FY16

- Previous guidance on costs of strategic initiatives (£3m in H1 2016) now changed to
  - £4m operating costs in full year FY16
  - £8m embedded thereafter, reflecting annualised impact of costs associated with additional staff, new IT team and leadership team as well as store maintenance and marketing innovation expenses
- Capex reduced to around £6m per year, but lower than this in FY16
- Interest costs on debt are expected to be £2m in FY16 as previously indicated. Expected exceptional costs in H2 of £0.5m plus a further £5m of non-cash acquisition related accounting charges.
- Guidance issued at the time of the acquisition for progressively reinstating the dividend whilst deleveraging the balance sheet remain unchanged

**Phil Wrigley, Majestic's Chairman, commented:**

"We now have a first class team and a compelling strategy to create a real step change in the value of the business for our shareholders. The team has completed a thorough 'root and branch' review of the business, identified the key steps to be taken and the measures that will demonstrate our progress over the coming years. Alongside all this activity the new team has traded the business effectively."

**Rowan Gormley, Majestic's CEO, commented:**

"Six months in to my new job it is clear to me that we have a solid core business at Majestic, and two great growth engines in Naked and our Commercial business. We have a clear plan, which will require investment and take 3 years to complete, but will also deliver a better business that can create sustained growth in shareholder value. Fortunately, the Board acted decisively and quickly when it became clear that a change of direction was required, so our core competitive strengths are intact and provide a sound foundation to work from. As a result, profit for the current year is expected to be impacted by the increased investment derived from our successful test period after which we expect to see sustainable growth as the anticipated returns from our initiatives are realised."

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Majestic Wine PLC will host an analyst briefing on Monday 16 November 2015 at 10.00am at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. To attend please contact Buchanan.

An audio webcast will be available on:

http://vm.buchanan.uk.com/2015/majestic161115/registration.htm

For further information, please contact:


| | |
|---|---|
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**About Majestic Wine PLC:**

Majestic Wine PLC is the UK's largest wine specialist with 213 stores across the UK and France and over 700,000 active customers. In April 2015 Majestic Wine acquired Naked Wines, the online crowd funded wine retailer, and appointed Rowan Gormley, founder and CEO of Naked Wines to CEO of the enlarged Group.

In June 2015 Rowan Gormley launched a strategic review and a number of new initiatives designed to reposition the Group as the go-to destination for wine, while maintaining the growth trajectory of Majestic's Commercial business and Naked Wines. Key to this strategy is to ensure all customers get the service and inspiration they are looking for when purchasing their wine, which other retailers can't provide.

**Chairman's Statement**
Phil Wrigley

This has been an important and busy six months as we embark on an exciting transformation of Majestic. We acquired Naked Wines in April 2015 which brought key digital retailing skills and exposure to international markets to compliment Majestic's UK based store retail footprint. We have taken key steps in the process of restoring Majestic to sustainable growth, and we now have a new team to lead this transformation.

1. Trading
   Underlying trading in the first half was solid. Retail sales are up 2.3% on a like for like basis, our Commercial division has grown by 8% and the new Naked Wines business now contributes 24% of the Group's revenues. While Lay & Wheeler grew in the period it was below our expectations resulting in a significant impairment charge in the half.

2. The acquisition of Naked Wines
   During the course of 2014, it became clear to the Board that new store openings were reaching saturation and we needed to look online and internationally for new opportunities for growth, and a greater breadth of skills on the management team to deliver this ambition. The acquisition of Naked Wines allowed us to do all three.

   Naked is an online crowd-funding platform for independent winemakers that enable wine drinkers to buy exclusive wines, at preferential prices, in exchange for supporting winemakers. Launched in 2008 in the UK it has expanded to the very exciting US and Australian markets and currently has 269,000 "mature" angels that have been customers for four months or more.

   I am pleased to report that Naked's results in the first half demonstrate that the reasons for the acquisition were sound. In addition to delivering 35% sales growth, Naked achieved profitability six months ahead of plan.

3. The transformation
   The Board is committed to restoring Majestic to sustained growth, to create a step change in shareholder value. To achieve this we have begun a three year project to transform the Group. The key elements are:

- A new management team, lead by Rowan Gormley, the founder of Naked Wines, and including John Colley, Luke Jecks and James Crawford, who head up our retail, Naked and finance teams respectively
- A strengthened non-executive board with the addition of Anita Balchandani, who as Head of Retail at OC&C brings great insight and perspective, and Greg Hodder, CEO of Charles Tyrwhitt, who brings a wealth of experience in multi-channel retailing. Justin Apthorp will retire from his role as Executive Director and Buying Director after 13 years of leading the buying team and will remain on the board as a Non-Executive Director.
- We have split the Group into 4 divisions – Retail (which includes our Calais business), Naked Wines, Commercial (our B2B business) and Lay and Wheeler
- A significant change in strategy, away from opening new branches (we have cut the new store opening programme from 16 stores a year to two or three) towards customer acquisition and retention to drive higher returns

This transformation will take time and require significant investment, so we expect profits to fall before they grow again. However, we are certain that it is the right thing to do for shareholders, customers, staff and suppliers.

As previously announced, the Board is not proposing to pay an interim dividend as we use cashflows to invest in the business and reduce the debt incurred with the purchase of Naked Wines. Our intention remains to restore the dividend progressively by the 2018 financial year.

**CEO's Business Review**

Rowan Gormley

1. Results

   I am pleased to report that both sales and adjusted profit before interest and tax have grown in the first half 6%, before the impact of the acquisition of Naked Wines

   Cash flow derived from the core Majestic business was very strong, with the Majestic operations (Retail and Commercial combined) generating £13m more cash this year compared to H1 FY15, driven by reduced store openings, reductions in working capital and the sale of a freehold property.

   This is a pleasing performance in a market characterised by falling like for like sales, with all the distractions of a major transaction and reorganisation, and is a tribute to our brilliant people around the world.

