naked wines

Enabling independently minded wine drinkers to enjoy great wine without the guesswork

Naked Wines plc
Annual Report and Accounts
2024

Strategic report

Governance report

Financials

I am excited about the opportunities ahead and confident in our plans to achieve them.

Maza

Rodrigo Maza
Chief Executive Officer

FY24: 52-week versus a prior 53-week period
All financial and non-financial information in this report relates to the 52-week period ended 1 April 2024.

We reported a longer, 53-week statutory reporting period in our comparative reporting period, FY23. Within the strategic report on pages 1 to 33, we provide both 52-week on 53-week and 52-week on 52-week comparable financial information to facilitate comparison with the current financial period. For reference, we call this 52-week constant currency comparative measure "52-week comparable" (or simply "comparable") when it is referred to in this document. See the reconciliation of the FY23 53-week reported results to 52-week comparable figures on page 111.

Please note that whilst the 53-week FY23 results to 3 April 2023 have been audited, the 52-week FY23 comparable numbers are unaudited.

My three key priorities...

1. Ensuring robust foundations

- Reduced operating costs
- Fit for purpose banking facility
- Developed surplus stock liquidation capability

2. Proud to be Naked

- Clear guiding North Star Metrics
- Customer touchpoint transformation
- Performance assessment and incentive plan aligned to value appreciation

3. Get Naked back to growth

- Succinct customer value proposition
- Broader mix of traffic
- Personalised relationships
- Improved customer retention through higher engagement

Find out more:
Chief Executive's review
See page 8

Our business at a glance

For people who want to enjoy great wine without the guesswork

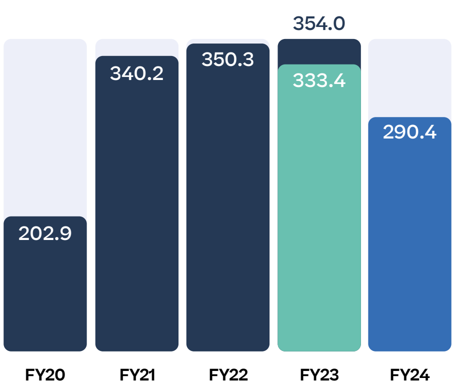
Financial performance summary*

Revenue[1] for the 52 weeks ended 1 April 2024

£290.4m

Year-on-year (52 weeks on 53 weeks)
(18)%

Year-on-year (52-week comparable)
(13)%

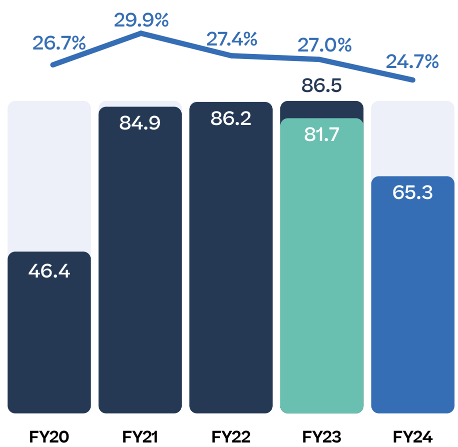


Ⓐ Repeat Customer contribution

£65.3m

Year-on-year (52 weeks on 53 weeks)
(25)%

Year-on-year (52-week comparable)
(20)%



Ⓐ Repeat Customer contribution margin

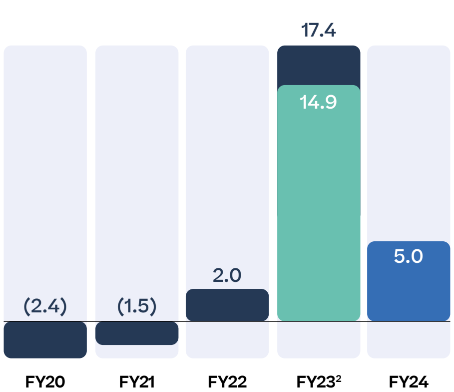
24.7%

Year-on-year (52 weeks on 53 weeks)
(220)bps

Year-on-year (52-week comparable)
(200)bps

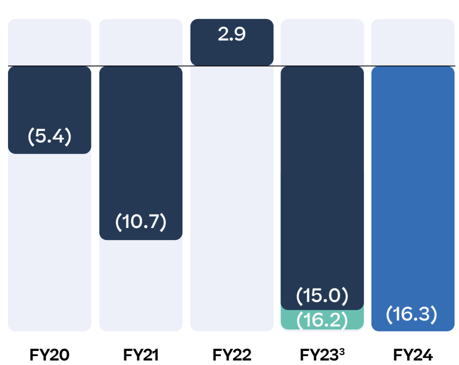
Ⓐ Adjusted EBIT

£5.0m



Profit/(loss) before tax

(£16.3m)



*** FY24: 52-week versus a prior 53-week period**
All financial information in this report relates to the 52-week period ended 1 April 2024.

In FY23, we reported a longer, 53-week statutory period. Within the strategic report on pages 1 to 33, we provide both 52-week on 53-week and 52-week on 52-week comparable financial information to facilitate comparison with the current financial period. See the inside cover for further details.

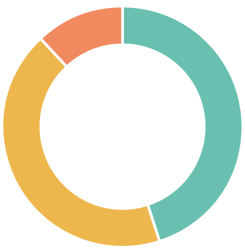
Ⓐ See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

Due to rounding principles, numbers presented in £m may not sum to the totals provided. This can also lead to individual amounts being rounded to zero.

1. Reference to revenue or total revenue refers to statutory reported revenue unless otherwise stated.
2. FY23 results show 53-week and 52-week adjusted EBIT respectively.
3. FY23 results show 53-week and 52-week loss before tax respectively.

Revenue by geography

AUS
12%
(FY23: 13%)



US
45%
(FY23: 48%)

UK
43%
(FY23: 39%)

723,000
Active Angels
(FY23: 867,000)

38.2m
reviews[1]
(FY23: 35.6m)

75%
A Repeat Customer sales retention
(FY23: 76%)

1.3x
A 5-Year Forecast Payback
(FY23: 1.7x)[2]

32%
of Angels on subscription products Never Miss Out and Wine Genie
(FY23: 26%)

91%
"Buy it again" rating
(FY23: 90%)

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

Our purpose

Our purpose is to satisfy independently minded wine drinkers in a way that:
- **feels authentic**
- **makes them feel proud**
- **keeps them coming back for more!**

Who is our customer? → **Independently minded wine drinkers**

What problem can we solve for them? → **They feel anxious (when it comes to buying wine)**

How do we want the customer to feel? → **Proud to be Naked**

How do we do this? →
- **Wines they feel proud to share**
- **At a preferential price**
- **Where discovering new wines is fun**
- **And they are more than just a customer**

"Naked wines is the best, the most reasonably priced AND SATISFACTION GUARANTEED!! And NO I am not paid for this statement and also NOT a relative to anyone in the company!!!"
US customer

"I became an Angel a couple of years ago so I could educate myself on different wines. I ended up drinking hardly any myself but would give the bottles away as gifts... When I gifted Naked wines I would often get a text message at 9pm on a Saturday night, or whenever, with 'We're just enjoying the wine you gave us. It's delish!"
UK customer

"With Naked Wines nothing holds me back because I know that if I absolutely don't like it – I will have lost nothing by trying it."
Australian customer

"Joining Nakedwines.com has been an absolute game-changer for me! From the moment I signed up, I was greeted with warmth and enthusiasm from the incredible team."
US customer

Market opportunity

We see potential for market share gain in all our geographies

35m

Premium Wine Drinkers across our three markets

Who is a Premium Wine Drinker?

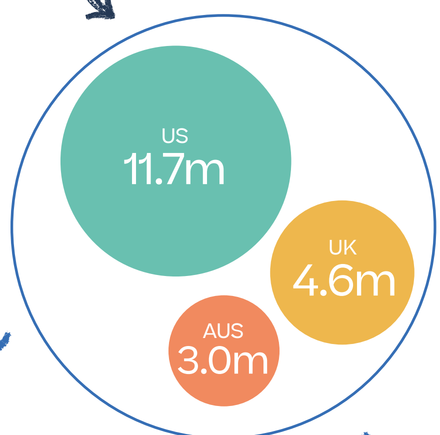
- Someone who is willing to spend more than £10 (UK) or $12 (US or Australia) on a bottle of wine AND
- Has bought wine in the last 3 months AND
- Is over 25 years of age

naked wines

Our target market

19.3m

Best and Good Fit Customers



Room for growth in our target markets

8.2m

of our Best Fit Customers are unaware of / have never used Naked Wines

How do we define our Best and Good Fit Customers?

	Best Fit	Good Fit
1. Spend more than £20 / $40 on wine per month	✓	✓
2. **Prefer** to shop online	✓	✓
3. **Open** to subscriptions	✓	✓
4. Wine is **very** important to their lifestyle	✓	
5. Like to decide the wine they buy rather than being told by others	✓	

US

Remains our largest market

The US wine market today remains, in large part, defined by the "3-Tier" system for alcohol distribution and sale (enacted after Prohibition), leading to a market with extremely high levels of consolidation in the production and distribution tiers.

As a result, access for independent wineries is challenging, while wine prices for consumers reflect the multiple margin pools of the 3-Tier system. Naked US has the strategic advantage of operating as a winery in the US, enabling us to sell our wine direct-to-consumer (DtC), removing those intermediate stages and costs. Through this model we have the ability to engage a community of craft winemakers, enabling them to bring a unique portfolio of wines of the highest quality and value to the market.

The DtC market is the fastest-growing part of the wine market in the last decade, with a step change in scale in 2020. The Directors continue to believe that Naked is a leader in the online DtC market, competing with smaller DtC players like Firstleaf and Winc, online retailers like wine.com and with the online operations of physical specialists such as Total Wine & More.

As a winery that is exclusively DtC, Naked is uniquely positioned to offer disruptive levels of value to consumers, and, with nearly 1,000 wines from 12 countries, we have a breadth of offer that far exceeds other DtC players.

UK

Strong online market growth

The UK market has a total of 6.5m Best Fit and Good Fit customers with the Naked Wines proposition. Wine consumption is fragmented across countries and styles, with domestic production remaining a small portion of the total consumption. The Naked business in the UK supports over 190 winemakers to produce over 1,200 wines in 22 countries.

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

As Naked's founding market, and now its most mature, the UK business is reliably profitable and cash-generative. We stand out in the UK for our long-established support to our winemaker community, including up-front funding, multi-vintage commitments and a regular feedback loop. Our wines are benchmarked for value against a mix of DtC and retail peers and our Angel pricing offers a discount of up to 33% against a comparable quality product.

We are building a strong network of strategic partnerships, including high-profile brands with like-minded customers, including Saracens rugby, Lloyd Webber Theatre Group and Gousto.

We are proudly committed to supporting Carmen's Kids – a charity founded by our winemaker Carmen Stevens. This raises over £450,000 annually for free school meals in Stellenbosch, South Africa.

Australia

A large per capita wine market and important testbed

Australia is a key market for Naked Wines, with 3m Best and Good Fit premium wine drinkers identified in the market. Naked plays a unique and important role in the Australian market as the largest pure play e-commerce wine retailer in Australia.

Our platform offers an important alternative to the retail duopoly dominating wine retail in Australia. In 2024, this duopoly continues to receive public scrutiny from competition, consumer, and parliamentary inquiries into price gouging, promotional fairness, and supplier treatment.

Naked stands out for its advocacy and support of small and independent winemakers. By providing wine drinkers with access to these wines without the guesswork, and at better value, we are in a strong position to win.

With a small team in place, and enough similarities in online consumer behaviour to the US and the UK, Australia plays an important role in the Naked portfolio as an attractive market opportunity in its own right, but also as a low-risk innovator and testbed for global innovation opportunities.

In the past year the Australian business explored ways to remove barriers to first purchase conversion with non-sign up models, scaled lead generation as a growth channel and established low-cost alternatives for customer service.

Chairman's letter

Substantial progress towards profitable growth

I have had a unique opportunity of rejoining a company I know well, after a period of absence, and to work with a new team who are seeing the inside of the business for the first time.

Rowan Gormley
Chairman

I am pleased to report that your company is in much better shape than it was a year ago, and that we have made substantial progress in returning Naked to profitable growth.

This is not immediately apparent from the trading results which, although in line with expectations, reflect the company we were, rather than the company we are starting to become.

A tumultuous year

You will be painfully aware that Naked's prospects and share price have suffered post-COVID, and, as a result, I rejoined the Company as Chairman in July 2023. It quickly became apparent that we needed to make some big changes very quickly.

- Board composition:
  - David Stead and Melanie Allen stood down from the Board. We thank them both for their service;
  - Jack Pailing joined the Board as a non-Executive Director – Jack has made a very valuable contribution and we value his input; and
  - We parted company with our CEO, Nick Devlin, and I stepped in as Executive Chairman while we conducted a search for a new CEO. More on this below.
- Guardrails

  To get Naked turned around, and quickly, we agreed a series of "guardrails" to reduce trading volatility, support profitability and provide clarity on our objectives. These guardrails are:

  - Limit general and administrative costs to around 11% of revenue;
  - Maintain Investment in New Customers at £23m to £27m per annum through to March 2026 – enough to rebuild growth, with further growth to come from increased efficiency rather than increased spend;
  - Allocate capital in a rational way, including serious consideration of share buybacks when the liquidity outlook improves; and
  - Drawing a line under our overstocking issues and allowing us to get back to profitable growth for key winemaker partners.

Foundations laid

We have spent the last six months laying a solid foundation for the future on three fronts:

1. New management team;
2. Clearing the problems of the past; and
3. Creating a platform for the future.

New management team

We wanted to find a CEO who combined the strategic clarity required to navigate a challenging period, the leadership skills to galvanise our team and the humility to recognise what makes Naked Wines special and to build on that.

After a thorough search, we found that person in Rodrigo Maza (Maza to his friends). We had the benefit of knowing Maza for a few months in his capacity as MD of our UK business and I have worked alongside him as CEO Designate for the past few months. I am delighted with what I see.

In addition to Maza, we have recruited Paul Calandrella to run our US business. Paul's background is as a General Manager in REI and Amazon, and most recently as CEO of a B2C startup. This experience gives him some strong insights which I look forward to seeing him bring to bear at Naked.

Clearing the problems of the past

Work here has focused on three areas:

1. New credit facility and revisions to capital structure;
2. Reducing the cost base; and
3. Right-sizing inventory.

Our CFO, James Crawford, covers our funding position in detail in his review so I won't duplicate that, except to say that Naked Wines is a well-capitalised business – but too much of our capital is still tied up in inventory. We now have a banking facility which provides additional liquidity, and which is sufficient to fund us through a severe but plausible downside.

On the cost base, our goal was to get costs down and to reallocate resources to areas where we needed more depth. We have done both of those and the end result is a business with operating general and administrative (G&A) costs £5m lower than 12 months ago AND properly resourced to drive profitable growth.

The inventory issue we faced requires some context. At the height of COVID, the team in place at the time entered into a number of contracts assuming that COVID levels of demand would persist for an extended period. This proved to be an incorrect assumption, which took an unhelpfully long time for the team to recognise and remedy.

This has been compounded by a US bulk market that has the highest oversupply ever recorded. There are several reasons behind this, the main one being that the US has had three harvests in a row without the usual natural disasters of floods, drought, fire and frost. This has meant that Naked's ability to sell off surplus inventory in the bulk market has been severely hampered.

What we have done about it

1. We have stopped the problem getting worse – we have negotiated with our suppliers to reduce or cancel shipments to stop new wine coming in. We have done this intelligently to ensure that we can maintain a competitive range and support our strategic suppliers.
2. We have set up a separate team with the sole focus of clearing the surplus through third-party sales.
3. Where we can do so, we are taking the opportunity to increase volumes through our own channels, at lower margins, without cannibalising our core proposition.

The good news in all of this is that the inventory is high quality and almost all from the winemakers we expect to keep working with for the long term. Where we have not seen a path to selling inventory before it is likely to deteriorate, we have bitten the bullet and cleared or written off that inventory.

I would like to thank our winemakers for their continued support through this process. While the results of a lot of our work remain to be seen, gross inventory (i.e. before any provisioning) has dropped 10% during FY24 and we expect it to continue to fall significantly during FY25.

Creating a platform for the future

I have had a unique opportunity of rejoining a company I know well, after a period of absence, and to work with a new team who are seeing the inside of the business for the first time.

This combination has enabled us to get a degree of strategic clarity which is hard for an incumbent team to achieve.

Maza has covered this in greater detail in his section, but the key insights are:

- The path to maximising shareholder value lies in delivering sustainable long-term profitable growth;
- The key to doing that is driving growth through higher retention – customers stay longer and spend more, plus high retention makes individual customers more valuable and therefore easier to acquire economically; and
- The key to achieving higher retention is to:
  - Build on the competitive advantage of our model – £ for £ we can make better wine than our competitors because we can fund exceptional winemakers;
  - Pivot to personal – expanding our addressable market by tailoring our proposition to a wider audience; and
  - Fundamentally rethink how we demonstrate Naked's value proposition to current and prospective customers.

The last of these points is very important. Over the years we have over-relied on discounts, vouchers and coupons to attract new customers. Ironically, the reason our loyal customers choose to remain loyal is none of those – it is because we deliver great wine without the guesswork.

It is time for us to recognise that and invest the time and money required to reorient our customer acquisition around our unique competitive advantages. This will be hard, there are sure to be setbacks, but I am confident that it can be done and we have the team to do it.

Lastly, I would like, on behalf of the whole Board, to extend our gratitude to our CFO James Crawford. As announced last month, he has informed the Board that he is stepping down as Chief Financial Officer and as a Director of the Company in the autumn of 2024. This timing is consistent with the arrangement agreed with James when he rejoined the Board as CFO in 2022. James has accomplished his goal of stabilising Naked's liquidity position and adjusting the cost base to reflect a post-COVID environment. We are deeply grateful to James for the huge contribution he has made in growing Naked from a £40m revenue business to a £290m revenue business and wish him the very best in his future endeavours.

Rowan Gormley
Chairman

Chief Executive's review

A business with significant potential

We start FY25 with robust foundations, we have clear goals, strategies in place to achieve them and a motivated team that's fully committed to their delivery.

Rodrigo Maza
Chief Executive Officer

I am excited and honoured to be appointed as the CEO of Naked Wines.

I could see the potential of this company before I joined, which led me to make the leap to wine after a 17-year career in the beer industry. I could see it during the time I acted as the UK Managing Director, when I was impressed by the engagement customers have with our brand, the strength of our relationships with amazing winemakers and the intense commitment of the team to our mission. And I can see it now as I step into the CEO role.

In my opinion, that potential stems from turning our strengths – our scale, our US business structure, our high-quality and good-value wines, our unique relationships with our winemakers and the high levels of loyalty from our long-term customers – into enduring and ownable competitive advantages.

Having worked very closely with Rowan these past months, I've gained extremely valuable insights and perspectives on the business and developed a shared understanding with him and the Board as to what success looks like and the strategy we'll follow to achieve it. It won't be easy, but that alignment gives me a lot of confidence as I embrace the challenge of getting Naked to reach its full potential.

My priorities

I want Naked Wines to be the most admired company in our industry. It's a bold ambition that will require us to have removed our liquidity constraints, to build a brand that does justice to the engagement customers have with our company, to partner with independent winemakers to amplify our portfolio and to get the absolute best out of an incredibly talented team. The bad news is that all these things will take time to build. The good news is that we have a strong foundation from which to do so.

My priorities, as the CEO of the Company, are:

1. Ensuring robust foundations

Naked has had to undergo significant changes to manage the impact of the post-COVID decline.

We have completed a lot of this work through significantly reducing our costs, landing a fit-for-purpose banking facility and accelerating the sale of surplus inventory in the US.

Our operating G&A costs (plus share-based payment charges) for FY25 will be £6m lower due to a sizeable restructure of the organisation executed in January 2024. While it's never pleasant to go through this, the process resulted in a flatter organisation that's moving at a much higher speed, with resources allocated to underinvested opportunities while creating space for up-and-coming talent to develop into.

Our CFO, James Crawford, and his team, have worked hard to deliver a banking facility that matches Naked's needs. James will cover the detail in his review, but the new facility we have agreed with PNC will provide much needed stability for our company moving forward. I'd like to thank our finance team for their effort and hope that the trust from both our shareholders and our suppliers is enhanced by this development.

Finally, as Rowan mentioned, we've also set up a team in the US exclusively focused on secondary market sales to accelerate the clearance of our surplus inventory and, by doing so, quickly shrink the inventory on the balance sheet, saving us significant annual storage costs and derisking the implications of any changes to our future outlook.

Financial review,
See pages 14 to 19

2. Proud to be Naked

I've also used the time I've had here to establish a new team at the helm of Naked's ship.

I'm excited to partner with exceptional leaders on this journey, with some of them taking on expanded responsibilities within the Company and others joining to provide an outside perspective on how to tackle the challenges ahead. We're all ambassadors of an incredible culture and share ambitious dreams, while at the same time coming from very different backgrounds, both personally and professionally. That's a powerful combination in my experience, and I'm very happy to have this truly remarkable team in place in such a short space of time.

Through our "Proud to be Naked" initiative we've set the foundations for a high-performance culture to be adopted and embraced at Naked Wines with absolute clarity on the following:

- The North Star Metrics everyone across the business should focus on, which will remain fixed throughout the year while we'll stay flexible around the means to deliver them using the OKR methodology (which facilitates alignment and autonomy);
- The transformation projects we're putting in place to upgrade key customer touchpoints and ensure their experience with Naked is not only world-class but significantly differentiated in the market, driving our growth;
- The performance assessment process we'll follow, which considers the results every member of the team is producing, their alignment with our five Naked behaviours and the engagement of their teams (for those with management responsibility); and
- An incentive plan providing a balance between reward across near-term delivery of the performance metrics that will put us on the path to growth and a significant value opportunity in the medium term if we achieve significant share price appreciation.

The response that the Naked team had to these changes has been extremely positive. Understanding our objectives and strategy, as well as how they'll be developed and rewarded by the Company, has resulted in palpable energy and excitement.

While growth is our main priority, we're also working on strengthening our relationships with winemakers. These past few years have not been easy for them, and we're truly grateful for their trust and continued support. We've recently launched our "Winemaker Success" programme, aimed at developing our partnership with winemakers by working together to deliver shared sales, marketing and operations objectives. It has been positively received by winemakers so far and it'll continue to evolve as we build it with them.

Our Business model,
See pages 11 to 13

3. Get Naked back to growth

With the foundations in place and the team recruited, aligned and incentivised, we are focusing on getting the Company back to growth, which we'll achieve through the following areas:

Customer value proposition

While established customers often demonstrate high engagement and loyalty to Naked, we haven't effectively communicated the value the Company delivers them. We need to deliver a succinct summary of why we're different from other players in the market through the consistent presentation of a trusted and well-known brand. After months of intense effort, we now have a clear value proposition – "enjoy great wine without the guesswork" – that distils how our business model, technology and service policies remove the guesswork and anxiety that wine drinkers face in traditional shopping channels. We're working at pace to present this across every customer touchpoint we have.

Customer acquisition

We want to recruit the right customers, for the right reasons, into the right relationships. That has required us to crystallise who our target audience is, test how our value proposition should be presented, re-evaluate our channel mix and redesign the site experience for new customers. On the last two points, certain channels have been very successful for Naked in the past, which has resulted in the Company being too leveraged on some of them (e.g. vouchers) while underinvesting in others (e.g. earned media). We're working on redefining what an ideal channel mix looks like while gradually reallocating resources to bring it to life. And we've set up a customer journey from our home page that matches customers to the right type of subscription based on how confident they feel when shopping for wine. This work should result in improved paybacks on customer recruitment as we will reduce discounts to customers who aren't interested in a long-term relationship with us, while improving customer retention in those that do subscribe as customers will have the right relationship with us from day one.

Customer retention

A significant percentage of the customers Naked acquires leave shortly after joining, with many of them having never truly experienced our value proposition. As stated above, we're completely redefining our onboarding experience to ensure new customers can quickly appreciate the unique value of Naked, encouraging them to stay longer. We're simultaneously implementing a new approach to our communication with existing customers, moving from promotional-driven messaging to engaging content that Naked, because of its unpretentious approach to wine and its genuine connection with unbelievable winemakers, is in a unique position to deliver. This work should result in sustained improvements of our Lifetime Value (LTV). (A)

Delivering improvements in these areas is no small feat, and we've hired experienced professionals to guide us through this journey.

Translating actions to value

While I have absolute confidence that we are driving the right priorities to deliver long-term value, it's important to mention that some metrics might deteriorate before they improve. We're going to be running a significant number of experiments as we search for the levers that, when pulled effectively, result in sustainable, profitable growth. Some of them won't work as anticipated and, if that happens, payback and/ or customer sales retention KPIs may be impacted. We'll be open and transparent in sharing what's working and what isn't, the effect this is having on our business and what we believe the progress means for the long-term trajectory.

We start FY25 with robust foundations, with our overhead costs reduced and a new banking facility and additional liquidity in place. Commercially, we have clear goals, strategies in place to achieve them and a motivated team that's fully committed to their delivery. We're in an ideal position to get the Company growing again, and while I'm confident we can achieve just that, the possibility of it not happening exists. So I want to make it clear to our shareholders that, should that scenario materialise, I'll be proactive in looking for the inorganic opportunities that deliver the highest return on your investment, and ask for your patience while we seek to grow the value of your Company organically in the near term. I am deeply appreciative of the Long-Term Incentive Plan (LTIP) structure and awards our Remuneration Committee developed to incentivise me and the entire Naked team to drive long-term value and am committed to maximising its impact to the benefit of our shareholders.

Rodrigo Maza
Chief Executive Officer

(A) See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

Our business model

Definition of the problem

"Sometimes it's too much to find a good one in the supermarket. I can't try it."

"I'd like to try different types but end up anxious. I want to make sure I like it."

"I'm not familiar enough with the different tastes of grapes and find it hard to choose a nice wine."

Our customer value proposition

Enjoy great wine without the guesswork

Our solution

Great wine

World-class winemakers

Thousands of wine lovers like you rating wines

Winemakers and us making decisions with your feedback in mind

Fair price

We get preferential prices in return for backing the winemaker, which we pass on to you

You don't have to worry about price

"Great wines at reasonable prices straight to your door"

Without the guesswork

Tailored recommendations we know you'll love

Risk free – you only pay for wines you love

Learn by drinking rather than reading

Our mission and vision

Together our winemakers, Angels and team create a powerful virtuous circle

Our team

Rewarding them generously and investing in the company's capabilities.

A stronger business delivers more value for Angels...

Angels

By creating more value for Angels, we'll not just retain them but they'll recommend us.

More Angels means more funds to back winemakers...

Winemakers

Allowing them to focus only on creating more great wines for us to sell at great prices.

More revenue should translate into more profits that we can then invest in our team...

Our virtuous circle enables us to deliver on our key priorities

1. Ensuring robust foundations

The right cost base, banking facility and inventory holdings for the future shape and size of the business

2. Proud to be Naked

Develop win–win partnerships with our winemakers

Ensuring everyone knows how they make a difference

3. Get Naked back to growth

Grow our engaged customer base by putting them front and centre

The strength of our foundations

Demonstrably good-value wine

High retention of long-term customers

Established network of winemakers creating high-quality exclusive range

Scale in three countries

Winery status enabling profitable access to majority of US market

The opportunities for development

Supercharge customer recruitment strategy

Convert understanding of our high LTV and high engagement good customers into a best-in-market customer recruitment strategy using a broader mix of channels and earned media

Deliver value and margin

Pivot our buying approach and winemaker finding model to deliver great value for the customer AND competitive margins

Boost brand awareness

Distil the business model and value proposition into a trusted and well-known brand

Financial review

Actions taken to drive liquidity and sustainable profitability

Progress generating net cash, reducing our cost base and inventory holding builds confidence that we are moving through our challenges.

James Crawford
Chief Financial Officer

Overview

During FY24 the actions we have been taking to drive liquidity and profitability, and the guardrails we have put on how we will operate, were demonstrated in our financial performance. With net cash excluding lease liabilities of £19.6m, having broadly doubled year-on-year, a lower cost base supporting ongoing improved profitability (at the adjusted level) and reducing inventory, our confidence that we are moving through our challenges is increasing. However, having operated the business in line with our pivot to profitability plan in FY23, the last year has also seen the impact of lower customer recruitment, and the consequent reduction in the size of the business, become clear in the Group's financial performance.

Revenues are 18% lower, Repeat Customer contribution is 25% lower and, as a result, adjusted EBIT is 71% lower. Lower sales result in slower use of inventory, which remains high versus long-term trends at £145m (including advance payments to winemakers and net of a £13m provision balance) as historic commitments continue to arrive. And we have borne a range of

Income statement

	As reported			52-week comparable[2]		
	FY24 £m	FY23 £m	YoY %	FY24 £m	FY23 £m	YoY %
Revenue	290.4	354.0	(18)%	288.5	333.4	(13)%
Cost of sales	(178.5)	(205.7)	(13)%	(171.2)	(166.7)	3%
Fulfilment costs	(54.5)	(68.2)	(20)%	(54.6)	(78.0)	(30)%
Gross profit pre inventory provision	57.4	80.1	(28)%	62.7	88.7	(29)%
Inventory provision[4]	(2.4)	(10.3)	(77)%	(2.4)	(10.3)	(77)%
Contribution[1]	55.0	69.9	(21)%	60.3	78.4	(23)%
Advertising costs	(19.0)	(17.7)	7%	(19.0)	(16.3)	17%
General and administrative costs	(37.9)	(53.1)	(29)%	(36.3)	(47.2)	(23)%
Analysed as:						
Operating general and administrative costs[3]	(35.9)	(41.1)	(13)%	(35.9)	(40.3)	(11)%
Marketing R&D	–	(5.4)	n/a	–	(5.4)	n/a
Share-based payments	(0.4)	(1.5)	(73)%	(0.4)	(1.5)	(73)%
Software as a Service costs[4]	(0.1)	(2.3)	(96)%			
Restructuring costs[4]	(1.3)	(1.5)	(13)%			
Other adjusted items[4]	(0.2)	(1.3)	(85)%			
	(37.9)	(53.1)	(29)%	(36.3)	(47.2)	(23)%
Impairments[4]	(9.9)	(18.2)	(46)%			
Profit on disposal of asset held for sale[4]	–	4.8	n/a			
Operating (loss)/profit[5]	(11.8)	(14.3)	17%	5.0	14.9	(66)%
Analysed as:						
Adjusted EBIT	5.0	17.4	(71)%			
Adjusted items	(16.8)	(31.6)	(47)%			
Operating loss	(11.8)	(14.3)	17%			

1. Contribution is disclosed as gross profit in the income statement.
2. Refer to the table on page 111 for a reconciliation of reported to 52-week comparable performance.
3. Refer to the table on page 112 for a reconciliation of G&A costs to those reported in the income statement.
4. Refer to note 7 Adjusted items for further details.
5. 52-week comparable figures do not represent statutory operating profit amounts

A See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

sizeable charges reported as adjusted items totalling £16.8m, relating to the restructuring we have undertaken on the weaker outlook for the business.

Together, this has resulted in a statutory operating loss of £11.8m, 17% lower than the reported operating loss in the previous year of £14.3m.

Drivers of Group P&L performance

In FY24 total revenue declined by 18% to £290m. On a comparable 52-week basis, this was a 13% decline. This largely reflects an Active Angel number decline to 723,000, a 17% decrease compared with FY23, with a corresponding drop in sales to repeat customers of 13% on a comparable 52-week basis ((18)% on a reported basis).

On a statutory basis, gross profit has declined by 21% to £55.0m from £69.9m, including a net additional inventory provision charge of £2.4m (FY23: £10.3m). Repeat Customer contribution of £65.3m has reduced by 20% on a 52-week comparable basis and 25% reported. This trend is driven by a reduction in Repeat Customer sales due to lower Angel numbers and a reduction in Repeat Customer contribution margins, which have moved from 26.8% in FY23 to 24.7% in FY24 on a comparable 52-week basis. This reduction reflects the challenge of the business shrinking – with fixed warehousing costs being amortised over fewer orders, ongoing high stock levels driving high storage costs and the impact of some aggressive discounting undertaken to liquidate excess inventory.

Investment in the acquisition of new customers in the year grew 17% to £23.3m on a comparable 52-week basis (up 9% on a reported basis), broadly consistent with the £25m "guardrail" investment level. Investment economics have remained challenging with LTVs suppressed by lower Repeat Customer contribution margins and cost per new member inflated by poor conversion of marketing to new memberships.

FY24 basis of comparison

While FY24 has been a "normal" 52-week year, the comparator year in FY23 contained 53 weeks, which we use periodically to allow our trading periods to always align with weeks of the year. Exchange rates, while relatively stable, have changed with the average USD translation rate for revenues of 1.2570 in FY24 versus 1.2063 in FY23. And we have continued to make disposals of excess inventory as bulk commercial sales. Given these complexities, we offer two comparators to provide insight into the trading trends in the business:

1. Reported to reported, as shown on the face of the financial statements; and
2. Comparable 52-week basis with all foreign currency balances translated at FY24 rates, the impact of week 53 removed from the FY23 comparator and provisioned inventory sales removed and reported net within adjusted items. See the reconciliation of reported results to 52-week comparable figures on page 111 and note 7 Adjusted items for further information.

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

Reconciliation of reported results to 52-week comparable figures

	FY24		FY23	
	Revenue £m	Operating loss/EBIT £m	Revenue £m	Operating loss/EBIT £m
Reported	290.4	(11.8)	354.0	(14.3)
Adjusted items	(1.9)	16.8	(3.1)	31.6
Adjusted	288.5	5.0	350.9	17.4
Less: 53rd week	–	–	(7.2)	(1.1)[1]
Translation to FY24 FX rates	–	–	(10.3)	(1.4)
52-week comparable	288.5	5.0	333.4	14.9

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

General and administrative (G&A) costs of £37.9m were 29%, or £15.2m, lower than the prior year. Analysed further (see reconciliation of G&A costs in the APM section on page 112), operating G&A costs were £36m, a reduction of 11% on a 52-week comparable basis. During the year we undertook a further restructuring and cost reduction programme, the result being that we expect G&A to reduce further in FY25.

