For Immediate Release | Majestic Wine plc | 15 June 2017

Majestic Wine PLC
("Majestic")

Full Year Results for the 53 weeks ended 3 April 2017

Past the tipping point - H2 profit up 51% on prior year

- Sales up 15.8% on a reported 53 week basis, 11.4% on an underlying 52 week basis, driven by 12% growth in the Group customer base to 852,000 active customers.(1) Multichannel orders now account for 56% of Group sales
- Full year reported adjusted PBT down to £12.9m, reflecting previously announced transformation costs
- H2 adjusted EBIT up 51.0%, an encouraging performance in the first period where transformation costs are fully annualised and benefits are starting to come through
- Full year reported Profit before Tax was a loss of £1.5m, largely reflecting acquisition related non-cash charges (see financial note 4 for details)
- Key transformation projects on track
- ROI on new customer acquisition in Naked Wines at 139% in H2, 83% for the year
- Reporting of Free cash flow and Net Debt were negatively impacted by short term timing of payments falling in the 53rd week which reverse shortly after the year end
- Final dividend of 3.6 pence per share, total dividend of 5.1 pence for the year

		Reported		Underlying(4)		
		FY2017	FY2016	FY2017	FY2016	% YoY Underlying
		53 weeks	52 weeks	52 weeks	52 weeks	
Revenue	£m	**465.4**	**402.1**	**461.1**	**413.9**	**11.4%**
Adjusted EBIT(5)	£m	**14.1**	**16.6**	**12.1**	**16.8**	**-28.4%**
Adjusted PBT(6)	£m	**12.9**	**15.0**	**10.9**	**15.3**	**-29.2%**
Adjusted EPS	**P**	**17.7p**	**19.2p**			
(Loss)/profit before tax	£m	**(1.5)**	**4.7**			
Basic EPS	P	-4.1p	3.5p			
Final Dividend per share	P	3.6p	0.0p			
Free Cash Flow(7)	£m	6.2	13.8			
Reported net debt	£m	(25.7)	(25.5)			

To provide a meaningful comparison with last year, operating performance commentary is stated on an underlying basis (unless otherwise stated). A full reconciliation between our reported numbers and these underlying measures, alongside analysis of the H1 and H2 comparatives is provided in the financial review.

Rowan Gormley, Group Chief Executive, commented:

"We are past the tipping point, both financially and operationally.

Financially, Adjusted EBIT in the second half of the year is up 51.0% on prior year.

Operationally, we are through the most risky and cost intensive phase of our transformation plan.

Together these mean we have a business that is better able to weather the uncertain trading environment, with a sustainable growth model, the big strategic questions answered, a better paid and rewarded workforce and more effective systems and processes.

We remain confident about the medium term outlook, despite tough economic conditions, as transformation benefits are coming through and our costs are naturally coming down as a result of us reaching the next stage of the transformation plan. We are therefore reiterating our £500m sales goal by 2019 and affirming current analyst profit expectations.(3)"

Majestic Wine PLC will host an analyst and investor briefing on Thursday 15 June 2017 at 9.30am at the offices of Instinctif, 65 Gresham Street, London, EC2V 7NQ. To attend please contact Gabby Clinkard on the details below.

A webcast will be made available after the meeting on our investor website: http://majesticwineplc.co.uk/investor-centre/results-centre/

Notes:

(1) Total active customers are Repeat Majestic customers plus Naked Wines Mature Angels
(2) Like-for-like sales trends refer to Retail sales only, include Calais and exclude the impact of new stores and store closures during the year
(3) Analyst consensus estimates can be found on www.majesticwineplc.co.uk
(4) Underlying movement (a) includes the pro-forma presentation of Naked Wines, assuming that Naked Wines was included in the Group results for the whole of the comparative period; (b) includes en primeur revenues in year of order not year of fulfilment, (c) is calculated using constant FX rates for translation of the comparative period and (d) adjusts the current year to a 52 week period, comparable to the prior year
(5) Adjusted EBIT is operating profit adjusted for amortisation and impairments of acquired intangibles and goodwill, acquisition costs, share based payment 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
(6) Adjusted PBT is defined as Adjusted EBIT less net finance charges
(7) Free cash flow is defined as cash generated from operations less capital expenditure and excluding cash Adjusted items

For further information, please contact:

Majestic Wine PLC	**Tel: 01923 298 200**
Rowan Gormley, Chief Executive Officer	
James Crawford, Chief Financial Officer	
Gabriella Clinkard, Public & Investor Relations	**Tel: 07891 206239**
	gabby.clinkard@majestic.co.uk
Investec (NOMAD & Joint Broker)	**Tel: 0207 597 5970**
Garry Levin / David Flin / David Anderson / Carlton Nelson	
Liberum (Joint Broker)	**Tel: 020 3100 2222**
Peter Tracey / Anna Hartropp / Richard Bootle	
Instinctif Partners (PR Agency)	**Tel: 0207 457 2020 or 07931 598 593**
Damian Reece	

About Majestic Wine PLC:

Majestic Wine PLC is a leading wine specialist, operating in four separate divisions, each with the fundamental goal of delivering sustained growth in shareholder value by doing the right thing for the Group's customers, suppliers and people:

•Majestic Retail - The UK's largest specialist wine retailer, with 210 branches in the UK and 2 in France. We help people find the wines they will love through over 1000 highly trained, specialist store team members. Reported sales for the year ended 3 April 2017 were £262.2m.

•Naked Wines – Funds independent winemakers to make exclusive wines at preferential prices which we pass onto customers. Naked Wines currently has 159 winemakers in 16 countries and 363,000 Mature Angels (Customers). Reported sales for the full year ended 3 April 2017 were £144.3m.

•Majestic Commercial - A specialist on-trade supplier who aims to support businesses to make their wine lists more profitable, with the unique advantage of running their supply chain through Majestic Retail stores. Reported sales for the year ended 3 April 2017 were £46.6m.

•Lay and Wheeler - A specialist fine wine merchant. Lay & Wheeler aims to be a trusted guide for people who love fine wine, supplying the world's finest wines with a personal service. Reported sales for the year ended 3 April 2017 were £12.3m.

Chairman's statement

Thank you

… to all of our investors who have been with us through the first phase of the transformation plan. The first stage of any transformation is always the most complex and risky, so I wanted to thank you for your support and your confidence.

Overview

As separately announced this morning, this is my last Chairman's report, as I will be retiring in August, and handing over to the very talented Greg Hodder – which I will discuss shortly.

This feels like the perfect time for a handover. Two years ago, our Company was experiencing falling like for like sales and profits, with no international exposure and limited success in delivering a multi-channel offer.
With the acquisition of Naked Wines in 2015, and the transformation plan we have driven through, we are now in a very different position.

- Sales are growing at double digit rates in a very tough market, driven partly by the fabulous growth of Naked but also, critically, through a return to like for like sales growth in the core retail business
- We now have international sales of £88 million, growing at 52.7% this year, and multi-channel orders now account for 56% of Group sales

This report marks the halfway point on a three year journey and the right time for me to hand over the baton to a new Chairman for the next stage in our development.

Performance

A very strong second half trading performance in addition to solid executional progress with our transformation plan initiatives meant we finished the year in good shape. However, our first half saw the need for a disappointing unscheduled trading update following weak trading in our Commercial division and an unsuccessful investment in direct mail by Naked Wines USA. This was a painful experience for us all but I am pleased that the executive team responded positively to this set back, taking the necessary actions to ensure this was a one off and redoubling their efforts to deliver a successful second half.