2. Segment commentary

   a. Our core retail business grew sales by 5% to £112m, with like for like sales growing at 2.3%, the number of new customers advancing by 7% and conversion from new to repeat custom continuing to improve. This strong performance only translated into a 4% increase in profits, as costs increased ahead of inflation, a legacy of the store opening programme. I am especially pleased that we saw positive growth even in mature stores, which have been suffering negative like for likes for some time, reflecting the initial strategic actions put in place. I said in June that we planned to make shopping at Majestic simpler, easier and more fun – and we are already seeing signs of progress on all 3 fronts

   b. Naked Wines grew sales at 35% to £45m for the full 6 months to 30 September 2015 and achieved profit 6 months ahead of plan with increased profitability coming from both the increase in number of Angels and improved profitability of each Angel, offset by smaller increases in costs. This is a really pleasing performance, and reflects the power of Naked's unique business model and the entrepreneurial culture.

   c. Our specialist Commercial team grew sales by 8%, which is a slower rate of growth than previous years reflecting a slightly slower build of new accounts during the half versus the prior year. We are confident that this division can resume historic growth rates and are investing in supply chain, IT and new business development to make this happen

d. Lay and Wheeler, our specialist fine wine business, grew 3rd party sales (excluding any En Primeur timing adjustments) by 23% due to a slightly stronger En Primeur vintage, but barely turned a profit. As previously noted, the carrying value of the business was sensitive to the performance this year and as we missed our goals for the business this resulted in us taking a £2.6m impairment charge in the period.

3. Strategic Context

Six months into my new role, and after a thorough strategic review, my view of our business is:

- We have a solid platform for growth. Our core retail business is sound, and we have two strong growth engines in Naked and Commercial
- However, there are two issues in our core business that have to be addressed to restore profitable growth
  - Until this half, LFL sales in our mature stores have been declining each year
  - Turnover of store managers, who are the backbone of our retail business, is unacceptably high at 23% per year and needs to be improved

4. Our 3 year plan

Our goal is to deliver sustained growth in shareholder value, in a way that is right for shareholders, customers, staff and suppliers. Our ambition is to grow sales to over £500m by 2019.

This is a transformation from growth through opening new stores to growth through increasing customer recruitment and loyalty.

To deliver this transformation we will need to deliver four things really well:

- Best in class customer experience and competitive position
- An environment that attracts and retains great people
- A supply chain and IT platforms to deliver the availability and agility we need to compete in a multi-channel world
- Disciplined and transparent capital allocation, targeting a minimum 25% return, across the four businesses and three countries we operate in

Once we have achieved all of this consistently across the group, we will be able to accelerate growth wherever we can get the highest returns on our capital

There is a lot to do, and we are getting started with an excellent team in place, possessing the skills and experience to deliver the plan.

5. Organisational changes

To ensure that each business gets the focus and the resource that they need, we have segmented the Group into four units for reporting purposes:

- Retail, which includes 211 UK stores and our 2 store Calais operation
- Naked Wines
- Commercial, our specialist B2B business
- And Lay and Wheeler, our fine wine business

We have strengthened the management team with the addition of:

- John Colley, MD of Majestic Wine who joins us with over 20 years of experience in senior retail positions, and brings a wealth of knowledge in customer engagement and people development which fits exactly with our strategy
- Luke Jecks, MD of Naked Wines who has 18 years' experience in wine direct marketing in Australia, the UK and Europe
- James Crawford, CFO, who comes to us from Naked Wines and, previously, Diageo where he held several senior finance, strategy and business development roles in the UK and North America.

To ensure we can track and report progress against our plans, we have identified new KPIs. We are announcing the metrics that will be reported every six months for our biggest business segments, Majestic Retail and Naked Wines, plus the date by which we expect to impact the key metrics in Retail.

| Segment | KPI | Current level | Significant improvement by: |
|---|---|---|---|
| **Majestic Retail** | Customer retention | 45% | H2 FY17 |
| | Product availability | 67% | H2 FY18 |
| | Store manager retention | 77% | H1 FY18 |
| | Wine quality | TBC | H2 FY18 |
| | Proportion of 5-star service ratings | 85% | H1 FY17 |
| **Naked Wines** | Number of Mature Angels | 269k | |
| | Net Growth in Mature Angels | +29k | |
| | Retention rate of Mature Angels | 66% | |
| | Growth investment in Mature Angels | £1.2m | |
| | Return on Investment in New Mature Angels | 112% | |

Note: Wine quality at Majestic Retail will be measured in future by customer ratings. No current data is available.

6. Outlook and progress so far

The new team has acted quickly and we are seeing the results in positive trading.

- Following successful testing, we have removed our long standing six bottle minimum purchase requirement
- We have simplified our pricing proposition, to offer good value to all and excellent value to people buying 6 bottles or more
- The product range has been rationalised and enriched – we have removed a number of duplicated products and created space for more variety and excitement

- To improve retention of great people, we have restructured the bonus arrangements in store to reward high performers, invested heavily in training and set up 20 “Jedi” test stores, where managers are given more authority to be entrepreneurial and creative
- The stores are increasingly becoming cleaner, simpler and easier to shop
- Finally, we have recruited an in-house IT team and started the process of migrating Majestic onto the Naked Wines IT platform enabling superior customer insight

We are excited and confident about the future, but I must emphasise that these plans will take time and require investment which means that we expect profits to fall before they return to growth from a low point in FY16. We anticipate that our strong cash flow will enable us to invest as needed while continuing to deleverage and restoring the dividend in full by 2018.