Share-based payment charges (including associated social security costs) for the year totalled £0.4m, significantly reduced from £1.5m in FY23 due to the reduction in workforce and the phasing of costs for the transition award in FY23 being weighted early due to the vesting schedule.

We eliminated our marketing R&D programme in the year (FY23: £5.4m) with all new customer recruitment spending now included in our overall marketing costs and payback calculations.

The net of the above factors resulted in adjusted EBIT of £5.0m, down from £14.9m on a 52-week comparable basis (£17.4m on an adjusted 53-week basis). Refer to the FY24 basis of comparison above and the reconciliation of reported results to 52-week comparable figures on page 111. The reduction versus FY23 can be summarised as:

FY23 to FY24 adjusted EBIT bridge

	£m
FY23 adjusted EBIT	16.0
Less: week 53 impact	(1.1)
52-week adjusted EBIT	14.9
Change in Repeat Customer contribution	(16.4)
Increase in New Customer investment	(3.3)
Change in other contribution	(0.9)
Reduction in operating G&A costs	4.4
Reduction in share-based payment charge	1.1
Marketing R&D spend	5.4
FY24 adjusted EBIT	5.0

The Group's reported operating loss of £11.8m reflects the impact of £16.8m of costs relating to adjusted items, the key components of which are set out in the table below.

Key adjusted items

	£m
FY24 Inventory provision charge	(6.7)
Release of FY23 inventory provision	4.3
Net movement in US inventory provision	(2.4)
Losses on provisioned inventory disposals	(2.8)
Bad debt	(0.2)
Impairments	(9.9)
Restructuring costs	(1.4)
Software as a Service investment	(0.1)

For further analysis of the drivers of the current year inventory provision, refer to the inventory outlook and action plan section on page 18.

Impairment charges have been recognised in, principally, the US business segment as well as Australia, as a result of reduced future trading expectations. The US charge predominantly represents impairment of the remaining acquired goodwill allocated to this business unit as well as impairment of other intangible assets. Impairment in the Australian segment largely relates to right-of-use assets.

Refer to note 7 Adjusted items for further details of all of these items. These are adjusted as they are either material one-time charges we do not expect to be repeated or they are non-trading related. We feel that treating them as adjusted items provides clarity of these non-recurring events and also a more comparable view of business trading performance.

Interest charges totalled £2.0m in the year, being the net of interest earned on cash balances and the Majestic Wine vendor loan note prior to disposal, and charges relating to the asset-backed lending facility with Silicon Valley Bank and interest on right-of-use assets.

The Group's statutory effective tax rate of (27.7)% is substantially driven by the distortionary impact of the non-tax recoverable impairment charge reported in the year and the net impact of changes to deferred tax recognition. Current tax of £1.3m was driven by profitable trading in the US and Australia, including the impact of material non-deductible temporary timing differences in the US relating to the inventory provision and 'UNICAP' inventory tax adjustments, partially offset by corresponding deferred tax credits as set out above.

New and repeat customers and our subscription KPIs

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

New customers

Investment in New Customers was £23.3m, up from £20.0m in FY23. This increase reflects our desire to invest at a consistent level of around £22 – £25m to reduce volatility in the business, in particular the supply chain.

Our 5-Year Forecast Payback, which is the ratio of projected future Repeat Customer contribution we expect to earn from new customers recruited in the year, over the investment spend related to acquiring those new customers, was 1.3x (FY23: 1.7x reported). The deterioration in this number was due to significantly higher costs of recruiting each new member, despite an uplift of 10% in the forecast value of each member.

The uplift in cost per member is attributable to:

1. The proportion of new memberships derived from our internal data sources e.g. reactivation of old members being significantly lower as we had generated significant value from this source during FY23, resulting in a smaller pool of potential new members; and

2. Lower conversion of our marketing materials into site traffic and first orders in the partner channel. The root cause of this change is unclear and, as Maza has stated, we have a number of projects underway to test new approaches and rectify the trend.

We continue to assess that the business needs to be delivering at or above a 2x payback target to create value, and have invested at suboptimal returns, as:

- Our reducing scale leads, in the near term, to lower efficiency in our fulfilment operations which contain a significant level of fixed costs. As such, the marginal cost of each incremental order we generate is significantly lower and the profitability higher, and we consider it rational to drive these incremental orders; and

Summary new and repeat performance analysis

A	52-week comparable FY24 £m	FY23 £m	YoY
New Customer sales	23.6	25.2	(6)%
Investment in New Customers	(23.3)	(20.0)	17%
Repeat Customer sales	264.1	305.2	(13)%
Repeat Customer contribution	65.3	81.7	(20)%
Repeat Customer contribution margin	24.7%	26.8%	(210)bps
Other revenue	0.8	3.0	(73)%
Other contribution	(0.7)	0.2	(450)%
KPIs			
Repeat Customer sales retention	75%	76%	(100)bps
Active Angels	723,000	867,000	(17)%
5-Year Forecast Payback	1.3x	1.7x	(0.4)x
Year 1 Payback	40%	39%	100bps

A See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

- With significant amounts of excess inventory, the cash profile of each order we generate is higher than the contribution of the order (which is the basis of our payback calculations). For as long as we are reducing inventory, this effect means cash paybacks are significantly higher than our payback measure suggests.

Repeat customers

Repeat Customer sales were £264.1m, a 13% decrease versus the prior year. With Angel numbers continuing to decline this represents an increase of 4% in sales per member.

Our Repeat Customer sales retention, which is the proportion of sales made to customers who met our definition of "repeat" last year and placed orders again this year, was 75% (FY23: 76%). Sales retention is driven by a combination of customer retention and the change in sales per Angel year-on-year. The decline in FY24 is driven by a 10% decrease in growth in sales per Angel, offset by 6% increase in Angel retention.

Repeat Customer contribution margins have decreased further in the year from 26.8% to 24.7%. Whereas last year we saw margin compression due to fulfilment cost increases, this year the driver was at the gross margin line which reduced by 2.1pps. This can be analysed as:

- Deep-discount stock liquidation 1.0pps
- Mix shift away from the US 0.6pps
- UK supplier failure 0.2pps
- Other 0.3pps

Our Year 1 Payback for the year, which is the contribution realised in this financial year from repeat customers recruited in the prior financial year, divided by the investment made in the prior year recruiting those customers, was 40% (FY23: 39%) reflecting the higher payback we forecast on FY23 investments versus FY22 (1.7x versus 1.5x respectively).

Other revenue and contribution

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

Detailed analysis of each geographic segment and a full reconciliation of reported results to 52-week comparable figures can be found on page 111.

Cash flow drivers

Following two years of significant cash outflows, as the business built inventory due to historic commitments being far in excess of realised demand, FY24 was the year where we turned the corner.

During the year, the Group's net cash excluding lease liabilities balance increased by £9.3m. The drivers of this are:

Cash flow analysis

	£m
Operating loss	(11.8)
Add back: depreciation and amortisation	3.0
Add back: other non-cash amounts[1]	2.5
Add back: impairments	9.9
Change in inventory	14.9
Change in payables	(3.4)
Change in Angel funds and other deferred income	(1.8)
Other working capital movements	(5.5)
Operating cash flow	**7.8**
Tax and net interest paid	(4.5)
Capital expenditure	(1.1)
Proceeds from early redemption of the vendor loan note	9.0
Repayments of principal under lease liabilities	(2.0)
Movement in net cash excluding lease liabilities	**9.2**
Opening net cash excluding lease liabilities	10.3
Movement in net cash excluding lease liabilities	9.2
FX	0.1
Closing net cash excluding lease liabilities[2]	**19.6**

1. Other non-cash amounts is made up of movement in the US segment inventory provision (£2.3m), share-based payment charge (£0.4m), loss on disposal of fixed assets (£0.2m) and gain on early termination of leases (£0.4m).
2. See page 112 for a reconciliation of net cash excluding lease liabilities to balance sheet captions.

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

Key balance sheet items (£m)

		Impact in the year			
	FY23	FX	Net movement in non-cash inventory provision	Underlying movement	FY24
Net cash excluding lease liabilities	10.3	0.1	–	9.2	**19.6**
Inventory including advances to winemakers	165.7	(3.5)	(2.4)	(14.9)	**144.9**
Angel funds and other deferred income	(71.3)	1.2	–	1.8	**(68.3)**
Trade and other payables[1]	(42.4)	0.3	–	3.4	**(38.7)**

1. Excludes current tax liabilities.

Inventory outlook and action plan

The Group has been challenged by a substantial overstock position in all markets over the last two years and has undertaken a large-scale programme of reducing commitments to remedy this. Our future inventory intake commitments have reduced from £223m at the end of FY22 and £162m at the end of FY23 to £103m at the end of FY24, with reductions achieved in all of our markets. As a result, the UK and Australian markets will be back at an appropriate stock level during FY25.

Our overstock position in the US remains a critical challenge for the Group. During the year, we undertook an exercise to group current US inventory plus future intake (already made and forecast) to the end of FY27, totalling $238m, into three segments.

1. “Core inventory” – inventory needed to the end of FY27 of $198m (83% of the US total including future intake). This is the inventory that will support sales and an appropriate level of closing inventory at the end of FY27 and will be sold through business-as-usual activities.

2. “Provisioned inventory” – inventory expected to expire before sale in the normal course of business of $9m (4% of the US total including future intake). This is stock that we don’t expect to sell before the wine quality deteriorates such that it should not be sold. This stock has been provisioned to near nil value, as set out below, reflecting a low expected recovery level for some portions of bulk wine.

3. “Optimal inventory” – inventory saleable before expiry, but only after FY27, of $31m (13% of the US total including future intake). This is stock that our forecasts show will sell to our customer base before it expires, albeit over an extended period. As such, this stock does not require provisioning, but we still intend to explore opportunistic liquidation of some of this inventory through alternative channels. This may be as bulk or bottled goods, potentially seeing future margin dilution but generating cash. We have resourced a small team dedicated to this exercise. We feel this is important as:

- The stock will tie up capital for a period of multiple years, while incurring additional storage costs. As such, realisation below cost of goods sold is economically rational;
- The stock creates potential risk of future expiry in the event of changes to demand outlook; and, importantly
- The stock limits our ability over an extended period of innovating within the range, risking detriment to our customer proposition.

We have included £2-5m of losses on these sales in the guidance for FY25, however, as the eventual sales volume and profitability will be a function of bulk wine markets, we will provide updates on progress alongside regular trading commentary. Note that the profit or loss on any sales of non-provisioned stock through alternative channels will be reported within adjusted EBIT as other contribution, in contrast to the FY24 provisioning which was treated as an adjusted item.

As a consequence of this analysis, and as set out in note 7 Adjusted items, the business has made a further overstock inventory provision in its US business unit amounting to £6.7m. At the balance sheet date, the Group’s total inventory provision and its movement since the end of the previous financial year is set out below:

Capital allocation

The Group’s policy is to test for the existence of excess capital biannually as we update our forecasts for the business. Should it be determined that we have excess capital, available investment opportunities will be compared with expected returns from repurchasing the Company’s shares and capital allocated to the highest returning opportunities. At present, we do not believe the business has excess capital and no returns of capital, either as dividends or through other mechanics, are planned at this time. We will review this regularly during FY25 as we progress our inventory reduction and assess the optionality afforded by the new credit facility.

New asset-backed lending facility, capital structure evolution and Angel security

Subsequent to the end of the financial year, the Group completed a competitive process to source a new asset-backed lending (ABL) facility to replace the facility previously provided by Silicon Valley Bank.

Inventory provision movement analysis

	Overstock inventory provision £m	Other inventory provision £m	Total £m
Opening inventory provision	9.7	1.5	11.2
FX	(0.2)	–	(0.2)
Additional provision during the year	6.7	0.7	7.4
Provision release	(1.2)	(0.6)	(1.8)
Provision utilisation	(3.1)	(0.2)	(3.3)
Net inventory reserve movement	2.4	(0.1)	2.3
Closing inventory provision	**11.9**	**1.4**	**13.3**

Our future inventory intake commitments have reduced from £223m at the end of FY22 and £162m at the end of FY23 to £103m at the end of FY24, with reductions achieved in all of our markets.

On 8 July 2024, the Group entered into a 60-month senior secured revolving credit facility with PNC Bank, National Association, as administrative agent and lender for up to $60m of credit based on the global inventory levels. The facility is secured against the assets of the Group.

The principal terms of the new facility are:

- Maximum revolving advance amount of $60m, with available liquidity based on the value of inventory held (as defined in the facility terms);
- Facility term of five years;
- Margins, depending on facility headroom, of principally the Secured Overnight Financing Rate (SOFR) plus an applicable margin of between 2.75% and 3.25% and an unused line fee; and
- A single financial performance covenant, requiring fixed charge cover of greater than 1.2x, but only tested if outstanding available liquidity (as defined in the facility terms) is less than $12m.

Indicatively, the facility's financial effect, using a representative current SOFR rate is that a representative $10m of draw down for 12 months would amount to a total finance charge of approximately £0.8m. In addition, the Group anticipates annualised amortisation charges of the new facility arrangement fees of around £0.4m.

The facility has two primary purposes.

1. To provide liquidity in the event of a downside trading scenario

As we have seen in recent times, in the event that the revenue trajectory of the business falls below the forecast level, Naked's role as a manufacturer of wine (whether directly or through long-term commitments to winemakers) results in excess stock and lower levels of liquidity across the Group. The facility provides substantial additional liquidity over and above the £20m of net cash excluding lease liabilities the Group held at the end of FY24 in case such a scenario arises.

2. To provide security to Angels

During the process of sourcing a new credit facility, we took a broader look at our capital structure. A key source of funding for the business comes from our Angels who keep money on deposit which we use to fund winemakers. Our treasury policy requires us to maintain inventory and/or cash on hand in excess of any Angel balances to ensure that these funds are not used to cover any operating losses. While this provides the customer with asset backing, it does not guarantee liquidity for cash refunds. By generating liquidity from the inventory assets that Angels have funded, the facility provides greater availability of cash to fund redemptions should it be needed. This is made available directly through the Company's ability to draw cash from the facility and through provision of security to payment processors whose networks are used to make refunds.

At the unaudited management reporting period end closest to the completion date of the facility on 8 July 2024, the Group held net cash excluding lease liabilities of £15.3m. On completion, the facility had available liquidity of $48.1m.

Liquidity and going concern

The Group has rebuilt its net cash excluding lease liabilities position during the year, through a combination of generating adjusted EBIT, reducing inventory levels and early redemption of the loan note issued on the sale of the Majestic Wine business in 2019. The combination of this improvement, the additional liquidity and reduction in covenant limitations afforded by the new credit facility, and the expectation of additional material cash generation through peak trading in the near future, has improved the Group's resilience to weather any downturn in trading while also affording headroom for any unexpected calls on our liquidity. As a result we no longer report a material uncertainty around our going concern assessment – see the Board's going concern disclosure on page 26 for further details.

Recent trading and outlook

Trading for the first few months of the financial year was, in aggregate, broadly in line with the Board's expectations, with variances seen month to month as consumer response to our marketing remains varied as we conduct testing to deliver on our strategy of returning to profitable growth. These dynamics continued into early Q2.

Our expectations for the year are based on continued flat KPIs year-on-year in each market, and incorporation of known cost initiatives within fulfilment costs and the G&A cost base. We have then flexed these to the downside based on observed historic negative variances in trading being seen for an extended period, and to the upside based on targeted shifts in KPIs from our strategic initiatives. We have overlaid on this an estimated range of outcomes from inventory liquidation activity outside of business as usual activities which will be reported within adjusted EBIT for the year.

The resulting range of outcomes for the full year FY25 includes revenue between £240m and £270m, adjusted EBIT excluding inventory liquidation of £3m to £8m and adjusted EBIT including inventory liquidation of £(2)m to £6m with closing net cash excluding lease liabilities of £25m to £35m.

James Crawford
Chief Financial Officer

Key performance indicators

Measuring our performance through enhanced disclosures

Financial

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Total revenue	**£290.4m** (FY23: £354.0m)	The GBP value of our sales to customers and its change versus the prior year.	The business has the opportunity to grow at scale. We intend to do this through continued investment in customer acquisition.	• Competition • Regulation • Investment
Revenue growth	**(18)% growth** (FY23: 1% growth)			
Net cash excluding lease liabilities	**£19.6m** (FY23: £10.3m)	The amount of cash we are holding, less borrowings at year end excluding lease liabilities. See page 112 for the calculation of this measure.	Managing cash is essential to ensuring that we have sufficient funds in place to execute our growth plans in the medium term.	• Financial performance • Investment spending and capital requirements • Liquidity • Macroeconomic events

Customer experience

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Product availability	**91%** (FY23: 90%)	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.	Maintaining availability of our top-selling products supports customer loyalty and maximises sales.	• Business interruption • Supply chain interruptions and costs • Third-party suppliers
Wine quality – "Buy it again" ratings	**91%** (FY23: 90%)	The percentage of "Yes" scores given by customers in the year indicating that the customer would buy the product again, which we know as our "Buy it again" rating.	Ensuring customers love our exclusive wines and are happy to buy them again supports strong customer loyalty and sales retention.	• Business interruption • Supply chain • Third-party suppliers • Consumer tastes and preferences • Quality perception
5* customer service	**92%** (FY23: 92%)	The percentage of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale from 1 to 5.	Consistently offering 5* service supports customer loyalty and sales retention.	• Data security • Management/ key staff • Customer service experience

Subscription

KPI	How are we doing?	What is it?	Why does it matter?	What are the key risks?
Investment in New Customers	**£(23.3)m** (FY23: £(21.4)m)	The amount we have invested in acquiring new customers during the year, including contribution profit/loss from New Customer sales and advertising costs.	We invest in customers from whom we expect to receive a payback in line with our target payback levels in future years. We are investing meaningfully to take advantage of the opportunity we see before us to maximise future value.	• Investment • Regulation • Competition • Reputation • Customer acquisition costs
5-Year Forecast Payback	**1.3x** (FY23: 1.7x)[1]	The ratio of projected future Repeat Customer contribution we expect to earn from the new customers recruited in the year, divided by the Investment in New Customers. We forecast contribution at the customer level using a machine learning algorithm that weighs several characteristics including demographics, interactions and transactions forecast over a five-year time horizon. This is then aggregated to a monthly then annual cohort level for reporting purposes. As this is an undiscounted, forward-looking estimate, it cannot be reconciled back to financial results.	We invest in new customers that are expected to deliver payback at least in line with our medium-term payback target in an effort to ensure we create intrinsic value from our investments. Payback is calculated utilising the history we have of customer activity, enabling us to accurately forecast our investment returns and eliminate poor investments. Therefore, we are able to invest in attracting and retaining high-value customers who fit our target customer profile.	• Investment • Competition • Supply risks • Macroeconomic event
Repeat Customer contribution	**£65.3m** (FY23: £86.5m)	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment costs and service costs. A reconciliation of adjusted EBIT to Repeat Customer contribution is shown in note 6 Segmental reporting.	The cost leverage we expect to achieve as we grow will continue to drive Repeat Customer contribution. Not only does this promote the long-term economics of the business model, but contribution from repeat customers also provides us with the cash to reinvest into new customer recruitment and to continue support of our independent winemakers.	• Competition • Supply chain risks • Reputation • Taxes and duties
Repeat Customer contribution margin	**24.7%** (FY23: 27.0%)	Repeat Customer contribution as a percentage of Repeat Customer sales.		
Repeat Customer sales retention	**75%** (FY23: 76%)	The proportion of sales made to customers who met our definition of "repeat" last year and who placed orders again this year, calculated on a monthly basis and summed to calculate the full year retention.	Through a cultural relationship with existing Angels and initiatives like Never Miss Out, we strive to continually improve our Repeat Customer sales retention rate. This results in improving the LTV of existing customers, which drives the long-term value of the business.	• Competition • Supply risks • Reputation • Tax and duties
Year 1 Payback	**40%** (FY23: 39%)	A short-term payback measure showing the actual return in this financial year of our investment in the prior year.	Continuing to closely monitor this short-term payback measure gives us an early indication of the quality of the cohort recruited in the prior year.	• Investment • Competition • Supply chain risks • Inflationary pressure • Customer acquisition costs
Active Angels	**723,000** (FY23: 867,000)	The number of Angels (or repeat subscription customers) that have placed an order in the prior 12-month period.	Long-term growth overall is expected to come from continued growth of the customer base and to be enhanced through implementation of other initiatives and product introductions and enhancements.	• Investment • Competition • Regulation

A See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

1. Latest forecast, original forecast 1.5x.

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

Our stakeholders are vital to our success

Throughout FY24, the Directors have complied with the requirements of section 172 of the Companies Act 2006 by acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders, including shareholders, employees, suppliers, customers, regulators, the government, the community and the environment. In doing so, the Directors have had regard (among other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

This section discusses how the Directors have had regard to the above matters and forms the Directors' statement required by section 414CZA of the Companies Act 2006.

Shareholders and institutional investors

Who engaged	How we engaged	Outcomes
Board CEO CFO Company Secretary	We engage with shareholders primarily through our distribution of the Annual Report and Accounts and facilitation of the Annual General Meeting (AGM). In FY24, we further engaged with shareholders by: • Soliciting shareholder views on various matters affecting the Company; • Inviting Rowan Gormley and Jack Pailing, both significant shareholders, to serve on the Board; • Making presentations to shareholders following the release of half-year and year-end results; and • Engaging in conversations with shareholders when requested.	• All resolutions raised at the 2023 AGM and subsequent GM were approved (voting outcomes set out below) • We had the benefit of shareholder feedback in making business decisions • Shareholders were apprised of Company strategy and performance

Employees

Who engaged	How we engaged	Outcomes
CEO CFO Subsidiary GMs (UK, US and AUS)	We engage with our employees by: • Regularly sharing information regarding the business – for example, in monthly town hall meetings; • Soliciting feedback through annual employee engagement surveys; • Consulting with specific groups or individuals to ensure their views are taken into account in making decisions about matters that affect them; • Facilitating employee participation in the Company's share scheme; and • Disclosing gender pay gap and pay comparison data. In FY24, we underwent a reduction in force that resulted in job losses across markets. Throughout this process, we made efforts to ensure that our dedicated employees were well treated. In the UK, we undertook consultation above that required by law and, in all countries, we awarded severance packages well in excess of legal requirements.	• Through participation in the Company share scheme, employee and shareholder interests were aligned • Senior management had the benefit of employee input in making business decisions • Employees were apprised of Company strategy and performance

Suppliers

Who engaged	How we engaged	Outcomes
CEO CFO Subsidiary GMs (UK, US and AUS) Wine Team	We engage with our suppliers, including our independent winemakers, by: • Investing in our independent winemakers' ability to make the wines we sell at Naked Wines; • Maintaining ongoing communication with these winemakers to facilitate the production, release and promotion of these wines; and • Maintaining and distributing our Responsible Supplier Policy and Anti-Modern Slavery Policy, which require our suppliers to conduct their businesses in accordance with the principles embraced by Naked Wines. In FY24, we reduced our purchase commitments to manage the Company's inventory balance. We engaged with winemakers throughout this process to achieve an outcome acceptable to both winemakers and the Company.	• We invested in nearly 300 independent winemakers • We supported our suppliers in addressing and eliminating the risk of modern slavery in their supply chains • We engaged with our suppliers when reducing purchase commitments to facilitate a mutually acceptable outcome

Customers

Who engaged	How we engaged	Outcomes
CEO CFO Subsidiary MDs (UK, US and AUS) Customer Happiness Team Wine Advisor Team	We engage with our customers by: • Enabling customers to give the Company and our winemakers candid feedback about our business and our products; • Providing a Customer Happiness Team to address customer questions and concerns by phone, email and chat; • Providing a Wine Advisor Team to curate selections based on customer preference and assist with customer purchases; • Following all applicable data protection laws to ensure that customer personal information is safe; and • Holding an annual "Tasting Tour" in the UK, where we take some of our winemakers and wines on the road to meet UK Angels.	• We served 723,000 subscribers across markets • We improved these customers' wine-buying experience • We allowed these customers to interact directly with the independent winemakers who make their wines • Our Customer Happiness Team was awarded 92% 5 star service ratings by our customers across markets • In summer 2024, 4,624 Angels met 31 winemakers across the UK

Regulators and government

Who engaged	How we engaged	Outcomes
Company Secretary/ Global General Counsel CFO	We engage with regulators on an ongoing basis through correspondence or meetings to discuss key issues pertaining to the business.	• We stay abreast of, and maintain compliance with, all relevant legislation

Community and environment

Who engaged	How we engaged	Outcomes
Board CEO	We engage with the community and environment by promoting sustainability initiatives, ethical behaviour and responsible corporate citizenship.	• We engaged in charitable endeavors across markets, for example, by raising £500,000 for Carmen's Kids, a charity dedicated to feeding hungry children in South Africa (see https://www.nakedwines.com/carmenskids) • We complied with all relevant legislation across markets, for example, by updating our US website, labels and reporting to meet the requirements of the California Beverage Container Recycling and Litter Reduction Act (AB 2020) • Whilst the Company has continued with a number initiatives to advance its environmental and social agenda this year, progress has not been as significant as in previous years given the challenges the Company has faced and the need to focus on ensuring a sustainable future for the business through robust financial foundations and returning Naked to profitable growth.

Outcome of voting at 2023 AGM

No	Type	Nature	% in favour
1	Ordinary	Election of Director (James Crawford)	96.83%
2	Ordinary	Election of Director (Stephen Bolton)	96.84%
3	Ordinary	Election of Director (Jack Pailing)	90.91%
4	Ordinary	Election of Director (Rowan Gormley)	88.85%
5	Ordinary	Appointment of auditor	90.85%
6	Ordinary	Remuneration of auditor	90.91%
7	Ordinary	Directors' authority to allot shares	96.72%
8	Special	Disapplication of preemption rights	76.29%
9	Special	Company's authority to purchase its own shares	94.67%

Outcome of voting at 2023 GM

No	Type	Nature	% in favour
1	Ordinary	Receipt of Annual Report and Accounts	99.97%
2	Ordinary (Advisory)	Directors' remuneration report	92.90%
3	Ordinary (Advisory)	Directors' Remuneration Policy	95.35%
4	Ordinary (Advisory)	2016 Long-Term Incentive Plan (LTIP) Rules and Proposed 2024 LTIP Award	95.54%

Risk management and control environment

Principal risks and uncertainties

Our approach to risk management

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

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

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

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

The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee. They act as a line of defence in the organisation, with Internal Assurance acting as the third line of defence, the risk control owners as the second line and the management team as the first.

Characterisation of key risks

The Board considers both strategic and operational risks and for each risk considers the likelihood of its occurrence and the scale of adverse impact it could have on the business.

- Strategic risks are those which could threaten the long-term success of the business model and will typically unfold over an extended period of time. Strategic risks are reviewed periodically by the Board as part of its ongoing development process.
- Operational risks arise from the possible occurrence of specific events. They will typically have an impact on the business and its performance that is either immediate or will play out over a relatively short period of time. Operational risks may arise from external or internal causes.

The mitigation for externally driven operational risks is normally in the form of a contingency plan, and insurance cover is also taken out to protect against such risks where appropriate.

Management seeks to put in place active mitigation for internally driven operational risks, balancing cost and risk as appropriate.

The principal strategic and operational risks which the Board deems most significant are presented below.

While they are not the only ones facing the business, they are the most significant when considering both the likelihood of the risk materialising as well as the overall impact on the business, after taking into account the mitigating effect of the implemented controls.

Climate change and sustainability

The Board has considered climate change as part of the Group's risk management process and acknowledges a potential risk to the Group. The Board is of the view that the risk of climate change is embedded within the key risks listed in this report and, as such, has decided not to list climate change as a standalone risk.

In particular, the Board recognises that we are exposed to climate change risks within 'Business interruption'. Key risks include the destruction or damage of winemaking materials (e.g. crops) inflating costs and/or impacting availability and quality, and are mitigated by having multiple sites for key activities and a diversified supply chain.

Risk movement

For each risk presented, the Board has assessed the combination of risk likelihood and risk impact and presented its assessment of the risk movement from FY23 to FY24.

Increased risk

Decreased risk

Stable risk

Risk characterisation

Strategic risk

Operational risk

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

Going concern

Background and context

At the end of FY23, the Group noted that a material uncertainty existed over the going concern assumption due to a risk of breaching one or more bank facility covenants due to weakening profitability and reducing cash balances.

A number of actions were taken to remedy this situation, including:

- Addressing the overstock position by negotiating with suppliers to cut inventory intake over the forthcoming financial years;
- Undertaking a further round of cost restructuring, following on from the restructuring executed in March 2023;
- Liquidating the vendor loan note held by the Group, which had arisen on the disposal of the Majestic Wine business in 2019; and
- Negotiating a new asset-backed lending facility (see below).

During the first half of FY24, it became apparent that forecast performance remained too ambitious. For liquidity-planning purposes, a forecast scenario with no further key performance indicator improvements (of the type seen historically) was prepared. Performance in the second half of FY24 was broadly in line with this revised forecast and the Group ended the year with net cash excluding lease liabilities of £19.6m, around a £10m improvement from the previous year end, as well as a lower cost base and a more reliable liquidity baseline forecast.

Credit facility

As stated above and as set out in more detail in note 31 Events after the balance sheet date, on 8 July 2024, the Group entered into a 60-month senior secured revolving credit facility with PNC Bank, National Association, as administrative agent and lender for up to $60m of credit based on the inventory held by Nakedwines.com Inc, www.nakedwines.co.uk Ltd and Naked Wines Australia Pty Ltd.

Significantly, this new facility includes:

- a higher credit advance rate on the inventory base than under the Group's previous credit facility;
- removal of a minimum cash holding of $20m; and
- a single financial performance covenant, being a fixed charge cover ratio of greater than 1.2x, which is only tested if outstanding available liquidity (as defined in the facility terms) is less than $12m, known as a 'springing covenant' test.

On completion of this agreement with PNC Bank, the Group's commitments and obligations under its previous senior secured credit facility with Silicon Valley Bank, a division of First Citizens Bank and Trust Company, fell away. The Group met all its credit facility covenant requirements in the current financial year and subsequent to the year end, under the previous facility, up until the date of the refinancing.

Base case forecast

In assessing the appropriateness of the going concern assumption, the Board has considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Group from existing cash reserves and its credit facility, (iii) the level of security to be held against Angel fund balances and (iv) potential variations in the cash requirements of the Group including taking into account a severe but plausible downside scenario that appropriately reflects Naked's recent trading and the current macroeconomic outlook.

The Directors have prepared a series of cash flow scenarios extending for a period of at least 12 months from the date of the approval of these financial statements ("the going concern assessment period") to assess the liquidity of the Group.

A base case forecast was prepared in which trading KPIs in the trading markets were kept flat versus recent performance or, for certain recent initiatives, forecast at rates observed from recent testing programmes. Contracted warehouse savings were included, as were G&A savings from the initiatives undertaken during the year along with the assumption of 50% of maximum variable bonus payout. Inventory purchasing was assumed at the higher of committed amounts or levels to sustain target inventory levels. Under this scenario, the Group has sufficient liquidity to meet its new credit facility liquidity requirement in the going concern assessment period, meaning that the fixed charge cover ratio covenant would not need to be tested, although it would meet the requirement of greater than 1.2x were this covenant required to be tested.

Severe but plausible downside and reverse stress test

The Directors have then prepared a severe but plausible downside scenario incorporating a number of sensitivities and also incorporating available mitigating actions.

Sales performance driver:

- A 6% decline in revenue per Angel/ Wine Genie customer (a key driver of Repeat Customer sales) versus the base case forecast described above, also corresponding to a 6% reduction in this measure year-on-year and a 5 to 7% (depending on market) reduction in new customer traffic.

Costs saving reduction:

- A £0.8m per annum reduction in cost savings assumed for new warehouse and distribution contracts and a £0.8m overspend on targeted G&A savings.

Cost mitigation:

- Removal of non-commercial return "R&D" spend in New Customer investment from the fourth quarter of FY25, saving £0.25m in FY25 and a further £0.4m over the remainder of the going concern assessment period with a total saving of £0.75m in FY26;
- A reduction in New Customer investment advertising spend by 10% from the fourth quarter of FY25, saving an annualised sum of approximately £2.5m (on the basis that such lower revenues per Angel would trigger reductions in New Customer investment to maintain the economic rationale to invest), which was assumed to reduce new customer numbers at the current average cost per new customer; and
- Reduction to £nil in assumed variable compensation payout.

Working capital mitigation:

- Reduction in future inventory intake to reflect the lower demand outlook beginning in the first quarter of FY26, taking into account the current levels of inventory commitments for those periods.

Furthermore, this scenario included the latest available trading for the first four periods of FY25 and the number of Angels and the actual closing balance sheet position at that date.

The net impact of this severe but plausible downside scenario is that the Group would maintain more than £11m of headroom in the going concern assessment period versus the springing covenant test requirement of $12m (around £9.6m) of outstanding available liquidity. This forecast also shows that Naked meets its fixed charge cover ratio covenant across the going concern assessment period, although consistent with the above, the level of liquidity does not lead to this covenant being tested in the assessment period.

The Directors believe this also provides adequate headroom against any unexpected requirements to provide additional liquidity to trading partners should the need arise in that period.

A reverse stress test was also performed, deliberately engineered to identify the point at which the Group would fall below its facility-defined liquidity covenant spring of $12m across the going concern assessment period. This reverse stress test shows that an additional 6% reduction in revenue per Angel (beyond the 6% reduction already incorporated into the severe but plausible downside scenario noted above) would result in the Group not meeting its facility-defined covenant spring of $12m in that period. At this point the Group would also fail its fixed charge cover ratio covenant. The Board has determined that these assumptions do not result in a plausible downside scenario outcome.

