Naked Wines plc
("Company" or "Group")

Half Year Results for the 26 weeks ending 30 September 2019

The next chapter

- Trading broadly on track
  - Revenue growth to £87.5m (+16% reported, +13% underlying[(1)(6)]), with the US the largest and fastest growing market (+24% reported, +17% underlying[(1)(6)]) trading well on all measures
  - Investment in new customers[(6)] up 29% to £10.3m, payback forecast[(6)] 3.8x
  - Repeat customer contribution[(6)] +8% supported by repeat sales retention[(6)] of 79% +1%
  - Targeting £20-25m of investment in new customer acquisition[(6)] in FY20 at a lifetime payback[(6)] of 3.8-4.0x in line with our disciplined investment approach
  - As expected, the increase in investment in new customers[(6)] of £2.3m, drove continuing operations adjusted EBIT[(2)(6)] of (£3.8m) lower vs FY19 adjusted EBIT of (£1.7m).
  - Reported EBIT for the continuing business is (£5.7m), £1.0m adverse year on year whilst Reported EBIT for the discontinued business of £0.2m is £4.8m adverse year on year. Total Loss for the period after tax of £6.4m is £6.3m adverse to the same period last year.

- Naked positioned for long-term growth
  - Naked Wines now a single brand and pure-play online business
  - Disposals to realise £111m contracted in respect of Majestic Retail, Commercial and Lay & Wheeler and an associated property disposal. Majestic sale due to complete by end of calendar year.
  - Disposals will deliver strong balance sheet with strong net cash position after full repayment of period end net debt (£25.8m)[(6)]
  - With the transformation complete and the business well set for its next stage of growth Rowan Gormley, founder and CEO, has decided that now is the right time for a different set of leadership skills. He will hand over to the current COO, Nick Devlin and will retire from the Company when the important Christmas trading season and the Majestic disposal is complete (see separate announcement).

- Entering the next chapter
  - Well capitalised to focus on high growth in a large addressable market, particularly in the US
  - Management team and customer proposition in place to take the business into the next chapter of its growth
  - Initiatives to strengthen customer proposition commenced including further improvement to our winemaker portfolio in the period

Continuing operations		**Reported**			**Underlying**[1][6]		
		H1 FY20	H1 FY19	% YoY	**H1 FY20**	H1 FY19	% YoY
Revenue	£m	**87.5**	75.7	15.6%	**87.5**	77.3	13.2%
Adj EBIT[2][6]	£m	**(3.8)**	(1.7)	-119.7%	**(3.9)**	(1.7)	-124.1%
Adj PBT[3][6]	£m	**(4.4)**	(2.1)	-104.0%	**(4.4)**	(2.1)	-103.9%
Loss before tax	£m	**(6.2)**	(5.1)	-21.5%			
Free Cash flow[5][6]	£m	**(11.0)**	(11.5)				

Discontinued operations		**Reported**			**Underlying**[1][6]		
		H1 FY20	H1 FY19	% YoY	**H1 FY20**	H1 FY19	% YoY
Revenue	£m	**145.6**	153.4	-5.1%	**146.1**	152.1	-3.9%
Adj EBIT[2][6]	£m	**2.2**	4.7	-53.5%	**1.7**	4.7	-64.0%
Adj PBT[3][6]	£m	**1.3**	4.7	-72.7%	**1.7**	4.7	-64.0%
(Loss)/ profit before tax	£m	**(0.7)**	4.9	-114.3%			
Free Cash flow	£m	**1.7**	4.2				

Total Group		**Reported**		
		H1 FY20	H1 FY19	% YoY
Revenue	£m	**233.1**	229.1	1.7%
Adj EBIT[2][6]	£m	**(1.6)**	2.9	-156.8%
Adj PBT[3][6]	£m	**(3.1)**	2.5	
Adj EPS[4][6]	p	**(3.6p)**	3.7p	
Loss before tax	£m	**(7.0)**	(0.2)	
Basic EPS	p	**(9.0p)**	(0.1p)	
Dividend per share	p	**-**	2.0p	
Free cash flow[5][6]	£m	**(9.3)**	(7.3)	
Net Debt	£m	**(25.8)**	(20.1)	

Rowan Gormley, Group Chief Executive, commented:

"We have built a solid foundation for growth. Naked Wines is now a pure-play online retailer, with a huge opportunity in the US wine market, and the resources to capitalise on that opportunity.

Trading has been broadly on track in the first half. Naked's US business is well up on the key measures of investment, payback and sales. Consistent with our disciplined approach to investment we will slow the rate of increase of investment in new customers in the second half, due to sluggish performance in the UK and Australian markets.