Rowan Gormley
Chief Executive

**Unaudited Group Income Statement**

For the 26 weeks ended 28 September 2015

| | Note | **26 weeks ended 28.09.15 £000** | 26 weeks ended 29.09.14 £000 | 52 weeks ended 30.03.15 £000 |
|---|---|---|---|---|
| **Revenue** | 3 | **181,608** | 133,770 | 284,495 |
| Cost of sales | | **(134,476)** | (103,186) | (219,947) |
| **Gross profit** | | **47,132** | 30,584 | 64,548 |
| Distribution costs | | **(21,097)** | (14,009) | (28,337) |
| Administrative costs | | **(26,007)** | (8,424) | (18,506) |
| Other operating income | | **380** | 411 | 836 |
| Gain on disposal of property | | **4,801** | - | - |
| **Profit before finance costs and taxation** | | **5,209** | 8,562 | 18,541 |
| Finance costs | | **(944)** | (66) | (119) |
| **Profit before taxation** | 3 | **4,265** | 8,496 | 18,422 |
| UK income tax | 5 | **(1,973)** | (1,808) | (4,477) |
| Overseas income tax | 5 | **(487)** | (244) | (466) |
| **Profit for the period** | | **1,805** | 6,444 | 13,479 |
| | | | | |
| **Earnings per share** | | | | |
| Basic | 6 | **2.7p** | 9.8p | 20.5p |
| Diluted | 6 | **2.6p** | 9.7p | 20.4p |
| | | | | |
| **Dividend per share** | 7 | **0.0p** | 4.2p | 4.2p |

| | | | | |
|---|---|---|---|---|
| Non-GAAP measures: Adjusted profit before tax | | | | |
| **Profit before taxation** | | **4,265** | 8,496 | 18,422 |
| Adjusted, per Note 4, for: | | | | |
| Non-cash charges relating to acquisition of Naked Wines: | | | | |
| - Amortisation of acquired intangibles | | **1,940** | - | - |
| - Acquisition related Share Based Payment charges | | **3,449** | - | - |
| Exceptional Items | | | | |
| - Impairment of subsidiary | | **2,606** | - | - |
| - Gain on disposal of property | | **(4,801)** | - | - |
| - Termination payments | | **431** | - | 695 |
| - Acquisition costs | | **500** | - | 1,767 |
| **Adjusted profit before taxation** | | **8,390** | 8,496 | 20,884 |
| Adjusted Earnings per share | | | | |
| Basic | 6 | **9.4p** | 9.8p | 24.1p |
| Diluted | 6 | **9.0p** | 9.7p | 23.9p |

**Unaudited Group Statement of Comprehensive Income**

For the 26 weeks ended 28 September 2015

| | **26 weeks ended 28.09.15 £000** | 26 weeks ended 29.09.14 £000 | 52 weeks ended 30.03.15 £000 |
|---|---|---|---|
| **Profit for the period** | **1,805** | 6,444 | 13,479 |
| | | | |
| **Other comprehensive losses:** | | | |
| Currency translation differences on foreign currency net investments | **(111)** | (286) | (583) |
| **Other comprehensive losses for the period, net of tax** | **(111)** | (286) | (583) |
| **Total comprehensive income for the period** | **1,694** | 6,158 | 12,896 |

**Unaudited Group Statement of Changes in Equity**

For the 26 weeks ended 28 September 2015

| | Called up Share Capital £000 | Share Premium Account £000 | Capital Reserve Own Shares Held in ESOT £000 | Capital Redemption Reserve £000 | Currency Translation Reserve £000 | Retained Earnings £000 | Total Share holders' Funds £000 |
|---|---|---|---|---|---|---|---|
| At 31 March 2014 | 4,922 | 19,907 | (230) | 363 | 2,088 | 68,980 | 96,030 |
| Profit for the period | - | - | - | - | - | 6,444 | 6,444 |
| Other comprehensive income: | | | | | | | |
| Foreign exchange differences | - | - | - | - | (286) | - | (286) |
| Total comprehensive income for the period | - | - | - | - | (286) | 6,444 | 6,158 |
| Share issue | 1 | 16 | - | - | - | - | 17 |
| Shares vesting under deferred bonus scheme | - | - | 213 | - | - | (213) | - |
| Transfer to shareholders' funds – employee costs expected to be satisfied in shares | - | - | - | - | - | 250 | 250 |
| Tax debit on employee share options | - | - | - | - | - | (22) | (22) |
| Equity dividends paid | - | - | - | - | - | (7,744) | (7,744) |
| At 29 September 2014 | 4,923 | 19,923 | (17) | 363 | 1,802 | 67,695 | 94,689 |
| Profit for the period | - | - | - | - | - | 7,035 | 7,035 |
| Other comprehensive income: | | | | | | | |
| Foreign exchange differences | - | - | - | - | (297) | - | (297) |
| Total comprehensive income for the period | - | - | - | - | (297) | 7035 | 6,738 |
| Share issue | 1 | 47 | - | - | - | - | 48 |
| Transfer to shareholders' funds – employee costs expected to be satisfied in shares | - | - | - | - | - | (119) | (119) |
| Tax credit on employee share options | - | - | - | - | - | (33) | (33) |
| Equity dividends paid | - | - | - | - | - | (2,757) | (2,757) |
| At 30 March 2015 | 4,924 | 19,970 | (17) | 363 | 1,505 | 71,821 | 98,566 |
| Profit for the period | - | - | - | - | - | 1,805 | 1,805 |
| Other comprehensive income: | | | | | | | |
| Foreign exchange differences | - | - | - | - | (111) | - | (111) |
| Total comprehensive income for the period | - | - | - | - | (111) | 1,805 | 1,694 |
| Share issue | 11 | 354 | - | - | - | - | 365 |
| Shares issued on acquisition of subsidiary | 370 | - | - | - | - | (289) | 81 |
| Transfer to shareholders' funds – employee costs expected to be satisfied in shares | - | - | - | - | - | 3,567 | 3,567 |
| Tax debit on employee share options | - | - | - | - | - | 87 | 87 |
| **At 28 September 2015** | **5,305** | **20,324** | **(17)** | **363** | **1,394** | **76,991** | **104,360** |