Summary

After considering the forecasts, sensitivities and mitigating actions available and having regard to the risks, uncertainties and challenges in recent trading and the macroeconomic environment, in the modelled scenarios including the severe but plausible downside scenario, Naked Wines has sufficient liquidity to continue trading and to meet its minimum facility liquidity requirements, avoiding the need to formally assess its fixed charge cover ratio covenant commitment. The reverse stress test modelling has demonstrated that a revenue per Angel decline of 12%, resulting in a year-on-year total sales decline of 18% in FY25 is required before the Company fails to meet both its facility liquidity and fixed charge cover ratio commitments.

The Board believes that the flexibility afforded to it by its new financing arrangements and the other actions put in place during FY24 and subsequent to year end mean that the Directors have a reasonable expectation that the Group and Company will be able to operate within the level of their available liquidity, meet the fixed charge cover ratio covenant (if it were required to be tested), and meet their liabilities as they fall due for the forecast period. For these reasons, the Board considers it appropriate for the Group and the Company to adopt the going concern basis in preparing these financial statements.

Liquidity

Type: Operational

Stable

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

Performance indicators

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

Likely cause

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

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Increased focus on cost control and working capital management across the business
- Cash flow and commercial forecasting to identify and proactively address risks (including covenant breaches) before they are realised
- Updated terms and conditions for new customers to the business to mitigate bulk withdrawal of Angel funds and also introduced the new Wine Genie proposition which does not create an enduring Angel balance liability
- Alignment of funding structure and working with strategic stakeholders
- Completed new asset-backed lending (ABL) facility with PNC Bank in July 2024, which provides security of funding for five years, a higher level of available liquidity, and access to working capital in a wide range of trading and economic circumstances
- Use of inventory planning resource to enable nimbleness on volume planning, intake and production phasing and a developing capability to manage global inventory intake between markets
- Developed and optimising alternative customer propositions to attract new customers with improved investment economics

Other underlying controls/mitigation:

- Offer flexibility to existing Angels to improve retention (e.g. reduced Angel contributions and payment holidays)
- Investment in inventory management and demand planning tools to enhance the evaluation and challenge of inventory buy plans
- Exploring new acquisition channels to target optimal customers relative to investment

New customer acquisition

Type: Strategic

Stable —

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

Performance indicators

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

Likely cause

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

Likely impact

- Investment in New Customers fails to drive sufficient new customer growth to sustain the business model
- Investment in customer acquisition does not produce the target return on investment and represents a misallocation of capital
- Modelling informs an investment approach that undermines the long-term viability of the business model
- Material investment underperformance results in inventory misalignment relative to demand, adversely impacting liquidity and constraining our ability to maintain/enhance the customer experience

Key controls/mitigation

Main areas of focus in the current year:

- Developed and optimising alternative customer propositions to attract new customers with improved investment economics and improve the efficiency and cost of customer acquisition of current channels
- Regular monitoring of investment economics, resulting in the redeployment of capital where it is not delivering target returns

Other underlying controls/mitigation:

- Exploring revisions to payback and LTV modelling to acknowledge multi-channel investment attribution
- Agreed investment criteria that are subject to regular review
- Detailed deal-level reporting and monthly performance reviews

Macroeconomic environment

Type: Strategic

Stable —

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

Performance indicators

- Revenue
- Net cash excluding lease liabilities
- Payback
- Repeat Customer contribution
- Repeat Customer sales retention
- Active Angels

Likely cause

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

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Developed and seeking to amplify alternative customer propositions to attract and retain customers
- Unique customer proposition encourages customer engagement and loyalty
- Updated the terms and conditions for new customers to the business to mitigate bulk withdrawal of Angel funds and also introduced the new Wine Genie proposition which does not create an enduring Angel balance liability

Other underlying controls/mitigation:

- Board continues to model and monitor a range of potential scenarios to inform decision making
- The ability to manage pricing to minimise the impact of inflationary uplifts in the cost base
- Continued focus upon cost control including the review and tender of significant contracts
- Offer flexibility to existing Angels to improve retention (e.g. reduced Angel contributions and payment holidays)

Business interruption

Type: Operational

Stable

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

Performance indicators

- Revenue
- Product availability
- Wine quality
- 5* customer service
- Repeat Customer contribution
- Repeat Customer sales retention
- Payback
- Net cash excluding lease liabilities

Likely cause

- Unforeseen event including extreme weather or natural disaster as a result of climate change affecting the Group's sites and/or supply chain operations (including grape growers and winemakers)
- Failure of one or more strategic projects
- Material contractual non-performance or breach by strategic partners
- Unexpected and sudden withdrawal of strategic partners from the supply chain
- Systems infrastructure failure and power outages

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Third-party warehousing either has multiple sites or is operated by a third party with access to backup capacity
- Continuing to formalise and improve our disaster recovery plans so that the business can recover from any interruptions related to natural disasters and unforeseen events with minimal impact

Other underlying controls/mitigation:

- Cloud-based infrastructure reducing the risk of physical destruction
- Geographical diversification of suppliers/operations
- Diversifying our mix of suppliers where there is exclusive or material reliance on single contractors and ongoing maintenance of relationships
- Power generators installed in our office and winery in the US to deal with power outages
- Inclusion of an adverse quality clause in grape contracts
- Steering Committees govern strategic projects
- Business interruption insurance cover in place

Cyber security attack

Type: Operational

Stable

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

Performance indicators

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

Likely cause

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

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Third-party cloud-hosted systems used to support maximum availability
- Use of external consultants where required
- Ongoing investment in technology systems and processes

Other underlying controls/mitigation:

- Annual review of our cyber strategy
- IT systems, whether procured from third parties or developed internally, are tested for security against attack and periodic penetration exercises are performed
- Dedicated systems security resources to provide assurance across the Group
- The main trading websites and network are protected by a firewall with frequently updated anti-virus software
- Continuing to formalise and improve our disaster recovery plans so that the business can recover from any interruptions related to natural disasters and unforeseen events with minimal impact
- Access reviews of core systems
- Due diligence of vendors
- Cyber insurance in place, which assists with the impact mitigation of a cyber security event

Reputational damage

Type: Strategic

Stable

Failure to meet stakeholder expectations impacts reputation and credibility

Performance indicators

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

Likely cause

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

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Dedicated systems security resources in place to provide assurance across the Group, with additional security tools implemented in FY24
- Regular company updates and engagement surveys with our employees gather suggestions and drive informed actions
- Using our differentiated business model to make our customers our partners and foster a community of wine drinkers and winemakers

Other underlying controls/mitigation:

- Due diligence of winemakers and rigorous quality-control procedures throughout the manufacturing process
- Ongoing commitment to responsible drinking and marketing of alcohol
- Operating a Responsible Supplier Policy and funding winemakers via our differentiated business model
- Ad hoc initiatives to support our winemakers
- Clear policies in place, including the Code of Conduct, Anti-money Laundering and Whistleblowing policies
- Ongoing commitment to ethical behaviour and responsible corporate citizenship
- Developing focus groups to actively identify areas for improvement and propose solutions

Competition

Type: Strategic

Stable —

Threat from a new or existing competitor impacts profitability

Performance indicators

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

Likely cause

- Market consolidation results in emerging competition with significant resources
- Threats range from discounters leveraging wine as a loss leader to more tailored online retailers and subscription offerings
- New entrant into the DtC wine market with access to significant funding and the patience to build a large market share
- Failure to innovate and offer a compelling proposition

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Unique customer proposition encourages Angel engagement and loyalty
- Developed and seeking to amplify alternative customer propositions to attract and retain customers

Other underlying controls/mitigation:

- Maintain close and collaborative relationship with winemakers
- Leadership teams regularly monitor our competitors' activity
- Trade barriers to entry, especially in the US market where 3-Tier wine distribution legislation requires a vertically integrated operation to make DtC sales

Regulatory and tax compliance

Type: Operational

Stable —

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

Performance indicators

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

Likely cause

- A change in legal, regulatory and tax rules (especially in the US) that may require us to reconsider the existing business model
- Increased challenge and reinterpretation of regulation by fiscal authorities in all our markets in light of the macroeconomic environment
- Existing software and systems may not be able to meet our compliance/tax needs
- Increased focus of state and local fiscal authorities in the US as we become a more visible and profitable business
- Large-scale data protection breach

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Monitoring of regulatory developments to enable timely identification, evaluation and appropriate action
- Annual review of the Group's tax strategy by the Audit Committee

Other underlying controls/mitigation:

- In-house legal resources to ensure sufficient capability to meet ongoing regulatory burden
- Working with outside legal, accounting and tax experts to navigate and best respond to inquiries and regulatory developments
- Continuing to invest in software and systems where this will benefit our regulatory and tax reporting requirements
- It is the Group's policy not to engage in aggressive or seemingly aggressive tax planning strategies

Acquisition and retention of talent

Type: Operational

Increased

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

Performance indicators

- Revenue growth
- 5* customer service
- Payback
- Repeat Customer contribution
- Repeat Customer sales retention
- Responses to employee surveys

Likely cause

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

Likely impact

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

Key controls/mitigation

Main areas of focus in the current year:

- Regular communication and engagement with employees e.g. staff surveys that are evaluated and acted upon
- Defining team engagement with a measurable KPI target as a priority objective of the Group, supported by planned regular engagement surveys and a clear plan for the launch of a common people system and routine
- Offering all staff the opportunity to participate in share compensation schemes

Other underlying controls/mitigation:

- Development of values and behaviours that underpin the way we work
- Paying market-competitive remuneration
- A business that focuses on staff welfare and culture
- Development of succession planning for key roles

Internal controls

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

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

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

During the year, key controls have been tested and control deficiencies reported to management and the Audit Committee.

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

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

The main elements of the control function include:

- The Board's approval of the overall strategy taking into account the purpose and objectives of the business, the interests of shareholders, the direction of the business and the risk register;
- The Board's approval of the supporting budgets and plans. There is a robust budgeting and planning process in support of the approved strategy which is approved by the Board. Actual performance of the business is compared to the approved plans and reported routinely to the Board with variance reports versus the budget along with comparisons against prior year performance. Operational forecasts for the remainder of the financial year are prepared monthly;
- The Audit Committee's review of the financial and accounting policies and controls, including the work of the Internal Assurance function and overall compliance with internal policies, processes and legislation;
- The Board's consideration and approval of key policies and procedures;
- The Company's system of investment evaluation, which is applied to all investment opportunities and includes defined financial hurdles and controls that any opportunity must meet. This system is managed directly by the CEO and CFO; and
- New Customer investment is routinely reported to management and reviewed to validate the delivery of anticipated returns.

Approved by the Board of Directors

Rodrigo Maza
Chief Executive Officer
27 August 2024

James Crawford
Chief Financial Officer
27 August 2024

Board of Directors

An experienced team to lead the business

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

N R

Rowan Gormley (62)
Non-Executive Chairman
Appointment Date: July 2023

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

Rowan founded Naked Wines in 2008 and served as its CEO from 2008 until it was acquired by Majestic Wine plc in 2015. He then served as CEO of the combined group from 2015 to 2020. After a brief hiatus, Rowan rejoined Naked Wines in July 2023 as Board Chairman and also served as Executive Chairman from November 2023 to April 2024. His extensive knowledge of Naked Wines' business and operations is invaluable to the Board as Naked Wines embarks on its next chapter.

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

Rodrigo Maza (40)
Chief Executive Officer
Appointment Date: February 2024

Committees:
None

Since joining Naked in September 2023, first as MD of the UK business and then as CEO, Maza has quickly demonstrated his strategic capability and business acumen. He has extensive experience in the alcohol beverage industry at both established and entrepreneurial businesses. Prior to joining Naked, Maza launched and scaled several online delivery businesses for alcoholic beverages across a range of e-commerce and subscription models, including AB InBev's TaDa delivery in Latin America and PerfectDraft in Western Europe. He also held various executive roles at Grupo Modelo S.A. de C.V. and AB InBev.

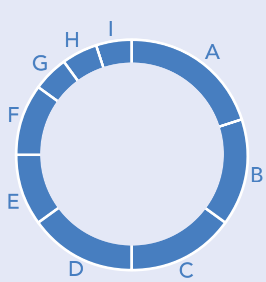
James Crawford (47)
Chief Financial Officer
Appointment Date: December 2022

Committees:
None

James rejoined the Board in December 2022 as an Executive Director and Group CFO. Prior to that, James served as Naked's Group Finance Director (March 2014 to July 2015), CFO (April 2015 to November 2020) and UK MD (December 2020 to September 2023). James brings a wealth of experience to Naked and the Board, including both finance experience and a deep understanding of Naked's business. Prior to joining Naked, he spent 14 years at Diageo, a multinational alcoholic beverage company, in various finance and business development roles.

James intends to step down from the Board at the conclusion of the AGM and will not seek re-election.

Board activities



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

Board meetings

	Board	Audit	Rem	Nom
2023				
Apr	1			1
May	4			
Jun	1	2	1	1
Jul	3		1	
Aug	1	1		
Sep	2	3		
Oct	1			
Nov	2			
Dec	3	1		
2024				
Jan	2			
Feb	1			
Mar	2			

In FY24, the Board held 23 Board meetings, seven Audit Committee meetings, two Remuneration Committee meetings and two Nominations Committee meetings. Melanie Allen was absent from five Board meetings and three Audit Committee meetings. Deirdre Runnette was absent from two Board Meetings. Stephen Bolton was absent from one Board meeting.

R A N

Deirdre Runnette (55)
Senior Independent Director
Appointment Date: June 2022

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

Deirdre joined the Board in June 2022, taking on the roles of Senior Independent Director and Chair of the Remuneration Committee. In addition to her work for Naked, she is currently a strategic advisor to Flexe, Inc., a late-stage venture capital-backed tech company. Deirdre brings a host of valuable experience to the Board, having held various executive leadership roles in retail, consumer products, e-commerce, supply chain technology and telecommunications businesses (zulily, Flexe and T-Mobile). She also served as a non-executive director for New Engen, Inc., a venture capital-backed digital marketing startup.

A R N

Stephen Bolton (62)
Non-Executive Director
Appointment Date: November 2022

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

Stephen joined the Board in November 2022, taking on the role of Audit Committee Chair. He has 40 years of experience as a finance professional, most recently with Diageo, where he held various finance leadership roles (2006 to 2019). He is also a seasoned non-executive director, currently serving on the boards of Clarks, an international footwear company, where he chairs the audit committee, and Sedex, a world-leading ethical trade membership organisation.

R A N

Jack Pailing (37)
Non-Executive Director
Appointment Date: July 2023

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

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

Resignations

Nick Devlin served as an Executive Director until he resigned in November 2023. David Stead and Melanie Allen served as non-Executive Directors until they resigned in July 2023 and January 2024, respectively.

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company has been a member of the QCA since 2018 and has adopted the QCA Code, which we believe is the most suitable corporate governance code based on our requirements and size. The following is a high-level summary of the Company's compliance with the 10 principles of the QCA Code[1].

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

The Company strives to promote long-term value for shareholders. Our current strategy and business model, which are designed to achieve this goal, are discussed on pages 1 to 33 (Strategic report).

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

The Company prioritises communication with shareholders. The Company's efforts to engage with shareholders are discussed on pages 22 to 24 (Stakeholder engagement).

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

The Company engages in efforts to promote equity, diversity and sustainability. These efforts are discussed on pages 22 to 24 (Stakeholder engagement).

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

The Company has implemented robust controls to minimise and mitigate risk. The Company's risk management and control environment is discussed on pages 25 to 33 (Risk management and control environment).

1. While the Company applied the 2018 QCA Code to its FY24 activities, it is aware that the QCA published a new code in November 2023 and will apply the 2023 QCA Code to its activities going forward.

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

The Board met regularly during the last financial year to discuss Company performance and strategy and assist management in achieving Company goals. The Board's activities during this period are discussed on pages 34 and 35 (Board of Directors).

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

The Board is composed of talented professionals with extensive and diverse experiences and skill sets. A biography of each Board member is included on pages 34 and 35 (Board of Directors).

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

The Company engages in ongoing, internal evaluation of the Board's performance to ensure effective governance. The Remuneration Committee evaluates Executive Director performance based on annual financial and non-financial targets. Our Remuneration Policy is discussed in detail on pages 38 to 45 (Directors' remuneration report).

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

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

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

The Board operates in accordance with structures and processes that support effective governance. A schedule of Board meetings is established well in advance of the financial year to ensure maximum participation. An agenda and pre-read documents are circulated before each meeting to allow for adequate preparation. Ad hoc meetings are called to address urgent or unexpected matters.

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

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

The Company prioritises communication with all relevant stakeholders. These communications are discussed on pages 22 to 24 (Stakeholder engagement).

Governance structures fit for purpose

Board member roles and Committee memberships are outlined on pages 34 and 35 (Board of Directors).

The Chairman is responsible for effectively leading the Board and overseeing the adoption, delivery and communication of the Company's corporate governance model. It is imperative that the relationship between the Chairman and Chief Executive Officer, as well as all non-Executive Directors (NEDs) and executive management, remains collaborative, cordial and robust. Board members work together in the best interests of the Company, while also challenging one another through rigorous and constructive debate. There is no individual or group of individuals that dominates the Board's decision-making processes.

The Board has a Charter (Board Charter) that sets out in detail its functions and responsibilities, as well as the clear separation of duties between the Chairman and the Chief Executive Officer. The Company has also established a statement of authority that supplements the Board Charter. The Board has delegated certain powers to the Audit, Remuneration and Nominations Committees, which are outlined in greater detail below.

The Company's Articles of Association require that one third of the Directors retire annually. This year, Rodrigo Maza will retire from the Board and stand for re-election. James Crawford will also retire from the Board and will not stand for re-election. Directors' contracts are available for inspection at the Company's registered office and will be made available at the 2024 Annual General Meeting (AGM).

The Company holds directors' and officers' liability insurance coverage for any claim brought against the Directors or officers for wrongful acts in connection with their position, but the coverage does not extend to claims arising from dishonesty or fraud.

We keep a running Board and Committees annual work plan, which ensures that all elements of business are addressed across the relevant governance bodies. Meeting dates are aligned with the financial and trading calendars of the Company, ensuring a spread of meetings across the calendar year. The scheduled meetings may be supplemented with additional ad hoc meetings as and when necessary.

Board and Committee Chairs review and approve meeting agendas in advance. The Corporate Secretary takes minutes at all meetings, which are shared with the Directors for comment. The Board follows up on and reviews any action items at the next meeting.

The Board and Committees receive appropriate notice prior to meetings and are provided with relevant information in advance of the meetings. More specifically, NEDs are regularly kept abreast of financial and operational performance or new material developments relating to the business. The Company reports on its monthly headline performance against its agreed budget and the Board reviews variances at each meeting.

The Board held 23 meetings during the year, as detailed on page 34. All members of the Board continue to devote sufficient time and effort to their responsibilities as Directors. Where required, all Directors are able to seek independent professional advice in support of their duties to the Company, at the Company's expense, in addition to having full access to the Company Secretary/Global General Counsel, the CFO and any member of the management team.

We review overall Company performance and ensure that the necessary resources are available to management to effectuate the strategy. We exercise accountability to the shareholders and are responsible for safeguarding the relevant interests of all stakeholders (see Stakeholder engagement on pages 22 to 24).

As a Board, we consider the independence of all members and have an effective conflict of interests procedure in place. Under this policy, the Directors must declare any other commitments and interests, which assists in the determination of independence. Changes to commitments and interests are reported to the Company Secretary/Global General Counsel and, where appropriate, referred to the Board, as and when necessary.

Board Committees

The Board has in place Audit, Remuneration and Nominations Committees, all of which have specific mandates contained in approved Terms of Reference. These cover the composition, key activities and responsibilities of the relevant Committee and can be viewed on our website. The membership of each of the Committees is set out on pages 34 and 35 (Board of Directors).

Audit Committee – the Audit Committee report under the chairmanship of Stephen Bolton is available on pages 46 to 48.

Remuneration Committee – the Directors' remuneration report under the chairmanship of Deirdre Runnette is available on pages 38 to 45.

Nominations Committee – The Nominations Committee is chaired by the Board Chairman, Rowan Gormley.

The principal role of the Nominations Committee is to consider and make recommendations for Board appointments and executive roles, to consider succession planning in respect of both the Board members and senior management, and to consider the performance, ongoing training and evaluation of the Board.

The Nominations Committee meets as and when necessary, but at least to consider any Director appointments or resignations and to review Board performance.

Ethical values and behaviour

The Board recognises the need to promote an ethical culture and to lead from the top. We have a Code of Conduct which is applicable to all of our employees and makes our expectations of them clear. The Code of Conduct, which is regularly reviewed, is shared with our staff and is available on our website.

Internally, we strive to promote a culture of respect, fairness and non-discrimination. We have a number of policies that underpin this approach, all of which supplement our Code of Conduct and are available on our website. In addition, we have a Whistleblowing Policy and procedure to assist staff in bringing transgressions to our attention.

Externally, we see our winemakers and other suppliers as part of the Naked Wines family and expect them to adhere to the standards outlined in our Responsible Supplier Policy and Anti-Modern Slavery Statement.

Succession planning

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

A summary of the Board's skills and experience is set out on pages 34 and 35.

Directors' remuneration report

Taking decisive action to build the foundation for growth

FY24 demonstrated the Company's ability to take decisive action to reduce operational expenses, bring in new leadership and renew our focus on the customer while laying the necessary foundation to deliver profitable growth.

Deirdre Runnette
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' remuneration report for the financial year ended 1 April 2024.

FY24 presented continued challenges for the business, particularly in the US, as well as significant changes in senior leadership. Decisive action was required to right-size our team, recruit new leadership, restructure the business and foster a renewed focus on the customer in order to return to profitable growth. As a result of these changes, Nick Devlin stepped down from his role as CEO and Rowan Gormley assumed the role of Interim Executive Chairman until Rodrigo Maza was promoted to the role of CEO on 2 April 2024.

These senior leadership changes required that the Committee reassess its incentive structure mid-year to adjust to changes in the business to be able to attract and retain critical talent. We believe that by facing these challenges head on, simplifying the business and taking decisive action, we have better positioned the Company to return to sustainable growth.

FY24 incentive plan payouts and operation of the policy in FY24

Annual bonus payouts for the former CEO, new CEO and the CFO for Group performance in FY24 are nil. This is as a result of the threshold targets for the sales, adjusted EBIT and net cash excluding lease liabilities performance measures not being met. The Interim Executive Chairman was not eligible for any bonus payout.

Long-term incentive awards granted in 2021 to former Executive Directors and other executives below Board, measuring performance over FY22 to FY24, failed to achieve their performance targets and as a result, have lapsed.

As set out in last year's Annual report on remuneration, the Committee had intended to grant an LTIP award in FY24 based on a range of performance criteria measured over two, three and four years. However, the Committee concluded at the time the award was due to be granted that, with the further deterioration in business performance and continued macroeconomic headwinds, the performance conditions were not likely to be achievable. As a result, the Committee decided not to grant this performance-based award. While this is an unusual step, this exercise of discretion was necessary to reconsider what plan changes were necessary to create a more effective long-term incentive structure which would attract and retain key talent at a critical juncture. Following the Committee's consideration during the remainder of the year, a revised LTIP award was made at the end of the financial year as detailed in the next section.

2024 LTIP award

The award was granted on 1 April 2024 in the form of Restricted Stock Units. The grant level was 256,797 shares for the CEO and 204,192 shares for the CFO. At a share price of 57p the award was worth the equivalent of 53% and 42% of base salary at grant.

Having been given the choice of accepting this award or retaining his existing awards, the CFO elected to retain his existing awards and so this award has now lapsed.

Exceptionally, there are no performance criteria for the vesting of this award. The Committee believes that to attract and retain the critical senior talent needed, it is necessary to provide a grant that provides certainty with regard to the volume of restricted stock units awarded to Directors and staff. This is particularly true given the Company's difficulty in setting accurate performance targets in the face of a volatile market environment. While we recognise the lack of performance criteria for the CEO's award is unusual, the grant level is relatively modest (less than half the level it would have been under a performance-linked LTIP) and this structure will incentivise our CEO to drive shareholder value over the longer term without focusing on achieving performance targets as a pre-condition for receiving the shares. The Committee is comfortable that the CEO will be appropriately incentivised to achieve long-term performance objectives in line with the strategy, which will flow through to long-term sustainable share price growth.

The restricted stock units will vest after three years, normally subject to continued employment. For the CEO at least half of any vested award will be required to be retained until a shareholding of 200% of salary is achieved, as per the minimum shareholding requirement under the policy, and this will provide further long-term alignment of interest with shareholders. This approach to share-based incentivisation is consistent across the workforce.

As noted above in the relation to the CFO's award, to reduce the potential dilutive impact of this award, all staff were required to forfeit any outstanding LTIP awards, restricted stock units and options, whether vested or unvested, as a condition of receiving the 2024 LTIP award.

CEO succession

As announced on 7 November 2023, Nick Devlin stepped down from the Board with immediate effect and moved into a US president role through to 11 January 2024, at which time he ceased employment with the Company. Following this, compensation for loss of office payments were made in line with contractual obligations and a severance agreement, amounting to 12 months' salary ($400,000) plus benefits in total. There was no bonus payable in respect of FY24 and all outstanding share awards have lapsed.

We also announced on 7 November 2023 that Rowan Gormley would step into an Executive Chairman position on an interim basis while a CEO successor search began. While Rowan Gormley assumed the role of Executive Chairman, he received a base salary of £318,000 per annum, payable in cash. Since the year end, on 2 April 2024 we were delighted to appoint Rodrigo Maza as our new CEO. Rodrigo Maza joined the Board on 5 February 2024 as CEO Designate, having been promoted from the UK MD role. Further details on his remuneration package are set out in the section below. Following Rodrigo Maza's appointment as CEO, Rowan Gormley stepped back into a non-Executive Chairman role and reverted to his previous fee level of £100,000.

Remuneration Policy for FY25

Rodrigo Maza's salary was £275,000 on appointment as CEO Designate on 5 February 2024 and was unchanged on appointment as CEO on 2 April 2024. There will be no changes to James Crawford's base salary, which will remain at £275,000. The pension allowance for the CEO and CFO is equivalent to 4.5% of salary.

The annual bonus opportunity will be 50% of salary at target, with a stretch opportunity at 100% of salary for the CEO and 50% of salary at target, with a stretch of 62.5% of salary for the CFO. Performance conditions and weightings for FY25 are Adjusted EBIT and Inventory Reduction (50%) and North Star Metrics (50%).

There is no current intention for an LTIP award to be granted during FY25.

Consultation with shareholders

We consulted during the year with our major shareholders in relation to our approach and specifically the 2024 LTIP award and were pleased that the feedback was positive.

Closing comments

I hope that you find this report clear and insightful and that we have clearly demonstrated the Committee's approach to pay for performance at Naked Wines.

This has been a difficult period for Naked Wines shareholders, staff and other stakeholders. The Remuneration Committee has acted prudently, yet decisively, to change the remuneration structure for current and new executives so that it is appropriate for the circumstances and ensures that all employees, including our Executive Directors, are appropriately rewarded for performance that benefits the future of the business for all our stakeholders.

The Remuneration Committee is satisfied that the Remuneration Policy has operated as intended and is committed to having an open and constructive dialogue with investors. At our forthcoming AGM, there will be an advisory vote on this Annual Report on Remuneration. I would be very pleased to receive any feedback you may have on this report and look forward to your support at the AGM.

Deirdre Runnette
Chair of the Remuneration Committee
27 August 2024

The Remuneration Committee

Who

- The Remuneration Committee comprises me, as Chair, together with Rowan Gormley, Stephen Bolton, Melanie Allen and Jack Pailing.
- Executive Directors may attend meetings as invitees, but play no role in decisions relating to their own remuneration.
- None of the members of the Remuneration Committee have any conflict of interests, nor do they have any personal financial interests other than as shareholders. Subject to these qualifications, the Remuneration Committee is considered independent.

What

Responsibilities, in summary

- Develop the Remuneration Policy in line with the business strategy and monitor its ongoing effectiveness
- Determine specific targets and objectives for any performance-related bonus or pay schemes for Executive Directors
- Determine targets for any performance-related bonus or share schemes for staff
- Review and approve Executive Directors' packages upon appointment and any termination payments

Main activities for review period

- Set performance criteria targets for annual bonus following the strategic pivot during the year
- Reviewed the LTIP structure and determined the terms of the 2024 LTIP award
- Determined the achievement of the performance criteria for the 2021 LTIP and FY24 bonus
- Developed the approach to remuneration in FY25
- Engaged with shareholders
- Determined the termination payments to Nick Devlin, and the remuneration arrangements for Rowan Gormley as Executive Chairman and Rodrigo Maza on his appointment as CEO

How

- Remuneration Committee Terms of Reference
- Korn Ferry was appointed in March 2021 to provide advice to the Remuneration Committee on remuneration matters

When

- The Remuneration Committee meets as required, and the list of meetings and attendance is on page 34

The Remuneration Policy

1. Introduction

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

We will seek to attract and retain talent through fair rewards, while placing our overall Company wellbeing, values and performance at the heart of our reward practices. We believe the reward process is key to change and establishes and reinforces the outputs and behaviours required in order to achieve strategic business objectives and results.

2. Application

The Remuneration Policy is applicable to the Executive Directors. We seek to be consistent between the policy for Executive Directors and other employees wherever possible.

3. Reward principles

The following overarching principles are applicable:

- We will offer competitive salaries that attract, retain and motivate talented people;
- We will operate transparent, simple and effective reward schemes that incentivise delivery of stretching targets and our long-term business strategy; and
- We will offer the chance for all employees to participate in share schemes so that we all think and act like business owners.

4. Remuneration Policy

Each element of the Remuneration Policy for Executive Directors is summarised in the following table.

Fixed — 1. Salary

Policy

Purpose and link to strategy/KPIs:

To recognise individual skill, experience, performance and market value of the role so as to attract, retain and motivate the best people to deliver against the strategy and KPIs, implement our business model, manage our risks and exploit our opportunities, while remaining disciplined about fixed cost management.

Operation – how we determine it:

- Position/role
- Expertise
- Experience
- Competitive salaries relative to the market and jurisdiction
- Affordability (we strive to be competitive but manage costs in line with the Company revenue and budget)

Operation – when we pay it:

Monthly, in cash (in the US twice monthly in line with local custom).

Limitation:

Maximum increases are no greater than the workforce average unless: (a) there has been a material increase in industry rates; (b) changes in role have taken place with enhanced responsibility; or (c) there has been a reward for individual development.

How it is linked to performance:

It is not, except for consideration of performance expectation when setting and reviewing salaries.

Fixed — 2. Pension

Policy

Purpose and link to strategy/KPIs:

To contribute to post-retirement income, which supports recruitment and retention of talented people to deliver on strategy.

Operation – what we offer:

- Payments in defined contribution schemes and cash alternatives to pension

Limitation:

The CEO and the CFO receive a pension contribution or cash amount in lieu of pension, equivalent to 4.5% of salary.

How it is linked to performance:

Pension contributions are not conditional on performance, but we believe that they enhance recruitment and retention of talent and improve staff wellbeing.

Fixed — 3. Benefits

Policy

Purpose and link to strategy/KPIs:
To make us competitive within the market while providing financial protection for executives and their families, supporting retention.

Operation – what we offer:
- Paid annual leave
- Enhanced maternity benefits
- Credits to spend on wine
- Private medical insurance
- Life insurance
- Relocation expenses

Limitation:
The level of benefits are set to be appropriate for our business relative to the market.

How it is linked to performance:
Benefits are not conditional on performance, but we believe they enhance recruitment and retention of talent and improve staff wellbeing.

Variable — 4. Bonus

Policy

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

Operation – how we determine it:
- We set an "on target" bonus for each role as a percentage of salary
- Bonus targets are normally set at the start of the financial year and performance is reviewed regularly and assessed at the end of the financial year to determine whether targets have been reached
- Bonuses are payable in cash
- The Remuneration Committee may apply discretion to the final bonus payout, taking into account performance against targets and underlying performance of the Company
- Robust clawback and malus provisions apply

Limitation:
Executive Directors' target bonus levels are set at 50% of salary for the achievement of a stretching but achievable target level of performance.

If stretch targets are achieved above a target level, a bonus level of up to 100% of salary for the CEO and 62.5% of salary for the CFO.

Bonuses are payable in cash.

How it is linked to performance:
The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic and/or individual targets.

Variable — 5. Shares – LTIP

Policy

Purpose and link to strategy/KPIs:
To incentivise and retain staff by delivering shares as part of their package which may be subject to performance, while aligning management interests with the value creation interests of shareholders.

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

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

We may grant performance linked share awards or structure awards as Restricted Shares, subject to service only, but not performance targets.

The Company's 2016 LTIP plan rules provide for an overall dilution limit of 15% of the Company's issued share capital over a 10-year period.

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

We also operate all-employee share plans in which Executive Directors may participate.

6. Recruitment and remuneration

The Recruitment Policy provides the framework for the attraction and selection of talented individuals to lead the Company. Remuneration forms a part of this process and the Remuneration Committee determines the remuneration package for the appointment of any Executive Director position.

Our goal is recruitment of the best candidates to lead the Company and grow shareholder value. In undertaking this, we consider:

- The general principles set out in this policy; and
- What is in the best interests of the Group and its shareholders, without paying more than is necessary to secure the best person for the job.

In addition, the Remuneration Committee takes into account:

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

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

The limitations the Remuneration Committee imposes on recruitment are as follows:

- The remuneration package will be limited to base salary, pension benefits, bonus and share plan participation, as applicable in the policy; and
- "Buyout" grants will only be paid in exceptional circumstances and will be capped at the current fair value.