I will be retiring shortly and will be handing over the CEO role to Nick Devlin, our COO and the man who has built our US business. The company is in excellent hands.

I want to thank our customers, people, winemakers and shareholders for their fantastic support over the last 10 years. I look forward to remaining a material shareholder - and a material customer!"

Nick Devlin, Group Chief Executive Designate, commented:

"Naked has an exciting opportunity ahead to build on its community that connects over half a million wine-drinkers with over 200 of the world's leading independent winemakers. I have been a part of that community for four years and overseen the rapid growth of the US operations for the past three.

Naked has never been in better shape and we now have the internal capability, clarity of purpose and financial resources to take the business through its next chapter of growth. I am enormously excited to be given the opportunity to harness this platform and realise Naked's full potential."

Naked Wines plc will host an analyst and investor briefing on 21 November 2019 at 9am at the offices of Instinctif, 65 Gresham Street, London, EC2V 7NQ. An additional conference call with the management team will be held at 3pm to enable US investors to hear a repeat of the highlights of the presentation and hold a Q&A session. To attend either of these, or receive the conference call details, please contact the Investor Relations Team (IR@nakedwines.com) or Instinctif Partners (NakedWines@instinctif.com)

The 9am analyst and investor presentation will be webcast live using the following link https://webcasting.brrmedia.co.uk/broadcast/5dcd6b46aed4ba4cf0083e05. A recording will also be made available after the meeting on our investor website at https://www.nakedwinesplc.co.uk/investor-centre/results-centre/

Notes:

(1) Underlying movement (a) excludes impact of IFRS16 and reinstates IAS17 treatment of rent, (b) includes en primeur revenues in year of order not year of fulfilment, and (c) is calculated using constant FX rates for translation of the comparative period

(2) Adjusted EBIT is operating profit adjusted for amortisation and impairments of acquired intangibles and goodwill, acquisition costs, share based payment charges, impairment charges, restructuring costs, net fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment

(3) Adjusted PBT is defined as Adjusted EBIT less net finance charges

(4) Adjusted EPS is calculated by excluding the effect of the adjusted items described in note (2) above from the (loss) / profit for the period

(5) Free cash flow is defined as cash generated from operations less capital expenditure and rent cash expenditure, excluding cash adjusted items

(6) This is an alternative performance measure. See details at the end of this document

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About Naked Wines plc

We set up Naked Wines because we believe that the wine industry could be so much better. The two important people - the wine drinker and the winemaker - could be getting a better deal.

The model we came up with turned out to be ahead of its time…crowdfunding. Our customers support independent winemakers, and in exchange get exclusive access to delicious wines, at preferential prices.

The whole premise of Naked Wines is that you are joining a community and benefiting from the recommendations and experiences of fellow consumers. Our belief is that great wine should be an everyday pleasure, not a privilege. We give talented winemakers the freedom and time to make wines that inspire, supported by a community of passionate wine drinkers, which results in a virtuous circle where everyone is better off; customers get a full experience, not just a product, and the best wines you've ever tasted!

Naked Wines has a fast growing and loyal subscriber base of Angels across its three markets and works with over 200 independent winemakers, producing 1,000+ wines in 17 countries.

STRATEGIC AND OPERATING UPDATE - ROWAN GORMLEY, CEO

As this is my last review as CEO (more on that below), I will focus on our performance to date, and leave it to Nick Devlin, your incoming CEO, to tell you more about the future

We are in a good place

It has been clear for some time that Naked has a huge opportunity in the US wine market, because

1. The market is enormous, growing and profitable
2. The Naked model is uniquely well configured to win in that market

With the imminent completion of the sale of Majestic Wines, Naked Wines will be:

- A simple business - a pure-play, online subscription retailer
- With a clear focus - to fulfil the potential growth, especially in the US
- And the tools to do the job - the capital, resources and management team

This is the culmination of a two-year long process, during which time we have

- Agreed to dispose of the Majestic Retail, Commercial and Lay and Wheeler segments - for total consideration of £111m
- Revised the team to fit the opportunities ahead
    - New Chairman - John Walden, ex-Argos and a US native has replaced Greg Hodder as previously announced
    - Stronger IT team - we redeployed most of the IT resources we had working on Majestic to focus on Naked
    - Stronger growth function - we are building a strategic partnership function to extend reach in the US
    - Stronger wine team - we have created a senior role to focus full time on recruiting superstar winemakers
    - And as the final step in that process, I will be handing over to the immensely talented and capable Nick Devlin

We are seeing results already...