## Unaudited Group Balance Sheet

As at 28 September 2015

| | **As at 28.09.15 £000** | As at 29.09.14 £000 | As at 30.03.15 £000 |
|---|---|---|---|
| **Non current assets** | | | |
| Goodwill and intangible assets | **60,698** | 8,989 | 9,002 |
| Property, plant and equipment | **71,464** | 72,921 | 72,632 |
| En primeur purchases | **1,021** | 510 | 526 |
| Prepaid operating lease costs | **2,232** | 2,216 | 2,182 |
| Deferred tax assets | **864** | 518 | 581 |
| | **136,279** | 85,154 | 84,923 |
| **Current assets** | | | |
| Inventories | **72,280** | 57,288 | 54,237 |
| Trade and other receivables | **11,274** | 10,174 | 8,723 |
| En primeur purchases | **2,143** | 2,522 | 1,792 |
| Financial instruments at fair value | **463** | - | 41 |
| Cash and cash equivalents | **19,053** | 4,207 | 10,967 |
| | **105,213** | 74,191 | 75,760 |
| **Total assets** | **241,492** | 159,345 | 160,683 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | **(77,645)** | (45,715) | (52,731) |
| En primeur deferred income | **(2,732)** | (3,042) | (2,320) |
| Bank overdraft | **-** | (9,047) | - |
| Provisions | **(172)** | (307) | (190) |
| Deferred lease inducements | **(323)** | (409) | (425) |
| Financial instruments at fair value | **(64)** | (480) | (552) |
| Current tax liabilities | **(2,669)** | (1,673) | (1,985) |
| | **(83,605)** | (60,673) | (58,203) |
| **Non current liabilities** | | | |
| En primeur deferred income | **(1,167)** | (594) | (610) |
| Bank loan | **(39,253)** | - | - |
| Customer bond finance | **(4,992)** | - | - |
| Provisions | **-** | (61) | - |
| Deferred lease inducements | **(2,729)** | (2,579) | (2,588) |
| Deferred tax liabilities | **(5,386)** | (749) | (716) |
| **Total liabilities** | **(137,132)** | (64,656) | (62,117) |
| | | | |
| **Net assets** | **104,360** | 94,689 | 98,566 |
| | | | |
| **Shareholders' equity** | | | |
| Called up share capital | **5,305** | 4,923 | 4,924 |
| Share premium account | **20,324** | 19,923 | 19,970 |
| Capital reserve – own shares held in ESOT | **(17)** | (17) | (17) |
| Capital redemption reserve | **363** | 363 | 363 |
| Currency translation reserve | **1,394** | 1,802 | 1,505 |
| Retained earnings | **76,991** | 67,695 | 71,821 |
| **Equity shareholders' funds** | **104,360** | 94,689 | 98,566 |

## Unaudited Group Cash Flow Statement

For the 26 weeks ended 28 September 2015

| | Note | **26 weeks ended 28.09.15 £000** | 26 weeks ended 29.09.14 £000 | 52 weeks ended 30.03.15 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated by operations | 9 | **4,179** | 8,471 | 32,913 |
| UK income tax paid | | **(2,124)** | (2,538) | (5,024) |
| Overseas income tax paid | | **(179)** | (172) | (394) |
| **Net cash generated by operating activities** | | **1,876** | 5,761 | 27,495 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Interest received | | **30** | 9 | 28 |
| Purchase of non current assets | | **(2,580)** | (4,449) | (8,431) |
| Acquisition of subsidiary | | **(36,081)** | - | - |
| Receipts from sales of non current assets | | **5,766** | 7 | 922 |
| **Net cash used by investing activities** | | **(32,865)** | (4,433) | (7,481) |
| | | | | |
| **Cash (outflow)/inflow before financing** | | **(30,989)** | 1,328 | 20,014 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Interest paid | | **(381)** | (90) | (143) |
| Issue of Ordinary Share capital | | **446** | 17 | 65 |
| New bank loan raised | | **50,000** | - | - |
| Loan arrangement fees paid | | **(844)** | - | - |
| Repayment of borrowings | | **(10,005)** | - | - |
| Equity dividends paid | | **-** | (7,744) | (10,501) |
| **Net cash generated/(used) by financing activities** | | **39,216** | (7,817) | (10,579) |
| **Net increase/(decrease) in cash and cash equivalents** | | **8,227** | (6,489) | 9,435 |
| Cash and cash equivalents at beginning of period | | **10,967** | 1,779 | 1,779 |
| Effect of foreign exchange differences | | **(141)** | (130) | (247) |
| **Cash and cash equivalents at end of period** | | **19,053** | (4,840) | 10,967 |
| **Reconciliation of cash and cash equivalents** | | | | |
| Cash and cash equivalents per Group balance sheet | | **19,053** | 4,207 | 10,967 |
| Bank overdraft per Group balance sheet | | **-** | (9,047) | - |
| **Cash and cash equivalents at end of period** | | **19,053** | (4,840) | 10,967 |

**Notes to the Unaudited Group Interim Financial Statements**

**1. General Information**
Majestic Wine PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 02281640). The Company is domiciled in the United Kingdom and its registered address is Majestic House, The Belfry, Colonial Way, Watford, England, WD24 4WH. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"). Copies of the Interim Report are being sent to shareholders. Further copies of the Interim Report and Annual Report and Financial Statements may be obtained from the address above.

The Group's principal activity is the retailing of wines, beers and spirits.

**2. Basis of preparation**
The interim financial statements of the Group for the 26 weeks ended 28 September 2015, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and financial statements for the 52 weeks ended 30 March 2015.

The Board is currently of the opinion that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within its current committed borrowing facilities. The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

The financial information contained in the interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the full preceding period is based on the statutory accounts for the 52 weeks ended 30 March 2015. The report of the auditor, Deloitte LLP, on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been delivered to the Registrar of Companies.

As permitted, this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 "Interim Financial Reporting" - therefore it is not fully in compliance with IFRS.

The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

**3. Segment reporting**
Following the acquisition of Naked Wines and the change of Group management, the operating business segments used for internal monitoring and reporting of performance have changed. The Group's operations are now organised into four distinct business units each operating in a separate segment of the overall wine market. Majestic Wine Retail is a customer based wine retailer, Majestic Wine Commercial is a B2B wine retailer, Lay & Wheeler is a specialist in the fine wine market and Naked Wines is a customer funded international on-line wine retailer.

The Majestic Wine Retail business includes the retail arm of the UK Majestic stores and the Majestic Wine Calais stores in France ("Calais"), previously reported as a separate business segment. The Calais business is the same as the UK retail business, albeit geographically discreet. The Retail business is managed internally as one business segment.

Management monitors the operating results of the businesses separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on both sales growth and profit before interest.