7. Service contracts

In order to retain key skills and mitigate risk from unplanned vacancies in key roles, all Executive Directors have rolling employment agreements with notice periods. Our policy is to ensure that no contract extends beyond a 12-month period, and thus both the CEO's and the CFO's service contract includes a six-month notice period by the Company or the Executive.

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

8. Policy of payment for loss of office

To ensure a smooth transition for leadership roles during times of change, we maintain a policy on payments for loss of office.

This operates as follows:

- The terms of the service contract and other legal obligations will be upheld;
- The Remuneration Committee will have the authority to approve any final payment taking into account the specific circumstances surrounding the termination, including but not limited to approved leaver criteria, performance, service and health;
- The Remuneration Committee may make such payments as are necessary to settle or compromise any claim or by way of damages, where it is seen to be in the best interests of the Company;
- The Remuneration Committee may waive the need for an Executive to work any notice period and may make a payment in lieu thereof; and
- Where possible, any compensation payments for loss of office will be subject to mitigation, including phased payments and offset against earnings in any new role.

We aim to limit any payments for loss of office to a maximum of one year's salary.

9. Non-Executive Directors (NEDs)

Appointment/termination

NEDs, including the Chairman, have letters of appointment from the Company which contain their terms of service. NEDs are appointed for an initial three-year term subject to election and annual re-election by shareholders, unless terminated earlier by, and at the discretion of, either party upon three months' written notice. All Directors (including NEDs) will be subject to the rotation policy, as contained in the Articles of Association of the Company, as well as to the provisions of the Board Charter, the terms of reference of the various committees and the governance codes adopted by the Company from time to time.

Remuneration

NEDs receive a base fee and the Senior Independent Director (SID) and Chair of the Remuneration and Audit Committee receive an additional fee. The remuneration does not include any additional benefits. Payment is made on a monthly basis.

10. Application of discretion

The Remuneration Committee has discretionary authority in a number of instances that are set out in the policy (as well as the various share scheme rules), as well as oversight of how these are applied.

In using its discretion, the Remuneration Committee will apply the following guiding principles:

- Always explain use of discretion, including how and why it is applied;
- Discretion will not be used to reward failure;
- Any decisions made using discretion will be reasonable, impartial and procedurally fair, and will take into account all relevant information;
- Discretion will be exercised having regard to the law, contractual entitlements, policies and the best interests of the Company;
- Application of discretion will be consistent and follow precedent, where possible; and
- Decisions will be based on supporting evidence, which will be retained.

Annual report on remuneration

This section describes the remuneration payments in respect of the financial year ended 1 April 2024 and the operation of the policy for the forthcoming year.

Executive remuneration for FY24 (audited)

Name	Position	Basic salary/fees £'000	Benefits £'000	Annual bonus payment £'000	Long-term incentives[3] £'000	Share Incentive Plan £'000	Company pension contribution £'000	Other £'000	Total FY24 £'000	Total fixed FY24 £'000	Total variable FY24 £'000
James Crawford[1]	CFO	273	2	–	–	–	12	–	287	287	–
Nick Devlin*[2]	CEO	180	3	–	–	–	7	318	508	508	–
Rowan Gormley[4]	Executive Chairman	128	–	–	–	–	–	–	128	128	–
Rodrigo Maza[5]	CEO	40	–	–	–	–	–	–	40	40	–

* Remuneration has been converted from USD to GBP based on an exchange rate of 1.2570 for FY24.
1. The remuneration for James Crawford also includes his time spent fulfilling a below-Board role for the UK business alongside the CFO role until 30 September 2023. Note also that James Crawford continued to accrue benefits under the deferred cash bonus awarded to him on his rejoining the Board in December 2022, and disclosed in the FY23 Directors remuneration report. In line with corporate reporting requirements, this deferred cash bonus will be disclosed in the years of payment.
2. Nick Devlin resigned as a Director on 7 November 2023. Salary and benefits are for the time he served as a Director. 'Other' relates to the severance he was paid which was equivalent to one year's salary.
3. LTIP relates to the 2021 awards which were due to vest in July 2024, but did not meet the performance criteria and as a result lapsed.
4. Rowan Gormley assumed the role of Executive Chairman on the departure of Nick Devlin as CEO on 7 November 2023. He resumed his role as non-Executive Chairman from the start of FY25 following the appointment of Rodrigo Maza as CEO.
5. Rodrigo Maza was appointed CEO Designate on 5 February 2024. Salary and benefits are from this time onwards.

Executive remuneration for FY23 (audited)

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

* Remuneration has been converted from USD to GBP based on an exchange rate of 1.2063 for FY23.
1. Nick Devlin waived his rights to his FY23 bonus which would have been £71,958.
2. The remuneration for James Crawford is from when he took on the interim CFO role in August 2022. This also includes his time spent fulfilling a below-Board role for the UK business alongside this role until his appointment to the Board as CFO in December 2022. The bonus James Crawford received in relation to his role as CFO totalled £26,020.
3. Shawn Tabak resigned as a Director on 22 July 2022. Salary and benefits are for the time he served as a Director. 'Other' relates to the severance he was paid which was equivalent to one year's salary plus other associated payroll benefits.
4. LTIP relates to the 2020 award which was due to vest in July 2023 but did not meet the performance conditions.

Annual bonus for FY24

		Group Total Equivalent					
Performance condition	Weighting	Minimum target[1] £m	Full bonus target[2] £m	Stretch target[3] £m	Super stretch target[4] £m	Actual performance[5] £m	Outturn[6] (% of total bonus entitlement)
Total sales	30%	332.6	342.6	347.7	325.6	295.0	0%
(A) Adjusted EBITDA	20%	12.0	31.9	21.1	25.4	7.1	0%
Net cash[7]	50%	n/a	40.6	n/a	n/a	19.2	0%
	100%						**0%**

1. Attainment of minimum target resulted in 50% of bonus entitlement.
2. Attainment of full bonus target resulted in 100% of bonus entitlement.
3. Attainment of stretch target resulted in 125% of bonus entitlement.
4. Attainment of super stretch target resulted in 150% of bonus entitlement.
5. Actual performance is calculated at budget FX rates.
6. PLC total bonus entitlement is based on the performance of each market versus target, weighted 50%, 35% and 15% for the performance of the US, UK and Australia respectively.
7. Net cash targets were set for different points in time in the financial year, with targets for period four, six and seven worth 20% of that element's payout and period 12 worth 50%.

Bonus outcomes for Executive Directors

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

Executive Director	Target annual bonus opportunity	Outturn (% of total bonus entitlement)	Total bonus payable for FY24 £'000
Nick Devlin	50% of salary	0% of salary	–
James Crawford[1]	50% of salary	0% of salary	–
Rodrigo Maza	50% of salary	0% of salary	–

1. The above bonus relates to James Crawford's CFO role.

(A) See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

Long-term incentives with performance periods substantially completed in FY24

The performance period for the LTIP awards granted in July 2021 ended in July 2024. The performance targets and actual performance against these targets are set out in the table below.

		Weighting	Threshold target (25% of element vests)	Maximum target (100% of element vests)	Actual performance
James Crawford	Standstill EBIT (A)	50%	£30m	£40m	£(14)m
James Crawford	Relative TSR[1]	50%	Median	Upper quartile	Below median

1. TSR performance is measured against a comparator group of UK-based store retailers.

(A) See pages 109 and 110 for definitions of alternative performance measures and pages 111 and 112 for reconciliations to statutory reported figures.

Long-term incentive awards granted during the year

Nil-cost options as per the 2024 LTIP were granted to Rodrigo Maza during the year. As explained in the Chairman's letter, these awards are not subject to any performance conditions and will therefore vest solely based on continued employment after three years.

	Date of grant	% salary grant	Options granted	Market price at date of award	Face value of award[1] £'000	Vesting/ exercise period
Rodrigo Maza	1 April 2024	52%	256,797	£0.562	144	Three years

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

Directors' shareholdings and share interests (audited)

The table below sets out the interests of the Directors (including those of their connected persons) who served on the Board during the year or have been appointed since the year end. Any Directors not included in the table below did not hold any shares during the year.

	Total beneficially owned shares						
Director	3 April 2023	1 April 2024[1]	Unvested LTIP shares (subject to performance conditions)	Unvested shares (subject to continued employment only)	Vested shares not yet exercised	Shareholding required % of salary	Shareholding at 1 April 2024* % of salary
James Crawford[1]	169,961	269,961	22,900	444	144,444	200%	117%
Rodrigo Maza	–	–	–	256,797	–	200%	0%
Rowan Gormley	1,780,696	2,256,104					
Jack Pailing[3]	9,273	120,538					
Deirdre Runnette	–	10,000					
Stephen Bolton	–	40,212					
Nick Devlin[2]	216,095	258,234				200%	46%
David Stead[4]	23,956	–					

* Based on the share price on 1 April 2024 of 56p and salaries net of tax and social security costs at year end.

1. James Crawford held 167,788 share options at the year end (FY23: 220,878). During FY24, no options were granted (FY23: 144,444), no options were exercised (FY23: 78,596) and 53,090 options lapsed (FY23: nil).
2. Shareholding for Nick Devlin at point of resignation from the Board. Nick Devlin held 296,959 share options at the point of resignation (year end FY23: 445,934). During FY24, to the point of resignation, no options were granted (FY23: 229,845), 1,822 options were exercised (FY23: 94,364) and 147,153 options lapsed (FY23: nil).
3. Jack Pailing is an officer of Colebrook Partners Limited, which owns 583,116 shares in Naked Wines plc.
4. David Stead resigned from the Board on 4 July 2023.

Non-Executive Directors' remuneration (audited)

The table below sets out the fees received by non-Executive Directors for FY24 and the prior year. Non-Executive Directors are not entitled to receive any remuneration other than fees.

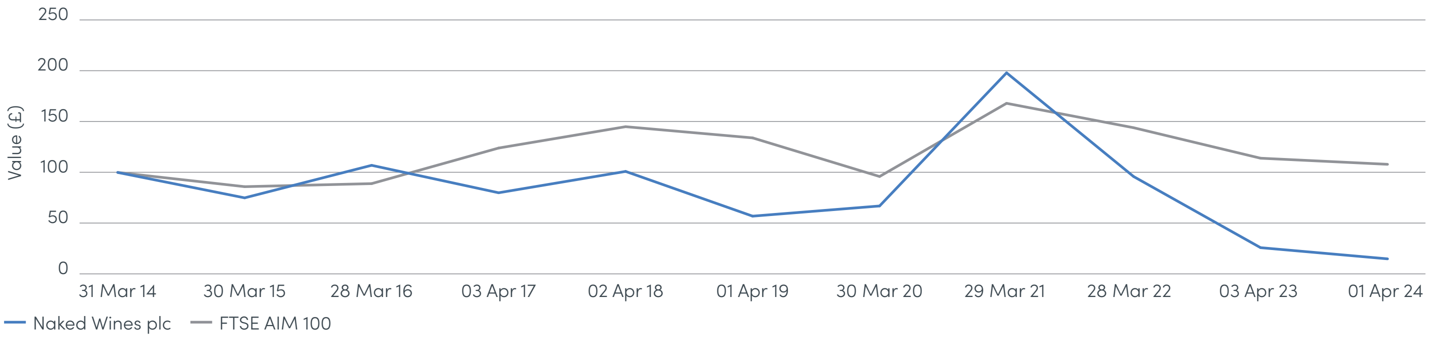
Name	Position	Total fees FY24 £'000	Total fees FY23 £'000
David Stead[1]	NED/SID/Audit Committee/Chairman	26	77
Deirdre Runnette	NED/Remuneration Committee Chair	48	29
Melanie Allen[1]	NED	33	25
Stephen Bolton	NED	45	16
Rowan Gormley[2]	NED/Chairman	35	–
Jack Pailing[2]	NED	30	–
Justin Apthorp[3]	NED	–	31
Katrina Cliffe[3]	NED/Remuneration Committee Chair	–	15
Total remuneration		**217**	**193**

1. David Stead and Melanie Allen resigned from the Board on 4 July 2023 and 17 January 2024 respectively.
2. Rowan Gormley and Jack Pailing joined the Board on 1 July 2023.
3. Justin Apthorp and Katrina Cliffe resigned from the Board on 5 January 2023 and 29 July 2022 respectively.

Total shareholder return performance

The chart below shows the Company's total shareholder return performance over the last ten years as compared with the FTSE AIM 100 Index. Naked Wines is a constituent of this index, and therefore it is considered an appropriate comparator index to use.

Total shareholder return



Deirdre Runnette
Remuneration Committee Chair
On behalf of the Board
27 August 2024

UK gender mix and gender based pay analysis

% UK employment men : women

	Men	Women
First quartile	64	36
Second quartile	70	30
Third quartile	39	61
Fourth quartile	29	71
Total	50	50

UK gender pay facts

Portion of employees receiving a bonus 2024
88 81
%

Portion of employees receiving a bonus 2023
62 63
%

Gender pay gap analysis

	Hourly pay rate 2024	Hourly pay rate 2023	Bonuses paid 2024	Bonuses paid 2023
Mean gender pay gap	30%	31%	42%	52%
Median gender pay gap	45%	45%	51%	76%

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

In the UK overall, we have maintained a balanced male to female headcount ratio. This is despite a reduction in the total UK workforce.

The gender pay gap, as measured by the mean hourly pay rate difference, has reduced to 30% and the percentage of females in the upper three quartiles has increased, with an upward shift of seven percentage points in the first quartile.

We're excited to have appointed female staff to a number of key senior roles, including Emma Kamel as UK General Manager and Alice Hoult as Chief Digital Officer. We are also very proud of Carolyn Jones, a Technology Leader at Naked Wines, whose ongoing efforts to promote female workers in technology saw her shortlisted for the Unsung Hero category at the DevelopHER awards.

Audit Committee report

Continued focus on liquidity and the valuation of our assets

We have focused on key controls, cash forecasting and securing future finance.

Stephen Bolton
Chairman of the Audit Committee

This year, the Board as a whole and the Audit Committee have continued to maintain a close focus on the liquidity of the Company and I am pleased with the continued progress that has been made. In particular, the Company has continued its focus on cash forecasting and sensitivity analysis. Allied with the successful refinancing of the Group's asset-backed lending facility at the beginning of FY25, the Group has taken substantive steps to strengthen the foundations of the business. I am happy to welcome PNC as our new banking debt partner and I look forward to a strong and mutually beneficial relationship over our five-year facility. I would also like to thank our previous debt financing partner Silicon Valley Bank, and their syndicate partner Bridge Bank, for their support and flexibility over the last 24 months of our previous debt finance arrangement.

The Committee has continued to closely monitor the performance of the Group and the US business in particular and has focused carefully on the value of reported assets on the balance sheet.

Following on from the Group's pivot to profit in FY23 and restructuring at the end of that year, the Company undertook a further material re-evaluation and rebasing of the Group's trading prospects in the current year. This has resulted in the impairment of goodwill in the US business, as well as some of its other non-current assets, and the impairment of the non-current assets of the Group's Australian business in our FY24 financial statements. In addition, the valuation of inventory, especially in the US with its longer working capital cycle, has also been carefully examined by management and the Committee. As a result of the reduction in future trading expectations in the US and changes in the conditions in US secondary bulk wine markets, a further specific inventory provision has been recorded at the year end in the US business segment. The Committee has carefully considered the reporting of both the impairment and inventory provision charges, and believe that they meet the Company's definition of adjusted items as a consequence of their size and nature and that separate analysis provides useful additional information for users of the accounts.

During the year, the Board received a letter from the Financial Reporting Council (FRC) advising that they had carried out a review of the FY23 Annual Report and Accounts. The principal areas of enquiry were the allocation of goodwill to operating segments and recoverability of the parent company's investment in intercompany loans. I am pleased to advise that the Company was able to respond promptly to those questions to the satisfaction of the FRC. A small number of instances where further financial disclosure may be of use to the users of the accounts were identified as part of this review and the Company has revised the relevant disclosures accordingly in these financial statements.

The Board recognises that the FRC's review did not constitute accounting advice nor provide any assurance over the accuracy or appropriateness of the Annual Report and Accounts. The role of the FRC is not to verify the information provided to it but to consider compliance with reporting requirements. The Board acknowledges that it remains its sole responsibility for the correct preparation of its Annual Report and Accounts, in all material respects.

As I set out below, during the year the Head of Internal Assurance has continued our work in the ongoing development of our internal control environment and I look forward to the future progress we will make in this important area of the Group.

Finally, following a successful tender as I described in last year's report, KPMG were appointed auditor to the Group from the beginning of the FY24 financial year. Their fresh perspective on the business has offered valuable insight to the Committee as it continues its ongoing work assessing the risks, processes and controls of the Company. I am confident that KPMG will assist the Committee by bringing strong audit rigour and challenge to the preparation of our financial statements.

Stephen Bolton
Chairman of the Audit Committee
27 August 2024

Key responsibilities

The objective of the Audit Committee is to provide oversight and governance of the Group's financial reports, its internal controls and processes in place, its risk management systems and the appointment of, and relationship with, the external auditor. In accordance with its Terms of Reference, the Audit Committee is required, among other things, to:

- Monitor the integrity of the financial statements of the Group, reviewing any significant reporting issues and judgements they contain;
- Advise on the clarity of disclosure and information contained in the Annual Report and Accounts;
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied;
- Review the adequacy, effectiveness and integrity of the internal control and risk management systems;
- Oversee the relationship with the external auditor, reviewing performance and providing a fair and balanced assessment to the Board regarding their appointment and remuneration; and
- Review reports by management and the Head of Internal Assurance to ensure the independence and effectiveness of systems for internal financial control, financial reporting and risk management, together with monitoring management's responses to control findings.

The Terms of Reference are available on the Naked Wines plc website at https://www.nakedwinesplc.co.uk/aboutus/board-committees/default.aspx.

Audit Committee governance

The Audit Committee is chaired by Stephen Bolton. Stephen is an Independent Director and has been a member of the Board and Chairman of the Committee since 21 November 2022. Stephen is a highly experienced finance director, with nearly 40 years of experience in all facets of "Blue Chip" organisation finance, including 13 years with Diageo plc. He is also an experienced non-executive director, serving on the boards of Clarks, an international footwear company, where he chairs the audit committee, and Sedex, a world-leading ethical trade membership organisation.

The other members of the Audit Committee are Deirdre Runnette and Jack Pailing, who was appointed in the year. Melanie Allen, a previous member of the Committee, stepped down when she resigned as a Director of the Company on 17 January 2024. In addition to the permanent members and Company Secretary, and at the invitation of the Audit Committee, during the year meetings were also attended by Nick Devlin during his tenure as Chief Executive Officer, Rowan Gormley as both non-Executive and Executive Chairman, James Crawford as Chief Financial Officer, both Deloitte and KPMG as external auditors, the Group Finance Director and the Group Head of Internal Assurance. A presentation was also given by the Group's Technology Director on strategic technology risks and mitigating actions. The Audit Committee meets a minimum of three times per year, including at least twice a year with the external auditor present. The key work undertaken by the Audit Committee during the year under review and up to the date of this Annual Report and Accounts is detailed below.

Activities of the Audit Committee during the year

Internal controls and risk management

The Board has overall responsibility for the system of internal controls and risk management. The Audit Committee has reviewed these on behalf of the Board. The Group has an established set of standards for key accounting controls, and adherence to these standards is monitored by the Group's Head of Internal Assurance.

During the year, the Committee has reviewed the output of the Group's quarterly control evaluation tests and monitored closely the identified deficiencies and the delivery of agreed remedial actions. The Committee has also examined the deep-dive analysis performed by the Head of Internal Assurance around the process for Angel revenue recognition and reviewed the Group's statement of delegated authority. The Head of Internal Assurance has also presented an examination of the internal control development requirements in the absence of the implementation of the planned ERP system, from which further work is planned in the new financial year. In addition, the Committee examined carefully a report from the Group's Technology Director on the Company's cyber security, GDPR compliance, access privileges and controls, and technology disaster recovery resilience. The Committee has also continued to routinely receive updates on pending and potential legal matters, instances of identified actual or attempted fraud and any matters raised via the Group's whistleblowing hotline.

Furthermore, the Audit Committee received and considered reports from the external auditor at the time, Deloitte LLP for FY23 and KPMG for FY24, which included control findings relevant to their audit. Management and the Board conducts periodic reviews to identify and evaluate the risks faced by the Group and to ensure that mitigation is appropriate. This process was reviewed by the Audit Committee and is considered appropriate.

The Audit Committee carries out its own annual review and assessment of key risks. The Risk management and control environment section within the Strategic report on pages 25 to 33 includes further detail on the key business risks identified and actions being taken and represents the output of this annual evaluation process.

Significant reporting issues and judgements

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

These matters included:

Going concern

The Audit Committee and the Board have reviewed carefully Management's cash flow forecasts and papers supporting the going concern assessment of accounting. Noting the flexibility afforded to the Company by its new financing arrangements and other actions put in place during the financial year under review, the Directors considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements, and that no material uncertainty is identified.

The presentation of adjusted profit alongside statutory profits

The Audit Committee carefully considered the basis of recognition of all items classified as adjusted items in the year. In reaching this conclusion, the Committee examined and challenged management's justifications to ensure consistency with the Group's adjusted item policy.

Examination of the carrying value of goodwill and other intangible assets including deferred tax and the valuation of Group inventory

The Audit Committee closely scrutinised management's key financial assumptions underpinning the value in use calculations for impairment purposes, including the cash flow projections, the discount and long-term growth rates applied thereto, and the results of the sensitivity analysis, as well as fair value less cost of disposals analysis as required. Following this review, the Committee concurred with management's assessment that an additional impairment should be recognised against the carrying value of goodwill and other non-current assets. Furthermore, the Committee concurred that the level of deferred tax assets recognised was appropriate and that a material provision against the carrying value of the US business' inventory was required. The Committee was satisfied that appropriate disclosure has been made. See note 11 Tax, note 17 Impairment, note 4 Critical accounting policies, estimates and judgments and note 18 Inventories for further analysis and disclosure of these conclusions.

The presentation of advance payments to winemakers and fulfilment costs in the financial statements

The Committee examined papers prepared by management reassessing the treatment and disclosure of advance payments to winemakers. It concluded that it would be beneficial to users of the accounts to separately disclose these assets on the face of the consolidated balance sheet and to provide more information on the nature of these assets. The Committee also reviewed and concurred with management's proposal to reassess its interpretation of the reporting presentation of fulfilment costs in the income statement, concluding that these costs were now better presented as part of cost of goods and not as previously stated as overhead costs. In both cases, prior year comparatives were revised to align with the new reporting presentation.

Advance payments to winemakers and inventory provision processes

The Directors received analysis from Management during the year end reporting process which identified areas where additional steps had been undertaken to ensure the appropriate reporting of advance payments to winemakers in its UK business unit and the calculation of inventory provisions in its US business segment. Following careful consideration, the Directors concurred with Management's assessment that these amounts had been appropriately reported and noted that, following the termination of its previous ERP project as set out previously above, that the Company would investigate alternative approaches to improving the efficiency and effectiveness of current procedures in these areas.

The adequacy of climate-related financial reporting

In response to the introduction of the Climate-Related Financial Disclosure Regulations (2022), the Committee examined its reporting obligations in this regard and concluded that its current disclosures were sufficient to meet its climate-related disclosure obligations.

External audit

As noted in last year's report, Deloitte LLP advised the Committee that they did not wish to seek reappointment following completion of the FY23 year-end audit. Following a comprehensive tender process, KPMG LLP was appointed auditor to the Company from the beginning of the financial year under review.

The Audit Committee considers a number of areas in relation to the performance of the external auditor, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and their remuneration. The external auditor also reports to the Audit Committee on actions taken to comply with professional and regulatory requirements.

The Committee was satisfied with the independence, objectivity and effectiveness of KPMG LLP in the year and has recommended to the Board that they be reappointed, and there will be a resolution to this effect at the forthcoming AGM.

In addition to their statutory duties, KPMG LLP may also be engaged where, as a result of their position as external auditor, they are best placed to perform non-audit services. This includes, for example, the interim review and other minimal and incidental non-audit work. In the year, the only non-audit service provided was the interim review.

Stephen Bolton
Chairman of the Audit Committee
27 August 2024

Directors' report

As required under the Companies Act, the Directors present their report and consolidated financial statements for the 52 weeks ended 1 April 2024.

(a) Results and review of the business

The consolidated income statement is set out on page 59. The Directors' report should be read in conjunction with the Strategic report on pages 1 to 33, which includes information about the Group's business performance during the year and an indication of future prospects. Likely future developments in the business of the Company are outlined in the Financial review on pages 14 to 19. Information about the use of financial instruments by the Company and its subsidiaries is provided in note 25 Financial instruments.

(b) Dividends

The Company will not be declaring a final dividend during the reporting period. The Directors' intention continues to be to maintain a capital allocation policy aimed at preserving a healthy balance sheet, investing in growth in a disciplined manner, and returning to shareholders any funds in excess of the level reasonably needed to fund growth and manage risk.

(c) Strategic report

The Strategic report, which can be found on pages 1 to 33, sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties.

(d) Significant events since the end of the financial year

On 8 July 2024, the Group completed a refinancing of its asset-backed lending facility. The main details of this arrangement can be found in note 31 Events after the balance sheet date.

(e) Articles of Association and applicable legislation

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Board Charter, Committee Terms of Reference and Corporate Governance Statement available on the Company's website. The Company is subject to the UK City Code on Takeovers and Mergers.

(f) Share capital

The authorised and called-up share capital of the Company, together with details of the ordinary shares allotted and purchased during the year, is provided in note 28 Share capital and reserves. In accordance with the AIM Rule 2, in so far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands as at 26 July 2024 is 5.1%. This percentage comprises the holdings of Directors and related parties.

(g) Major shareholders

On 26 July 2024, the following interests of shareholders in excess of 3% have been notified to the Company:

Shareholder	26-Jul-24	% IC
Investmentaktiengesellschaft Fuer Langfristige Investoren TGV (Bonn)	8,143,080	11.00
Punch Card Mgt (Florida)	7,394,159	9.99
Conifer Capital Mgt (New York)	7,246,610	9.79
Symmetry Invest (Regional (Denmark))	5,000,000	6.76
Interactive Brokers (Chicago)	4,484,425	6.06
Morgan Stanley (London)	3,492,193	4.72
Alpine Capital Research (Saint Louis)	2,637,386	3.56

(h) Political donations

The US business made $9,650 in donations to New Jersey legislators in FY24 (FY23: $11,100) in connection with its efforts to amend New Jersey state laws that currently prohibit the US business from shipping wine to New Jersey consumers.

(i) Directors' indemnities and insurance

The Company maintains directors' and officers' liability insurance, which is reviewed annually and is permitted under the Company's Articles of Association and the Companies Act 2006. The Company agrees to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law. No Directors were indemnified during the year.

(j) Annual General Meeting

The Annual General Meeting (AGM) will be held at 4pm on 30 September 2024 at the offices of Fladgate LLP. The Notice of AGM, which sets out the resolutions to be proposed at the AGM, is enclosed with this Annual Report and Accounts and/or available at www.nakedwinesplc.co.uk. The Notice specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

(k) Approval of the Directors' remuneration report at the last AGM

The Directors' remuneration report was last raised for approval by the shareholders of the Company at the 23 October 2023 AGM by means of a non-binding advisory vote. The shareholders approved the resolution by a majority of 92.90%, with 7.10% of votes cast against. Shareholders will be asked to vote on the Directors' remuneration report at the upcoming AGM.

(l) Financial reporting

The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board and a rebudgeting exercise is carried out at least once during the financial year. The key trading aspects of the business are monitored weekly and internal management accounts are prepared monthly. The results are compared with budget and prior year performance. The Group's financial risk management objectives and policies are discussed in note 25 Financial instruments.

(m) Modern slavery

We take the issue of modern slavery very seriously. Our anti-slavery and human trafficking statement is available at: https://www.nakedwinesplc.co.uk/about-us/corporate-governance/default.aspx.

(n) Key performance indicators (KPIs)

The Group monitors a number of key performance indicators, both financial and non-financial. A full list of KPIs is available on pages 109 and 110.

(o) Disclosure of information to auditor

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

(p) Board of Directors

Details on the Board of Directors can be found on pages 34 and 35.

(q) Stakeholder engagement

Stakeholder engagement is addressed in our section 172(1) statement on page 22, as well as our discussion of stakeholder engagement initiatives on pages 22 to 24.

(r) Disabled employee engagement

Naked Wines has been an accredited Disability Confident Employer since October 2018. Should an individual with a disability be invited for an interview, we'll contact him or her to determine if he or she requires any specific arrangements to be made. We will carry out all interviews without prejudice and within the scope of current legislation.

If a colleague becomes disabled in the course of his or her employment with us, we will take reasonable steps to accommodate his or her disability, including for example adjusting his or her employment responsibilities to enable him or her to remain employed by us whenever possible.

(s) Greenhouse gas emissions reporting

The Company is required to disclose its UK energy use and associated greenhouse gas emissions (GHG) under the Streamlined Energy and Carbon Reporting (SECR) Regulations.

Energy and Greenhouse Gas Report

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

Inspired Energy support us in the following ways:

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

Alongside support with SECR, they are helping us to meet our ESOS Phase III commitments.

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

Where actual data was not available for office energy consumption, estimates were calculated on a kWh/day pro-rata basis at meter level. Head office consumption was calculated using an average kWh per m^2 floor area CIBSE benchmark, while shared work spaces were calculated based upon an average kWh/desk.

Reported figures are based on 52 weeks with the exception of the 2022/23 reported figures which are based on a 53-week financial year. Intensity metrics have been calculated using employee numbers and turnover of Naked Wines UK – these metrics were chosen as both elements directly drive emissions. Emissions calculated are for Naked Wines UK. Despite reportable emissions decreasing, a reduction in turnover and employee numbers means that the intensity metrics appear to show an increase in emission intensity.

Energy consumption

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

Element	Baseline year 2019/20[1] (tCO_2e)	Prior year 2022/23 (tCO_2e)	Current year 2023/24 (tCO_2e)
Direct emissions – company vehicle and natural gas (Scope 1)	3.16	2.72	2.13
Indirect emissions from purchased electricity (Scope 2)	57.55	32.68	20.54
Total tCO_2e (Scope 1 & 2)	60.71	35.40	22.67
Other indirect emissions (Scope 3) – grey fleet travel and hired vehicles	5.57	11.63	10.70
Overall gross total[2]	66.28	47.03	33.37
Intensity metric: tCO_2e per employee	0.36	0.34	0.38
Intensity metric: tCO_2e per £m turnover	0.91	0.34	0.35
Total energy consumption[3] (kWh)	260,127	233,970	158,416

1. Baseline year corrected for direct emissions previously incorrectly reported.
2. Naked Wines' direct emissions from company vehicle use (Scope 1), UK building energy (Scope 1 & 2) and grey fleet/hire vehicles (Scope 3).
3. Naked Wines' direct energy consumption from company vehicle use (Scope 1), UK building energy (Scope 1 & 2) and grey fleet/hire vehicles (Scope 3).

Statement of Directors' responsibilities in respect of the Annual Report and Accounts 2024 and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2024 and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable, and, in respect of the parent company financial statements only, prudent;
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- For the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that comply with that law and those regulations.

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

Auditor

A resolution to appoint KPMG as auditor of the Group will be raised at the Annual General Meeting.

The Directors will also be given the authority to fix the auditor's remuneration.

Approved by the Board of Directors.

Rodrigo Maza
Chief Executive Officer

27 August 2024

James Crawford
Chief Financial Officer

27 August 2024

Registered in England and Wales company registration number 02281640

1. Our opinion is unmodified

We have audited the financial statements of Naked Wines plc ("the Company") for the 52-week period ended 1 April 2024 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in notes 3 and 33.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 April 2024 and of the Group's loss for the 52-week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: Group financial statements as a whole	£2,100k
	0.7% of Group revenue
Coverage	96% of total profits and losses that make up Group loss before tax
Key audit matters	
Recurring risks	Measurement of inventory at the lower of cost and NRV in the US business unit
	Going concern
	Recoverability of goodwill and other non-current assets in the US CGU

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Measurement of inventory at the lower of cost and NRV in the US business unit Inventory provision for the US business unit: £12.5m (2023: £10.3m) Refer to pages 46 to 48 (Audit Committee Report), page 68 (accounting policy) and page 70 (financial disclosures).	**Subjective estimate:** Whilst the Group has continued its planned right-sizing of US inventory in the current period, which is intended to reduce the levels of inventory held, a significant proportion of the Group's inventory balance remains held in the US business unit. The Group has recorded a significant inventory provision against this inventory, including an additional £6.7m in relation to overstock in the current year. Determining the net realizable value of the US inventory is subjective due to the inherent uncertainty in forecasting future sales run-rates and determining how much inventory can reasonably be expected to be sold through normal trading channels for more than cost and before effective commercial expiry of the inventory, particularly given the recent financial performance of the US business unit. In addition, for bulk wine, there is further complexity given some of this inventory is still in the production process and judgements have to be made around the expected proceeds from the disposal of the bulk wine if it is not expected to be used in the planned production process. The effect of these matters is that, as part of our risk assessment, we determined that the measurement of inventory in the US business unit has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 4) disclose the sensitivity estimated by the Group for the US inventory provision. We also identified a potential for management bias in relation to the measurement of the US inventory due to pressures to demonstrate value within the US business unit.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: — **Retrospective assessment:** We performed a retrospective assessment to understand the nature of any changes in the provision. We compared prior year forecast sales to actual sales and considered the outcome of this assessment in our challenge of the forecast sales run-rate assumptions. — **Benchmarking assumptions:** We assessed the appropriateness of the key assumptions by comparing to externally derived data in relation to key inputs such as expiry dates and, for a selection of items, current sales prices in the bulk wine market. — **Our sector experience:** With assistance from our own sector specialist, we challenged the directors' assumptions around expiry dates and the intended strategy for realising bulk wine. — **Test of detail:** We compared the levels of inventory held at period end with the actual sales run-rate during the current period and, using this assessment, considered the quantity of inventory that might reasonably be expected to be sold in future periods before it reached its expected expiry date. Based on these actual sales run-rates and with reference to the recent performance of the US business unit, for a selection of inventory items, we challenged the Group's assessment of the level of inventory provision recorded. — **Assessing transparency:** We assessed the adequacy of the Group's disclosures around the degree of estimation uncertainty involved in arriving at the carrying amount of the US inventory.