On an underlying 52 week basis, full year sales of £461.1m are up 11.4%. Adjusted PBT was £10.9m, reflecting a very strong performance in the second half of the year. Turning to the reported numbers, which are impacted by a 53rd week, we have reported a statutory loss of £1.5m due to the continued non-cash charges relating to the Naked Wines acquisition, one-off costs and revaluation of our foreign currency positions. Our balance sheet remains in good health. Finance costs were 20.6% lower this year despite free cash flow for the year, reported at £6.2m, being impacted by the timing of year end due to our 53rd week. Since year end we have paid down £9m of our revolving credit facility. Our plan is progressing well, we are on track with where we said we would be and we are looking forward to an exciting 12 months, albeit in a difficult trading environment.

Key factors driving this year's performance were:

- Continued growth in like-for-like performance in Majestic Retail, where the business model of driving sales growth by focusing on customer loyalty has now delivered eight consecutive quarters of like-for-like sales growth of 5.7% and a total sales performance of 5.4% growth on a more streamlined store base.
- Strong growth from Naked Wines, especially in the exciting US and Australian markets.
- Finally I'm delighted to report Lay & Wheeler, our fine wine business, after years of languishing in the doldrums grew sales strongly at 36.2% and turned from a small profit into a meaningful contribution to the group bottom line.

We have also seen continued progress on our five Key Performance Indicators across the Group, which gives me faith in the sustainability of the transformation.

Dividend

I am very pleased to be announcing a Final dividend of 3.6p. Combined with the Interim dividend of 1.5p this gives a total dividend of 5.1p for the year, in line with our policy of distributing 35% of adjusted earnings This demonstrates our confidence in continued cash generation and commitment to deploying capital efficiently. Our dividend policy allows us to reinvest in the business where we see the best opportunities, pay down our debt and return surplus cash to shareholders and this is exactly what we're doing.

Board Changes
As separately announced today, I have decided to retire from the Board this year. Greg Hodder has now been appointed as Chairman-Designate, formally taking over as Chairman at the conclusion of the AGM.

Greg's extensive retailing and ecommerce experience, along with his first-hand knowledge of the wine market and the USA, our biggest growth market, make him the ideal person to take over from me at this stage of the transformation plan. Greg has made a huge contribution in the Board room since joining two years ago and it is clear to us all that he is an excellent fit as Chairman.

With the Group now larger and more international now is the time to appoint a Senior Independent Director. I am delighted to report that Ian Harding has accepted this new role which will further utilise his experience and he will be of great support to the Chairman and the Board. We've got a strong mix of skills on our Board which will support the Group through the next stage of the transformation plan.

Looking forward
I commend Rowan and the whole of his Executive team for their commitment to this transformation, the scope and volume of projects they have implemented is testament to their skill and determination.

We are committed to achieving £500m in sales by 2019 and delivering analyst profit expectations. The wine market in the UK is incredibly competitive but we are continuing to grow our customer base whilst doing the heavy lifting as part of our transformation plan. Myself and the rest of the Board remain positive about the coming years for the Majestic Group.

Goodbye
It has been a privilege for me to be a part of such an important time in Majestic's history. I thank all of the wonderful colleagues I have worked with over the years for their hard work, support and dedication and I wish everyone great success for the future. May the wine flow….

<u>Chief Executive's Review</u>

1. **Trading commentary**

2017 has been a mixed year, with a very strong second half following a disappointing first half:

Majestic Retail
We are now in the 8th consecutive quarter of like for like sales growth for Majestic. Underlying sales growth for the year was up 5.4% to £258.5m. Adjusted EBIT was down 13.4% to £12.3m as a result of our transformation investments. Gross margin was down by 0.7pps, the majority of which were Brexit related currency impacts. Pleasing progress has been made with the transformation plan and we have delivered continued improvement in our KPIs. The planned transformation investment was all in the cost base by end H1 resulting in H2 adjusted EBIT increasing by 28.4% to £8.8m.

Naked Wines
Naked has shown continued strong sales growth of 26.3% to £142.2m with the US business delivering 28% sales growth. Gross Profit is up from £39.6m to £48.2m, despite the previously reported failed direct marketing campaign which hit profits by £2.0m to result in an Adjusted EBIT of £0.6m. "Growth Investment" in new customer acquisition increased to £4.8m.

It is worth looking at the second half performance of Naked Wines to get a picture of what the ongoing business looks like compared to the same period last year:

- Sales were up 26.0%
- Adjusted EBIT was 665.5% up at £3.4m

- and ROI on new customer acquisition was 139% in H2, up from 48% in the first half of FY2016/2017

Commercial
It's been a disappointing year in both sales and profit for Commercial. Sales were up 0.8% to £45.9m and Adjusted EBIT was down 36.5% to £2.4m. We have restructured and stabilised the business. Staff and customer retention has been restored

Lay & Wheeler
I am delighted to report that the new team in Lay and Wheeler have delivered a very pleasing turnaround with sales up 36.2%, and Adjusted EBIT up five-fold to £0.9m. This has been a total cultural turnaround, summed up by the phrase they came up with "the 160 year old start up". We have a strong team in place and are set for future growth

2. **We are past the tipping point:**

18 months into our transformation plan, we have passed the tipping point, both financially and operationally.

We are moving out of the "test and learn phase" of the plan and into the "roll out" phase - which comes with less risk and lower investment.

A great way to illustrate that is the list of projects in Majestic Retail has fallen from 24 last year to just 6 this year. There is still a lot to be done, but we are a better business today than we were 18 months ago, when we started our transformation plan.

3. **What is the plan?**

Like all management teams, our job is to deliver sustainable growth in shareholder value.

What is different is how we are doing it. We believe that for shareholder value growth to be truly sustainable, it has to be driven by…

- Growing the customer base, rather than the number of stores
- The best way to grow the customer base is by retention
- To get retention you need loyalty, which requires a market leading proposition
- To deliver a market leading proposition you need the loyalty of your people and suppliers

The way we measure progress is to look at the 5 KPIs. By definition these measures will take time to respond to our initiatives, although we are beginning to see some encouraging early signs:

Group KPI	Definition	Retail	Naked Wines	Commercial	Lay & Wheeler
Repeat customer retention	% of repeat customers from 12 months ago that are still repeat customers, as measured from our customer databases	68%(1) (FY16: 68%)	67% (FY16: 66%)	76% (FY16: 80%)	73%(2) (FY16: 92%)
Product availability	% of targeted range available in stores / on websites as indicated by our inventory reporting	82% (FY16: 66%)	85% (FY16: N/A)	79% (FY16: N/A)	N/A (FY16: N/A)
Team retention	% of key staff (e.g. store managers) as of 12 months ago still working per payroll records	74% (FY16: 75%)	64% (FY16: N/A)	62% (FY16: 81%)	79% (FY16: 76%)
Wine quality (Buy it Again Ratings)	% of "Yes" scores in the last 12 months as recorded by websites / apps	91% (FY16: N/A)	90% (FY16: 89%)	N/A (FY16: N/A)	N/A (FY16: N/A)

Proportion of 5-star service ratings	% of service ratings scoring 5* in last 2 months as recorded by websites / apps / telephone feedback	87% (FY16: 86%)	89% (FY16: 90%)	N/A (FY16: N/A)	93% (FY16: N/A)

(1)The Retail customer retention KPI has remained flat. This is a mix variance, dragged down by the growth in customers buying 5 or fewer bottles. Retention for customers buying 6 or more bottles of wine remains stable

(2)Lay & Wheeler has started acquiring new customers with higher attrition in a new subscription program. The core customer base remains stable

To drive the KPI growth we have diverted the £8m a year we were spending on opening new stores, and invested it into the people and the customer proposition. This diversion does not cost more cash – but it does go straight to the income statement, so produces a short term hit to profits.