In the information provided to the chief operating decision maker, the underlying performance of the Lay & Wheeler operating segment is evaluated and measured based on revenue and profit being recognised on orders, cash receipts and payments from en primeur campaigns. Management reviews the business on this alternative basis as resources utilised in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised on delivery which may be up to two years later. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

Central costs relating to management of the Group, net finance costs and income taxes are managed at a Group level and are not allocated to operating segments. Inter-segment transactions are conducted on an arm's length basis in a manner similar to transactions with third parties.

Segmental results for prior periods has been represented to reflect the current operating structure.

| **Segment analysis**<br>**26 weeks ended 28.09.15** | Retail<br>£000 | Commercial<br>£000 | Naked<br>£000 | L&W<br>£000 | Eliminations<br>£000 | Unallocated<br>£000 | Group<br>£000 |
|---|---|---|---|---|---|---|---|
| Third party revenue | 111,763 | 23,146 | 42,197 | 5,472 | - | - | 182,578 |
| Inter-segment revenue | - | - | - | 35 | (35) | - | - |
| Segment revenue | 111,763 | 23,146 | 42,197 | 5,507 | (35) | - | 182,578 |
| Movement in en primeur sales | - | - | - | (970) | - | - | (970) |
| Reported third party revenue | 111,763 | 23,146 | 42,197 | 4,537 | (35) | - | 181,608 |
| | | | | | | | |
| Segment result (see note below) | 7,477 | 2,267 | 608 | 150 | - | (1,045) | 9,457 |
| Movement in en primeur profit | - | - | - | (123) | - | - | (123) |
| Net finance costs | - | - | - | - | - | (944) | (944) |
| Adjusted profit before taxation | 7,477 | 2,267 | 608 | 27 | - | (1,989) | 8,390 |
| Adjustments for: | | | | | | | |
| Non-cash charges relating to acquisition of Naked Wines: | | | | | | | |
| - Amortisation of acquired intangibles | | | | | | (1,940) | (1,940) |
| - Acquisition related Share Based Payment charges | | | | | | (3,449) | (3,449) |
| Exceptional Items | | | | | | | |
| - Impairment of subsidiary | | | | | | (2,606) | (2,606) |
| - Gain on disposal of property | | | | | | 4,801 | 4,801 |
| - Termination payments | | | | | | (431) | (431) |
| - Acquisition costs | | | | | | (500) | (500) |
| Profit before tax | | | | | | | 4,265 |

Note - Segment result is equivalent to adjusted earnings before interest and tax (EBIT)

| **Geographical analysis** | UK | Rest of Europe | US | Australia | Group |
|---|---|---|---|---|---|
| Reported third party revenue | 157,200 | 4,048 | 15,650 | 4,710 | 181,608 |
| Non current assets | 134,904 | 94 | 380 | 37 | 135,415 |

## 3. Segment reporting (continued)

| **Segment analysis Represented 26 weeks ended 29.09.14** | Retail £000 | Commercial £000 | Naked £000 | L&W £000 | Eliminations £000 | Unallocated £000 | Group £000 |
|---|---|---|---|---|---|---|---|
| Third party revenue | 107,331 | 21,511 | - | 4,440 | - | - | 133,282 |
| Inter-segment revenue | - | - | - | 113 | (113) | - | - |
| Segment revenue | 107,331 | 21,511 | - | 4,553 | (113) | - | 133,282 |
| Movement in en primeur sales | - | - | - | 488 | - | - | 488 |
| Reported third party revenue | 107,331 | 21,511 | - | 5,041 | (113) | - | 133,770 |
| | | | | | | | |
| Segment result | 7,254 | 1,936 | - | (23) | - | (755) | 8,412 |
| Movement in en primeur profit | - | - | - | 150 | - | - | 150 |
| Net finance costs | - | - | - | - | - | (66) | (66) |
| Adjusted profit before taxation | 7,254 | 1,936 | - | 127 | - | (821) | 8,496 |
| Adjustments for: | | | | | | | |
| Non-cash charges relating to acquisition of Naked Wines: | | | | | | | |
| Amortisation of acquired intangibles | | | | | | | - |
| Acquisition related Share Based Payment charges | | | | | | | - |
| Exceptional Items | | | | | | | |
| Impairment of subsidiary | | | | | | | - |
| Gain on disposal of property | | | | | | | - |
| Termination payments | | | | | | | - |
| Acquisition costs | | | | | | | - |
| Profit before taxation | | | | | | | 8,496 |

| **Geographical analysis** | UK | Rest of Europe | US | Australia | Group |
|---|---|---|---|---|---|
| Reported third party revenue | 129,816 | 3,954 | - | - | 133,770 |
| Non current assets | 84,580 | 56 | - | - | 84,636 |

### 3. Segment reporting (continued)

| Segment analysis Represented 52 weeks ended 30.03.15 | Retail £000 | Commercial £000 | Naked £000 | L&W £000 | Eliminations £000 | Unallocated £000 | Group £000 |
|---|---|---|---|---|---|---|---|
| Third party revenue | 231,377 | 42,229 | - | 9,694 | - | - | 283,300 |
| Inter-segment revenue | - | - | - | 894 | (894) | - | - |
| Segment revenue | 231,377 | 42,229 | - | 10,588 | (894) | - | 283,300 |
| Movement in en primeur sales | - | - | - | 1,195 | - | - | 1,195 |
| Reported third party revenue | 231,377 | 42,229 | - | 11,783 | (894) | - | 284,495 |
| | | | | | | | |
| Segment result | 18,520 | 3,734 | - | (209) | - | (1,184) | 20,861 |
| Movement in en primeur profit | - | - | - | 142 | - | - | 142 |
| Net finance costs | - | - | - | - | - | (119) | (119) |
| Adjusted profit before taxation | 18,520 | 3,734 | - | (67) | - | (1,303) | 20,884 |
| Adjustments for: | | | | | | | |
| Non-cash charges relating to acquisition of Naked Wines: | | | | | | | |
| Amortisation of acquired intangibles | | | | | | | - |
| Acquisition related Share Based Payment charges | | | | | | | - |
| Exceptional Items | | | | | | | |
| Impairment of subsidiary | | | | | | | - |
| Gain on disposal of property | | | | | | | - |
| Termination payments | | | | | | (695) | (695) |
| Acquisition costs | | | | | | (1,767) | (1,767) |
| Profit before tax | | | | | | | 18,422 |

| Geographical analysis | UK | Rest of Europe | US | Australia | Group |
|---|---|---|---|---|---|
| Reported third party revenue | 276,845 | 7,650 | - | - | 284,495 |
| Non current assets | 84,271 | 71 | - | - | 84,342 |

### 4. Exceptional items
In order to better report business performance, the Group uses measures that are not required under IFRS. In addition to adjusting for non-cash charges relating to the Naked Wines acquisition we have also identified certain income and expenses which are excluded from the adjusted results because they are individually important to understanding the financial performance of the Group. If included, these items would distort understanding of the results and comparability between periods. These items are separately identified in the table of Non-GAAP measure below the Group Income Statement.