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Going concern Refer to pages 46 to 48 (Audit Committee Report) and pages 64 to 65 (financial disclosures)	**Forecast-based assessment and disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. That judgement is based on an evaluation of the inherent risks to the Group’s and Company’s business model and how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group’s and Company’s available financial resources and metrics relevant to debt covenants over this period were: — Order frequency and selling prices; — Control of fulfilment and other costs and consequent margins achieved; — Potential requirements to provide additional liquidity to trading partners should the need arise. There are also less predictable but realistic second order impacts, such as achievability of expected cost savings and working capital improvements. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. We also identified a potential for management bias in the underlying forecasts used for the going concern assessment due to pressures presented by recent financial performance, the need to maintain access to the Revolving Credit and Security facility and recent revisions to market guidance. In addition, a focus area for us has been understanding the new credit arrangement entered into post year end, which replaced the previous arrangement which was due to expire in 2025.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors’ sensitivities over the level of available financial resources and covenant thresholds indicated by the Group’s financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. We used our knowledge of the Group, its industry and the general economic environment to identify conditions that presented risks to be taken into account in the going concern assessment. This included risks over potential requirements to provide additional liquidity to trading partners. As a result of this analysis, we identified that there were risks that had not been factored into the directors’ initial assessment. We requested the directors to include additional risks in their assessment. Our procedures over the revised directors’ assessment included: — **Funding assessment:** We inspected the Group’s new Revolving Credit and Security facility entered into on 8 July 2024 to ascertain the committed level of financing and the related covenant requirements. — **Historical comparisons:** We assessed the directors’ ability to forecast accurately by comparing the historical forecasts to actual results. — **Our sector experience:** With assistance from our Deal Advisory specialists, we evaluated the assumptions used in the forecasts and business plan by the directors, in particular those relating to order frequency, selling prices, and fulfilment and other costs, using our own sector experience. We also challenged the directors as to the achievability of their forecasts and business plan, taking into account the historical accuracy of previous forecasts and wider market factors. — **Benchmarking assumptions:** We compared the directors’ assumptions to externally derived data in relation to key inputs such as projected sales volumes and cost inflation. — **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group’s financial forecasts. We assessed both the severe but plausible downside scenarios, and the reverse stress test, particularly whether those scenarios reflected plausible impacts of uncertainty in the economy and the challenges relating to consumer demand on the business. — **Evaluating the directors’ intent:** We evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included cost reductions, taking into account the extent to which the directors can control the timing and outcome of these. — **Assessing transparency:** We considered whether the going concern disclosure in note 3.2 to the financial statements gives a full and accurate description of the directors’ assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Recoverability of goodwill and other non-current assets in the US CGU Goodwill allocated to the US CGU: £nil (2023: £7.9m) Other non-current assets in the US CGU: £4.5m Impairment charge of goodwill allocated to the US CGU: £8.1m (2023: £16.4m) Impairment charge for other non-current assets in the US CGU: £1.0m (2023: £nil) Refer to page 46 to 48 (Audit Committee Report), page 68 (accounting policy) and pages 70, 71 and 84 to 86 (financial disclosures).	**Forecast-based assessment:** In FY23 the Group recognised an impairment charge in relation to the US cash-generating unit ("CGU") of £16.4m. Following this impairment, no headroom existed between the recoverable amount and carrying amount of the US CGU. The recent financial performance of the US CGU resulted in the Group identifying an impairment trigger and performing an impairment assessment in October 2024 ("HY24"), which resulted in an additional £9.1m impairment charge in the current period. The Group estimated the US CGU's recoverable amount at HY24 using its value in use. This value in use was subjective due to the inherent uncertainty involved in forecasting repeat customer retention rates and repeat customer contribution margins. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the US CGU at HY24 had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. This estimation uncertainty, along with the size of the CGU at the early stages of our audit, made this an area of the audit where we spent a lot of our time. We also identified a potential for management bias in relation to the impairment assessment and the estimated recoverable amount due to pressures to demonstrate value in the US business. The financial statements (note 17) disclose the impairment charge recognised for the US CGU goodwill and other non-current assets, along with the key assumptions applied in the impairment assessment at HY24. Following the impairment of the US CGU at HY24, in conducting our final audit work we, reassessed the degree of estimation uncertainty in the recoverable amount of the US CGU as at 1 April 2024 to be less than our materiality.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures in relation to the Group's impairment assessment performed at HY24 included: — **Benchmarking assumptions:** In response to the risk of fraud, we compared the Group's assumptions to externally derived data in relation to assumptions, such as repeat customer retention rates, repeat customer contribution margins, long term growth rates and discount rates. — **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets. — **Sensitivity analysis:** We performed our own sensitivity analysis on the key assumptions, such as repeat customer retention rates and repeat customer contributions. We critically assessed the extent to which a change in these assumptions, both individually or in aggregate, would result in a further material impairment and considered the likelihood of such events occurring. — **Our sector experience:** We assessed the appropriateness of the discount rate used in the recoverable amount measurement at HY24, using our own valuation specialists to assist us in setting our own independent range for the discount rate. — **Assessing transparency:** We assessed whether the Group's disclosures on the key assumptions used in the impairment assessment at HY24 are adequate, and assessed whether they reflected the risks inherent in the impairment testing at HY24.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2,100k, determined with reference to a benchmark of Group revenue, of which it represents 0.7%. We consider revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group loss before tax because of the losses from continuing operations in the period.

Materiality for the parent Company financial statements as a whole was set at £600k, determined with reference to a benchmark of parent Company total assets, of which it represents 0.7%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £1,360k for the Group and £390k for the parent Company. We applied this percentage in our determination of performance materiality based on our understanding of the control environment obtained as part of our first year audit, as well as the level of turnover of senior management during the period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £105k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 7 reporting components, we subjected 4 to full scope audits for group purposes.

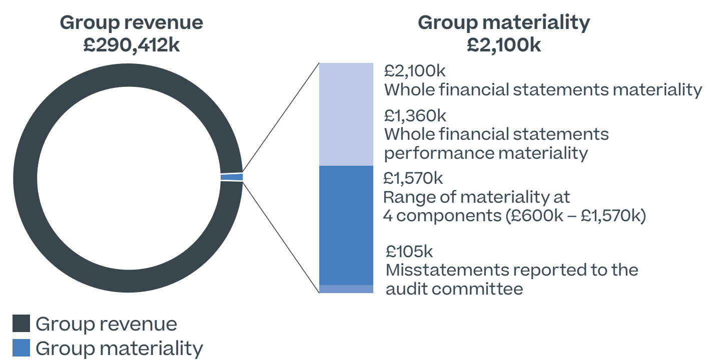
The components within the scope of our work accounted for the percentages illustrated opposite.

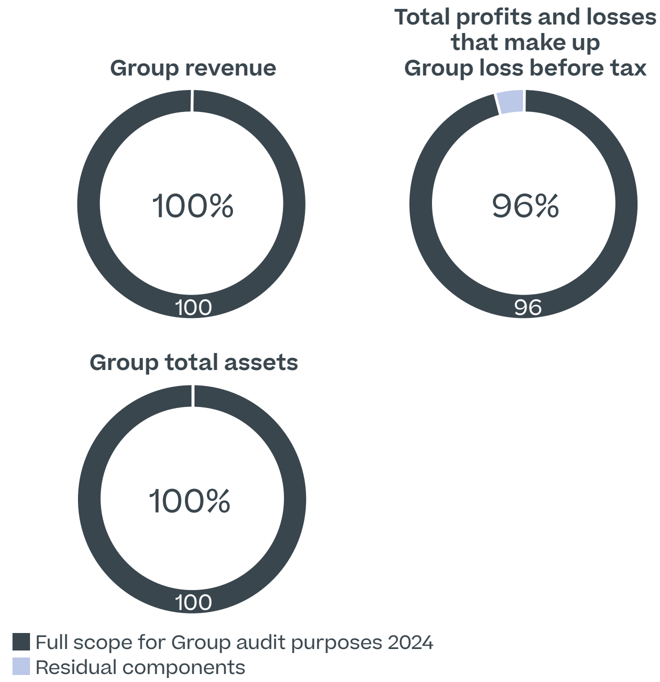
The remaining 4% total profits and losses that make up Group loss before tax is represented by 3 reporting components. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £600k to £1,570k, having regard to the mix of size and risk profile of the Group across the components.

The work on 2 of the 4 components was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited 2 component locations in the USA and Australia to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.





4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 3.2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and the internal assurance function and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal assurance function and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to market guidance, our overall knowledge of the control environment and the level of turnover of senior management, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as impairment and the measurement of US inventory at the lower of cost and NRV; and
- the risk that revenue is misstated through recording manual adjustments to revenue.

We have also identified fraud risks related to the measurement of US inventory, recoverability of goodwill and other non-current assets in the US CGU and going concern in relation to the potential for management bias in the forecasts used in those areas as a result of pressures to demonstrate value in the US business, the need to maintain access to the Revolving Credit and Security facility, and recent financial performance and revisions to market guidance. Further details in respect of these are set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.
- For a selection of manual adjustments to revenue, we assessed whether the adjustments were appropriate by inspecting supporting documentation.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

5. Fraud and breaches of laws and regulations – ability to detect (continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, money laundering, Consumer Rights Act and Sale of Goods Act, alcohol licensing regulations, food and drug administration, US unclaimed property law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non- compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non- compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 51, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Radwell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Station Road Cambridge CB1 2JD

27 August 2024

Consolidated income statement

For the 52 weeks ended 1 April 2024

Continuing operations	Note	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Revenue	5	**290,412**	354,045
Cost of sales		(178,522)	(205,739)
Fulfilment costs[1]		(54,582)	(68,159)
Gross profit pre movement in US inventory provision[1]		**57,308**	80,147
Movement in US inventory provision	7	(2,357)	(10,254)
Gross profit[1]		**54,951**	69,893
Advertising costs		(19,036)	(17,690)
General and administrative costs		(37,869)	(53,092)
Impairment of non-current assets	17	(9,877)	(18,183)
Profit on disposal of asset classified as held for sale	7	–	4,814
Operating loss[2]	8	**(11,831)**	(14,258)
Finance costs	10	(3,359)	(2,217)
Finance income	10	1,422	1,455
Loss on early redemption of the vendor loan note	10	(2,559)	–
Loss before tax		**(16,327)**	(15,020)
Tax	11	(4,516)	(2,393)
Loss for the year		**(20,843)**	(17,413)
Loss per share			
Basic and diluted	12	(28.3)p	(23.6)p

1. The Directors have reviewed their application of IAS 1 Presentation of Financial Statements and have elected to disclose fulfilment costs within gross profit, which were previously recognised below gross profit. Comparatives have also been re-presented with no impact on the loss for the year.
2. Operating loss analysed as:

	Note	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Adjusted EBIT		**4,974**	17,365
Adjusted items:	7		
Non-cash charges relating to acquisitions		–	(1,293)
Right-sizing of US inventory		(5,419)	(13,964)
Impairment of non-current assets		(9,877)	(18,183)
Profit on disposal of asset classified as held for sale		–	4,814
Other adjusted items		(1,509)	(2,997)
Operating loss		**(11,831)**	(14,258)

The notes to the consolidated financial statements following the primary statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the 52 weeks ended 1 April 2024

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Loss for the year	**(20,843)**	(17,413)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(1,433)**	4,747
Other comprehensive (loss)/income	**(1,433)**	4,747
Total comprehensive loss for the year	**(22,276)**	(12,666)

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

The notes to the consolidated financial statements following the primary statements are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the 52 weeks ended 1 April 2024

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 28 March 2022		5,508	21,162	363	3,183	79,667	109,883
Loss for the year		–	–	–	–	(17,413)	(17,413)
Other comprehensive income for the year		–	–	–	4,747	–	4,747
Total comprehensive income/(loss) for the year		–	–	–	4,747	(17,413)	(12,666)
Shares issued	28	42	–	–	–	(42)	–
Credit to equity for equity-settled share-based payments	29	–	–	–	–	1,604	1,604
Deferred tax on share-based payments	11	–	–	–	–	(143)	(143)
At 3 April 2023		5,550	21,162	363	7,930	63,673	98,678
Loss for the year		–	–	–	–	(20,843)	(20,843)
Other comprehensive loss for the year		–	–	–	(1,433)	–	(1,433)
Total comprehensive loss for the year		–	–	–	(1,433)	(20,843)	(22,276)
Credit to equity for equity-settled share-based payments	29	–	–	–	–	365	365
At 1 April 2024		5,550	21,162	363	6,497	43,195	76,767

The nature and purpose of each reserve is disclosed in note 28 Share capital and reserves.

The notes to the consolidated financial statements following the primary statements are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 1 April 2024

	Note	1 April 2024 £'000	3 April 2023 £'000
Non-current assets			
Goodwill and intangible assets	14	5,859	14,938
Property, plant and equipment	15	2,468	2,757
Right-of-use assets	16	2,794	5,374
Deferred tax assets	11	3,425	7,328
Other receivables	19	–	10,711
		14,546	41,108
Current assets			
Inventory staged payments to winemakers[1]	18	13,273	20,239
Inventories[1]	18	131,581	145,427
Trade and other receivables	19	10,460	5,610
Financial instruments at fair value	25	21	30
Cash and cash equivalents	30	31,851	39,474
		187,186	210,780
Current liabilities			
Trade and other payables	21	(38,738)	(42,427)
Current tax liabilities		(249)	(1,836)
Angel funds and other deferred income	22	(68,314)	(71,314)
Lease liabilities	24	(1,392)	(2,030)
Provisions	26	(1,475)	(1,709)
Borrowings	23	(12,248)	–
Customer-funded bonds	23	(35)	(35)
Financial instruments at fair value	25	(268)	(290)
		(122,719)	(119,641)
Net current assets		64,467	91,139
Total assets less current liabilities		79,013	132,247
Non-current liabilities			
Provisions	26	–	(14)
Lease liabilities	24	(2,246)	(3,821)
Borrowings	23	–	(29,131)
Deferred tax liabilities	11	–	(603)
		(2,246)	(33,569)
Net assets		76,767	98,678
Equity			
Share capital	28	5,550	5,550
Share premium	28	21,162	21,162
Capital redemption reserve	28	363	363
Currency translation reserve	28	6,497	7,930
Retained earnings		43,195	63,673
Total equity		76,767	98,678

1. The Directors have reviewed the disclosure of staged payments to winemakers in respect of inventory and have elected to disclose the amounts separately on the face of the balance sheet. Comparatives have also been re-presented. The amounts were previously aggregated within inventories. There is no impact on net assets or equity.

The financial statements of Naked Wines plc (company registration number 02281640) were approved by the Board and authorised for issue on 27 August 2024 and were signed on its behalf by James Crawford.

The notes to the consolidated financial statements following the primary statements are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the 52 weeks ended 1 April 2024

	Note	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Operating activities			
Net cash flows from/(used in) operations	30	7,821	(29,981)
Overseas income tax paid		(2,812)	(2,020)
Net cash from/(used in) operating activities		5,009	(32,001)
Investing activities			
Interest received, including interest received on the vendor loan note		1,053	737
Purchase of property, plant and equipment		(1,136)	(1,478)
Proceeds on disposal of property, plant and equipment		61	11
Proceeds from sale of asset classified as held for sale		–	5,624
Proceeds from early redemption of the vendor loan note		9,000	–
Net cash from investing activities		8,978	4,894
Financing activities			
Interest paid		(2,751)	(1,719)
Repayments of principal under lease liabilities		(2,036)	(1,532)
Debt issuance costs paid		–	(791)
Repayment of borrowings		(16,707)	–
Drawdown of borrowings		–	30,464
Net cash (used in)/from financing activities		(21,494)	26,422
Net decrease in cash		(7,507)	(685)
Cash and cash equivalents at the beginning of the year		39,474	39,846
Effect of foreign exchange rate changes		(116)	313
Cash and cash equivalents at the end of the year	30	31,851	39,474

The notes to the consolidated financial statements following the primary statements are an integral part of these consolidated financial statements.

Notes to the financial statements

1. General Information

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

The Company's registered address is Norvic House, 29-33 Chapel Field Road, Norwich, NR2 1RP, UK. The Group's principal activity is the direct-to-consumer retailing of wine. The Company's principal activity is to act as a holding company for its subsidiaries.

2. Adoption of new and revised IFRS standards

The following new amendments were required to be adopted in annual periods beginning on or after 1 January 2024. These do not have a material impact on the financial statements of the Group:

Effective date	IFRS	Subject
1 January 2024	Amendments to IAS 1	Non-current Liabilities with Covenants
		Classification of Liabilities as Current or Non-current
	Amendments to IFRS 16	Lease liability in Sale and Leaseback
	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Effective date	IFRS	Subject
1 January 2025	Amendments to IAS 21	Lack of Exchangeability
Effective date deferred indefinitely	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of accounting

The consolidated financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards.

The Group's financial reporting year represents the 52 weeks to 1 April 2024 and the prior financial reporting year represents the 53 weeks to 3 April 2023.

The consolidated financial statements are presented in GBP, the functional and presentational currency of the parent company and the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value as at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Company has taken advantage of the exemption provided in section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The Company has not made any other comprehensive income and consequently has not presented a statement of comprehensive income for the year, the Company's loss for the year is disclosed on page 100.

3.2 Going concern

Background and context

At the end of FY23, the Group noted that a material uncertainty existed over the going concern assumption due to a risk of breaching one or more bank facility covenants due to weakening profitability and reducing cash balances.

A number of actions were taken to remedy this situation, including:

- Addressing the overstock position by negotiating with suppliers to cut inventory intake over the forthcoming financial years;
- Undertaking a further round of cost restructuring, following on from the restructuring executed in March 2023;
- Liquidating the vendor loan note held by the Group, which had arisen on the disposal of the Majestic Wine business in 2019; and
- Negotiating a new asset-backed lending facility (see below).

During the first half of FY24, it became apparent that forecast performance remained too ambitious. For liquidity-planning purposes, a forecast scenario with no further key performance indicator improvements (of the type seen historically) was prepared. Performance in the second half of FY24 was broadly in line with this revised forecast and the Group ended the year with net cash excluding lease liabilities of £19.6m, around a £10m improvement from the previous year end, as well as a lower cost base and a more reliable liquidity baseline forecast.

Credit facility

As stated above and as set out in more detail in note 31 Events after the balance sheet date, on 8 July 2024, the Group entered into a 60-month senior secured revolving credit facility with PNC Bank, National Association, as administrative agent and lender for up to $60m of credit based on the inventory held by Nakedwines.com Inc, www.nakedwines.co.uk Ltd and Naked Wines Australia Pty Ltd.

Significantly, this new facility includes:

- a higher credit advance rate on the inventory base than under the Group's previous credit facility;
- removal of a minimum cash holding of $20m; and
- a single financial performance covenant, being a fixed charge cover ratio of greater than 1.2x, which is only tested if outstanding available liquidity (as defined in the facility terms) is less than $12m, known as a 'springing covenant' test.

On completion of this agreement with PNC Bank, the Group's commitments and obligations under its previous senior secured credit facility with Silicon Valley Bank, a division of First Citizens Bank and Trust Company, fell away. The Group met all its credit facility covenant requirements in the current financial year and subsequent to the year end, under the previous facility, up until the date of the refinancing.

Base case forecast

In assessing the appropriateness of the going concern assumption, the Board has considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Group from existing cash reserves and its credit facility, (iii) the level of security to be held against Angel fund balances and (iv) potential variations in the cash requirements of the Group including taking into account a severe but plausible downside scenario that appropriately reflects Naked's recent trading and the current macroeconomic outlook.

The Directors have prepared a series of cash flow scenarios extending for a period of at least 12 months from the date of the approval of these financial statements ("the going concern assessment period") to assess the liquidity of the Group.

A base case forecast was prepared in which trading KPIs in the trading markets were kept flat versus recent performance or, for certain recent initiatives, forecast at rates observed from recent testing programmes. Contracted warehouse savings were included, as were G&A savings from the initiatives undertaken during the year along with the assumption of 50% of maximum variable bonus payout. Inventory purchasing was assumed at the higher of committed amounts or levels to sustain target inventory levels. Under this scenario, the Group has sufficient liquidity to meet its new credit facility liquidity requirement in the going concern assessment period, meaning that the fixed charge cover ratio covenant would not need to be tested, although it would meet the requirement of greater than 1.2x were this covenant required to be tested.

Severe but plausible downside and reverse stress test

The Directors have then prepared a severe but plausible downside scenario incorporating a number of sensitivities and also incorporating available mitigating actions.

Sales performance driver:

- A 6% decline in revenue per Angel/ Wine Genie customer (a key driver of Repeat Customer sales) versus the base case forecast described above, also corresponding to a 6% reduction in this measure year-on-year and a 5 to 7% (depending on market) reduction in new customer traffic.

Costs saving reduction:

- A £0.8m per annum reduction in cost savings assumed for new warehouse and distribution contracts and a £0.8m overspend on targeted G&A savings.

Cost mitigation:

- Removal of non-commercial return "R&D" spend in New Customer investment from the fourth quarter of FY25, saving £0.25m in FY25 and a further £0.4m over the remainder of the going concern assessment period with a total saving of £0.75m in FY26;
- A reduction in New Customer investment advertising spend by 10% from the fourth quarter of FY25, saving an annualised sum of approximately £2.5m (on the basis that such lower revenues per Angel would trigger reductions in New Customer investment to maintain the economic rationale to invest), which was assumed to reduce new customer numbers at the current average cost per new customer; and
- Reduction to £nil in assumed variable compensation payout.

Working capital mitigation:

- Reduction in future inventory intake to reflect the lower demand outlook beginning in the first quarter of FY26, taking into account the current levels of inventory commitments for those periods.

Furthermore, this scenario included the latest available trading for the first four periods of FY25 and the number of Angels and the actual closing balance sheet position at that date.

The net impact of this severe but plausible downside scenario is that the Group would maintain more than £11m of headroom in the going concern assessment period versus the springing covenant test requirement of $12m (around £9.6m) of outstanding available liquidity. This forecast also shows that Naked meets its fixed charge cover ratio covenant across the going concern assessment period, although consistent with the above, the level of liquidity does not lead to this covenant being tested in the assessment period.

The Directors believe this also provides adequate headroom against any unexpected requirements to provide additional liquidity to trading partners should the need arise in that period.

A reverse stress test was also performed, deliberately engineered to identify the point at which the Group would fall below its facility-defined liquidity covenant spring of $12m across the going concern assessment period. This reverse stress test shows that an additional 6% reduction in revenue per Angel (beyond the 6% reduction already incorporated into the severe but plausible downside scenario noted above) would result in the Group not meeting its facility-defined covenant spring of $12m in that period. At this point the Group would also fail its fixed charge cover ratio covenant. The Board has determined that these assumptions do not result in a plausible downside scenario outcome.

Summary

After considering the forecasts, sensitivities and mitigating actions available and having regard to the risks, uncertainties and challenges in recent trading and the macroeconomic environment, in the modelled scenarios including the severe but plausible downside scenario, Naked Wines has sufficient liquidity to continue trading and to meet its minimum facility liquidity requirements, avoiding the need to formally assess its fixed charge cover ratio covenant commitment. The reverse stress test modelling has demonstrated that a revenue per Angel decline of 12%, resulting in a year-on-year total sales decline of 18% in FY25 is required before the Company fails to meet both its facility liquidity and fixed charge cover ratio commitments.

The Board believes that the flexibility afforded to it by its new financing arrangements and the other actions put in place during FY24 and subsequent to year end mean that the Directors have a reasonable expectation that the Group and Company will be able to operate within the level of their available liquidity, meet the fixed charge cover ratio covenant (if it were required to be tested), and meet their liabilities as they fall due for the forecast period. For these reasons, the Board considers it appropriate for the Group and the Company to adopt the going concern basis in preparing these financial statements.

3 Accounting policies (continued)

3.3 Basis of consolidation

The consolidated financial statements include the financial statements of Naked Wines plc and entities controlled by the Company (its subsidiaries), Naked Wines plc has control over the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust, which have not been consolidated on the basis of materiality. Control is achieved where the Company has:

- Power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated Income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Financial results for all subsidiaries are prepared for the same reporting period as the parent company and using consistent accounting policies.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

3.4 Presentation of adjusted items

The Group's income statement and segmental analysis separately identify trading results before certain adjusted items. The Directors believe that presentation of the Group's results in this way is relevant to understanding the Group's financial performance by providing additional useful information for shareholders on underlying trends and performance. Adjusted items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and provides a meaningful analysis of the trading results of the Group. In determining whether an event or transaction should be adjusted for, management considers quantitative as well as qualitative factors such as the frequency or predictability of the item. Details of adjusted items can be found in note 7 Adjusted items.

3.5 Revenue

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers as performance obligations are fulfilled to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Prior to a customer placing an order for wine, amounts received from Angels are recognised as a financial liability under the terms of IFRS 9 Financial Instruments and are therefore not considered to be a contract liability in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers.

The transaction price is allocated upon delivery of the order placed.

Variable consideration, specific to the Group, that may be subject to refund and return is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the related uncertainty is resolved. A provision is made on the basis of observed experience to adjust revenue for the element of sale which is still subject to performance uncertainty. Revenue is recognised when the customer obtains control of their purchase and there is reasonable certainty regarding the recovery of the consideration. Specific to the Group, the performance obligations of the Group are deemed to be fulfilled when our product is delivered to our customer or Angel, which is typically within one to three days following dispatch. The adjustment for unfulfilled contract income included within the Angel funds and other deferred income balance is disclosed in note 22 Angel funds and other deferred income.

The Group uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. As an almost exclusively consumer-facing business, the Group does not provide credit terms to the majority of its customers.

No warranties or related obligations are offered.

Sale of goods

Revenue from the sale of goods represents the sale of principally wine and some spirits through the Group's direct-to-consumer e-commerce channel. Other revenue represents revenue from stock optimisation activities.

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

The Group does not offer payment terms and dispatches goods when funds have been received from customers through the Group's direct-to-consumer e-commerce channel. Usual payment terms are sometimes offered to business-to-business customers as part of stock optimisation activities. However, the Group does not have any significant payment-term arrangements.

3.6 Cost of sales

Cost of sales comprise the cost of the product, primarily wine, along with associated dry goods and any allocated internal cost of production and processing, including excise duties, credit card processing charges and online selling teams' costs.

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

3.7 Fulfilment costs

Fulfilment costs comprise warehousing, transport costs, packaging and delivery costs of product to the customer.

3.8 Advertising costs

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

3.9 General and administrative costs

General and administrative costs principally comprise salaries and bonus costs for operating business segments, Group corporate functions, global support of technology and legal and professional costs and other support costs of global advertising and marketing functions.

3.10 Software as a Service (SaaS)

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

3.11 Finance costs and income

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

3.12 Share-based payments

From time to time, the Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of awards granted, including the impact of any non-market vesting conditions (e.g. profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of beneficiaries of the awards that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares or options and the expected number of the beneficiaries of the awards that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

3.13 Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax

Current tax is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is also recognised in equity.

Deferred tax assets are also recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.14 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the year.

The consolidated financial statements are presented in GBP which is the Group's functional and presentational currency. Each entity in the Group determines its own functional currency. The functional currency of Naked Wines UK is GBP, the functional currency of Naked Wines US is USD and the functional currency of Naked Wines Australia is AUD. The income and expenses of overseas subsidiaries are translated at the average rate of exchange ruling during the year. The balance sheet of the overseas subsidiary undertaking is translated into GBP at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of overseas subsidiaries are reported in other comprehensive income within the Group statement of comprehensive income and are transferred to the Group's currency translation reserve.

3.15 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Goodwill arises when the fair value of the consideration for a business exceeds the fair value of the net assets acquired. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGUs) or groups of CGUs. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The recoverable amounts of CGUs are determined based on the higher of value in use and fair value less cost of disposal. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the business.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount with the impairment loss being recognised in the income statement. Impairment losses are allocated first to goodwill and subsequently to other non-current assets, pro-rata to their carrying value, but with no asset being impaired to below its net recoverable amount.

3 Accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement. The Group does not reverse impairment losses previously recognised on goodwill.

Acquisition-related costs are recognised in the income statement as incurred.

3.16 Other intangible assets

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

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

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

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

3.17 Impairment reviews

Impairment reviews in respect of goodwill are performed at least annually and furthermore, when there are indicators of impairment. Impairment reviews in respect of other intangible assets and tangible assets are performed when there are indicators of impairment. Examples of indicators of impairment include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses or a significant reduction in cash flows. See note 17 Impairment for further explanation of the basis of impairment testing.

3.18 Property, plant and equipment and right-of-use assets

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

Depreciation is charged to the income statement on a straight-line basis to write the cost of an asset down to its residual value over the estimated useful lives of each asset. The estimated useful lives are as follows:

Leasehold properties	The term of the lease
Leasehold improvements	The term of the lease
Equipment, fittings and vehicles	3–10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

3.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less any rebates and discounts.

Provisions

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

Work in progress

Work in progress comprises grapes, bulk wines, bottling supplies and other direct costs and related winemaking overheads.

Inventory staged payments to winemakers

These are advanced payments to winemakers where Naked has committed to purchase assets in the future, but does not yet have unambiguous control of the assets and they remain with the winemaker at the balance sheet date.

3.20 Angel funds and other deferred income

Amounts received by the Group from Angels are initially reported as a financial liability in the balance sheet. These funds are recognised as revenue in the period when Angels use the funds to buy wine and delivery of goods is made. The terms and conditions of the Angel contributions were amended on 8 March 2024. Contributions for newly-acquired Angels can be refunded in either wine or cash at the discretion of the Company. Going forward, these amounts will be disclosed as deferred income under IFRS 15 rather than Angel funds. See note 22 Angel funds and other deferred income for a fuller explanation of the nature of the sums received from our Angels and the rights and obligations the Group assumes in respect of these amounts.

3.21 Provisions

A provision is made when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation and where the amount of the obligation can be reliably measured. Provisions are discounted for the time value of money when the effect is material.

3.22 Leases

Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leases of a value of less than the equivalent of $5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the Group's incremental borrowing rate. If no rate is available, the Group will use the rate implicit in the lease.

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

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

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

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

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

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

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

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

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

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

3.23 Pensions

The Group contributes to a number of defined contribution pension plans in respect of its employees. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

3.24 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost adjusted for any loss allowance. Any provision for impairment is established based on an expected loss model.

The vendor loan note was initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. Any provision for impairment is established based on an expected loss model and any losses incurred are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits, with original maturities at inception of less than 90 days. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments and bank overdrafts.

Financial liabilities and equity

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

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

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

Derivative financial instruments

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

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

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

3.25 Commitments

Off-balance sheet commitments include securing wine the Group sells to its customers, warehousing facilities, delivery services, logistics, bottling services and other contractual obligations.

4 Critical accounting policies, estimates and judgements

Estimates and assumptions underlying the preparation of the financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both currents and future periods.

Critical accounting judgements

Going concern

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

Classification of adjusted items

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

Key sources of estimation uncertainty

Inventory provision

During the course of the year, the Directors critically re-evaluated expected future business trading performance, especially in respect of the Group's US business unit. As part of this analysis, the Directors challenged the assumptions regarding the amount of US inventory on hand which could reasonably be expected to be sold through usual trading channels for more than cost and before effective commercial expiry of the inventory.

As a result of this analysis, a provision of £6.7m was recorded as an adjusted item in the Annual Report and Accounts against US business unit inventory. On the basis of the forecast prepared for the evaluation of going concern of the Company, and in concert with activity undertaken during the year to reduce future inventory intake, the Directors anticipate that the remaining cost of inventory held at the balance sheet date will be profitably realised.

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

- estimates of future trading activity and utilisation of inventory on hand;
- estimates of the likely use before expiry of wine approaching the end of its prime marketing life;
- realisable value of bulk wine in the open market, and
- cannibalisation and absorption of wine volumes across the Naked range.

For both bulk and cased wine inventory in the US, the full range of reasonably possible outcomes in the next financial year is inherently difficult to calculate as it is dependent on key assumptions such as future expected sales of wine and sales proceeds. The Directors highlight therefore it is possible that outcomes within the next financial year may differ from their estimates, and that the magnitude of the inventory provision in the Group's US business unit could materially change in the next financial year. Two relevant sensitivities that are readily quantifiable are the expected proceeds from the disposal of bulk inventory in hand not used in planned wine production and the possible value of further cased good inventory provision required following a change in future sales versus expectation. Management have prepared their estimates of these sensitivities based on expected disposal of necessary volumes through secondary market channels, recent experience of realisation values for wine disposed of on the secondary market and recent forecast sales run rates.

Bulk wine (provision of £7.6m) disposal assumptions: If management are not able to realise expected proceeds for bulk wine reaching commercial expiry in the next 24 months, an additional £0.9m of inventory would be written off. Additionally, there is a further £5.8m of remaining bulk wine at the balance sheet date which is considered to be most at risk. This wine is expiring after more than 24 months and is currently expected to be used in future wine projects. However, if this assumption proves to be inaccurate, then the Company anticipates that it would dispose of this wine on the secondary market. For every 10% of this bulk wine disposed of in this manner, and for which the Company could achieve expected disposal proceeds, a further £0.4m increase in provision would be required.

Cased wine (provision of £4.9m) sales volume sensitivity: Assuming that the Group is able to continue to realise secondary market proceeds similar to recent experience for wine and assuming an average cost of good of these bottles, then a 1% adverse movement in future expected sales of wine forecast to be sold in the 36 months following the balance sheet date results in an additional £0.5m inventory write-down.