4. Is it working?

In a word, yes. There is still a lot to do, and not everything has worked as we wanted it to (see my next point) but the overall proposition is working.

We now have 8 consecutive quarters of like for like growth in Majestic Retail, 8 years of the same in Naked Wines, and although 160 years old, Lay and Wheeler has been returned to double digit growth!

Sales are up 11.4%, which is all very well…what about the profit?

I am pleased to report that adjusted EBIT in the second half was 51.0% higher year on year. This in turn is driven by the 7% growth in our customer base in Majestic Retail and 21% growth in our customer base at Naked Wines. For the full year our adjusted EBIT was lower at £12.1m reflecting;

- The investments made as part of the transformation plan
- Disappointing performance of our Commercial business
- The failed Naked Wines USA Direct Mail campaign

Our full year reported loss of £1.5m reflects the ongoing expensing of non-cash share based payment charges and intangible assets that arose from the acquisition of Naked Wines.

Finally, the movement in the KPIs is driven by the projects we have invested in:

Where we're investing:	Projects:	Outcome:
Team Retention	•Enhanced bonus scheme •Improved Learning and Development	•Staff retention stable at 74%
5* Service and Store Experience	•Maintenance – improving store environment •Refurbishments and refits of stores • Measuring staff performance and rewarding store staff on 5* service scores	•Estate looks more loved •Shelving has reduced task hours • Retention for customers buying 6 or more bottles of wine remain stable •Customised range in every store
Availability	•Right range, in the right place	•Availability up from 66% to

	•National Fulfilment Centre – we now have same day delivery and a much broader range	82% •£1.8m Inter Branch transfer cost eliminated
Wine Quality	•New merchandising function •Range more unique and exciting •Improving consistency across the estate	•Staff and customers more enthused by the range • Buy it Again Ratings at 91%
Customer Communications	•Better targeting of messages to different customer segments •Bringing analytics and ecommerce management in house to improve performance	•15% improvement in welcome process • Number of active Majestic Retail customers up 7%.
Systems and Processes	•IT – In house team building replacements for dated and outsourced systems •Finance – Improved pace of accounting cycle, additional business support, new credit control function, group controls and compliance function established	•Huge impact on store labour – eliminating 76,000 hours of dull task from store teams e.g. double keying of online orders and inter branch transfers •Creation of a solid platform for multichannel strategy

5. What did not go right?

More than we would have liked, I am afraid.

1. Margin. Britain's vote to leave the EU has hit the buying power of the Pound, which has in turn increased our cost of goods. The impact of this was smoothed by hedging, and market pricing has adjusted to recover the margins, but the impact on price has had a short-term impact on margin and is likely to have a longer-term impact on demand, and may impact our operation in Calais.
2. Commercial. You may remember that we separated our specialist B2B division, Majestic Commercial, from the core Retail business, because it was apparent that Commercial's growth was hampering Retail. This proved to be the right decision, but has exposed the extent to which Commercial relied on a cross subsidy of time and effort from their Retail colleagues, in the absence of strong systems and processes. We have reorganised the Commercial Division, focused on looking after our existing customers before growth, and stabilised the business to provide a solid platform for growth
3. Naked Wines USA – Direct Mail campaign. We reported at the half-year that, despite promising early tests, a large direct mail campaign we ran in Naked Wines USA failed to deliver its targets. I am pleased to report that in H2, we grew total Naked Wines sales by 26.0%, customers by 21% and restored ROI on new customer acquisition to historic levels of 83% in the year, and 139% in H2, by focusing on quality acquisition of high quality Angels.
4. Staff retention. One number that has proved difficult to move is staff retention in the core Retail business. The fundamental reason for this is that the best people have been frustrated by the fact that there is nowhere to go once you make it to store manager. We have probably been over cautious in addressing this historically, but have now tackled the issue head on by testing a new Partnership programme where store managers are given the chance to literally run their own shop. Managers will be able to earn a percentage of their store's contribution by having more control over the day to day running of their own store.

6. What has changed?

1. We know what works much better than we did two years ago:
    a. We have confidence that the model is working
    b. We can sell own label wines
    c. Targeted marketing is working better than “spray and pray”
    d. Shelving stores has reduced task hours
    e. Customers value next day delivery
2. A bunch of the heavy lifting has been done – and plenty more underway
    a. We have taken a big chunk of dull labour out of stores
    b. We are able to start delivering customer facing technology
    c. Better product availability improvements mean more sales and less running around in vans
    d. All planned costs of the transformation plan have now been implemented
3. The economy
    a. Slowing consumer demand
    b. Currency fluctuations

7. What is the outlook?

In short, we are in much better shape than we were two years ago – and we need to be, because UK retail is likely to be in for a rough ride, with downward pressure on demand, due to falling household incomes and upward pressure on prices.

However, it is not all doom and gloom. We are moving into a lower risk and lower investment phase of our transformation plan, which means that despite anticipating tougher times ahead, we feel able to:

- Reiterate our sales target of £500m in 2019
- Affirm current profit expectations*

Of course, this guidance assumes that there is no further deterioration in trading conditions and no exceptional fallout from Brexit. I wish I had a crystal ball to predict what the outcome might be, but in the absence of that, all we can do is stick to our transformation plan.

Thank you for your loyalty in being an investor at a time when we needed to invest to restore your company to growth. At a time when the economy could provide headwinds, I am looking forward to rewarding your loyalty with some great numbers

8. Phil Wrigley

Finally, I would like to thank Phil for the enormous contribution he has made to building a solid future for your company. He has brought a huge dose of wisdom, decades of retail experience and an acute insight into people, all combined with a wicked sense of humour and warm personality. He will be greatly missed, and we wish him all the best in a well-earned retirement.

***** *14 June 2017: Market consensus is available on our PLC website: www.majesticwineplc.co.uk*

Rowan Gormley
Group Chief Executive
14 June 2017

Investment Review

Over the last 18 months we have invested over £8m of operating expense into the Majestic Retail business over and above inflation, as well as increasing the overhead base and marketing investment at Naked Wines. We remain agnostic as to whether the investments we undertake are operating or capital expense in nature, and we are constantly reviewing where we are getting payback. If the return is not sufficient we will be ruthless and reallocate budgets accordingly. During FY17 we have done exactly this, and it has had a significant impact on our outlook for the business.

The majority of our activity has been successful and we have generated record numbers of customers and sales revenues across the Group. The disappointing Naked Wines USA direct marketing investment and slower sales growth in Commercial were identified quickly and promptly, and it's been pleasing to see, for example, our US marketing investments delivering high returns during H2 as we flushed out underperforming spending.

We are committed to investing in the business to deliver growth and push the business forward. We have a record of quickly eliminating investment where we are not getting our expected return. We will return cash to our Shareholders if deploying it within the Group does not maximise the return.

Alongside the ongoing review, towards the end of FY17 we presented to the Board a review of all investment in the business, whether embedded prior to the transformation plan or part of it, and the results of this have strongly shaped our budgeting and planning for FY18. We have eliminated a significant amount of unproductive cost across the group and across a mix of customer facing and non-customer facing activities. Some of this investment was generating sales of a low quality i.e. low or no margin and not generating a future stream of sustainable revenues due to the types of customers we were attracting. As a result of us removing the lower return investment we expect our rate of sales growth to slow in FY18, but strong profit growth to be achieved. With a clearer outlook for the business and having now passed the mid-point of the transformation in Retail, we are more confidently forecasting how costs and revenues will grow over the next 24 months, which gives us confidence in current market expectations for the year ahead.