### 5. Taxation
Taxation for the 26 weeks to 28 September 2015 has been calculated by applying the same methodology as applied for the financial period ending 30 March 2015 adjusted for the reduction in the rate of corporation tax to 20% from 21%.

## 6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the period, excluding 4,920,863 contingently returnable shares issued as a result of the acquisition of Naked Wines International Limited and 3,934 (2014: 53,969) held by the Employee Share Ownership Trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potential dilutive Ordinary Shares. These represent 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 period.

Adjusted earnings per share is calculated by excluding the exceptional items discussed in note 4 and itemised below. This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's trading performance.

| | **28.09.15** | 29.09.14 | 30.03.15 |
|---|---|---|---|
| Weighted average number of shares | **65,712,774** | 65,604,842 | 65,623,774 |
| Dilutive potential Ordinary Shares: | | | |
| Employee share options and contingently returnable shares | **3,400,019** | 502,571 | 560,322 |
| Total number of shares for calculating diluted earnings per share | **69,112,793** | 66,107,413 | 66,184,096 |

| | **26 weeks to 28.09.15 £000** | 26 weeks to 29.09.14 £000 | 52 weeks to 30.03.15 £000 |
|---|---|---|---|
| Profit for the period attributable to equity shareholders of the parent | **1,805** | 6,444 | 13,479 |
| Add: | | | |
| Non-cash charges relating to acquisition of Naked Wines: | | | |
| Amortisation of acquired intangibles | **1,552** | - | - |
| Acquisition related Share Based Payment charges | **3,234** | - | - |
| Exceptional Items | | | |
| Impairment of subsidiary | **2,606** | - | - |
| Gain on disposal of property | **(3,841)** | - | - |
| Termination payments | **345** | - | 549 |
| Acquisition costs | **500** | - | 1,767 |
| Adjusted profit after tax | **6,201** | 6,444 | 15,795 |

| | **28.09.15** | 29.09.14 | 30.03.15 |
|---|---|---|---|
| Basic earnings | **2.7p** | 9.8p | 20.5p |
| Dilutive earnings | **2.6p** | 9.7p | 20.4p |
| | | | |
| Adjusted basic earnings | **9.4p** | 9.8p | 24.1p |
| Adjusted diluted earnings | **9.0p** | 9.7p | 23.9p |

## 7. Dividend

No dividends were paid in the period (2014: 11.8p net per share). As announced on April 10th 2015 no interim dividend will be paid (2014: 4.2p per share).

## 8. En Primeur

En primeur refers to the process of purchasing wines early before they are bottled and released onto the market. This method of purchasing gives the consumer the opportunity to secure wines that may be in limited quantity and very difficult to acquire after release. Receipts and payments for these wines may be up to two years before the wines are delivered to customers. Payments to suppliers are treated as trade receivables and receipts from customers treated as deferred income until the wines are delivered.

### a) Analysis of en primeur balances

| | **28.09.15** | 29.09.14 | 30.03.15 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| En primeur purchases included in non current assets | **1,021** | 510 | 526 |
| En primeur purchases included in current assets | **2,143** | 2,522 | 1,792 |
| Total en primeur purchases | **3,164** | 3,032 | 2,318 |
| | | | |
| En primeur deferred income included in current liabilities | **(2,732)** | (3,042) | (2,320) |
| En primeur deferred income included in non current liabilities | **(1,167)** | (594) | (610) |
| Total en primeur deferred income | **(3,899)** | (3,636) | (2,930) |
| | | | |
| Net en primeur balance | **(735)** | (604) | (612) |

### b) Movement in en primeur balances

| | **26 weeks ended 28.09.15** | 26 weeks ended 29.09.14 | 52 weeks ended 30.03.15 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Net en primeur balance at beginning of period | **(612)** | (754) | (754) |
| Movement in en primeur balance | **(123)** | 150 | 142 |
| Net en primeur balance at end of period | **(735)** | (604) | (612) |

## 9. Notes to the cash flow statement

### Reconciliation of profit to cash generated by operations

| | **26 weeks ended 28.09.15 £000** | 26 weeks ended 29.09.14 £000 | 52 weeks ended 30.03.15 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit | **1,805** | 6,444 | 13,479 |
| **Adjustments to reconcile profit for the year to cash generated by operations:** | | | |
| Income tax expense | **2,460** | 2,052 | 4,943 |
| Net finance expense | **944** | 66 | 119 |
| Amortisation, impairment and depreciation | **7,760** | 3,013 | 6,292 |
| (Profit)/loss on disposal of non current assets | **(4,737)** | 80 | (2) |
| (Increase)/decrease in inventories | **(275)** | (2,527) | 524 |
| Increase in trade and other receivables | **(1,043)** | (2,229) | (756) |
| (Decrease)/increase in trade and other payables | **(5,536)** | 1,220 | 8,195 |
| Movement in en primeur balances | **123** | (150) | (142) |
| Increase in deferred lease inducements | **39** | 1 | 26 |
| Change in value of derivative instruments | **(910)** | 319 | 350 |
| Decrease in provisions | **(18)** | (68) | (246) |
| Share based payments | **3,567** | 250 | 131 |
| Cash generated by operations | **4,179** | 8,471 | 32,913 |