- New partners - we started partnerships to acquire new customers with organisations like AARP and Barnes and Noble
- New winemakers - two superstar winemakers stand out,
    - Patricia Benitez - who has been making Pingus, one of the top 3 wines in Spain for the last 12 years
    - Daniel Baron, ex Silver Oak and Dominus
- A stronger customer proposition, including customer powered pricing, improved recommendations, market price benchmarking - all of which Nick drove and will tell you more about in his section

Trading: Broadly on track

Trading was broadly on track in the first half, despite difficult trading conditions in the UK and Australia:

- Group Continuing business underlying sales up 13% to £87.5m
- Contribution from continuing business repeat customers up 8%
- As expected, the increased rate of investment in new customers resulted in continuing business adjusted EBIT declining to a £3.8m loss
- Consistent with our disciplined approach to payback, we will slow the rate of growth in investment in new customers in the second half to ensure we remain at or near our target of 4x
- Continuing business Reported Loss before Tax reflects the adjusted profitability measures reported above offset by a reduction in year on year Share Based Payment charges and movements in fair value on foreign exchange contracts.
- Free cash flow from continuing operations of (£11.0m) was £0.5m favourable year on year. The net outflow in the period reflects growth related investment in customer acquisition and the stock build prior to our peak trading period

Investment in growth

In the first half we increased the future value generated through investment in new customer acquisition by 24% (i.e. investment multiplied by payback), reflecting

- 29% increase in underlying investment to £10.3m (HY19: £7.9m)
- Lifetime paybacks marginally lower at 3.8x (HY19: 4.0x)

This increase was slightly slower than we had planned, because we cut back on investments not meeting our target returns, due to sluggish trading in the UK and Australia.

One important point to note is that while the Group's Continuing Business performance in the period was mixed, performance in the US - our largest, fastest growing and most important market - was consistently strong across all key measures, with:

- Underlying sales up 17%
- Investment up 21%
- Payback up by 0.2x

Sale of Majestic and Lay and Wheeler

We signed the transaction to sell the Majestic Wine businesses during the first half of the year, completed on the disposal of Lay & Wheeler immediately after the reporting date and expect to complete on the sale of the Majestic business by the end of the calendar year, generating expected cash after costs in the financial year of approximately £84m and anticipated future cash proceeds of £22m.

I would like to thank all the people in both companies for their hard work and fortitude during a disruptive time. Despite the distractions, customer service remained absolutely first rate and they should be very proud of that.

I wish the teams well in their new lives as independent companies.

Your new team

We have announced today my intention to retire from the business as soon as the important Christmas trading season and the Majestic disposal are complete.

Why?

Naked Wines has the potential to be a truly great company, and Nick Devlin, your new CEO, is the right person to deliver on that opportunity for you. It takes one set of skills to take a business from zero to £200 million of revenues, and it takes a different set of skills to build it from there. Nick is that person.

This is the conclusion of an 18 month succession planning process. After a thorough review of external candidates, the board elected to promote Nick Devlin to CEO subject to Nick proving himself in the COO role. The Board has now concluded that Nick has done just that - and therefore will be appointed to the post of CEO when I retire. We concluded that Nick is the best possible choice because:

1. He has proven his abilities - first driving growth in our US business, which he has been running for the past two years. And most recently as COO, where he has demonstrated his ability to trade well in difficult conditions.

2. He will hit the ground running - Nick has been with Naked for four years and has been instrumental in developing and delivering our growth strategy.

3. He has Naked DNA embedded in his bones. What has made Naked successful so far is a deep belief that the best way to deliver value for shareholders is to look after your customers, people and winemakers. Nick embodies this philosophy better than any external candidate could.

Thank you….
I am immensely proud of everything we - our people, our customers and our winemakers - have achieved together.

To all the customers, winemakers and staff that have made this possible - my deepest thanks. I've made some very good friends amongst all three groups and I look forward to continuing these over a glass of wine, knowing that I leave you in very good hands

And to you, our shareholders, thank you for your support, advice and counsel over the years. I will now be joining your ranks and look forward to watching Nick and team deliver on the potential we can all see for Naked.

THE FUTURE - NICK DEVLIN, CEO DESIGNATE

Introduction

The Company has been through a transformation and is well placed to achieve our future growth potential. We've worked incredibly hard to establish a disruptive business model in our core markets, developed our global winemaker portfolio, and built extensive distribution networks delivering differentiated levels of customer service, all with the aim of building a loyal and valuable customer base who will continue to spend with us for years to come.