To put some more colour on that, here were some of our review findings from the year:

Investment type	**Finding**	**Action and Implication**
Naked Wines marketing to new customers	US Direct mail campaign was disappointing. We have tested and optimised other campaigns across the UK, USA and Australia and are now able to focus on those which recruited the highest quality Angels	We have identified over £2.5m of the lowest performing spend from the Naked marketing budget as we go into FY18 and will be looking to redeploy it into new test campaigns We have created new analytical tools that forecast long-term behaviour off early indicators and will use these to identify and eliminate bad campaigns even earlier going forwards
Naked Wines outbound sales team	We have been able to identify the best performing outbound sales campaigns that drive the most long term value	Outbound sales campaigns are now more cost efficient and effective at servicing Angels, resulting in reduced cost growth in this area as the business grows

Majestic Retail store refits	Overall the refits are supporting higher sales growth and positive returns. Due to the early stage of the investment, performance is varied across the store base	We are currently identifying the characteristics of the best performing stores and the impact of the workload reduction for our people. We are also looking to reflect this in more efficient staffing levels and scheduling.
Majestic Retail additional store staff	Additional staffing over peak trading delivered improved KPIs	5 Star service has increased 1ppt. We delivered a 6.2% Retail growth over Christmas whilst maintaining service levels. The next step is to validate that the service enhancements yield long term benefits
Majestic Retail National Fulfilment operations	We delivered incremental sales by offering next day fulfilment of a broader range of products. Costs were higher than planned. However it is more efficient than store based fulfilment and delivers a better customer experience, resulting in a positive return on investment.	National fulfilment operations work and we have seen strong demand from customers. We are reviewing the optimal mix of stock movement through the supply chain to balance the store cost base with the variable cost and customer experience benefits available through central national fulfilment. Our routing algorithm can be adjusted to change the mix of this routing depending on expected demand
Majestic Retail tasting events	Events are positive when new customers attending go on to become repeat customers.	We are maintaining the tasting events across the country while assessing the new customers acquired through this channel
Majestic Retail direct mail to existing customers	We have created a data warehouse to enable more personalised mailings to smaller groups of customers. Testing has now been completed to establish if promotional led communications were more effective than content led.	We have reduced the breadth of mailing for certain campaigns, shifting emphasis from promotions to content driven communications. We are in the process of completely reviewing content for our customer communications early in their lifecycle, with the welcome campaign now 15% more effective.
Majestic Commercial Business Development	On a fully costed basis, we were not delivering attractive ROI from the new business being brought in by our business development team	We have re-engineered our customer terms to reflect the cost to serve them. We have reduced the level of business development resource and

		focused it more tightly to maintain service levels for existing customers, until we are ready to start investing to grow this division again
Lay & Wheeler Fine Wine Discovery Club	We are able to recruit customers for a subscription model at a cost that will be attractive if their lifecycle is similar to other L&W customers	Continuing to experiment with new recruitment approaches to identify lower cost approaches while we validate the longer-term lifecycle of the customers. The Fine Wine Discovery club has just passed it's one year anniversary and early signs are promising

Financial Review

Financial values used in this commentary reflect the adjusted figures, as reconciled in the notes to the financial statements. As FY17 was a 53 week year, the commentary on this page focuses on the 52 week underlying trends as more representative of the underlying business performance. Any metric marked as "underlying" is a constant FX, 52 week comparator. Any other measurement is the reported difference. We have calculated that the 53rd week delivered £6.7m of sales and £2.0m of profit to the consolidated results.

1. Group Results

	Reported	Proforma adj	Impact of foreign exchange	En-primeur	53rd week	Underlying
	£m	£m	£m	£m	£m	£m
Year ended 3 April 2017						
Revenue	465.4	-	-	2.4	(6.7)	461.1
Adjusted EBIT	14.1	-	-	-	(2.0)	12.1
Adjusted PBT	12.9	-	-	-	(2.0)	10.9
Year ended 28 March 2016						
Revenue	402.1	1.9	9.2	0.7	-	413.9
Adjusted EBIT	16.6	0.1	0.1	0.1	-	16.9
Adjusted PBT	15.0	0.1	0.1	0.1	-	15.3

Double digit sales growth has continued for the group, with 11.4% sales growth (15.8% reported due to the translation impact of the weaker pound and the 53rd week). Naked Wines delivered 26.3% underlying and 40.8% reported growth. Commercial was broadly flat and Lay and Wheeler has delivered an outstanding 36.2% underlying and 23.1% reported growth following the changes made to that division.

For the full year, profitability has been a game very much of two halves. In H1 we recognised a significant level of additional cost as the second half of the £8m per annum transformation investment into the Majestic Retail business was built into the base, and we accelerated investment into Naked Wines by £5.8m across marketing and administrative functions. This resulted in the Group reporting just £0.7m of Adjusted EBIT at our half year results.

The real story of the year is told in H2, and I make no apologies for focusing on this as it is a better reflection of the group's growth potential, with the comparative year having the costs of the Majestic transformation in the base. Adjusted to a comparable 26 week half, the group's sales growth of 12.1%, flat gross margin, and cost trend of 6.3% translated to 51.0% growth in adjusted EBIT in the half.

The result of this is a reported Adjusted EBIT result for the year of £14.1m, £12.1m on an underlying basis and reported adjusted PBT of £12.9m, £10.9m on an underlying basis.

We have continued to incur non-trading charges that impact our statutory reported profit, totalling £14.3m in the year. The main components of these were amortisation of acquired intangibles and share based payment charges relating to the purchase of the Naked Wines business. We recognised £0.8m of one-off costs relating to restructuring within the group.

2. Business Unit Highlights

Majestic Retail:

	Reported	Impact of foreign exchange	53rd week	Underlying
	£m	£m	£m	£m
Year ended 3 April 2017				
Revenue	262.2	-	(3.7)	258.5
Adjusted EBIT	13.3	-	(1.0)	12.3
Year ended 28 March 2016				
Revenue	244.0	1.1	-	245.1
Adjusted EBIT	14.0	0.2	-	14.2

We have delivered a further 5.4% growth (5.7% like for like), as our strategy to retain customers and grow our customer base continues. Adjusted EBIT declined 13.4%, as the second half of our investment plan was established in the cost base, outweighing the margin on incremental sales. Retail gross margins reduced by 0.7pp in the year. The majority of this movement was driven by the underlying trading margin as we maintained competitive pricing despite costs increasing as the pound weakened during the year. The margin reduction slowed significantly in H2, in particular in Q4 as pricing across the UK market moved up following the Christmas trading period.

Given the impact of our investment plan in the first half of the year, it's again worth reviewing the second half in isolation to get a better feel for the current business trajectory. In H2, sales growth of 5.8% delivered EBIT growth of 28.4% despite us putting additional investment into our national fulfilment operation, which created additional expense of c. £1.6m. With ongoing cost control measures and elimination of investments that are not delivering high returns we plan on delivering continued profit growth in Retail from a lower level of sales growth despite the well documented pressures of business rate reviews, the apprentice levy and inflation in the living wage.