### Reconciliation of net cash flow to movement in net (debt)/funds

| | **28.09.15 £000** | 29.09.14 £000 | 30.03.15 £000 |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | **8,227** | (6,489) | 9,435 |
| Effect of foreign exchange differences | **(141)** | (130) | (247) |
| New bank loan raised | **(50,000)** | - | - |
| Arrangement fees paid | **844** | - | - |
| Amortisation of arrangement fees | **(97)** | - | - |
| Bond finance arising on acquisition | **(4,997)** | - | - |
| Repayment of borrowings | **10,005** | - | - |
| Movement in net debt | **(36,159)** | (6,619) | 9,188 |
| Net funds at beginning of period | **10,967** | 1,779 | 1,779 |
| Total net (debt)/funds | **(25,192)** | (4,840) | 10,967 |

### Reconciliation of net (debt)/funds

| | **28.09.15 £000** | 29.09.14 £000 | 30.03.15 £000 |
|---|---|---|---|
| Total cash & cash equivalents | **19,053** | 4,207 | 10,967 |
| Amount included in current liabilities | **-** | (9,047) | - |
| Amount included in non current liabilities | **(44,245)** | - | - |
| Cash and cash equivalents per cash flow statements | **(25,192)** | (4,840) | 10,967 |

**10. Acquisition of subsidiary**

On 10th April 2015 the Group acquired the entire issued share capital of Naked Wines International Limited for consideration of up to £70m payable in a combination of cash and shares, thereby obtaining control of this business and its subsidiaries collectively known as Naked Wines.

The net assets and results of the acquired businesses are included in the consolidated financial statements of the Group from the date of acquisition. IFRS 3 Business Combinations has been applied and the goodwill arising has been capitalised and is subject to annual impairment testing.

The goodwill arising on the business combination has been allocated to the single group of cash generating units as this is the lowest level within the Group that goodwill is monitored internally. Goodwill arising on the acquisition is mainly attributable to the following factors that do not meet the criteria for recognition as a separate asset at the date of acquisition:

- the ability of the Naked Wines business to continue to grow the business by attracting new customers at a rate in excess of attrition of the existing customer base;
- the value of the assembled workforce; and
- opportunities to improve greater operating efficiency as the business scales.

None of the goodwill is expected to be deductible for income tax purposes.

The fair values currently established for the acquisition are provisional and will be reviewed based on additional information up to one year from the date of acquisition. The Directors do not believe that any net adjustments resulting from such a review would have a material effect on the Group.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

| | **£000** |
|---|---|
| Intangible assets | |
| - Customer contracts and relationships | 14,200 |
| - Brand | 10,300 |
| - Internally developed software | 900 |
| - Deferred taxation | (5,080) |
| Property plant and equipment | 491 |
| Inventories | 17,769 |
| Cash and cash equivalents | 8,519 |
| Trade and other receivables | 1,609 |
| Trade and other payables | (29,887) |
| Non current financial liabilities | (27,954) |
| Corporation tax liability | - |
| Net identifiable liabilities acquired | (9,133) |
| Goodwill arising on acquisition | 30,865 |
| Total consideration | 21,732 |
| Satisfied by: | |
| Cash | 21,732 |

**10. Acquisition of subsidiary (Continued)**

Acquisition costs of £2,267,000 arose as a result of the transaction. These have been recognised in the group income statement as follows:

| | £000 |
|---|---|
| 52 weeks to 30.03.15 | 1,767 |
| 26 weeks to 28.09.15 | 500 |
| Total acquisition costs | 2,267 |

The acquired businesses have contributed £42,197,000 to Group revenues and £37,000 to Group profit in the period since acquisition. If the acquisition had been completed on the first day of the financial period, Group revenues for the period would have been £183,456,000 and Group profits attributable to equity holders of the parent company would have been £1,335,000.

In addition to the initial cash payment made at the time of the acquisition a further amount of up to £20 million in Majestic PLC's Ordinary Share capital (based on the closing price at 2 April 2015) has been issued to management in the form of contingently returnable shares and share options. These shares will vest subject to the achievement of certain performance criteria over a maximum period of four years. As continuing employment is a requirement for the final vesting of these shares IFRS 2 Share Based Payments has been applied to this element of the consideration and the amounts are being recorded in the Group Income Statement over the next four years.

## Additional Unaudited Information

### 1. Segment reporting

Reconciliation of prior period reported sales to the represented business segments as per note 3.

| | Majestic | Calais | Retail | Commercial |
|---|---|---|---|---|
| **Segment analysis** | | | | |
| **26 weeks ended 29.09.14** | £000 | £000 | £000 | £000 |
| Third party revenue as originally reported | 124,888 | 3,954 | - | - |
| Allocate Majestic between Retail and Commercial | (124,888) | - | 103,377 | 21,511 |
| Re-allocate Calais to Retail | - | (3,954) | 3,954 | |
| Third party revenue restated | - | - | 107,331 | 21,511 |

| | | | | |
|---|---|---|---|---|
| **Segment analysis** | | | | |
| **52 weeks ended 30.03.15** | £000 | £000 | £000 | £000 |
| Third party revenue as originally reported | 265,956 | 7,650 | - | - |
| Allocate Majestic between Retail and Commercial | (265,956) | - | 223,727 | 42,229 |
| Re-allocate Calais to Retail | - | (7,650) | 7,650 | - |
| Third party revenue restated | - | - | 231,377 | 42,229 |

A more detailed analysis of the underlying year on year segmental results is shown below. These numbers exclude adjustments for En Primeur and use a constant rate of foreign exchange. The Naked Wines numbers are based on a full 6 months in each period.