In short, we've achieved a lot, and I believe that as we look to the future that we have the right products, proposition and strategy in place to continue our impressive growth trajectory. I am enormously excited to be given the opportunity to pick up the reins, drive this business forward and help to realise Naked's full potential.

The US opportunity

The USA is the single most important opportunity for this business because we have an established leadership position in a large and growing market, coupled with a differentiated model and favourable economics.

1. The addressable market - $20bn and highly profitable

The USA has a total addressable market of $20bn, of which the Direct To Consumer ("DTC") segment - the segment in which we operate, accounts for $3bn and is growing rapidly; up 12% in the last twelve months and doubled in the last seven years[1]. We estimate the US wine market accounts for more than half of the global wine market gross profit.

2. Differentiated model delivers favourable economics

Online penetration of the US wine market has lagged other sectors and the rest of the world, because of complex regulation.

Our unique model means we are uniquely well configured to win in this market because

- we can access 96% of the US wine drinking population
- we can beat our competitors on price AND still make healthy margins

To illustrate this, it is worth noting that we are the market leader in Pennsylvania[2], with 11% of the DTC market by value. The reason Pennsylvania is interesting is because it was the most recent state to open for Direct to Consumer shipping, so provides an insight into our potential penetration of the overall market in the longer term.

My plans

<u>What won't change</u>

I believe we have the products, proposition and strategy in place to continue our growth trajectory, so we will keep doing the things that differentiate Naked Wines and has driven our success to date. That all starts with our core belief that we'll maximise shareholder value by continuing to disrupt the wine industry for the benefit of our customers, winemakers and staff.

Specifically, we will continue to:

- Deliver on our proposition to deliver delicious wine at great prices by connecting customers directly to winemakers

[1] Source: 2019 Direct to Consumer Wine Shipping Report. See www.shipcompliant.com/dtcreport19 for more information.
[2] Source: Pennsylvania Liquor Control Board https://www.lcb.pa.gov/About-Us/News-and-Reports/Pages/default.aspx

- Allocate capital with discipline:
    - Maintain a healthy balance sheet which, in the near-term, means no net debt
    - Invest in growth in a disciplined way
    - Return to shareholders any funds in excess of the level needed to fund growth, as explained below
- Practice continuous improvement: so we can free up underperforming capital
- Test and learn: so we can grow our investment aggressively without betting the ranch
- Be transparent with all our stakeholders: Customers, winemakers, employees and investors

<u>What will change</u>

Some things will change, the most exciting of which is that we think we can grow faster. We'll assess whether we can use the cash and resources available to us to try to accelerate the rate of growth even further.

Following the completion of the sale process of the discontinued businesses, and repayment of debt, we will have c. £50m of cash on the balance sheet and a business approaching £200m of annual revenues, albeit loss making at the adjusted EBIT and statutory PBT level as we invest in growth.

With our strengthened balance sheet, we now have greater flexibility to explore more innovations to take the business forward, subject as ever to any areas of investment delivering satisfactory returns and our test and learn processes. We believe that Naked Wines, with the full focus of the management team, has an opportunity to grow underlying revenue substantially faster than the 13% delivered in the period. This opportunity is centred on the USA where Naked Wines has an advantaged economic model.

We have identified four routes to faster growth:

1. Developing new customer acquisition channels
    - We plan to allocate up to £3m of our future new customer acquisition spend to research new marketing channels including strategic partnerships, direct response TV and influencer marketing
    - These new investments are discrete, measurable and have the ability to be cancelled if they do not show a path to target returns
    - RD spend will sit in central costs and won't be included in our payback analysis until its proven to be scalable and becomes business as usual

2. Strengthening our existing customer acquisition channels

    - We have invested in growth, creating a new US Strategic Partnerships team to explore deeper integrated partnerships for customer acquisition
    - Early indications since forming the team in late summer 2019 are that a material opportunity exists to deploy additional investment at our target returns, both through exploring new relationship structures with existing partners and through new partnerships

3. Delivering enhancements to the customer proposition
    - We believe that there is the potential to drive increased retention and higher customer LTV through upgrades to the Naked Wines digital product and proposition

- A number of new features that have been developed over the last six months, such as two new automated ordering services for Angels who want to take the work out of selection - WineGenie and Never Miss Out - which are expected to deliver benefit from H2 FY20
- We have a clear pipeline of further investments in the customer proposition over the next 12 - 18 months which we believe can unlock material LTV upside

4. Configuring the business to deliver scale leverage to unit economics
    - We have identified substantial opportunities for scale leverage in the operating model as we grow Naked Wines, especially in the USA where our rate of growth is fastest
    - We see clear opportunities in our supply chain, operations and buying to deliver scale benefits that will materially enhance LTVs

The ability to increase LTV, either via proposition or scale, will in turn allow us to open additional investment opportunities within our returns criteria and accelerate our growth rate.