Naked Wines:

	Reported	Proforma adj	Impact of foreign exchange	53rd week	Underlying
	£m	£m	£m	£m	£m
Year ended 3 April 2017					
Revenue	144.3	-	-	(2.1)	142.2
Adjusted EBIT	1.4	-	-	(0.8)	0.6
Year ended 28 March 2016					
Revenue	102.5	1.9	8.2	-	112.6
Adjusted EBIT	1.0	0.1	-	-	1.1

Profitability at Naked Wines decreased £0.5m in the year, while reported adjusted EBIT increased by 44.9% to £1.4m. Profits could have been much higher but we increased our rate of investment in new Angels year on year by £3.1m, a portion of which was badly spent on a failed Direct Mail campaign that will not be repeated. Our Mature Angels delivered £4.4m more contribution because there were more of them, and £0.4m less as we made lower contribution out of each of them combined. Overhead growth was £1.3m in the year, which resulted in adjusted EBIT moving back by £0.5m. We close the year with 363,000 Mature Angels, an increase of 21% versus FY16 which will put us in a position ready to continue to grow sales in FY18, despite the planned reduction in marketing activities that our evaluation has indicated to not add to our customer base long term.

Looking at H2 only, Naked Wines adjusted EBIT increased more than six fold with 70% of this growth coming from more angels, each contributing more. The remainder was the impact of marketing spend being phased into H1 and starting the process of eliminating those campaigns that we have identified as underperforming based on the long-term customer behaviour.

With the current customer base and the cost base in the last year we calculate a "standstill EBITDA" – the profit we would make if we stopped investing in growth - of £9m. The aggregate return on our investment in new customers in the year was 83%, which resulted in the first tranche of conditional consideration from the acquisition being payable. Shares were issued after the year-end balance sheet to settle this obligation.

Majestic Commercial:

	Reported	53rd week	Underlying
	£m	£m	£m
Year ended 3 April 2017			
Revenue	46.6	(0.7)	45.9
Adjusted EBIT	2.5	(0.1)	2.4
Year ended 28 March 2016			
Revenue	45.6	-	45.6
Adjusted EBIT	3.8	-	3.8

Majestic Commercial underlying sales grew by 0.8% in FY17, a significantly reduced rate of growth versus prior years. This reflects the challenges we have had in the business, announced in September 2016. Sales growth has stalled due to a combination of fewer new accounts won and worse performance of the existing customer base. This result is despite investment into the sales team that should have supported continued growth. As a result of these flat sales, weaker gross margins and the sales and investment into management, profits declined by £1.4m

As we have reviewed the strategy for Commercial during the year, we have moved from a position of investing in growing the business to reducing the level of staffing focused on developing the account base, focusing on maintaining our current customers. During H2 we eliminated circa £0.4m per year of annual cost from the business. We do expect this to result in a sustained flat sales trajectory in the next year, with the cost reduction protecting profitability. Costs of achieving this are reflected in one offs.

Lay & Wheeler:

	Reported	En-primeur	53rd week	Underlying
	£m	£m	£m	£m
Year ended 3 April 2017				
Revenue	12.3	2.4	(0.2)	14.5
Adjusted EBIT	1.0	-	(0.1)	0.9
Year ended 28 March 2016				
Revenue	10.0	0.7	-	10.7
Adjusted EBIT	0.2	-	-	0.2

Lay and Wheeler's performance this year has been very impressive. Sales have grown by 36.2%, translating to gross profit growth of 27.2% due to Foreign Exchange driven cost pressures and mix shift into some lower margin lines. Irrespective of this, underlying EBIT grew to £0.9m as the growth was driven by a more efficient team resulting in lower operating costs year on year. Costs of reorganising the Lay and Wheeler team were accounted as one-offs.

Central Costs:
Central costs increased substantially again year on year, from £2.3m to £4.2m. We indicated last year that we had built out our Group team, and we incurred a full year of costs for them in FY17. We spent £0.4m on various marketing innovation activities that were developed centrally, that will be rolled out by the trading businesses in future years. In addition we incurred higher advisory costs as we increased the scope of our audit, required

technical advice on a range of matters and appointed a joint broker. In FY18 we will centralise our IT resource within the group functions resulting in a transfer of £2m of costs from the trading businesses to the group team, and plan to run further marketing innovation projects centrally.

Adjustments / One off items:
We have continued to incur non-trading charges that impact our statutory reported profit, totalling £14.3m in the year. The main components of these were amortisation of acquired intangibles and share based payment charges relating to the purchase of the Naked Wines business. We recognised £0.8m of one-off costs relating to restructuring within the group.

Taxation:
The Group had an effective tax rate of -85% in the year, a function of the high level of disallowable costs which we include in our adjusted items e.g. share payment charges, mark to market on foreign currency positions.

Our adjusted effective tax rate (being the ratio of current income tax expense to Adjusted PBT) was 19.9% (2016: 27.6%). This reduction was due to (a) no store impairment charges impacting FY17 Adjusted PBT, (b) a foreign exchange credit of £0.3m in FY17 and (c) a reduction in the US effective rate due to brought forward losses being applied in FY17

Cash flow and Net debt:
Free cash flow was £6.2m versus £13.8m in FY16. The significant reduction was driven by an £11.0m increase in our working capital balances as we built inventory and made payments at the end of March, which fell before the end of the 53 week financial year. Since year end we have paid down £9m of our revolving credit facility. We benefited from lower capital expenditure ("CapEx") year on year as we opened no new stores and slowed our refit program while we evaluated the early results of the program such that our EBITDA less CapEx in the year was £17.5m vs £18.4m in the prior year. This reduction is lower than the fall in profits reflecting the move from CapEx to OpEx in the Majestic transformation plan.

Our finance charges in the year reduced from £1.5m to £1.2m. During the year we paid down £2.4m of our more expensive debt, the Naked Wines Fine Wine Bond. We could have repaid all of this but left a proportion, which pays wine credits into its investors Angel accounts rather than cash interest, as we observe higher engagement and shopping rates from these customers, more than justifying the higher interest cost.

As an expression of our confidence that cash generation will continue, we have announced a final dividend for the year. Our dividend policy is to pay out 35% of Adjusted Earnings for the full year. The Board have declared a final dividend payment of 3.6p per share which gives a total dividend for the year of 5.1p per share. For the purpose of calculating the dividend we apply the current year tax charge to our adjusted PBT, as a proxy for the cash tax impact, and distribute 35% of the resulting amount across all shares that qualify for dividends. The net result of this is a payout of c. 29% of the adjusted EPS we have reported today as a result of that tax adjustment and the higher number of shares versus those used in the EPS calculation. The final dividend will be payable on 28 July 2017 to shareholders on the register at 23 June 2017. The ex-dividend date is 22 June 2017.

At year end we remain comfortably within our covenant positions as measured through our banking agreement definitions, with a Net Debt:EBITDA ratio of 1.1x vs a covenant maximum of 3x, and EBITDA:Interest of 21x vs a covenant minimum of 4x.

Outlook is to grow profits, even with lower rate of sales growth:
We stated our ambition to deliver group sales of £500m in 2019 when we launched our turnaround plan in 2015 and we still believe we'll get there. Having reached £461.1m underlying revenue this year, and delivering an underlying growth rate of 11.4% it would be easy to say that doesn't look stretching! However, as Rowan has said, the world we are operating in is very different today than it was when we set out on this journey.

Brexit was obviously the big news, and it has helped our top line as our US, Australian and French sales all translate to a higher revenue when we report them in pounds, adding £9.2m to our top line versus the FX environment a year ago. However our biggest businesses are still in the UK and the situation today is one of weaker FX rates making the wine we sell more expensive to buy, and weakening consumer confidence after a short Brexit bounce. As a result of these factors, we are having to fight harder for every pound of revenue growth and every point of margin on our sales in the UK – which are c.81% of the Group

Given this outlook, and the results of our investment review described previously, we have charted a slightly different course through the next couple of years.