Other sources of estimation uncertainty

Goodwill and other non-current assets carrying value

The Group assesses at the end of each reporting period whether indicators of impairment exist and, if such indicators are identified, the Group calculates the net recoverable amount of each asset. For goodwill, net recoverable amount is evaluated at least annually, or more frequently if indicators of impairment are identified.

Determining whether goodwill and other non-current assets are impaired requires an estimation of the recoverable amount of the CGU to which the goodwill and other non-current assets have been allocated, measured at the higher of value in use and fair value less cost of disposal.

Management is required to make judgements regarding the timing and amount of future cash flows applicable to the CGU, based on current budgets and forecasts and then into perpetuity, taking into account growth rates and expected changes to sales and operating costs as well as future maintenance CAPEX requirements and working capital cash flows. Management is also required to make judgements regarding the appropriate discount rate to use, reflecting current market assessments of the time value of money and the risks specific to the CGU.

During the first half of the year, future trading expectations, in particular with respect to the Group's US trading segment, were revised downwards to re-align previously anticipated growth in key performance metrics with more recently observed stable period-on-period KPIs, most relevantly revenue per Angel and the rate of Angel attrition. Revision to future trading forecasts resulted in a reduction of the value in use calculation used to evaluate the carrying value of goodwill and other non-current assets. The impairment test undertaken at the half year resulted in a full impairment of goodwill and other intangible assets in the US and a further impairment in Australia as a result of an extension of a right-of-use asset.

Management highlight the assumptions used to determine the value in use of the CGU, as set out above, as sources of estimate uncertainty with regard to the remaining carrying value of goodwill allocated to the UK business however, management have determined that any plausible change in these assumptions would not lead to a material impairment (see note 17 Impairment for further details).

At the half year, management deemed the measurement of the value in use of CGUs as a key source of estimate uncertainty however, due to the impairment of the remaining goodwill and other intangible assets in the US at that time and the conclusions on the UK business discussed above, at the year end, the measurement of recoverable amounts was not deemed a significant estimate.

Deferred tax asset recognition

The Group has recognised £3.4m of deferred tax assets at the balance sheet date after consideration of their recoverability against future profits. The Directors note that expected recoverability is based on estimate of future profitability and, should trading expectations move adversely in the future, there is a risk that the value of deferred tax assets expected to be utilised will decrease.

In the process of applying the Group's accounting policies, the Directors consider there are no further sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying abouts of assets and liabilities within the next financial year

5 Revenue

Revenue represents the total amount receivable for the sale of goods and services sold in the ordinary course of business, net of discounts and excluding sales taxes. Other revenue represents revenue from stock optimisation activities. See accounting policy note 3.5 Revenue.

All revenue is recognised at a single point in time when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific to the Group, the performance obligations of the Group are deemed to be fulfilled when the product is delivered to our customer or Angel, typically within one to three days following dispatch, which is when the customer obtains control of their purchase and there is reasonable certainty regarding the recovery of the consideration.

6 Segmental reporting

IFRS 8 Operating segments requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The Board has determined that the Executive Directors of the Company are the CODM of the business. This is on the basis that they have primary responsibility for the allocation of resources between segments and the assessment of performance of the segments. In line with the information presented to the Executive Directors of the Company, the Group presents its segmental analysis based on the three geographic locations in which the Group operates.

Performance of these operating segments is assessed on revenue and adjusted EBIT (being operating profit excluding any adjusted items), as well as analysing the business between new customer, repeat customer and other lines of business.

These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of the segments. Adjusted items are allocated in accordance with how they are reported to the CODM.

The table below sets out the basis on which the performance of the business is presented to the CODM. The CODM considers that, as a single route to market and solely consumer-facing business in three geographically and economically diverse locations, the business comprises three operating segments. The Group reports revenue from external customers as a single product group, principally wine and some spirits.

Unallocated assets include goodwill and other intangible assets held by holding companies and unallocated impairment charges relate to impairments recorded against these assets. These assets are unallocated for the purpose of the segmental disclosures as these are not included in the assets and liabilities reported to the CODM for each operating segment. For the purposes of the geographical analysis, these assets are allocated to the UK as the assets arose as a result of an acquisition by a UK holding company. For impairment analysis, these assets are allocated to the relevant CGU (see note 17 Impairment for further details).

Costs relating to global Group functions are not allocated to the operating segments for the purposes of assessing segmental performance and consequently global costs are presented separately. This is consistent with the presentation of those functions to the CODM.

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

6 Segmental reporting (continued)

52 weeks ended 1 April 2024	Naked Wines US £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue	131,133	124,411	34,868	–	290,412
Revenue associated with the US inventory impairment	(1,899)	–	–	–	(1,899)
Total adjusted revenue[1]	129,234	124,411	34,868	–	288,513
Analysed as:					
New Customer sales	14,213	6,312	3,109	–	23,634
Repeat Customer sales	114,196	118,099	31,759	–	264,054
Other revenue	825	–	–	–	825
Total adjusted revenue[1]	129,234	124,411	34,868	–	288,513
Investment in New Customers	(14,456)	(5,822)	(2,992)	–	(23,270)
Repeat Customer contribution	36,735	20,678	7,843	–	65,256
Other contribution	(743)	–	–	–	(743)
Total contribution after advertising costs[2]	21,536	14,856	4,851	–	41,243
General and administrative costs[3]	(11,351)	(6,311)	(3,093)	(15,514)	(36,269)
Adjusted EBIT	10,185	8,545	1,758	(15,514)	4,974
Adjusted items (see note 7):					
Right-sizing of US inventory	(5,419)	–	–	–	(5,419)
Impairment of non-current assets	(19)	–	(696)	(9,162)	(9,877)
Other adjusted items	(259)	(424)	(307)	(519)	(1,509)
Operating profit/(loss)	4,488	8,121	755	(25,195)	(11,831)
Finance costs	(3,249)	(39)	(69)	(2)	(3,359)
Finance income	475	–	–	947	1,422
Loss on early redemption of the vendor loan note	–	–	–	(2,559)	(2,559)
Profit/(loss) before tax	1,714	8,082	686	(26,809)	(16,327)
Tax	(2,116)	(1,120)	(364)	(916)	(4,516)
(Loss)/profit for the year	(402)	6,962	322	(27,725)	(20,843)
Depreciation	2,472	236	108	57	2,873
Amortisation	–	–	–	100	100
Impairment	19	–	696	9,162	9,877
Total assets	121,701	49,895	21,808	8,328	201,732
Total liabilities	65,379	45,233	11,537	2,816	124,965
Capital expenditure	986	136	14	–	1,136

52 weeks ended 1 April 2024	US £'000	UK £'000	Australia £'000	Total £'000
Geographical analysis				
Revenue	131,133	124,411	34,868	290,412
Non-current assets excluding deferred tax assets	4,483	6,638	–	11,121

1. Total adjusted revenue is calculated as revenue excluding revenue associated with the right-sizing of US inventory as analysed in note 7 Adjusted items.
2. Contribution after advertising costs is calculated as gross profit (£55.0m), less advertising costs (£19.0m), excluding transactions associated with the right-sizing of US inventory included in contribution (£5.2m) and cancellation of winemaker contracts in Australia (reported within restructuring costs) (£0.2m) (details in note 7 Adjusted items).
3. Refer to the table on page 112 for a reconciliation of G&A costs to those reported in the income statement.

53 weeks ended 3 April 2023	Naked Wines US £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
Revenue	171,035	137,192	45,818	–	354,045
Revenue associated with the US inventory impairment	(3,110)	–	–	–	(3,110)
Total adjusted revenue[1]	167,925	137,192	45,818	–	350,935
Analysed as:					
New Customer sales	17,180	6,400	3,312	–	26,892
Repeat Customer sales	147,448	130,792	42,506	–	320,746
Other revenue	3,297	–	–	–	3,297
Total adjusted revenue[1]	167,925	137,192	45,818	–	350,935
Investment in New Customers	(15,057)	(3,417)	(2,937)	–	(21,411)
Repeat Customer contribution	50,314	24,990	11,196	–	86,500
Other contribution	255	–	–	–	255
Total contribution after advertising costs[2]	35,512	21,573	8,259	–	65,344
General and administrative costs[3]	(12,830)	(6,896)	(3,561)	(24,692)	(47,979)
Adjusted EBIT	22,682	14,677	4,698	(24,692)	17,365
Adjusted items (see note 7):					
Non-cash items relating to acquisitions	–	–	–	(1,293)	(1,293)
Right-sizing of US inventory	(13,964)	–	–	–	(13,964)
Impairment of non-current assets	–	–	–	(18,183)	(18,183)
Profit on disposal of asset classified as held for sale	–	–	–	4,814	4,814
Other adjusted items	–	–	–	(2,997)	(2,997)
Operating profit/(loss)	8,718	14,677	4,698	(42,351)	(14,258)
Finance costs	(2,155)	(36)	(24)	(2)	(2,217)
Finance income	342	–	–	1,113	1,455
Profit/(loss) before tax	6,905	14,641	4,674	(41,240)	(15,020)
Tax	(2,275)	(1,482)	(1,396)	2,760	(2,393)
Profit/(loss) for the year	4,630	13,159	3,278	(38,480)	(17,413)
Depreciation	1,897	353	225	38	2,513
Amortisation	1	–	–	1,785	1,786
Impairment	–	–	–	18,183	18,183
Total assets	146,629	47,626	23,139	34,494	251,888
Total liabilities	93,275	41,127	13,731	5,077	153,210
Capital expenditure	1,453	–	25	–	1,478

53 weeks ended 3 April 2023	US £'000	UK £'000	Australia £'000	Total £'000
Geographical analysis				
Revenue	171,035	137,192	45,818	354,045
Non-current assets excluding deferred tax assets and vendor loan note	7,710	15,359	–	23,069

1. Total adjusted revenue is calculated as revenue excluding revenue associated with the right-sizing of US inventory as analysed in note 7 Adjusted items.
2. Contribution after advertising costs is calculated as gross profit (£69.9m), less advertising costs (£17.7m), excluding transactions associated with the right-sizing of US inventory included in contribution (£13.1m) (details in note 7 Adjusted items).
3. Refer to the table on page 112 for a reconciliation of G&A costs to those reported in the income statement.

7 Adjusted items

The Directors believe that adjusted EBIT provides additional useful information for shareholders on trends and performance. These measures are used for performance analysis. Adjusted EBIT is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit.

The Directors draw attention to the costs associated with the ongoing restructuring of the business and, in particular, the inventory provision and staff and other administrative restructuring charges incurred in both the current and previous financial year. Management does not expect to report any further inventory provision charges of a similar nature in future periods.

The adjustments made to reported loss before tax are:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
(a) Non-cash charges relating to acquisitions – amortisation of acquired intangibles	–	(1,293)
Net movement in US inventory provision	(2,357)	(10,254)
US cancellation of winemaker contracts	–	(527)
Loss on the disposal of US inventory – contribution loss[1]	(2,819)	(2,360)
Right-sizing of US inventory included in contribution	(5,176)	(13,141)
Disposal of US inventory – charitable donations	–	(823)
Bad debt expense	(243)	–
(b) Right-sizing of US inventory	(5,419)	(13,964)
(c) Impairment of non-current assets	(9,877)	(18,183)
(d) Profit on disposal of asset classified as held for sale	–	4,814
Restructuring costs	(1,433)	(1,522)
Software as a Service costs incurred in the implementation of new ERP platform	(57)	(2,347)
Legal settlement for Payment card Interchange fees	–	740
Fair value movement on foreign exchange contracts and associated unrealised foreign currency inventory	(19)	132
(e) Other adjusted items	(1,509)	(2,997)
Total adjusted items	(16,805)	(31,623)

1. Contribution loss analysed as sales of £1.9m (FY23: £3.1m) less cost of goods sold of £4.7m (FY23: £5.5m) resulting in a net contribution loss of £2.8m (FY23: loss of £2.4m).

(a) Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current new customer acquisition in its adjusted EBIT, the Group includes the expenses of all ongoing customer acquisitions in its adjusted profit measures but removes the amortisation cost of those customers acquired before acquisition by Naked Wines plc. These acquired assets were fully amortised as at the end of the previous financial year and do not appear in the income statement for the 52 weeks ended 1 April 2024.

(b) Right-sizing of US inventory

As a result of management's US inventory right-sizing exercise strategy commencing in the prior financial year, the Group recorded a net charge of £5.2m in the 52 weeks ended 1 April 2024 (FY23: charge of £13.1m), reflecting the release and utilisation of the inventory provision created in the prior financial year and a contribution loss where inventory that was provided against, has been sold on the secondary market as part this right-sizing exercise for less than historic cost of goods.

The Group also recognised a £0.2m write-off of a trade receivable relating to a bulk wine customer.

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

Management has concluded it is appropriate to include the provision and write-off within adjusted items to provide a more consistent basis with the comparative adjusted EBIT APM.

(c) Impairment of non-current assets

The Group has recognised impairments to non-current assets of £9.9m (FY23: £18.2m). Refer to note 17 Impairment for details.

(d) Profit on disposal of asset classified as held for sale

In the previous financial year, the sale of the asset classified as held for sale was completed. The profit arising on the sale is the difference between the proceeds of £5.85m less commissions and costs of £0.23m and the carrying value of the asset of £0.81m.

(e) Other adjusted items

Restructuring costs

The Group undertook a restructuring programme seeking to generate improved efficiency and reduce costs. Following this review, one-off termination payments and associated costs were incurred in all three markets.

Software as a Service cost

During the previous and current financial year, the Group incurred upfront configuration and implementation costs relating to the development of a new ERP system. As material non-recurring expenditure, these costs have been disclosed as an adjusted item.

Legal settlement in relation to Payment card Interchange fees

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

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

The Group commits in advance to buying foreign currency to purchase wine to mitigate exchange rate fluctuations. UK-adopted international accounting standards require us to mark the value of these contracts to market at each balance sheet date. As this may materially fluctuate, we adjust this, and associated foreign currency inventory revaluation, so as to better reflect our trading profitability.

8 Operating loss

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

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Depreciation of property, plant and equipment	1,050	987
Amortisation of intangible fixed assets	100	1,786
Depreciation of right-of-use assets	1,823	1,526
Impairment of non-current assets	9,877	18,183
Loss on disposal of fixed assets	253	327
Net gain arising on early termination of the right-of-use assets and associated lease liability	(444)	–
Inventory write-downs	5,558	5,310
Fair value of forward contracts	(13)	109
Net currency exchange gains	(705)	(528)
Expenses on short-term and low-value leases	2	2
Auditor's remuneration[1]		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	1,189	160
Fees payable for the audit of the Company's subsidiaries	85	1,111
Total audit fees	1,274	1,271
Audit-related assurance services	156	65
Total non-audit fees	156	65
Total fees paid to the Company's auditor	1,430	1,336

1. There was a change in the Group's auditor at the beginning of the current financial year from Deloitte LLP to KPMG LLP. The auditor's remuneration for the 53 weeks ended 3 April 2023 was in respect of Deloitte LLP and the current year's remuneration is in respect of KPMG LLP.

9 Staff costs

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

	52 weeks ended 1 April 2024 number	53 weeks ended 3 April 2023 number
Administrative and distribution	**232**	289
Sales	**158**	194
	390	483

Their aggregate remuneration comprised:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Wages and salaries	**23,369**	27,999
Social security costs	**2,153**	2,457
Contributions to defined contribution pension plans	**921**	866
Share-based payment charges	**365**	1,604
	26,808	32,926

The total emoluments of key management personnel (including Directors) comprised:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023[1] £'000
Salary and benefits	**1,169**	1,273
Severance payments	**348**	–
Compensation for loss of office	**–**	371
Bonus earned in the year	**–**	163
Payments in lieu of pension contributions to money purchase schemes and contributions to money purchase scheme	**41**	29
Emoluments before share-based payment charges	**1,558**	1,836
Share-based payment (credits)/charges	**(230)**	326
	1,328	2,162

1. The prior year comparatives have been revised to include the following amounts related to Directors: salary and benefits of £785,000, compensation for loss of office of £371,000, bonus earned in the year of £26,000 and payments in lieu of pension contributions to money purchase schemes and contributions to money purchase schemes of £17,000, which had previously been excluded from this disclosure.

Directors' emoluments comprised:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Salary and benefits	**843**	785
Severance payments	**318**	–
Compensation for loss of office	**–**	371
Bonus earned in the year	**–**	26
Payments in lieu of pension contributions to money purchase schemes and contributions to money purchase scheme	**19**	17
Emoluments before gains on the exercise of share options	**1,180**	1.199
Gains on the exercise of share options[1]	**–**	2
	1,180	1,201

1. The comparatives have been revised to reflect the gains on exercise of share options.

The highest paid Director's emoluments comprised:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Salary and benefits	275	338
Bonus earned in the year	–	–
Pension contributions to money purchase schemes	12	11
Emoluments before gains on the exercise of share options	287	349
Gains on the exercise of share options[1]	–	1
	287	350

1. The comparatives have been revised to reflect the gains on exercise of share options.

For detailed disclosure of Directors' emoluments, share options and contributions to pension schemes, refer to the audited sections of the Director's remuneration report on pages 43 and 44.

10 Finance costs and income

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Finance costs		
Interest payable on the borrowings	(2,711)	(1,700)
Interest on lease liabilities	(322)	(233)
Amortisation of debt issuance costs	(286)	(264)
Other interest payable	(40)	(20)
	(3,359)	(2,217)
Finance income		
Financial instruments measured at amortised cost		
Bank interest receivable	475	378
Interest income on vendor loan note[1]	947	1,077
	1,422	1,455
Loss on early redemption of the vendor loan note[2]	(2,559)	–
Net finance costs, including the loss on early redemption of the vendor loan note	(4,496)	(762)

1. The discounting of the initial fair value of the vendor loan note unwound through the income statement up to 12 February 2024 when the Directors received and accepted an offer of £9.0m for its early redemption.
2. On 12 February 2024, the Directors accepted an offer of £9.0m from CF Bacchus Holdco Limited for early redemption of the vendor loan note. The £12.0m vendor loan note arising as part of the Group's disposal of the Majestic group of companies was due to be paid in December 2024. The vendor loan note was initially measured at fair value of £9.0m and subsequently measured at amortised cost. At the date of redemption, the amortised cost on the balance sheet was £11.6m and this resulted in a loss on early redemption of £2.6m.

11 Tax

(a) Tax charge

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Current tax		
UK tax	–	–
Overseas tax	(958)	(4,198)
Adjustment in respect of prior periods	(329)	(377)
Current tax charge	(1,287)	(4,575)
Deferred tax		
Origination and reversal of temporary differences	(3,468)	1,085
Adjustment in respect of prior periods	(189)	560
Effect of change in tax rate on prior period balances	428	537
Deferred tax (charge)/credit	(3,229)	2,182
Total tax charge for the year	(4,516)	(2,393)

11 Tax (continued)

(b) Tax reconciliation

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Loss before tax	**(16,327)**	(15,020)
Tax credit at the standard UK corporation tax rate of 25% (FY23: 19%)	4,082	2,854
Adjustments in respect of prior periods	(518)	183
Disallowable expenditure	(1,978)	(1,926)
Overseas income tax at higher rates	72	(588)
Fixed asset differences	–	60
Change in unrecognised deferred tax assets	(6,495)	(3,054)
Share-based payments	(107)	(138)
Change in tax rate on prior period deferred tax balances	428	263
Foreign exchange	–	(47)
Total tax charge for the year	**(4,516)**	(2,393)
Effective tax rate	**(27.7)%**	(15.9)%

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

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

(c) Tax on items recorded directly to equity

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Deferred tax charge on share-based payments	–	(143)
Total tax on items recorded directly to equity	**–**	(143)

(d) Deferred tax

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
At the beginning of the year	6,725	4,589
Adjustment in respect of prior years	(189)	560
(Charged)/credited to the income statement in the year	(3,040)	1,622
Charged directly to reserves in the year	–	(143)
Foreign exchange	(71)	97
At the end of the year	**3,425**	6,725

The Group derecognised £1.7m of deferred tax assets relating to brought-forward trading losses in the UK businesses (FY23: recognised £2.0m). The forecast, which is consistent with the basis of the Board's baseline going concern assessment, shows that it is more likely than not that UK future profits will be available against which to offset some of the carried-forward trading losses.

The Group has recognised deferred tax assets for deductible temporary differences that it believes are recoverable based on the Group's forecast projections in each trading market. These do not include any uncertain tax positions. The basis of the creation of these assets is the examination of underlying documents and relevant law and regulation for temporary timing differences and future profitability forecasts set out in the business plans approved by the Board.

Deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	1 April 2024 £'000	3 April 2023 £'000	1 April 2024 £'000	3 April 2023 £'000
Fixed assets	(492)	70	–	(603)
Share-based payments	–	173	–	–
Tax losses carried forward	341	2,006	–	–
Inventories	2,512	3,865	–	–
Deferred income	59	125	–	–
Accruals	570	405	–	–
Provisions	183	202	–	–
Interest limitation	252	–	–	–
Unrealised foreign exchange differences	–	482	–	–
	3,425	7,328	–	(603)
By geographical region:				
US	2,796	4,662	–	(603)
UK	629	2,666	–	–
Australia	–	–	–	–
	3,425	7,328	–	(603)

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

	3 April 2023 £'000	Recognised in income statement £'000	Foreign exchange £'000	1 April 2024 £'000
Fixed assets	(533)	30	11	(492)
Share-based payments	173	(172)	(1)	–
Tax losses carried forward	2,006	(1,665)	–	341
Inventories	3,865	(1,288)	(65)	2,512
Deferred income	125	(65)	(1)	59
Accruals	405	174	(9)	570
Provisions	202	(19)	–	183
Interest limitation	–	253	(1)	252
Unrealised foreign exchange differences	482	(477)	(5)	–
	6,725	(3,229)	(71)	3,425

Analysed as:

	1 April 2024 £'000	3 April 2023 £'000
Deferred tax assets	3,425	7,328
Deferred tax liabilities	–	(603)
	3,425	6,725

Deferred tax liabilities are generally provided for in full. Deferred tax assets are recognised to the extent that it is probable that taxable temporary differences and future taxable profits will be available against which deductible temporary differences can be utilised based on existing tax laws.

Deferred tax on losses of £32.8m (FY23: £16.7m) relating to losses in the UK have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created. The Group has not recognised deferred tax assets on £12.9m (FY23: £7.2m) of inventory provisions and £1.0m (FY23: £nil) of unrealised foreign exchange in the US and has not recognised deferred tax assets on £1.4m (FY23 £1.2m) on unrealised foreign exchange and £0.6m (FY23: £0.7m) of other short-term timing differences in Australia due to uncertainty over future profits being available against which these deferred tax assets can be recovered.

11 Tax (continued)

Unrecognised deferred tax assets are re-assessed at each reporting date and are considered for the probability that future taxable profits would be available against which such losses can be used. Projections of taxable profits are based on the Group's Board approved forecasts which are the same as the projections used for going concern.

When considering the recoverability of deferred tax assets, the Group assess the likelihood of their being recovered within a reasonably foreseeable timeframe which may be longer than the period covered by the latest Board approved forecasts. Probability weightings are applied to forecasts beyond the time period covered by the normal planning cycle of the business to reflect the higher degree of uncertainty associated with these forecasts.

Refer to note 4 Critical accounting policies, estimates and judgements for further details.

There is no expiry date on these unrecognised losses.

(e) Factors that may affect future tax charges

The Group's effective tax rate will continue to differ from the standard UK tax rate as future profits earned by the Naked Wines overseas subsidiaries will be taxed at different statutory rates, currently 21% in United States of America and 30% in Australia.

Other factors such as changes in tax laws and their interpretation, tax rate changes and other tax regime reforms may impact the Group's effective tax rate.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as, following the enactment of the Finance Act 2009, the Group considers that it would have no liability to additional taxation should such amounts be remitted, nor does it expect to have any remittance in the foreseeable future.

12 Loss per share

Basic and diluted loss 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 163,856 (FY23: 220,137) shares held by the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust (which have been treated as dilutive share-based payment awards). The shares held in the Trusts were allotted ordinary shares of 7.5 pence per share for a consideration of £12,289 (FY23: 16,510).

The dilutive effect of share-based payment awards is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. Share options granted over 5,508,413 (FY23: 3,382,710) ordinary shares have been excluded from the calculation as they are anti-dilutive. There are no outstanding share awards that are potentially dilutive at the year end.

	52 weeks ended 1 April 2024	53 weeks ended 3 April 2023
Basic and diluted loss per share (pence)	**(28.3)p**	(23.6)p
Loss for the purposes of basic and diluted loss per share calculation (£'000)	**(20,843)**	(17,413)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**73,770,908**	73,663,498
Total number of shares in issue	**74,004,135**	74,004,135

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

If all the Company's share option schemes had vested at 100%, the Company would have 75,738,744 issued shares. See note 31 Events after the balance sheet date for details of the 2024 Long-Term Incentive Plan.

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

13 Dividends

There were no dividends paid, recommended or declared during, or in respect of, the current or previous financial year.

14 Goodwill and intangible assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
At 28 March 2022	30,344	1,607	14,300	10,100	2,736	59,087
Disposals	–	–	–	–	(4)	(4)
Transfer of Software as a Service to the Income statement	–	–	–	–	(253)	(253)
Foreign currency	1,197	–	–	–	1	1,198
At 3 April 2023	31,541	1,607	14,300	10,100	2,480	60,028
Foreign currency	(537)	–	–	–	–	(537)
At 1 April 2024	**31,004**	**1,607**	**14,300**	**10,100**	**2,480**	**59,491**
Accumulated amortisation						
At 28 March 2022	–	(269)	(14,300)	(8,808)	(2,194)	(25,571)
Charge for the year	–	(204)	–	(1,292)	(290)	(1,786)
Impairments	(18,076)	–	–	–	–	(18,076)
Disposals	–	–	–	–	4	4
Foreign currency	339	–	–	–	–	339
At 3 April 2023	(17,737)	(473)	(14,300)	(10,100)	(2,480)	(45,090)
Charge for the year	–	(100)	–	–	–	(100)
Impairments	(8,128)	(1,034)	–	–	–	(9,162)
Foreign currency	720	–	–	–	–	720
At 1 April 2024	**(25,145)**	**(1,607)**	**(14,300)**	**(10,100)**	**(2,480)**	**(53,632)**
Net book value						
At 1 April 2024	**5,859**	–	–	–	–	**5,859**
At 3 April 2023	13,804	1,134	–	–	–	14,938
At 28 March 2022	30,344	1,338	–	1,292	542	33,516

Impairment testing of goodwill and other intangible assets

Goodwill acquired through business combinations was allocated for impairment testing purposes to the three segments of the business. Goodwill is tested annually for impairment, or more frequently if there are indications that it may be impaired and intangible assets are tested for impairment if there indications that they may be impaired. During the year, the Group recorded an impairment charge of £8.1m against goodwill and £1.0m against other intangible assets. See note 17 Impairment for details.

	At 1 April 2024			At 3 April 2023		
	Goodwill £'000	Facilities and trademarks £'000	Total £'000	Goodwill £'000	Facilities and trademarks £'000	Total £'000
Naked Wines US	-	-	-	7,945	1,134	9,079
Naked Wines UK	5,859	-	5,859	5,859	-	5,859
Naked Wines Australia	-	-	-	-	-	-
Total	5,859	-	5,859	13,804	1,134	14,938

Amortisation

Intangible assets are amortised on a straight-line basis through the income statement, based on the estimated useful lives as disclosed in note 3.16 Other intangible assets.

15 Property, plant and equipment

	Leasehold improvements £'000	Equipment, fittings and vehicles £'000	Total £'000
Cost			
At 28 March 2022	130	4,531	4,661
Additions	64	1,414	1,478
Disposals	(33)	(620)	(653)
Foreign currency	(1)	167	166
At 3 April 2023	160	5,492	5,652
Additions	150	986	1,136
Disposals	(45)	(742)	(787)
Foreign currency	(6)	(112)	(118)
At 1 April 2024	259	5,624	5,883
Accumulated depreciation			
At 28 March 2022	(97)	(2,020)	(2,117)
Charge for the year	(20)	(967)	(987)
Impairments	(6)	(52)	(58)
Disposals	1	314	315
Foreign currency	(1)	(47)	(48)
At 3 April 2023	(123)	(2,772)	(2,895)
Charge for the year	(7)	(1,043)	(1,050)
Impairments	(8)	(3)	(11)
Disposals	16	457	473
Foreign currency	5	63	68
At 1 April 2024	(117)	(3,298)	(3,415)
Net book value			
At 1 April 2024	142	2,326	2,468
At 3 April 2023	37	2,720	2,757
At 28 March 2022	33	2,511	2,544

The gross value of fully depreciated assets in use was £0.7m (FY23: £0.5m). Total assets under construction amount to £nil (FY23: £0.1m).

Impairment of property, plant and equipment

Property, plant and equipment is reviewed at least annually to identify if there are any indicators of impairment. During the year, the Group recorded an impairment charge of £0.01m (FY23: £0.06m). See note 17 Impairment for details.

16 Right-of-use assets

	Buildings £'000
Cost	
At 28 March 2022	5,624
Additions	3,486
Foreign currency	127
At 3 April 2023	9,237
Additions	1,635
Disposals	(3,769)
Foreign currency	(185)
At 1 April 2024	**6,918**
Depreciation	
At 28 March 2022	(2,254)
Charge for the year	(1,526)
Impairments	(49)
Foreign currency	(34)
At 3 April 2023	(3,863)
Charge for the year	(1,823)
Impairments	(704)
Disposals	2,164
Foreign currency	102
At 1 April 2024	**(4,124)**
Net book value	
At 1 April 2024	**2,794**
At 3 April 2023	5,374
At 28 March 2022	3,370

The Group leases a warehouse, a winery and several buildings for use as offices. The average lease term is six years. The total cash flow for leases was £2.0m (FY23: £1.3m).

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

Impairment of right-of-use assets

Right-of-use assets are reviewed at least annually to identify if there are any indicators of impairment. During the year, the Group recorded an impairment charge of £0.7m (FY23: £0.05m). See note 17 Impairment for details.

17 Impairment

Summary

As a result of an impairment review of the carrying value of all non-current assets, an impairment charge of £9.9m (FY23: £18.2m) has been recognised in the income statement. An analysis of this charge by segment and asset type is set out below, along with the calculated value in use of each cash generating unit (CGU).

	Goodwill £'000	Other intangible assets £'000	Property, plant and equipment £'000	Right-of-use assets £'000	Total £'000	CGU value in use[1] £'000
Naked Wines US[2]	8,128	1,034	–	19	9,181	64,753
Naked Wines UK	–	–	–	–	–	56,546
Naked Wines Australia[2]	–	–	11	685	696	(447)
At 1 April 2024	8,128	1,034	11	704	9,877	120,852

1. The value in use of each CGU is calculated after a full allocation of corporate costs necessarily incurred to generate the cash flows of the operating businesses and in accordance with IAS 36 Impairment of Assets
2. For the US and Australia segments, value in use relate to those calculated at the HY24 (see US and Australia segment analysis below for further details)

	Goodwill £'000	Other intangible assets £'000	Property, plant and equipment £'000	Right-of-use assets £'000	Total £'000	CGU value in use[1] £'000
Naked Wines US	16,433	–	–	–	16,433	69,710
Naked Wines UK	–	–	–	–	–	21,739
Naked Wines Australia	1,643	–	58	49	1,750	(2,086)
At 3 April 2023	18,076	–	58	49	18,183	89,363

1. The value in use of each CGU is calculated after a full allocation of corporate costs necessarily incurred to generate the cash flows of the operating businesses and in accordance with IAS 36 Impairment of Assets

Impairment reviews were initially conducted at HY24 on a value in use basis at a CGU level as management identified indicators of impairment at that time and this resulted in impairment charges being recorded in the US and Australia segments. At year end, whilst trading was broadly in line with forecasts in these markets, management concluded that further confirmatory evidence was required before a re-evaluation of the carrying value of the impaired assets should be performed. As such each non-current asset has been individually assessed on a fair value less cost of disposal basis and no further impairment charges have been recognised.

At both half year and year end, the UK segment had sufficient value in use to support the carrying value of goodwill and other non-current assets and, as such, no impairment charge has been recognised in relation to this segment.

Basis of approach

Impairment reviews are initially conducted at a CGU level (defined as the three geographical markets in which the Group operates, consistent with the operating segments of the business) on a value in use basis. Expected future cash flows are determined with reference to the latest forecasts at the time of preparation and include an estimate of capital expenditure required to maintain these cash flows and expected cash inflows and outflows relating to working capital balances. The expected recoverable amount of each business is compared to its carrying value, including working capital balances at the balance sheet date and any allocation of goodwill and non-current assets directly attributable to the CGU, and an impairment charge is recorded if the expected recoverable amount is below the carrying value. No individual asset is impairment below its expected recoverable amount, being the higher of its value in use, if applicable, and its fair value less cost of disposal.

See note 4 Critical accounting policies, estimates and judgements drawing attention to the valuation of goodwill and other non-current assets as a source of estimation uncertainty.

Key assumptions in CGU value in use calculations

Cash flow assumptions

The primary determinants of cash flow are Repeat Customer sales (principally driven by Repeat Customer retention assumptions) and the cost of sales of those goods, the level of Investment in New Customers and other associated operating costs which relate to the cash flows of the business units. Estimates of cash flows used in the value in use calculations are prepared using the latest Board approved outlook numbers at the time of preparation, which align with the forecast used in the preparation of the going concern analysis at that time, as set out in accounting policy note 3.2 Going Concern. A risk adjustment has been applied to these forecasts to reflect the uncertainty of future cash flows.

The Directors believe the key assumptions fundamental to its forecast are Repeat Customer retention levels and Repeat Customer contribution margins. The average, risk-adjusted, rates for these assumptions are set out below.