| **Proforma Information** | **26 weeks ended 28.09.15 £000** | 26 weeks ended 29.09.14 £000 | Year on year % |
|---|---|---|---|
| **Retail** | | | |
| UK sales | 107,715 | 103,376 | 4% |
| France sales | 4,048 | 3,532 | 15% |
| Total sales | 111,763 | 106,908 | 5% |
| Gross profit | 26,812 | 25,111 | 7% |
| Distribution costs | (12,697) | (12,173) | 4% |
| Administrative costs | (6,638) | (5,765) | 15% |
| Adjusted EBIT | 7,477 | 7,174 | 4% |
| **Commercial** | | | |
| Total sales | 23,146 | 21,511 | 8% |
| Gross profit | 4,298 | 3,813 | 13% |
| Distribution costs | (1,494) | (1,386) | 8% |
| Administrative costs | (537) | (490) | 10% |
| Adjusted EBIT | 2,267 | 1,936 | 17% |
| **Lay & Wheeler** | | | |
| Total sales (excluding movement in en primeur) | 5,472 | 4,440 | 23% |
| Gross profit | 1,508 | 1,368 | 10% |
| Distribution costs | (435) | (422) | 3% |
| Administrative costs | (923) | (969) | (5%) |
| Adjusted EBIT | 150 | (23) | |
| Unallocated adjusted EBIT | (1,045) | (755) | 38% |

| | | | |
|---|---|---|---|
| **Total Group (excluding Naked Wines)** | | | |
| Total sales | 140,381 | 132,860 | 6% |
| Gross profit | 32,618 | 30,292 | 8% |
| Distribution costs | (14,625) | (13,981) | 5% |
| Administrative costs | (9,143) | (7,967) | 15% |
| Adjusted EBIT | 8,851 | 8,332 | 6% |
| Adjusted EBIT margin | **6%** | 6% | - |

| | **6 months ended 30.09.15 £000** | 6 months ended 30.09.14 £000 | Year on year % |
|---|---|---|---|
| **Naked Wines** | | | |
| UK sales | 22,884 | 20,562 | 11% |
| US sales | 16,868 | 9,112 | 85% |
| Australia sales | 4,968 | 3,411 | 46% |
| Total sales | 44,720 | 33,085 | 35% |
| Gross profit | 16,886 | 10,567 | 60% |
| Distribution costs | (7,996) | (6,164) | 30% |
| Administrative costs | (7,941) | (6,326) | 26% |
| Adjusted EBIT | 949 | (1,923) | |

## 2. Cashflow analysis

The table below shows the cash movements of the group disaggregated into certain combinations of the reported segments

- Naked Wines
- Other (combination of Plc and L&W)
- Majestic (combination of Retail and Commercial)

This has been done to highlight the cashflow characteristics of the combined Retail and Commercial business, as referenced in the CEO's Business Review.

| | | **FY16** | | | **FY15** | **YoY** |
|---|---|---|---|---|---|---|
| | Group | Naked | Other/Plc | Majestic | Majestic | Majestic |
| | £m | £m | £m | £m | £m | £m |
| **Operating Cashflows** | **227** | **(7,261)** | **(4,330)** | **11,818** | **4,640** | **7,178** |
| Adjusted operating profit | 9,334 | 608 | (1,018) | 9,744 | 8,434 | 1,310 |
| Movement in working capital | (7,438) | (7,590) | (1,004) | 1,156 | (2,220) | 3,376 |
| Depreciation & amortisation | 3,214 | 114 | 169 | 2,931 | 2,836 | 95 |
| Purchase of fixed assets | (2,580) | (390) | (174) | (2,013) | (4,410) | 2,397 |
| Tax paid | (2,303) | | (2,303) | | | |
| | | | | | | |
| **Exceptional Cashflows** | **4,835** | | **(801)** | **5,636** | | **5,636** |
| Cash impact of exceptional costs | (931) | | (805) | (126) | | (126) |
| Disposal of fixed assets | 5,766 | | 4 | 5,762 | | 5,762 |
| | | | | | | |
| **Financing Cashflows** | **3,165** | **(5)** | **3,170** | | | |
| Net interest paid | (351) | | (351) | | | |
| Issue Share cap | 446 | | 446 | | | |
| Acquisition of subsid | (36,081) | | (36,081) | | | |
| Net new loans | 39,151 | (5) | 39,156 | | | |
| | | | | | | |
| **Total Cashflow** | **8,227** | **(7,266)** | **(1,961)** | **17,454** | **4,640** | **12,814** |

### 3. Acquisition related non-cash charges

Included within the adjustments to profit before tax are a number of charges relating to the acquisition of Naked Wines that will recur over the coming years. The table below shows the estimated level of this charge for each financial year. These estimates are subject to change for reasons including, but not limited to:

- The expected life of intangible assets and / or the results of impairment testing
- The rate that employees holding share options leave the business
- The likelihood of certain performance criteria relating to Naked Wines being achieved, and the timing of their achievement

| 52 weeks ended | 28.03.16 | 03.04.17 | 02.04.18 | 01.04.19 | 30.03.20 | 29.03.21 | 28.03.22 | 27.03.23 |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Amortisation of acquired intangibles | 4 | 4 | 4 | 4 | 4 | 4 | 1 | 1 |
| Acquisition related SBP charges | 7 | 7 | 3 | 1 | | | | |
| Total | 11 | 11 | 7 | 5 | 4 | 4 | 1 | 1 |

### 4. Taxation reconciliation

| | | 26 weeks ended 28.09.15 |
|---|---|---|
| | | £000 |
| Profit before tax | | 4,265 |
| Taxation at the standard UK corporation tax rate of 20% | | 853 |
| Adjustment is respect of prior periods | | (85) |
| Overseas income tax at higher rates | | 210 |
| Non-deductible expenses | Impairment of subsidiary | 521 |
| | Acquisition costs | 100 |
| | Share Based Payments | 536 |
| | Depreciation on exempt assets | 313 |
| | Other | 12 |
| Total income tax expense charged in the income statement | | 2,460 |
| Effective tax rate | | 57.7% |

### 5. Acquisition of subsidiary

Reconciliation of headline cost of acquisition to the cash consideration in note 10.

| | £000 |
|---|---|
| Cash consideration per note 10 | 21,732 |
| Contingently returnable shares and share options issued | 19,758 |
| Funding of pre-acquisition liabilities | 6,208 |
| Loans settled on acquisition | 22,868 |
| Total cost of acquisition | 70,566 |

Analysis of cost of acquisition of subsidiary per cashflow statement

| | £000 |
|---|---|
| Cash consideration per note 10 | 21,732 |
| Loans acquired with subsidiary | 22,868 |
| Cash acquired with subsidiary | (8,519) |
| Acquisition of subsidiary per cashflow statement | 36,081 |