On the sales line, we will deliver our revenue target through continuing to grow the customer base of our businesses, by driving loyalty and customer retention. With the worsening outlook for the UK economy we are preparing for the worst – a reduced growth rate in our UK businesses - while hoping for the best. Eliminating unproductive marketing across the Naked Wines group will further impact the rate of sales growth near term as we remove sales that were generating a one-time purchase but no sustainable repeat business. As a result, we expect the group rate of sales growth to drop from double-digit to low-mid single digit in FY2018, accelerating slightly thereafter.

Through elimination of unproductive and duplicated costs, we still anticipate achieving greater profitability despite our forecast for a tougher environment.

With this improved clarity on what investments we are sustaining and impact on revenues, we have stated that we remain comfortable with current market profit expectations.

James Crawford
Chief Financial Officer and Company Secretary
14 June 2017

Group Income Statement

For the year ended 3 April 2017

	Note	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Revenue		**465,444**	**402,086**
Cost of sales		(343,837)	(297,835)
Gross profit		**121,607**	**104,251**
Distribution costs		(55,646)	(45,836)
Administrative expenses		(67,018)	(52,898)
Other operating income		811	766
Operating (loss)/profit		**(246)**	**6,283**
Net finance charge		(1,222)	(1,540)
(Loss)/profit before taxation		**(1,468)**	**4,743**
Analysed as:			
Adjusted profit before taxation		**12,877**	**15,021**
Adjusted items:			
- Non cash charges relating to acquisitions	4	(11,267)	(11,508)
- Other adjusted items		(3,078)	1,230
(Loss)/profit before taxation		**(1,468)**	**4,743**
Taxation	5	(1,227)	(2,419)
(Loss)/profit for the period		**(2,695)**	**2,324**
(Loss)/earnings per share	6		
Basic		-4.1p	3.5p
Diluted		N/A	3.3p
Adjusted basic		17.7p	19.2p
Adjusted diluted		16.3p	18.1p

The results are all derived from continuing operations.

Group Statement of Changes in Equity

For the year ended 3 April 2017

	Share capital	Share premium	Capital reserve - own shares	Capital redemption reserve	Currency translation reserve	Retained earnings	Total shareholders' funds
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 30 March 2015	4,924	19,970	(17)	363	1,505	71,821	98,566
Total comprehensive income for the period					553	2,324	2,877
Shares issued in relation to acquisition	370					(289)	81
Shares issued	13	471					484
Share based payment charges – ongoing						172	172
Share based payment charges - acquisition related						6,846	6,846
Deferred taxation						188	188
At 28 March 2016	**5,307**	**20,441**	**(17)**	**363**	**2,058**	**81,062**	**109,214**
Total comprehensive income for the period					1,780	(2,695)	(915)
Shares issued	2	64					66
Share based payment charges – ongoing						599	599
Share based payment charges - acquisition related						6,673	6,673
Dividends paid						(1,062)	(1,062)
Deferred taxation						(3)	(3)
At 3 April 2017	**5,309**	**20,505**	**(17)**	**363**	**3,838**	**84,574**	**114,572**

Group Balance Sheet

As at 3 April 2017

	3 April 2017 £'000	28 March 2016 £'000
Non current assets		
Goodwill and intangible assets	51,447	56,671
Property, plant and equipment	68,011	70,038
En primeur purchases	1,841	1,291
Prepaid operating lease costs	1,905	2,115
Deferred tax assets	1,696	1,129
	124,900	**131,244**
Current assets		
Inventories	94,834	80,732
Trade and other receivables	14,973	12,416
En primeur purchases	3,030	1,657
Financial instruments at fair value	-	889
Cash and cash equivalents	23,007	6,875
	135,844	**102,569**
Total assets	**260,744**	**233,813**
Current liabilities		
Trade and other payables	(56,019)	(61,801)
En primeur deferred income	(3,937)	(2,150)
Deferred Angel income	(28,406)	(18,832)
Bank overdraft	(12,537)	(3,071)
Provisions	(235)	(747)
Deferred lease inducements	(437)	(433)
Customer bond finance	(2,619)	(4,990)
Financial instruments at fair value	(1,090)	-
Current tax liabilities	(185)	(1,443)
	(105,465)	**(93,467)**
Non-current liabilities		
En primeur deferred income	(2,122)	(1,469)
Deferred lease inducements	(2,215)	(2,552)
Provisions	(829)	-
Bank loan	(33,512)	(24,317)
Deferred tax liabilities	(2,029)	(2,794)
	(40,707)	**(31,132)**
Total liabilities	**(146,172)**	**(124,599)**
Net assets	**114,572**	**109,214**
Shareholders' funds		
Called up share capital	5,309	5,307
Share premium	20,505	20,441
Capital reserve - own shares	(17)	(17)
Capital redemption reserve	363	363
Currency translation reserve	3,838	2,058
Retained earnings	84,574	81,062
Equity shareholders' funds	**114,572**	**109,214**

Group Cash Flow Statement

For the year ended 3 April 2017

	Note	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Net cash generated by operating activities			
Cash generated by operations	8	**9,127**	**18,650**
Foreign exchange differences		315	229
UK income tax paid		(3,354)	(3,905)
Overseas income tax paid		(591)	(821)
Net cash generated by operating activities		**5,497**	**14,153**
Cashflows from investing activities			
Purchase of property, plant and equipment		(3,311)	(4,994)
Purchase of intangible fixed assets		(190)	(973)
Purchase of prepaid lease assets		(22)	(271)
Acquisition of subsidiary, net of cash received		-	(36,081)
Acquisition costs and payments		-	(8,535)
Proceeds from sale of non-current assets		21	6,173
Net cash outflow from investing activities		**(3,502)**	**(44,681)**
Cashflows from financing activities			
Interest paid		(874)	(1,350)
Issue of ordinary share capital		66	566
Draw down of borrowings		9,000	50,000
Repayment of borrowings		(2,371)	(25,007)
Loan arrangement fees paid		(88)	(844)
Equity dividends paid		(1,062)	-
Net cash inflow from financing activities		**4,671**	**23,365**
Net increase/(decrease) in cash		**6,666**	**(7,163)**
Cash and cash equivalents at beginning of year		3,804	10,967
Cash and cash equivalents at end of year		**10,470**	**3,804**

Notes to the financial information

1. General information

Majestic Wine PLC is a public limited company ("Company") and is incorporated in the United Kingdom under the Companies Act 2006. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The Company's registered address is Majestic House, The Belfry, Colonial Way, Watford WD24 4WH.

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

2. Basis of preparation

The financial information set out above does not constitute statutory accounts within the meaning of section s435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Standards ("IFRS"). The auditors have reported on these accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under s498 (2) or (3) of the Companies Act 2006.

The financial statements of Majestic Wine PLC for the year ended 3 April 2017 were authorised for issue by the Board of Directors on 14 June 2017 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 53 week period ending 3 April 2017.

The Group's financial reporting year represents the 53 weeks to 3 April 2017 and the prior financial year, 52 weeks to 28 March 2016.

There have been no significant impact on the Group's results, net assets, cash flows and disclosures on adoption of new or revised standards.

3. Segmental reporting

The Group's operating segments are organised into four distinct business units, each operating in a separate segment of the overall wine market. Retail is a customer based wine retailer, selling wine, beer and spirits from stores across the UK, and online, and also incorporates the Group's French business. Commercial is a Business to Business ('B2B') wine retailer selling to pubs, restaurants and events. Lay & Wheeler is a specialist in the fine wine market and also provides cellarage services to customers. Naked Wines is a customer funded international online wine retailer.

The Chief Operating Decision Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

Performance of each operating segment is based on Sales and Adjusted EBIT (being operating profit less any 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 each segment. Adjusted Items are not allocated to the operating segments as this reflects how they are reported to the CODM.