	FY24		FY23	
	Repeat Customer retention	Repeat Customer contribution margin	Repeat Customer retention	Repeat Customer contribution margin
Naked Wines US[1]	74%	36%	75%	35%
Naked Wines UK	84%	21%	79%	19%
Naked Wines Australia[1]	64%	23%	61%	23%

1. For the US and Australia segments, FY24 values relate to those used in the HY24 value in use calculations (see US and Australia segment analysis below for further details)

Discount rates and long-term growth rate assumptions

The discount rates and long-term growth rate assumptions used are set out below.

	FY24		FY23	
	Discount rate	Long-term growth rate	Discount rate	Long-term growth rate
Naked Wines US[1]	18.2%	1.0%	17.3%	1.0%
Naked Wines UK	16.9%	2.0%	17.9%	1.0%
Naked Wines Australia[1]	20.1%	1.0%	19.1%	1.0%

1. For the US and Australia segments, FY24 values relate to those used in the HY24 value in use calculations (see US and Australia segment analysis below for further details)

The long-term growth rates used are not considered to be higher than the long-term industry averages.

The discount rates applied to the cash flows of each market are calculated using a pre-tax rate based on the weighted average cost of capital (WACC) which would be anticipated for a market participant investing in each of the Group's markets. Management believes it is appropriate to use a country specific pre-tax WACC for the testing of the Naked Wines goodwill and intangible assets based on the difference in the observed risk-free rate between the US and other industrialised economies and their different headline corporate income tax rates. The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing.

UK segment

An impairment review of the UK CGU has been performed at the balance sheet date as goodwill acquired through business combinations is required to be tested at least annually for impairment. As a result of the impairment review performed, management has concluded that the discounted expected future cash flows of £56.5m exceed the carrying value of £6.5m of this segment and no impairment is required at the balance sheet date. The value in use of this segment has increased since the prior year end from £21.7m to £56.5m, predominantly due to cost saving initiatives reflected in the forecast future cash flows, which were not committed to at FY23, improving both Repeat Customer contribution retention percentages and Repeat Customer contribution margins. The increase in the terminal growth rate is not deemed to be a key assumption as a reasonably plausible change in this assumption would not lead to a material impairment.

Sensitivity to future impairment charges

An increase in the discount rate to 258.7% (FY23: 223.1%) and a reduction in forecast cash flows by 88.5% (FY23: 71.9%) would, independently, result in the carrying value of the CGU being equal to its recoverable amount. As such, the Directors have concluded that no reasonably possible change in these assumptions would lead to a material impairment charge being required.

US segment

At FY23, an impairment review was performed which resulted in the value of goodwill allocated to the US segment being impaired by £16.4m. At HY24, management determined that indicators of impairment existed, most notably a reduction in future trading expectations, and a further impairment review was performed. This resulted in an additional £10.8m impairment charge which was first allocated to goodwill, resulting in a full impairment of this asset, and subsequently to other non-current assets, pro-rata to their carrying value but with no asset being impaired to below its net recoverable amount. As a result, other intangible assets and a right-of-use asset relating to an office building were impaired in full (the impairment relating to the right-of-use office building was reversed in the second half of the year when this asset was disposed of) which has reduced the value of the impairment charge recognised for the full year to £9.2m.

Trading in the second half of the year was broadly in line with expectations. However, management has concluded that further confirmatory evidence is required before a re-evaluation of the carrying value of the impaired assets should be performed. Each non-current asset on the US balance sheet at the balance sheet date has, therefore, been individually assessed as set out in the next section and no value in use calculation of the US CGU for impairment testing purposes has been performed at the year end as all goodwill within this CGU was already fully impaired.

At the balance sheet date, the assets on the US balance sheet comprised £2.3m of property, plant and equipment and £2.2m of right-of-use assets. The net recoverable amount of these assets has been assessed based on the higher of their value in use and their fair value less cost of disposal.

17 Impairment (continued)

Property, plant and equipment

The substantial majority of property, plant and equipment in the US relates to barrels used in the wine production process. The net recoverable amount of these barrels has been assessed using internal experience and observations based on the number of winemaking cycles a barrel can be deployed in before it is considered obsolete and the diminution of value of such barrels following each cycle, plus a review of available market comparables for the sale of such assets. Based on these assumptions, management has determined that no impairment is required at the balance sheet date. Assumptions used are considered to be level three in the fair value hierarchy. No sensitivities have been disclosed as the Directors have concluded that no plausible change in assumptions would lead to a material impairment.

Right-of-use assets

At the balance sheet date, the value of right-of-use assets, being a winery, a warehouse and two offices, have been assessed based on their fair value less cost of disposal. Assumptions in the valuation include market rents, applicable real-estate discount rates and anticipated lease incentives that would be offered to a market participant, with the key assumption being market rents. Cash flows have been projected over the period of the existing leases ranging from 15 months to 63 months and discount rates ranging from 9.42% to 9.89% have been applied. As cash flows have not been projected beyond the period of the existing leases, no growth rate has been applied.

Using externally sourced data for the valuation inputs, management has determined that no impairment is required at the balance sheet date. Assumptions used are considered to be level two in the fair value hierarchy. No sensitivities have been disclosed as the Directors have concluded that no plausible change in assumptions would lead to a material impairment.

Australia segment

At FY23, an impairment review was performed which resulted in the value of goodwill allocated to the Australia segment, as well as other non-current assets, being impaired to £nil. At HY24, a further impairment of a recently acquired right-of-use asset was recorded in the accounts. Trading in the second half of the year was broadly in line with expectations however, management has concluded that further confirmatory evidence is required before a re-evaluation of the carrying value of the impaired assets should be performed and no value in use calculation of the Australia CGU for impairment testing purposes was performed at the year end.

18 Inventories

	1 April 2024 £'000	3 April 2023 £'000
Raw materials	57	46
Work in progress	24,472	28,527
Finished goods	104,702	113,310
Goods In transit	2,350	3,544
	131,581	145,427
Inventory staged payments to winemakers	13,273	20,239
	144,854	165,666

The Directors have reviewed the disclosure of staged payments to winemakers in respect of inventory. Comparatives have also been re-presented. The amounts were previously aggregated within inventories.

Recognising the Company's control of this asset, all inventory has been reported as a current asset in the balance sheet. £6.9m (FY23: £3.9m) of this relates to work in progress where the wine is expected to be received from winemakers more than 12 months from the balance sheet date.

The cost of inventories recognised as an expense during the year was £165.8m (FY23: £191.4m).

An amount of £2.4m (FY23: £10.3m) in respect of movement in the US overstock inventory provision is included on the face of the income statement.

Inventory of £0.04m (FY23: £0.03m) was expensed through the income statement in the year relating to samples and tasting products.

The movement in the Group's inventory provision is as follows:

	Overstock inventory provision £'000	Other inventory provision £'000	Total inventory provision* £'000
At 3 April 2023	9,653	1,534	11,187
Additional provision	6,710	694	7,404
Release of provision	(1,203)	(643)	(1,846)
Utilisation of provision	(3,150)	(223)	(3,373)
Foreign currency	(76)	(26)	(102)
At 1 April 2024	11,934	1,336	13,270

* Total US inventory provision of £12.5m (FY23: £10.3m) is made up of £11.9m (FY23: £9.7m) overstock inventory provision and £0.6m (FY23: £0.6m) other inventory provision.

19 Trade and other receivables

	1 April 2024 £'000	3 April 2023 £'000
Current		
Trade receivables	**529**	581
Vendor loan note	**–**	480
Credit card receivables and other debtors	**8,512**	2,617
Prepayments	**1,419**	1,932
	10,460	5,610
Non-current		
Vendor loan note	**–**	10,711

On 12 February 2024, the Directors accepted an offer of £9.0m from CF Bacchus Holdco Limited for early redemption of the vendor loan note (see note 10 Finance costs and income for more detail).

20 Assets classified as held for sale

In the previous financial year, the sale of the asset classified as held for sale was completed. The profit arising on the sale is the difference between the proceeds of £5.85m less commissions and costs of £0.23m and the carrying value of the asset of £0.81m and as such is reported in the prior year comparative figures only. The profit on the sale of the asset of £4.8m was disclosed on the face of the income statement and within adjusted items.

21 Trade and other payables

	1 April 2024 £'000	3 April 2023 £'000
Trade payables	**12,966**	18,680
Taxation and social security	**8,578**	6,922
Accruals	**17,027**	16,298
Other payables	**167**	527
	38,738	42,427

Amounts payable in respect of defined contribution pension schemes were £0.1m (FY23: £0.1m).

22 Angel funds and other deferred income

	1 April 2024 £'000	3 April 2023 £'000
Angel funds	**65,212**	67,425
Other deferred income[1]	**3,102**	3,889
	68,314	71,314

1. Other deferred income includes £1.7m (FY23: £3.5m) of funds received in advance, but the order is yet to be fulfilled or delivered. This will be recognised as revenue when the order is fulfilled or delivered, which is expected to occur within the next six months.

Angel funds and the purchase of inventory from winemakers

On registering as an Angel with Naked Wines, customers agree to lodge a regular monthly sum into their "Angel account". These sums accumulate in the Angel's individual account and build a balance to use against their next purchase from Naked Wines. This is disclosed within Angel funds and other deferred income on the face of the balance sheet.

Naked Wines' operating model is to pool amounts lodged by Angels in their personal Naked Wines accounts to use as working capital within the business.

Naked Wines contracts directly with its winemakers and purchases wine in its own name. Naked Wines retains all risk associated with the purchase of wine from winemakers and no inventory or funding risk is carried by Angels. Angels only bear the risk relating to the ongoing liquidity of Naked Wines to the extent of the value of the funds lodged in their Angel account.

Naked Wines has provided collateral to its merchant card partners issued by its banking partner which is secured against the Group's asset-backed lending facility. For further information on this arrangement, see note 25 Financial instruments.

22 Angel funds and other deferred income (continued)

The refund of such funds is provided directly by Naked Wines and is not contingent on any associated flows of funds or wine from winemakers back to Naked Wines. Customers who became Angels after this date can be refunded in either wine or cash at the discretion of the Company.

Angels are not entitled to interest or any other return on the funds lodged in their Angel accounts. Registration as an Angel entitles a customer to benefit from a lower price than the standard price displayed on the Naked Wines website.

23 Borrowings

	1 April 2024 £'000	3 April 2023 £'000
Current		
Borrowings	12,468	–
Debt issuance costs	(220)	–
	12,248	–
Customer-funded bonds	35	35
	12,283	35
Non-current		
Borrowings	–	29,644
Debt issuance costs	–	(513)
	–	29,131
	12,283	29,166

Reconciliation of borrowings

	£'000
At 3 April 2023	29,166
Amortisation of debt issuance costs charged to the income statement	286
Net repayments during the year	(16,707)
Foreign currency	(462)
At 1 April 2024	12,283

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

At the balance sheet date, the Group had three substantive financial condition covenants in relation to this credit facility:

(a) A facility-defined minimum balance sheet current ratio test;

(b) A facility-defined minimum qualified cash balance of $20m to be held by loan parties at all times; and

(c) A facility-defined adjusted EBITDA profit test.

On 22 August 2023, the Directors concluded an amendment to the principal covenant obligations of the Group's asset-backed lending facility. This amendment moves the facility-defined adjusted EBITDA covenant commitment threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 and increases the size and specificity of the non-recurring expense add-back in the calculation of the facility-defined adjusted EBITDA covenant commitment. The amendment also documented the inclusion of the Group's Australian businesses as loan parties to the agreement. These revised covenant obligations came into effect for periods beginning after 2 October 2023.

The introduction of the revised covenant commitments has no financial effect on the operation of the credit facility. However, the Directors believe that the revised profit covenant test provides the Company with greater latitude in the unwind of the Group's excess inventory and management of its operating cost base.

The Group has met all of its covenant conditions in all periods up to and including the reporting date.

During the course of the year, the Group has used its borrowing facility to support collateral to payment partners, including through the provision of bank-issued guarantees. The issue of this collateral has had the impact of reducing available undrawn liquidity by approximately $15m.

On 8 July 2024, the Group signed a new 60-month credit facility with PNC Bank. On completion, the Group's commitments and obligations under its previous facility with Silicon Valley Bank fell away. Refer to note 31 Events after the balance sheet date for further details.

24 Lease liabilities

The Group leases a winery, warehouse and office facilities. The leases run for a period between one and 10 years, with an option to renew the leases after that date. The Group also leases equipment and office space with contract terms of up to four years. These leases are either short-term of one year or less and/or low-value items which the Group has elected not to recognise as IFRS 16 leases. The maturity analysis of the lease liabilities is set out below:

	1 April 2024 £'000	3 April 2023 £'000
Due within one year	**1,611**	2,301
Due between one and two years	**1,238**	1,773
Due between two and three years	**455**	1,298
Due after three years	**871**	1,008
	4,175	6,380
Less: unearned interest	**(537)**	(529)
	3,638	5,851

Analysed as:

	1 April 2024 £'000	3 April 2023 £'000
Current	**1,392**	2,030
Non-current	**2,246**	3,821
	3,638	5,851

25 Financial instruments

The Group's financial instruments, other than derivatives, comprise cash and various balances, such as trade receivables and trade payables, all arising directly from its operations.

The Group also enters into forward foreign currency derivative contracts. The purpose of these transactions is to manage the currency risk arising from the Group's operations. The Group does not hold or issue financial instruments for speculative purposes and does not engage in speculative trading.

The principal financial risks to which the Group is exposed relate to liquidity risk, credit risk, interest rate risk, market risk and foreign exchange rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In order to manage liquidity risk, each business unit prepares short-term and medium-term cash flow forecasts. These forecasts are consolidated and reviewed centrally to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation.

The Group's net funding position can vary from month to month and there is some volatility within months. This reflects seasonal trading patterns, timing of receipts from customers and payments to suppliers, patterns of inventory holdings and the timing of the spend on major capital and restructuring projects. For these reasons, the net funds position levels at the period end date may not be indicative of the funds position at other points throughout the period.

25 Financial instruments (continued)

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the contractual undiscounted cash flows. These are all held at amortised cost. Forward currency assets and liabilities are held at fair value and have been presented separately.

	Due within one year £'000	Due between one and two years £'000	Due between two and three years £'000	Due after three years £'000	Total £'000	Carrying value £'000
At 1 April 2024						
Financial assets						
Trade and other receivables	**9,041**	**–**	**–**	**–**	**9,041**	**9,041**
Cash and cash equivalents	**31,851**	**–**	**–**	**–**	**31,851**	**31,851**
	40,892	**–**	**–**	**–**	**40,892**	**40,892**
Financial liabilities						
Trade and other payables	**(30,160)**	**–**	**–**	**–**	**(30,160)**	**(30,160)**
Angel funds	**(65,212)**	**–**	**–**	**–**	**(65,212)**	**(65,212)**
Borrowings	**(12,468)**	**–**	**–**	**–**	**(12,468)**	**(12,248)**
Lease liabilities	**(1,611)**	**(1,238)**	**(455)**	**(871)**	**(4,175)**	**(3,638)**
Customer-funded bonds	**(35)**	**–**	**–**	**–**	**(35)**	**(35)**
	(109,486)	**(1,238)**	**(455)**	**(871)**	**(112,050)**	**(111,293)**
At 3 April 2023						
Financial assets						
Trade and other receivables	3,198	–	–	–	3,198	3,198
Vendor loan note	480	10,711	–	–	11,191	11,191
Cash and cash equivalents	39,474	–	–	–	39,474	39,474
	43,152	10,711	–	–	53,863	53,863
Financial liabilities						
Trade and other payables	(35,505)	–	–	–	(35,505)	(35,505)
Angel funds	(67,425)	–	–	–	(67,425)	(67,425)
Borrowings	–	(29,644)	–	–	(29,644)	(29,131)
Lease liabilities	(2,301)	(1,773)	(1,298)	(1,008)	(6,380)	(5,851)
Customer-funded bonds	(35)	–	–	–	(35)	(35)
	(105,266)	(31,417)	(1,298)	(1,008)	(138,989)	(137,947)

Financial assets consist of cash and cash equivalents, trade and other receivables and a vendor loan note in the prior year. The Group applies the IFRS 9 Financial Instruments simplified approach to measuring expected credit losses as all assets, with the exception of the vendor loan note in the prior year, are considered low risk.

The five-year, £12m vendor loan note arising as part of the Group's disposal of the Majestic group of companies was due in December 2024. It was held on the balance sheet of Naked Wines plc at amortised cost. On 12 February 2024, the Directors accepted an offer of £9.0m for early redemption of the note.

Financial liabilities held at amortised cost consist of trade and other payables, deferred income borrowings and customer-funded bonds. See note 22 Angel funds and other deferred income for an explanation of the nature of the funding made by Angels and Naked Wines' rights and obligations in respect of these amounts. The total remaining undrawn borrowings of the facility at the reporting date was £13.2m, after the provision of a portion of available liquidity to support collateral to payment partners. All financial liabilities are held at amortised cost except for forward foreign financial liabilities which are held at fair value.

The following table analyses the Group's simple foreign currency forward purchase contract derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the undiscounted cash flows.

	Due within one year £'000	Due between one and five years £'000	Total £'000
At 1 April 2024			
Outflow	(21,545)	(2,959)	(24,504)
Inflow	21,364	2,893	24,257
	(181)	(66)	(247)
At 3 April 2023			
Outflow	(18,250)	-	(18,250)
Inflow	17,990	-	17,990
	(260)	-	(260)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The vendor loan note receivable held in the Group's books at the end of the prior year was settled during the current financial year and therefore has significantly reduced the Group's credit risk.

During the current financial year, a guarantee to HMRC for customs duties for the UK trading subsidiary of £300,000 was cancelled and therefore exposure to this credit risk no longer exists.

The maximum credit risk exposure relating to financial assets is represented by its carrying value as at the balance sheet date limited to the value of trade and other receivables. Other receivable amounts are mostly amounts owed from credit card acquirer funds.

Credit risk also arises from cash and cash equivalents and derivative financial instruments. The cash and cash equivalents are held with banks with high credit ratings ranging from A+ to BBB+ assigned by international credit-rating agencies such as Standard & Poors and Moody's. The financial institution used for forward foreign exchange contracts uses a proxy credit default swap rating which in turn partners with Tier 1 banks as a matched principal broker.

CF Bacchus Holdco Limited was subject to covenants as part of the vendor loan note agreement. These are no longer applicable following the early redemption of the vendor loan note on 12 February 2024.

The Group does not utilise any reverse factoring or supplier financing.

Trade receivables are shown net of expected credit losses. As at the balance sheet date, the ageing analysis of trade receivables and associated expected credit loss is shown below:

	1 April 2024			3 April 2023		
	Gross carrying amount £'000	Expected credit loss £'000	Net trade receivables £'000	Gross carrying amount £'000	Expected credit loss £'000	Net trade receivables £'000
Current	131	–	131	443	–	443
Up to three months past due	591	(194)	397	137	–	137
Three to six months past due	50	(49)	1	–	–	–
Over six months past due	–	–	–	1	–	1
Total trade receivables	772	(243)	529	581	–	581

Geographical analysis of trade receivables

	US £'000	UK £'000	Australia £'000	Total £'000
At 1 April 2024	512	10	7	529
At 3 April 2023	573	8	–	581

Interest rate risk

The Group's interest rate risk arises primarily from its asset-backed lending facility. At 1 April 2024, the Group had drawn $15.8m as borrowings.

Interest payable on this facility is calculated on a margin of between +325bps and +375bps above the Secured Overnight Financing Rate (SOFR) with a commitment fee on undrawn funds. As an indicative impact of its financial effect, using a representative SOFR rate which cannot be predicted in the future and average facility margins and may not be representative of actual final applicable margins, a drawdown of $10m for 12 months would amount to an interest and commitment fee payable of approximately £0.7m. At the current credit facility amount the Group has drawn, an increase in the SOFR interest rate of 5% would amount to an additional annual interest charge of £0.6m.

25 Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group manages foreign currency risk as detailed below. The Group does not currently enter into any interest rate swaps or other derivative financial instruments to mitigate the risk of rising interest rates.

Foreign currency exchange rates

The Group's presentation currency is GBP, although some transactions are executed in non-GBP currencies, including EUR, USD and AUD. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against GBP. It is the Group's policy to manage the exposures arising using forward foreign currency exchange contracts. Hedge accounting is not sought for these transactions. The Group generates some of its profits in non-GBP currencies and has assets in non-GBP jurisdictions, principally in the US and Australia. The principal foreign currencies affecting the translation of subsidiary undertakings within the Group financial statements are USD and AUD.

The rates applicable are as follows:

	1 April 2024	3 April 2023
AUD : GBP		
Year-end spot rate	1.936	1.828
Average	1.911	1.761
USD : GBP		
Year-end spot rate	1.263	1.240
Average	1.257	1.206

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the US and Australian subsidiaries.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed in the table below. The amounts shown are translated into the Group's functional currency at the year-end spot rate.

	GBP £'000	AUD £'000	EUR £'000	USD £'000	Other currencies £'000	Total £'000
At 1 April 2024						
Financial assets						
Trade and other receivables	4,344	376	–	4,321	–	9,041
Cash and cash equivalents	18,201	3,039	251	10,341	19	31,851
	22,545	3,415	251	14,662	19	40,892
Financial liabilities						
Trade and other payables	(10,896)	(2,999)	(1,222)	(15,015)	(28)	(30,160)
Angel funds	(25,286)	(7,572)	–	(32,354)	–	(65,212)
Borrowings	–	–	–	(12,468)	–	(12,468)
Lease liabilities	(904)	(772)	–	(2,499)	–	(4,175)
Customer-funded bonds	(35)	–	–	–	–	(35)
	(37,121)	(11,343)	(1,222)	(62,336)	(28)	(112,050)
At 3 April 2023						
Financial assets						
Trade and other receivables	1,128	330	–	1,740	–	3,198
Vendor loan note	11,191	–	–	–	–	11,191
Cash and cash equivalents	11,668	3,445	43	24,272	46	39,474
	23,987	3,775	43	26,012	46	53,863
Financial liabilities						
Trade and other payables	(10,073)	(2,994)	(1,908)	(20,319)	(211)	(35,505)
Angel funds	(24,961)	(9,139)	–	(33,325)	–	(67,425)
Borrowings	–	–	–	(29,644)	–	(29,644)
Lease liabilities	(469)	(52)	–	(5,859)	–	(6,380)
Customer-funded bonds	(35)	–	–	–	–	(35)
	(35,538)	(12,185)	(1,908)	(89,147)	(211)	(138,989)

Sensitivity analysis relating to market risk is calculated by taking the overseas profits/(losses) before tax and forward currency contracts and applying the stated sensitivity. The table below shows the Group's currency exposures that gave rise to net currency gains and losses recognised in the consolidated income statement, with all other variables held constant. A 5% sensitivity has been assumed as it is in excess of currency markets.

	Sensitivity in exchange rate	Impact of increase in rate £'000	Impact of decrease in rate £'000
52 weeks ended 1 April 2024			
AUD : GBP	5%	(76)	84
EUR : GBP	5%	(737)	814
USD : GBP	5%	(59)	65
Other currencies : GBP	5%	(90)	99
53 weeks ended 3 April 2023			
AUD : GBP	5%	(43)	46
EUR : GBP	5%	(695)	661
USD : GBP	5%	(62)	76
Other currencies : GBP	5%	(59)	82

Fair value

The Group enters into forward foreign currency exchange contracts in order to manage the Group's forecast currency requirements. These are held for hedging purposes with fair value movements being recognised in the income statement.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

There have been no financial instruments that have transferred between the levels in the hierarchy as detailed above.

The nominal and fair value of financial instruments is shown in the following table, all of which are due within one year. The fair value of the forward currency contracts was determined using quoted forward exchange rates matching the maturities of the contracts and includes counter party credit risk. The Group's measurement of its financial instruments meets the criteria of Level 2 and hence all have been included in this classification.

	At 1 April 2024			At 3 April 2023		
		Fair value			Fair value	
	Nominal value £'000	Assets £'000	Liabilities £'000	Nominal value £'000	Assets £'000	Liabilities £'000
Forward foreign currency contracts						
AUD	987	–	(16)	724	–	(39)
EUR	13,101	4	(204)	13,700	13	(135)
NZD	1,522	–	(39)	832	–	(21)
USD	1,276	1	(2)	1,554	2	(48)
ZAR	169	–	(3)	255	–	(14)
	17,055	5	(264)	17,065	15	(257)
Forward foreign currency swaps						
AUD	700	1	–	208	–	(7)
EUR	3,650	10	(3)	105	–	–
NZD	1,050	4	(1)	350	10	–
USD	700	–	–	150	5	–
ZAR	1,349	1	–	372	–	(26)
	7,449	16	(4)	1,185	15	(33)
	24,504	21	(268)	18,250	30	(290)

25 Financial instruments (continued)

Capital management

The primary objective of the Group's capital management is to ensure it has sufficient liquidity for its trading purposes including meeting liabilities as they fall due, and to provide assurance to our Angels for their Angel balances held. The Group considers capital to consist of the total equity of the Group.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current year.

The Group's capital allocation policy is currently to:

1. Maintain a healthy balance sheet;

2. Invest in growth in a disciplined manner; and

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

The Directors continue to believe that suspension of the payment of ordinary dividends is in support of this policy to support its stated capital management objective.

The Group is not subject to externally imposed capital requirements.

26 Provisions

	Social security costs £'000	Loss on vouchers provision £'000	Refund liability provision £'000	Dilapidations provision £'000	Redundancy provision £'000	Total £'000
At 28 March 2022	329	134	1,670	–	–	2,133
Provided in the year	–	42	1,229	157	151	1,579
Released in the year	(161)	(134)	(1,614)	–	–	(1,909)
Utilised in the year	(118)	–	–	–	–	(118)
Foreign currency	–	–	38	–	–	38
At 3 April 2023	50	42	1,323	157	151	1,723
Provided in the year	–	82	601	–	–	683
Released in the year	–	(42)	(596)	(107)	–	(745)
Utilised in the year	(7)	–	–	(11)	(151)	(169)
Foreign currency	–	–	(17)	–	–	(17)
At 1 April 2024	**43**	**82**	**1,311**	**39**	**–**	**1,475**

Analysed as:

	1 April 2024 £'000	3 April 2023 £'000
Current	1,475	1,709
Non-current	–	14
	1,475	1,723

Social security costs on share-based payment awards

Social security costs which will become payable on exercise of share-based payment awards have been provided for. The share-based payment awards can be exercised at various dates from the balance sheet date to 12 August 2032. The value of social security costs payable on the vesting of share-based payment awards is dependent on the Group's share price at the date of exercise of those share-based payment awards. The provision, which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the awards, has been calculated on the share price at the balance sheet date of 56.2p and the assumption that 100% of employees will take up their vested share-based payment awards and that the rate of social security is 13.8% for UK employees, 7.65% for US employees and 0% for Australian employees.

Loss on vouchers provision

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

Refund liability provision

The Group's revenue is not considered to be a contract liability in accordance with IFRS 15 Revenue from Contracts with Customers (see accounting policy note 3.5 Revenue for further details). Under the requirements of IFRS 15, the Group has established a right-of-return provision under the requirements to recognise variable consideration in the form of a sales cancellation provision. The Group uses its accumulated historical experience to estimate the level of returns at a portfolio level using the expected value method. The resulting outflows are expected within six months. Any movement in the refund liability provision is recognised within revenue in the income statement.

Dilapidations provision

This provision relates to dilapidations of one of the office buildings leased by the Group.

Redundancy provision

Redundancies provided for at the prior year end were settled in the current year.

27 Commitments

Future minimum amounts payable

	1 April 2024			3 April 2023		
	Inventory £'000	Other £'000	Total £'000	Inventory £'000	Other[1] £'000	Total £'000
Within one year	**66,954**	**765**	**64,719**	99,436	9,709	109,145
Between one and five years	**38,917**	**332**	**39,249**	59,551	6,702	66,253
Over five years	**–**	**–**	**–**	2,469	–	2,469
	102,871	**1,097**	**103,968**	161,456	16,411	177,867

1. The comparative year figures have been revised due to a miscalculation which resulted in a £5.0m overstatement of the previously reported future minimum amounts payable within one year. There is no impact on the loss for the year or net assets from this matter.

Inventory future minimum amounts payable primarily relate to securing wine the group sells to its customers and bottling services. Included within these inventory commitments are a total of £76.4m (FY23: £124.9m) committed purchases of finished goods including bulk wine commitments. The Group does not have control of this inventory at the balance sheet date. The price under these commitments is fixed. The amounts disclosed in this note assumes all winemakers are able to meet the committed volumes. The volumes that the Group ultimately obtains, and therefore the amount the Group pays, may be lower if the winemaker is unable to meet the agreed volumes. Other future amounts payable relate to warehousing facilities, delivery services, logistics and other contractual obligations. During the year, the Group has undertaken a commitments reduction programme and reduced the commitments significantly year-on-year. As part of this programme, the Group also renegotiated its warehousing arrangements.

Capital expenditure authorised and contracted for but not provided in the accounts is £nil (FY23: £nil).

28 Share capital and reserves

	1 April 2024		3 April 2023	
	Number of shares	Value £'000	Number of shares	Value £'000
Authorised				
Ordinary shares of 7.5p each	**140,000,000**	**10,500**	140,000,000	10,500
Allotted, called up and fully paid				
At the beginning of the year	**74,004,135**	**5,550**	73,439,132	5,508
Shares issued in respect of employee share schemes	**–**	**–**	565,003	42
At the end of the year	**74,004,135**	**5,550**	74,004,135	5,550

During the year no ordinary shares of 7.5p each were allotted. In the previous year, 565,003 ordinary shares were allotted for a consideration of £0.04m. These shares were allotted under the terms of the Company's share schemes, which are described in note 29 Share-based payments.

Share premium

The share premium represents the amounts received by the Company on the issue of ordinary shares that are in excess of the nominal value of the issued shares net of share issue costs.

Capital redemption reserve

The Company, when cancelling its ordinary shares, transfers amounts equivalent to the nominal value of the cancelled shares into the capital redemption reserve to maintain the level of non-distributable reserves in shareholders' equity.

Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of foreign currency subsidiary undertakings.

29 Share-based payments

The charge recognised in the income statement in respect of share-based payments is £0.4m (FY23: £1.6m which includes a credit of £0.1m relating to a previous Chairman's remuneration, see Directors' remuneration report on pages 38 to 45 for further details).

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Share schemes	**365**	1,675
Chairman's remuneration	**–**	(71)
	365	1,604

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

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

All LTIP awards have a three-year vesting period. The LTIP's granted prior to July 2020 are subject to a relative Total Shareholder Return (TSR) performance condition, where the TSR of the Company over the performance period is compared to the TSR of a comparator group of similar companies. The LTIP's granted in July 2020 and July 2021 are subject to a combination of TSR performance and a non-market condition Standstill EBIT. This is an internal investment measure defined as the adjusted EBIT that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base.

There was an award made on 1 April 2024. For further details, refer to note 31 Events after the balance sheet date.

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

	52 weeks ended 1 April 2024		53 weeks ended 3 April 2023	
	LTIP shares	WAEP	LTIP shares	WAEP
Outstanding at the beginning of the year	**737,917**	**–**	1,503,689	–
Exercised	**(2,917)**	**£0.34**	(453,554)	£2.24
Lapsed	**(608,976)**	**–**	(312,218)	–
Outstanding at the end of the year	**126,024**	**–**	737,917	–
Exercisable at the end of the year	**–**		–	
Weighted average remaining contractual life in years	**0.35**		0.70	
Range of exercise prices	**£nil**		£nil	

Based on the share price of 56.2p at the year end, the Group expects to transfer an estimated amount of £nil (FY23: £0.03m) to the tax authorities to settle the employees' tax obligation.

(b) The Naked Wines plc Share Incentive Plan (SIP) was adopted on 20 July 2016. The first grant of shares under the rules of the scheme was in July 2017. All SIP awards have a three-year vesting period and are not subject to any performance conditions other than continued employment.

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP) for the SIP scheme:

	52 weeks ended 1 April 2024		53 weeks ended 3 April 2023	
	SIP shares	WAEP	SIP shares	WAEP
Outstanding at the beginning of the year	124,593	–	196,027	–
Adjustment to the opening balance	20,910	–	–	–
Exercised	(53,364)	£0.74	(50,096)	£1.17
Lapsed	(9,010)	–	(21,338)	–
Outstanding at the end of the year	83,129	–	124,593	–
Exercisable at the end of the year	33,742		22,552	
Weighted average remaining contractual life in years	4.66		2.58	
Range of exercise prices	£nil		£nil	

Based on the share price of 56.2p at the year end, the Group expects to transfer an estimated amount of £nil (FY23: £0.01m) to the tax authorities to settle the employees' tax obligation.

(c) The Naked Wines plc Long-Term Incentive Plan 2022 was adopted on 10 August 2022. The first grant of options under the rules of the scheme was made in August 2022. This scheme is unapproved. The New LTIP award will vest as follows:

25% of the awards will vest on the first anniversary of the grant date and 6.25% per quarter thereafter, subject to continued employment (i.e. the awards will fully vest after four years for all staff).

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

	52 weeks ended 1 April 2024		53 weeks ended 3 April 2023	
	LTIP shares	WAEP	LTIP shares	WAEP
Outstanding at the beginning of the year	2,723,550	£1.575	–	–
Lapsed	(1,034,238)	–	(534,440)	£1.575
Granted	–	–	3,257,990	£1.575
Outstanding at the end of the year	1,689,312	–	2,723,550	£1.575
Exercisable at the end of the year	689,576		–	
Weighted average remaining contractual life in years	8.37		9.37	
Range of exercise prices	£1.575		£1.575	

Based on the share price at the year end being under water, there will be no employees' tax obligation to settle.

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

The following table lists the range of assumptions applied to the share-based payment awards granted in the previous year.