The revenue and profits of the Lay & Wheeler operating segment as presented to the CODM are recognised on the receipt of orders, cash receipts and payments in relation to en primeur campaigns. The segment performance is reviewed in this way 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 of the wine to the customer, which may be up to two years after the original order and payment. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

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

Inter-segment transactions are conducted on an arm's length basis. The Group is not reliant on a major customer or group of customers.

Year ending 3 April 2017	Retail £'000	Commercial £'000	Naked Wines £'000	L&W £'000	Unallocated £'000	Group £'000
Segment revenue	**262,200**	**46,628**	**144,341**	**14,715**	**-**	**467,884**
Movement in en primeur sales	-	-	-	(2,440)	-	(2,440)
Reported third party revenue	**262,200**	**46,628**	**144,341**	**12,275**	**-**	**465,444**
Segment result - Adjusted EBIT	**13,345**	**2,541**	**1,417**	**980**	**(4,184)**	**14,099**
Net finance costs						(1,222)
Adjusted profit before taxation						**12,877**
Adjusted items:						
- Non cash items relating to acquisitions						(11,267)
- Other adjusted items						(3,078)
Loss before taxation						**(1,468)**
Depreciation	4,982	-	362	106	-	5,450
Amortisation	1,201	-	4,096	321	-	5,618

Geographical analysis	UK	Rest of Europe	US	Australia	Group
Reported third party revenue	377,398	7,658	58,347	22,041	465,444
Non-current assets	119,414	2,845	2,544	97	124,900

Notes to the financial information

Year ended 28 March 2016	Retail £'000	Commercial £'000	Naked Wines £'000	L&W £'000	Unallocated £'000	Group £'000
Segment revenue	244,027	45,557	102,534	10,658	-	402,776
Movement in en primeur sales	-	-	-	(690)	-	(690)
Reported third party revenue	**244,027**	**45,557**	**102,534**	**9,968**	**-**	**402,086**
Adjusted EBIT	**13,984**	**3,770**	**979**	**152**	**(2,324)**	**16,561**
Net finance costs						(1,540)
Adjusted profit before taxation						**15,021**
Adjusted items:						
- Non cash items relating to acquisitions						(11,508)
- Other adjusted items						1,230
Profit before taxation						**4,743**
Depreciation	5,005	-	220	104	-	5,329
Amortisation	1,098	-	3,995	276	-	5,369

Geographical analysis	UK	Rest of Europe	US	Australia	Group
Reported third party revenue	344,440	7,544	38,625	11,477	402,086
Non-current assets	127,338	2,604	1,263	39	131,244

4. Adjusted items

	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	(4,321)	(4,220)
Acquisition related share based payment charges	(6,946)	(7,288)
	(11,267)	**(11,508)**
Other adjusted items		
Impairment of Lay & Wheeler goodwill	-	(2,606)
Profit on disposal of property	-	4,801
Acquisition costs	(53)	(519)
Restructuring costs	(819)	(1,045)
Fair value movement through P&L on foreign exchange contracts	(957)	830
En primeur adjustment	(517)	(59)
Share based payment charges	(732)	(172)
	(3,078)	**1,230**
Total adjusted items	**(14,345)**	**(10,278)**

Notes to the financial information

5. Taxation

	Year ended 3 April 2017	Year ended 28 March 2016
Current income tax expense	**£'000**	**£'000**
UK income tax	(2,345)	(3,437)
Overseas income tax	(492)	(745)
Adjustment in respect of prior periods	-	42
Foreign exchange	275	-
Current income tax expense	**(2,562)**	**(4,140)**
Deferred tax expense		
Origination and reversal of temporary differences	1,705	1,423
Adjustment in respect of prior periods	(237)	84
Effect of change in tax rate on prior period balances	59	214
Foreign exchange	(192)	-
Total deferred tax credit	**1,335**	**1,721**
Total income tax charge for the year	**(1,227)**	**(2,419)**

Changes to the UK corporation tax rates were enacted as part of the Finance Bill 2015 on 18 November 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A subsequent change to reduce the UK corporation tax rate to 17% from 1 April 2020 was included within the Finance Bill 2016 which was enacted on 6 September 2016.

(b) Taxation reconciliation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2016: 20%). The
reasons for this are detailed below:

	Year ended 3 April 2017	Year ended 28 March 2016
	£'000	**£'000**
(Loss)/profit before taxation	(1,467)	4,743
Taxation credit/(charge) at the standard UK corporation tax rate of 20% (2016: 20%)	293	(949)
Adjustments in respect of prior periods	(237)	126
Overseasincome tax at higher rates	(130)	(227)
Disallowable expenditure	(1,404)	(2,166)
Income not subject to income tax	23	196
Deferred tax not previously recognised	87	230
Capital gains	-	157
Change in tax rate on prior period deferred tax balances	59	214
Foreign exchange	82	-
Total income tax expense	**(1,227)**	**(2,419)**
Effective tax rate	-83.4%	51.0%
Adjusted effective tax rate	19.9%	27.6%

Notes to the financial information

(c) Taxation on items recorded in other comprehensive income

	Year ended 3 April 2017	Year ended 28 March 2016
	£'000	**£'000**
Deferred tax (charge)/credit on share based payments	(3)	188
Total tax on items charge/(credit) to equity	**(3)**	**188**

(d) Deferred tax

	Year ended 3 April 2017	Year ended 28 March 2016
	£'000	**£'000**
At beginning of year	(1,665)	(135)
Credited to the income statement in the year	1,335	1,721
Credited/(charged) to other comprehensive income in the year	(3)	188
Balances arising from business acquisition	-	(3,439)
At end of year	**(333)**	**(1,665)**

	Accelerated tax depreciation	Share based payments	Tax losses carried forward	Total deferred tax assets
Deferred tax assets	**£'000**	**£'000**	**£'000**	**£'000**
At 30 March 2015	358	43	-	401
Credited/(charged) to income statement	(251)	(139)	(121)	(511)
Credited to equity	-	188	-	188
Balances arising from business acquisition	7	155	889	1,051
At 28 March 2016	**114**	**247**	**768**	**1,129**
Credited/(charged) to other comprehensive income in the year	-	(3)	-	(3)
Credited/(charged) to income statement	69	618	(117)	570
At 3 April 2017	**183**	**862**	**651**	**1,696**

Deferred tax liabilities	Rolled over gains £'000	Short term timing differences £'000	Total deferred tax liabilities £'000
At 30 March 2015	(304)	(232)	(536)
Credited to income statement	15	2,217	2,232
Balances arising on acquisition	-	(4,490)	(4,490)
At 28 March 2016	**(289)**	**(2,505)**	**(2,794)**
Credited/(charged) to income statement	30	735	765
At 3 April 2017	**(259)**	**(1,770)**	**(2,029)**

	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Deferred tax assets	1,696	1,129
Deferred tax liabilities	(2,029)	(2,794)
	(333)	**(1,665)**

Deferred tax on losses of £11.5m has not been recognised in these financial statements.

(e) Factors that may affect future tax charges

The Group's overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 33.3% (2016: 33.3%) and profits earned by its Naked Wines subsidiaries in the United States of America and Australia are taxed at 39.8% and 28.5% respectively.

6. 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 4,920,863 contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options) and 3,934 (2016: 3,934) held by the Employee Share Ownership Trust which are treated as cancelled.

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 475,453 (2016: 331,200) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the period end.

Adjusted earnings per share is calculated by excluding the effect of Adjusted Items (see note 4) 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.

Notes to the financial information

	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
(Loss)/earnings per share		
Basic (loss)/earnings per share	-4.1p	3.5p
Diluted earnings per share	N/A	3.3p
Adjusted basic earnings per share	17.7p	19.2p
Adjusted diluted earnings per share	16.3p	18.1p

	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
(Loss)/profit for the period	(2,695)	2,324
Add back adjusted items:		
- Non-cash charges relating to acquisitions	11,267	11,508
- Other adjusted items	3,078	(1,230)
Adjusted profit after taxation	**11,650**	**12,602**

	Year ended 3 April 2017	Year ended 28 March 2016
Weighted average number of shares in issue	65,848,467	65,759,587
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	5,598,621	3,872,946
Weighted average number of shares for the purpose of diluted earnings per share	**71,447,088**	**69,632,533**
Total number of shares in issue	**70,778,262**	**70,756,562**

7. Bank and other borrowings

	3 April 2017 £'000	28 March 2016 £'000
Current		
Bank overdrafts	12,537	3,071
Customer bond finance	2,619	4,990
Total bank and other borrowings due within one year	**15,156**	**8,061**
Non current		
Revolving credit facility	34,000	25,000
Debt issuance costs	(488)	(683)
Total bank and other borrowings due within one year	**33,512**	**24,317**
Total bank and other borrowings	**48,668**	**32,378**

In order to finance the acquisition of Naked Wines, the Group entered into a revolving credit facility of £85m which is due to mature in April 2020. Interest has been charged at margins between 1% and 1.5% above LIBOR, depending on the Group's leverage (being net debt/EBITDA).

On 10 April 2017, the amount available under the revolving credit facility dropped from £85m to £80m, in line with the agreed terms of the facility.

Banking covenants are in place and are tested biannually. The covenants tested are the Group's leverage and interest cover (being adjusted EBITDA/net finance charges).

Notes to the financial information

8. Notes to the cash flow statement

	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Cash generated by operations		
Operating (loss)/profit	(246)	6,283
Add back:		
- Depreciation and amortisation	11,301	10,939
- Profit on disposal of property, plant and equipment	(6)	(4,801)
- Impairment of goodwill	-	2,606
- Impairment of property, plant and equipment	-	1,239
- Impairment of prepaid operating leases	(38)	58
- Fair value movement on foreign exchange contracts	957	(830)
- En-primeur movement in income statement	517	59
- Share based payment charges	7,678	7,460
Operating cashflows before movements in working capital	**20,163**	**23,013**
(Increase)/decrease in inventories	(9,787)	(13,276)
Increase in customer funds in deferred income	8,044	3,946
(Increase)/decrease in trade and other receivables	(4,876)	3,383
Increase/(decrease) in trade and other payables	(4,417)	1,584
Cash generated by operations	**9,127**	**18,650**

	3 April 2017 £'000	28 March 2016 £'000
Cash and cash equivalents		
Cash and cash equivalents	23,007	6,875
Bank overdraft	(12,537)	(3,071)
Total cash and cash equivalents	**10,470**	**3,804**

Additional unaudited information

To provide a meaningful comparison with last year, further analysis is presented below on an underlying basis which means:

- Pro-forma presentation of Naked Wines, assuming that Naked Wines was included in the Group results for the whole of the comparative period
- En-primeur revenues are included in year of order, not year of fulfilment
- Calculated using constant foreign exchange rates for translation of the comparative period
- Adjusting the current year to a 52 week period, comparable to the prior year

Reported and underlying results by segment

	Reported		Underlying	
	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000	Year ended 3 April 2017 £'000	Year ended 28 March 2016 £'000
Retail				
Revenue	262,200	244,027	258,451	245,093
Gross profit	61,875	58,931	60,762	59,254
Distribution costs	(28,400)	(28,166)	(28,370)	(27,671)
Administrative costs	(20,130)	(16,781)	(20,130)	(17,417)
Adjusted EBIT	**13,345**	**13,984**	**12,262**	**14,166**
Commercial				
Revenue	46,628	45,557	45,933	45,557
Gross profit	7,071	7,533	6,921	7,533
Distribution costs	(3,073)	(2,590)	(3,070)	(2,590)
Administrative costs	(1,457)	(1,173)	(1,457)	(1,173)
Adjusted EBIT	**2,541**	**3,770**	**2,394**	**3,770**
Lay & Wheeler				
Revenue	12,275	9,968	14,521	10,658
Gross profit	3,882	3,026	3,848	3,026
Distribution costs	(1,060)	(869)	(1,060)	(869)
Administrative costs	(1,842)	(2,005)	(1,842)	(2,005)
Adjusted EBIT	**980**	**152**	**946**	**152**
Naked Wines				
Revenue	144,341	102,534	142,182	112,582
Gross profit	49,296	34,761	48,182	39,628
Distribution costs	(23,008)	(14,754)	(22,671)	(17,728)
Administrative costs	(24,871)	(19,028)	(24,871)	(20,815)
Adjusted EBIT	**1,417**	**979**	**640**	**1,085**

Additional unaudited information

Central costs				
Administrative costs	(4,184)	(2,324)	(4,184)	(2,324)
Adjusted EBIT	**(4,184)**	**(2,324)**	**(4,184)**	**(2,324)**
Group				
Revenue	465,444	402,086	461,087	413,890
Gross profit	122,124	104,251	119,713	109,441
Distribution costs	(55,541)	(46,379)	(55,171)	(48,858)
Administrative costs	(52,484)	(41,311)	(52,484)	(43,734)
Adjusted EBIT	**14,099**	**16,561**	**12,058**	**16,849**

Results split between H1 and H2

	H1		**H2**	
	H1 FY17	**H1 FY16**	**H2 FY17**	**H2 FY16**
	£'000	**£'000**	**£'000**	**£'000**
Retail				
Revenue	117,880	112,282	140,571	132,811
Gross profit	27,481	27,734	33,281	31,520
Distribution costs	(12,734)	(12,546)	(15,636)	(15,125)
Administrative costs	(11,289)	(7,876)	(8,841)	(9,541)
Adjusted EBIT	**3,458**	**7,312**	**8,804**	**6,854**
Commercial				
Revenue	23,430	23,146	22,503	22,411
Gross profit	3,794	4,298	3,127	3,235
Distribution costs	(1,599)	(1,474)	(1,471)	(1,116)
Administrative costs	(572)	(555)	(885)	(618)
Adjusted EBIT	**1,623**	**2,269**	**771**	**1,501**
Lay & Wheeler				
Revenue	6,992	5,472	7,529	5,186
Gross profit	1,713	1,508	2,135	1,518
Distribution costs	(509)	(435)	(551)	(434)
Administrative costs	(928)	(920)	(914)	(1,085)
Adjusted EBIT	**276**	**153**	**670**	**(1)**
Naked Wines				
Revenue	58,980	46,544	83,202	66,038
Gross profit	20,221	16,478	27,961	23,150
Distribution costs	(9,328)	(7,363)	(13,343)	(10,365)
Administrative costs	(13,667)	(8,476)	(11,204)	(12,339)
Adjusted EBIT	**(2,774)**	**639**	**3,414**	**446**

Additional unaudited information

Central costs				
Administrative costs	(1,883)	(1,045)	(2,301)	(1,279)
Adjusted EBIT	**(1,883)**	**(1,045)**	**(2,301)**	**(1,279)**
Group				
Revenue	207,282	187,444	253,805	226,446
Gross profit	53,209	50,018	66,504	59,423
Distribution costs	(24,170)	(21,819)	(31,001)	(27,039)
Administrative costs	(28,339)	(18,872)	(24,145)	(24,862)
Adjusted EBIT	**700**	**9,327**	**11,358**	**7,522**