	Year ended 3 April 2023
	Long-Term Incentive Plan
Weighted average share price at grant	£0.86
Weighted average exercise price	£1.575
Expected life of awards (years)	6
Contractual life (years)	4
Volatility (%)	58.5%
Dividend yield (%)	n/a
Risk-free interest rate (%)	1.95% to 1.98%
Weighted average fair value of shares granted during the year	£0.86

30 Notes to the cash flow statement

(a) Cash flows from operations

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Cash flows from operations		
Loss for the year	(20,843)	(17,413)
Adjustments for:		
Tax expense	4,516	2,393
Net finance costs, including the loss on early redemption of the vendor loan note	4,496	762
Depreciation and amortisation	2,973	4,299
Impairment of non-current assets	9,877	18,183
Loss on disposal of fixed assets	253	327
Net gain arising on early termination of right-of-use assets and associated lease liability	(444)	–
Intangible assets previously capitalised under former accounting policy	–	253
Profit on sale of asset classified as held for sale	–	(4,814)
Fair value movement on foreign exchange contracts	(13)	109
Inventory provision movement	2,357	10,254
Share-based payment charges	365	1,604
Operating cash flows before movements in working capital	3,537	15,957
Decrease/(increase) in inventories	14,886	(28,770)
Decrease in Angel funds and other deferred income	(1,814)	(6,193)
(Increase)/decrease in trade and other receivables	(5,414)	3,501
Decrease in trade and other payables	(3,374)	(14,476)
Net cash flows from/(used in) operations	7,821	(29,981)

(b) Analysis of movement in net cash and changes in liabilities arising from financing activities

	3 April 2023 £'000	Cash flows £'000	Non-cash movements £'000[1]	1 April 2024 £'000
Cash and cash equivalents	39,474	(7,507)	(116)	31,851
Borrowings:				
Borrowings, net of issuance costs	(29,131)	16,707	176	(12,248)
Customer-funded bonds	(35)	–	–	(35)
Lease liabilities	(5,851)	2,036	177	(3,638)
	(35,017)	18,743	353	(15,921)
Total net cash	4,457	11,236	237	15,930

	28 March 2022 £'000	Cash flows £'000	Non-cash movements £'000[1]	3 April 2023 £'000
Cash and cash equivalents	39,846	(685)	313	39,474
Borrowings:				
Borrowings net of issuance costs	–	(29,673)	542	(29,131)
Customer-funded bonds	(35)	–	–	(35)
Lease liabilities	(3,567)	1,532	(3,816)	(5,851)
	(3,602)	(28,141)	(3,274)	(35,017)
Total net cash/(borrowings)	36,244	(28,826)	(2,961)	4,457

1. Non-cash movements relate to lease additions and foreign exchange movements.

31 Events after the balance sheet date

On 1 April 2024, the Company granted participants rights over 4,208,325 shares to staff under an LTIP award (the 2024 LTIP award – see Directors' remuneration report for further disclosure of this award on page 38). At the end of the financial year, offer and acceptance had not been confirmed for the significant majority of this award. Subsequent to the year end, acceptance of the award was received from participants and, on the basis of the documented vesting conditions, the Directors estimate that approximately 3,200,000 ordinary shares will vest at the end of the award scheme on 31 March 2027.

Had all of the shares granted been accepted during the financial year under review, and based on the closing share price on 1 April 2024, the estimated number of shares vesting under the 2024 LTIP award would not have resulted in a material change in recognised deferred tax assets on 1 April 2024.

Under the award conditions, beneficiaries of the scheme were required to waive any existing rights to awards under the 2021 LTIP award and the 2022 LTIP transition scheme. Assuming full acceptance of all outstanding shares offered under the 2024 LTIP scheme at the end of the reporting period, and the associated waiving of previously awarded rights, if all of the Company's share awards had vested at 100%, the Company would have 78,127,733 issued shares.

On 8 July 2024, the Group entered into a 60-month senior secured revolving credit facility with PNC Bank, National Association, as administrative agent and lender for up to $60m of credit based on the inventory held by Nakedwines.com Inc, www.nakedwines.com Ltd and Naked Wines Australia Pty Ltd. The facility is secured against the assets of the Group.

The principal terms of the new facility are:

- Maximum revolving advance amount of $60m, with available liquidity based on the value of inventory held (as defined in the facility terms);
- Facility term of five years;
- Margins, depending on facility headroom, of principally the Secured Overnight Financing Rate (SOFR) plus an applicable margin of between 2.75% and 3.25% and an unused line fee; and
- A single financial performance covenant requiring fixed charge cover of greater than 1.2x, but only tested if outstanding available liquidity (as defined in the facility terms) is less than $12m.

On completion of this agreement with PNC Bank, the Group's commitments and obligations under its previous senior secured credit facility with Silicon Valley Bank, a division of First Citizens Bank, fell away.

Indicatively, the facility's financial effect, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, is that a representative $10m of drawdown for 12 months would amount to a total interest and unused line fee payable of approximately £0.8m. In addition, the Group anticipates annualised amortisation charges of the new facility arrangement fees of around £0.4m.

32 Related party transactions

The Group considers its key management personnel to be the Directors of the Company and other executives discharging key management functions. The compensation of key management personnel is disclosed in note 9 Staff costs.

Non-Executive Director, Jack Pailing, is a portfolio manager at Colebrook Partners which holds 703,654 shares in the Company.

During the year, the spouse of a Director was employed by a company in the Naked Wines Group and they received remuneration in the form of salary, benefits and variable compensation in line with usual market rates. For the period of the year in which this transaction was classified as with a related party, total remuneration was in the range of £150,000-£199,000 (FY23: £200,000-£249,000). No sums were outstanding, nor commitments made on the employee's behalf, at the end of the year.

The Board was fully aware of this arrangement and remuneration was approved by appropriate senior leadership.

Naked Wines Charity Trust is considered a related party as a Director of the Company also acted as a trustee for the charity during the year, albeit was no longer a trustee at the balance sheet date. A subsidiary of the Company, www.nakedwines.com Limited, paid accountancy and bank fees for the charity during the year, £2,955 (FY23: £5,737), and also collected funds from Angels which were passed on to the charity during the year, £433,000 (FY23: £605,897).

There are no other related party transactions which require disclosure (FY23: none).

Company balance sheet
As at 1 April 2024

	Note	1 April 2024 £'000	3 April 2023 £'000
Non-current assets			
Investments in subsidiaries	36	**18,794**	18,303
Loan notes receivable from subsidiaries	37	**124,035**	103,143
Right-of-use assets	38	–	86
Intangible assets	39	–	–
Deferred tax assets	40	**16**	94
Vendor loan note	41	–	10,711
		142,845	132,337
Current assets			
Trade and other receivables	41	**1,111**	917
Cash and cash equivalents		**3,988**	5,427
		5,099	6,344
Current liabilities			
Trade and other payables	42	**(67,779)**	(55,355)
Lease liabilities	43	–	(87)
Provisions	44	**(43)**	(187)
		(67,822)	(55,629)
Net current liabilities		**(62,723)**	(49,285)
Total assets less current liabilities		**80,122**	83,052
Non-current liabilities			
Provisions	44	–	(14)
		–	(14)
Net assets		**80,122**	83,038
Equity			
Share capital	46	**5,550**	5,550
Share premium	46	**21,162**	21,162
Capital redemption reserve		**363**	363
Retained earnings		**53,047**	55,963
Total equity		**80,122**	83,038

For the 52 weeks ended 1 April 2024, the Company reported a loss of £3.3m (53 weeks ended 3 April 2023: loss of £43.3m).

The financial statements of Naked Wines plc were approved by the Board of Directors and authorised for issue on 27 August 2024. They were signed on its behalf by James Crawford.

The notes to the parent company financial statements following the primary statements are an integral part of these parent company financial statements.

Company statement of changes in equity

For the 52 weeks ended 1 April 2024

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 28 March 2022		5,508	21,162	363	97,794	124,827
Loss for the year		–	–	–	(43,312)	(43,312)
Total comprehensive loss for the year		–	–	–	(43,312)	(43,312)
Shares issued	46	42	–	–	(42)	–
Share-based payment charges – subsidiary employees	28	–	–	–	894	894
Share-based payment charges – Company	28	–	–	–	710	710
Deferred tax on share-based payments	40	–	–	–	(81)	(81)
At 3 April 2023		5,550	21,162	363	55,963	83,038
Loss for the year		–	–	–	(3,281)	(3,281)
Total comprehensive loss for the year		–	–	–	(3,281)	(3,281)
Share-based payment charges – subsidiary employees	28	–	–	–	491	491
Share-based payment charges – Company	28	–	–	–	(126)	(126)
At 1 April 2024		5,550	21,162	363	53,047	80,122

The notes to the parent company financial statements following the primary statements are an integral part of these parent company financial statements.

33 Material accounting policies

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

Naked Wines plc is the parent company of the Naked Wines Group in whose consolidated financial statements its financial statements are consolidated. The Naked Wines plc Group Annual Report and Accounts are available to the public and may be obtained via the Investors section of the Naked Wines website: www.nakedwinesplc.co.uk.

The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to revenue, share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The financial statements have been prepared on a historical cost basis.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The principal accounting policies adopted are the same as those set out in note 3 Accounting policies to the consolidated financial statements except as noted below.

Revenue

Revenue in the Company represents management fee income from its subsidiary, Naked Wines International Limited. Management fee income is charged and invoiced on a quarterly basis in respect of each financial year.

Software as a Service (SaaS)

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

Share-based payments

Refer to accounting policy note 3.12 Share-based payments within the Group accounting policies. A capital contribution on share-based payment awards granted to subsidiary employees is booked as an increase to the investment in subsidiaries.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Detailed cash flow forecasts prepared on a business unit basis reflecting inter-Group recharges and the availability of liquidity from Group sources are used as an indicator of impairment when looking at the recoverability of the parent company's investments in subsidiaries.

The Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust

The Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust have been accounted for as branches in the Company's accounts, however, they have not been consolidated on the basis of materiality.

Loan notes receivable from subsidiaries

Intercompany balances held within the company largely relate to the investment in its trading subsidiaries through the provision of loan amounts. These loan amounts are unsecured, interest free and repayable on demand.

The Company measures the expected credit loss in relation to each loan by determining the period over which the losses shall be assessed, the probability of default over that period, the loss given default and the discount rate to be applied.

Intangible assets

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

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. These assets relate to software and are charged to the income statement over five years.

Property, plant and equipment and right-of-use assets

Refer to accounting policy note 3.18 Property, plant and equipment and right-of-use assets for depreciation methods, useful lives and depreciation rates used for each class of asset.

Impairment review of loan notes receivable from subsidiaries

Impairment reviews in respect of loan notes receivable from subsidiaries are performed at least on an annual basis and furthermore when an event indicates that an impairment review is necessary.

34 Key accounting judgements and estimates

The Directors do not consider that there are any key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and they have no critical accounting judgements.

35 Staff costs

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

	52 weeks ended 1 April 2024 number	53 weeks ended 3 April 2023 number
Administrative	82	102

The aggregate remuneration comprised:

	52 weeks ended 1 April 2024 £'000	53 weeks ended 3 April 2023 £'000
Wages and salaries	6,603	6,818
Social security costs	711	645
Contributions to defined contribution pension plans	266	318
Share-based payment charges	(126)	710
	7,454	8,491

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

36 Investment in subsidiaries

Details of the Group's subsidiaries at 1 April 2024 are as follows:

Subsidiary	Primary activity	Place of incorporation and operation	% and class of shares held
Naked Wines Employee Share Ownership Trust Limited*	Trustee company	United Kingdom	100% ordinary shares
Naked Wines International Limited*	Holding company	United Kingdom	100% ordinary shares
www.nakedwines.com Limited	Retailing of wines	United Kingdom	100% ordinary shares
Naked Wines Prepayments Trustee Company Limited	Trustee company	United Kingdom	100% ordinary shares
Nakedwines.com Inc	Retailing of wines	United States of America	100% ordinary shares
Nakedwines.com Prepayment Protection Company LLC	Trustee company	United States of America	100% ordinary shares
Naked Wines Australia Pty Limited	Retailing of wines	Australia	100% ordinary shares
NWA (Prepayments) Pty Limited	Trustee company	Australia	100% ordinary shares
Naked Fine Wine Bonds plc	Dormant company	United Kingdom	100% ordinary shares

* Directly owned by the parent company

	Registered Address
Subsidiaries incorporated in the United Kingdom	Norvic House, 29-33 Chapel Field Road, Norwich, NR2 1RP, UK
Subsidiaries incorporated in the United States of America	497 Walnut Street, Suite B, Napa Ca 94559, USA
Subsidiaries incorporated in Australia	18 Sydney Road, Manly, NSW 2095, Australia

All subsidiary undertakings have been included in the consolidation.

The subsidiaries have the same reporting date and cover the same period as that of the consolidated financial statements.

	£'000
Cost or valuation:	
At 3 April 2023	59,138
Capital contribution on share-based payment awards granted to subsidiary employees	491
At 1 April 2024	59,629
Amounts provided for:	
At 3 April 2023	(40,835)
Impairments	–
At 1 April 2024	(40,835)
Net book value	
At 1 April 2024	18,794
At 3 April 2023	18,303

36 Investment in subsidiaries (continued)

At FY23, an impairment review was performed which resulted in the carrying value of the investment in subsidiaries being impaired by £40.8m. At FY24, an impairment review was performed of the investment in Naked Wines International Limited, the holding company for the US, UK and Australia businesses. The following assumptions were used to determine the combined value in use of the US, UK and Australia CGUs (refer to note 17 Impairment for more detail on the basis of approach and key assumptions):

	FY24	FY23
Repeat Customer retention	71-84%	75-79%
Repeat Customer contribution margin	21-34%	19-35%
Discount rate	16.3-18.1%	17.3-19.1%
Long-term growth rate	1-2%	1%

There are no other key assumptions used in arriving at the equity value using an enterprise value determined using the combined value in use of the US, UK and Australian CGUs.

No sensitivities have been disclosed as the Directors have concluded that no plausible change in assumptions would lead to a material impairment.

37 Loan notes receivable from subsidiaries

Intercompany balances held in the Company largely relate to investment in its trading subsidiaries through the provision of loan amounts. As such, these amounts are disclosed as loan notes receivable from subsidiaries reported within non-current assets. Expected credit losses on loan notes receivable from subsidiaries have been assessed at the balance sheet date and no material credit risk has been identified (FY23: £nil).

38 Right-of-use assets

	Buildings £'000
Cost	
At 3 April 2023	124
Additions	–
Disposals	(124)
At 1 April 2024	–
Accumulated depreciation	
At 3 April 2023	(38)
Charge for the year	(57)
Disposals	95
At 1 April 2024	–
Net Book Value	
At 1 April 2024	–
At 3 April 2023	86

Total cash outflow for leases was £0.06m (FY23: £0.04m). The interest expense on lease liabilities is £nil (FY23: £nil).

39 Intangible assets

	Software £'000
Cost	
At 1 April 2024 and 3 April 2023	1,580
Accumulated amortisation	
At 1 April 2024 and 3 April 2023	(1,580)
Net Book Value	
At 1 April 2024 and 3 April 2023	–

40 Deferred tax assets

The Company has recognised deferred tax assets for deductible temporary differences that it believes are recoverable. These do not include any uncertain tax positions. The basis of the creation of these assets is the examination of underlying documents and relevant law and regulation for temporary timing differences and future profitability forecasts set out in the business plans approved by the Board.

	3 April 2023 £'000	Recognised in income statement £'000	1 April 2024 £'000
Fixed assets	29	(29)	–
Provisions	6	10	16
Share-based payments	59	(59)	–
	94	(78)	16

Deferred tax assets arising from timing differences are not recognised to the extent that these amounts are recoverable through the reversal of the timing difference in the foreseeable future.

Deferred tax on losses of £9.3m (FY23: £6.2m) relating to losses in the Company have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created. There is no expiry date on these unrecognised losses.

41 Trade and other receivables

	1 April 2024 £'000	3 April 2023 £'000
Current		
Vendor loan note	–	480
Other debtors	858	40
Prepayments	253	397
	1,111	917
Non-current		
Vendor loan note	–	10,711

The vendor loan note was initially measured at fair value and subsequently measured at amortised cost less any provision for impairment. On 12 February 2024, the Directors accepted an offer of £9.0m from CF Bacchus Holdco Limited for early redemption of the vendor loan note.

42 Trade and other payables

	1 April 2024 £'000	3 April 2023 £'000
Trade payables	507	360
Other taxes and social security	203	24
Amounts due to Group undertakings	64,044	50,964
Accruals and other payables	2,948	3,800
Other payables	77	207
	67,779	55,355

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

43 Lease liabilities

The Company leased an office with a term of 13 months which was terminated during the year. The maturity analysis of the lease is set out below, disclosed within current liabilities.

	1 April 2024 £'000	3 April 2023 £'000
Due within one year	–	89
Less: unearned interest	–	(2)
	–	87

44 Provisions

	Social security costs £'000	Redundancy provision £'000	Total £'000
At 3 April 2023	50	151	201
Utilised during the year	(7)	(151)	(158)
At 1 April 2024	**43**	**–**	**43**

Analysed as:

	1 April 2024 £'000	3 April 2023 £'000
Current	43	187
Non-current	–	14
	43	201

Social security costs on share-based payment awards

Social security costs which will become payable on exercise of share-based payment awards have been provided. The share-based payment awards can be exercised at various dates from the balance sheet date to 12 August 2032. The value of social security costs payable on the vesting of share-based payment awards is dependent on the Group's share price at the date of exercise of those share-based payment awards. The provision, which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the awards has been calculated on the share price at the balance sheet date of 56.2p and the assumption that 100% of employees will take up their vested share-based payment awards and that the rate of social security is 13.8% for UK employees, 7.65% for US employees and 0% for Australian employees.

Redundancy provision

Redundancies provided for at the prior year end were settled in the current year.

45 Commitments

	1 April 2024 £'000	3 April 2023 £'000
Future minimum amounts payable:		
Within one year	545	237
Between one and five years	332	595
	877	832

Commitments primarily relate to the provision of IT services to the Group.

Capital expenditure authorised and contracted for but not provided in the accounts is £nil (FY23: £0.8m).

46 Share capital and share premium

Details are disclosed in note 28 Share capital and reserves.

47 Share-based payments

Refer to note 29 Share-based payments for:

- A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement;
- The weighted average share price at the date of exercise for share awards exercised during the period; and
- The range of exercise prices and weighted average remaining contractual life for share options outstanding at the end of the period.

48 Events after the balance sheet date

On 1 April 2024, the Company granted participants rights over 4,208,325 shares to staff under an LTIP award (the 2024 LTIP award – see Directors' remuneration report for further disclosure of this award on page 38). At the end of the financial year, offer and acceptance had not been confirmed for the significant majority of this award. Subsequent to the year end, acceptance of the award was received from participants and, on the basis of the documented vesting conditions, the Directors estimate that approximately 3,200,000 ordinary shares will vest at the end of the award scheme on 31 March 2027.

Had all of the shares granted been accepted during the financial year under review, and based on the closing share price on 1 April 2024, the estimated number of shares vesting under the 2024 LTIP award would not have resulted in a material change in recognised deferred tax assets on 1 April.

Under the award conditions, beneficiaries of the scheme were required to waive any existing rights to awards under the 2021 LTIP award and the 2022 LTIP transition scheme. Assuming full acceptance of all outstanding shares offered under the 2024 LTIP scheme at the end of the reporting period, and the associated waiving of previously awarded rights, if all of the Company's share awards had vested at 100%, the Company would have 78,127,733 issued shares.

On 8 July 2024, the Group entered into a 60-month senior secured revolving credit facility with PNC Bank, National Association, as administrative agent and lender for up to $60m of credit based on the inventory held by Nakedwines.com Inc, www.nakedwines.com Ltd and Naked Wines Australia Pty Ltd. The facility is secured against the assets of the Group.

The principal terms of the new facility are:

- Maximum revolving advance amount of $60m, with available liquidity based on the value of inventory held (as defined in the facility terms);
- Facility term of five years;
- Margins, depending on facility headroom, of principally the Secured Overnight Financing Rate (SOFR) plus an applicable margin of between 2.75% and 3.25% and an unused line fee; and
- A single financial performance covenant requiring fixed charge cover of greater than 1.2x, but only tested if outstanding available liquidity (as defined in the facility terms) is less than $12m.

On completion of this agreement with PNC Bank, the Group's commitments and obligations under its previous senior secured credit facility with Silicon Valley Bank, a division of First Citizens Bank, fell away.

Indicatively, the facility's financial effect, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, is that a representative $10m of drawdown for 12 months would amount to a total interest and unused line fee payable of approximately £0.8m. In addition, the group anticipates annualised amortisation charges of the new facility arrangement fees of around £0.4m.

49 Related party transactions

The Company has identified key management personnel of the Company as related parties for the purpose of FRS 101. The compensation of key management personnel is disclosed in note 9 Staff costs. The Company has no transactions with or amounts owed to or from subsidiary undertakings that are not 100% owned either directly by the Company or by its subsidiaries. Non-Executive Director, Jack Pailing, is a portfolio manager at Colebrook Partners which holds 703,654 shares in the Company. There are no other related party transactions which require disclosure (FY23: none).

50 Ultimate controlling party

The Company, Naked Wines plc, is the ultimate controlling party of the Naked Wines Group.

Information for shareholders

Annual General Meeting

The AGM will be held at the offices of Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG on 30 September 2024 at 4pm. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

Company Secretary

Anne Huffsmith
Norvic House
29-33 Chapel Field Road
Norwich NR2 1RP

Nominated Advisor and Joint Corporate Broker

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

Joint Corporate Broker

Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Auditor

KPMG LLP
20 Station Road
Cambridge CB1 2JD

Registrar

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

Investor Relations

IR@nakedwines.com
Norvic House
29-33 Chapel Field Road
Norwich NR2 1RP

Solicitor

Fladgate LLP
16 Great Queen Street
London WC2B 5DG

Tax Advisor

Grant Thornton
30 Finsbury Square
London EC2A 1AG

Banker (to 8 July 2024)

Silicon Valley Bank a division of
First Citizens Bank & Trust Company
505 Howard Street 3rd Floor
San Francisco CA 94105

Banker (from 8 July 2024)

PNC Bank, National Association
300 Fifth Avenue
Pittsburgh PA 15222

Glossary of definitions, alternative performance measures (APMs) and key performance indicators (KPIs)

Definitions		
5* customer service	The percentage of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale of 1 to 5.	Customer experience KPI
5-Year Forecast Payback	The ratio of projected future Repeat Customer contribution we expect to earn from the new customers recruited in the year, divided by the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm that weighs several characteristics including demographics, interactions and transactions forecast over a five-year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes. An explanation of why this is used is on page 21. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results.	Investment measure
5-Year Lifetime Value (LTV)	The future Repeat Customer contribution we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a machine learning model. Collecting data for a number of key customer characteristics including retention, order frequency and order value along with customer demographics and non-transactional data, the machine learning algorithms then predict the future (lifetime) value of that customer.	Investment measure
Active Angel	An Angel that is an active subscriber who has placed an order in the past 12 months.	
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, impairment of goodwill, restructuring costs, fair value movement through the income statement on financial instruments and revaluation of funding cash balances held and any items that are either material, one-time charges we do not expect to be repeated, or are non-trading related. A reconciliation to operating profit can be found on the face of the consolidated income statement.	APM
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.	APM
AGM	Annual General Meeting	
Angel	A customer who deposits funds into their account each month to spend on the wines on our website.	
Company, Naked or Naked Wines	Naked Wines plc	
Contribution	A profit measure equal to gross profit. We often split contribution into that from new and repeat customers as they can have different levels of profitability. A reconciliation of operating profit to contribution is shown in note 6 Segmental reporting.	APM
DtC	Direct-to-consumer	
EBIT	Operating profit as disclosed in the consolidated income statement.	APM
EBITDA	EBIT plus depreciation and amortisation.	APM
Group	Naked Wines plc and its subsidiary undertakings	
Investment in New Customers	The amount we have invested in acquiring new customers during the year, including contribution profit/loss from New Customer sales and advertising costs.	Investment measure
LTIP	Long-Term Incentive Plan	
Marketing R&D	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities.	
Net cash excluding lease liabilities	The amount of cash we are holding less borrowings at year end excluding lease liabilities.	APM
New customer	A customer who, at the time of purchase, does not meet our definition of a repeat customer; for example, because they are brand new, were previously a repeat customer and have stopped subscribing with us at some point or cannot be identified as a repeat customer.	
New Customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation of total sales to New Customer sales is shown in note 6 Segmental reporting.	
Other revenue	Revenue from stock optimisation activities. See accounting policy note 3.5 Revenue.	
Other contribution	The profit or loss attributable to sales meeting the definition of other revenue.	Investment measure
Product availability	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.	Customer experience KPI
Repeat customer	A customer (Angel) who has subscribed and made their first monthly subscription payment.	

Definitions		
Repeat Customer contribution	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment and service costs. An explanation of why this is used is on page 21. A reconciliation of adjusted EBIT to Repeat Customer contribution is shown in note 6 Segmental reporting.	Investment measure
Repeat Customer contribution margin	Repeat Customer contribution as a percentage of Repeat Customer sales.	Investment measure
Repeat Customer sales	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering. A reconciliation of total sales to Repeat Customer sales is shown in note 6 Segmental reporting.	
Repeat Customer sales retention	The proportion of sales made to customers who met our definition of "repeat" last year and who placed orders again this year, calculated on a monthly basis and summed to calculate the full year retention.	Investment measure
SIP	Share Incentive Plan	
Standstill EBIT	The adjusted EBIT that would be reported if investment in New Customers was reduced to the level needed only to replenish the portion of the customer base that was lost to attrition during the period. As a result of fluctuations in year one payback and repeat customer sales retention experienced during and post the COVID disrupted periods, Standstill EBIT became a less effective performance indicator. As such, this investment measure is no longer used by management for internal performance evaluation.	Investment measure
Total addressable market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.	
Wine Genie	A customer who signs up to receive tailor made cases at the frequency of their choice. This type of customer does not deposit funds into an account.	
Wine quality – "Buy it again" ratings	The percentage of "Yes" scores given by customers in the year indicating that the customer would buy the product again.	Customer experience KPI
Year 1 Payback	A short-term payback measure showing the actual return in this financial year of our investment in the prior year.	Investment measure

Alternative performance measures (APMs)

Reconciliation of reported results to 52-week comparable figures

		52 weeks ended 1 April 2024			53 weeks ended 3 April 2023					
		Reported £m	Adjusted items £m	Adjusted £m	Reported £m	Adjusted items £m	Adjusted £m	53rd week £m	Constant FX £m	52-week comparable £m
Sales	**Group**									
	New Customer sales	23.6	–	23.6	26.9	–	26.9	(0.9)	(0.8)	25.2
	Repeat Customer sales	264.1	–	264.1	320.7	–	320.7	(6.2)	(9.3)	305.2
	Other revenue	2.7	(1.9)	0.8	6.4	(3.1)	3.3	(0.1)	(0.2)	3.0
		290.4	(1.9)	288.5	354.0	(3.1)	350.9	(7.2)	(10.3)	333.4
	Naked Wines US									
	New Customer sales	14.2	–	14.2	17.2	–	17.2	(0.4)	(0.7)	16.1
	Repeat Customer sales	114.2	–	114.2	147.4	–	147.4	(3.3)	(6.1)	138.0
	Other revenue	2.7	(1.9)	0.8	6.4	(3.1)	3.3	(0.1)	(0.2)	3.0
		131.1	(1.9)	129.2	171.0	(3.1)	167.9	(3.8)	(7.0)	157.1
	Naked Wines UK									
	New Customer sales	6.3	–	6.3	6.4	–	6.4	(0.4)	–	6.0
	Repeat Customer sales	118.1	–	118.1	130.8	–	130.8	(1.6)	–	129.2
		124.4	–	124.4	137.2	–	137.2	(2.0)	–	135.2
	Naked Wines Australia									
	New Customer sales	3.1	–	3.1	3.3	–	3.3	(0.1)	(0.2)	3.0
	Repeat Customer sales	31.8	–	31.8	42.5	–	42.5	(1.3)	(3.3)	37.9
		34.9	–	34.9	45.8	–	45.8	(1.4)	(3.5)	40.9
Contribution after advertising costs	**Group**									
	Investment in New Customers	(23.3)	–	(23.3)	(21.4)	–	(21.4)	0.7	0.7	(20.0)
	Repeat Customer contribution	65.3	–	65.3	86.5	–	86.5	(1.7)	(3.1)	81.7
	Repeat contribution margin (%)	25%	–	25%	27%	–	27%	–	–	27%
	Other contribution	(5.9)	5.2	(0.7)	(12.9)	13.2	0.3	(0.1)	–	0.2
		36.1	5.2	41.2	52.2	13.2	65.4	(1.1)	(2.4)	61.9
	Naked Wines US									
	Investment in New Customers	(14.5)	–	(14.5)	(15.1)	–	(15.1)	0.7	0.5	(13.9)
	Repeat Customer contribution	36.7	–	36.7	50.3	–	50.3	(1.2)	(2.1)	47.0
	Repeat contribution margin (%)	32%	–	32%	34%	–	34%	–	–	34%
	Other contribution	(5.9)	5.2	(0.7)	(12.9)	13.2	0.3	(0.1)	–	0.2
		16.3	5.2	21.5	22.3	13.2	35.5	(0.6)	(1.6)	33.3
	Naked Wines UK									
	Investment in New Customers	(5.8)	–	(5.8)	(3.4)	–	(3.4)	–	–	(3.4)
	Repeat Customer contribution	20.7	–	20.7	25.0	–	25.0	(0.1)	–	24.9
	Repeat contribution margin (%)	18%	–	18%	19%	–	19%	–	–	19%
		14.9	–	14.9	21.6	–	21.6	(0.1)	–	21.5
	Naked Wines Australia									
	Investment in New Customers	(3.0)	–	(3.0)	(2.9)	–	(2.9)	–	0.2	(2.7)
	Repeat Customer contribution	7.8	–	7.8	11.2	–	11.2	(0.4)	(0.9)	9.9
	Repeat contribution margin (%)	25%	–	25%	26%	–	26%	–	–	26%
		4.8	–	4.8	8.3	–	8.3	(0.4)	(0.7)	7.2
General and administrative costs	Naked Wines US	(11.9)	0.5	(11.4)	(13.6)	0.8	(12.8)	–	0.5	(12.3)
	Naked Wines UK	(6.7)	0.4	(6.3)	(6.9)	–	(6.9)	–	–	(6.9)
	Naked Wines Australia	(3.2)	0.1	(3.1)	(3.6)	–	(3.6)	–	0.3	(3.3)
	Unallocated	(16.1)	0.5	(15.5)	(28.9)	4.2	(24.7)	–	–	(24.7)
	Group	(37.9)	1.5	(36.3)	(53.1)	5.0	(48.0)	–	0.8	(47.2)
Other costs	Profit on sale of property	–	–	–	4.8	(4.8)	–	–	–	–
	Impairment	(9.9)	9.9	–	(18.2)	18.2	–	–	–	–
EBIT	Naked Wines US	4.5	5.7	10.2	8.7	14.0	22.7	(0.6)	(1.1)	21.0
	Naked Wines UK	8.1	0.4	8.5	14.7	–	14.7	(0.1)	–	14.6
	Naked Wines Australia	0.8	1.0	1.8	4.7	–	4.7	(0.4)	(0.3)	4.0
	Unallocated	(25.2)	9.7	(15.5)	(42.4)	17.6	(24.7)	–	–	(24.7)
	Group	(11.8)	16.8	5.0	(14.3)	31.6	17.4	(1.1)	(1.4)	14.9

Repeat Customer contribution margin

		Naked Wines US	Naked Wines UK	Naked Wines Australia	Group
52 weeks ended 1 April 2024					
Repeat Customer sales	£m	**114.2**	**118.1**	**31.8**	**264.1**
Repeat Customer contribution	£m	**36.7**	**20.7**	**7.8**	**65.3**
Repeat Customer contribution margin	%	**32.1%**	**17.5%**	**24.5%**	**24.7%**
53 weeks ended 3 April 2023					
Repeat Customer sales	£m	147.4	130.8	42.5	320.7
Repeat Customer contribution	£m	50.3	25.0	11.2	86.5
Repeat Customer contribution margin	%	34.1%	19.1%	26.4%	27.0%

General and administrative costs reconciliation

	52 weeks ended 1 April 2024 £m	53 weeks ended 3 April 2023 £m
G&A costs per income statement	**(37.9)**	(53.1)
Add back/(deduct) adjusted items (see note 7):		
Amortisation of acquired intangibles	**–**	1.3
Disposal of US inventory – charitable donations	**–**	0.8
Disposal of US inventory – bad debt expense	**0.2**	–
Restructuring costs	**1.3**	1.5
Software as a Service costs	**0.1**	2.3
Legal settlement for payment card Interchange fees	**–**	(0.7)
Fair value movement on open foreign exchange contracts	**–**	(0.1)
G&A costs per note 6 Segmental reporting	**(36.3)**	**(48.0)**
Add back marketing R&D spend	**–**	5.4
Add back share-based payment charges including related social security costs	**0.4**	1.5
Operating G&A costs	**(35.9)**	**(41.1)**

Net cash excluding lease liabilities

	1 April 2024 £m	3 April 2023 £m
Cash and cash equivalents	**31.9**	39.5
Borrowings:		
Borrowings net of issuance costs	**(12.3)**	(29.2)
Customer-funded bonds	**–**	–
Net cash excluding lease liabilities	**19.6**	**10.3**

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC® C022913

Designed and produced by **Friend**
www.friendstudio.com
Print: Pureprint Group

This report has been printed on GalerieArt Matt which is FSC® certified and made from 100% Elemental Chlorine Free (ECF) pulp. The mill and the printer are both certified to ISO 14001 environmental management. The report was printed by a CarbonNeutral® printer.

nakedwinesplc.co.uk