Beyond these we will continue to evaluate other options for investment that accelerate the growth rate of our core business, strengthen our customer proposition or widen our competitive moat. All investments will be compared against our current payback target and the potential returns from repurchasing our own shares in assessing attractiveness.

We expect to be able to provide quantified guidance on the investment opportunities being explored above no later than our full year results for FY21. If these initial investments prove successful, we have the cash available to accelerate our investment meaning Naked will become a significantly higher growth business. If the investments are not delivering returns in line with our criteria, we still have a great business, delivering good returns on capital, and the Board will return any excess capital to shareholders in line with its capital allocation policy.

FINANCIAL REVIEW - JAMES CRAWFORD, CFO

There have been material changes to the group structure. As such, to support understanding of the continuing business trajectory, the basis of this review is as follows:

- The Continuing business is defined as the Naked Wines and Central Costs segments
- Adjusted measures are consistent with prior policy:
    - Exclude transaction related costs, share based payment charges, amortisation of acquired intangibles, mark to market on FX contracts, En primeur revenues
    - Disposal costs are reported as adjusted items within discontinued operations
- Underlying measures are adjusted, and:
    - Remove the impact of IFRS16 in the current year to retain year on year comparability given the significant reallocation of costs it generates in the discontinued business
    - Restate the prior year to constant FX rates

This basis provides a directly comparable presentation of the business performance as reviewed by management. A summary reconciling between these presentations is shown below.

Continuing operations

All in £m	Reported	Adjusted Items	Adjusted continuing measure	FX impact	Reverse IFRS16 impact	Underlying
H1 FY20						
Revenue	**87.5**	**-**	**87.5**	**-**	**-**	**87.5**
EBIT	**(5.7)**	**1.8**	**(3.8)**	**-**	**(0.1)**	**(3.9)**
Interest	**(0.5)**	**-**	**(0.5)**	**-**	**0.1**	**(0.4)**
PBT	**(6.2)**	**1.8**	**(4.4)**	**-**	**-**	**(4.3)**
H1 FY19						
Revenue	75.7	-	75.7	1.6	n/a	77.3
EBIT	(4.7)	3.0	(1.7)	-	n/a	(1.7)
Interest	(0.4)	-	(0.4)	-	n/a	(0.4)
PBT	(5.1)	3.0	(2.1)	-	n/a	(2.1)

Discontinued operations

All in £m	Reported	Adjusted Items	Adjusted discontinued measure	FX impact	EP adjustment	Reverse IFRS16 impact	Underlying
H1 FY20							
Revenue	**145.6**	**-**	**145.6**	**-**	**0.4**	**0.1**	**146.1**
EBIT	**0.2**	**2.0**	**2.2**	**-**	**-**	**(0.5)**	**1.7**
Interest	**(0.9)**	**-**	**(0.9)**	**-**	**-**	**0.9**	**-**
PBT	**(0.7)**	**2.0**	**1.3**	**-**	**-**	**0.4**	**1.7**
H1 FY19							
Revenue	153.4	-	153.4	-	(1.3)	n/a	152.1
EBIT	5.0	(0.3)	4.7	-	-	n/a	4.7
Interest	-	-	-	-	-	n/a	-
PBT	5.0	(0.3)	4.7	-	-	n/a	4.7

Continuing operations: Underlying performance

Performance for the period was broadly on track. The US business has performed well, continuing to deliver revenue growth and increasing levels of investment in new customers while increasing payback. The UK and Australian businesses have been satisfactory but have suffered from reduced payback due to weaker repeat customer performance as a result of disruption due to the Majestic disposal, management changes and the lacklustre UK market. With the first two of these factors behind us we expect to see improved performance in these markets going forwards.

	H1 FY20	H1 FY19	YoY
	£m	£m	%
New customers			
- Revenue	**12.1**	10.2	+19%
- Contribution	**(10.3)**	(7.9)	+29%
Repeat customers			
- Revenue	**75.4**	67.1	+12%
- Contribution	**19.2**	17.8	+8%
Fixed costs (including central costs)	**(12.8)**	(11.6)	+10%
Adjusted EBIT	**(3.9)**	(1.7)	+124%
Finance charges	**(0.4)**	(0.4)	+17%
Adjusted loss before tax	**(4.3)**	(2.1)	+104%
Memo: Total revenue	**87.5**	77.3	+13%
KPIs			
Forecast payback	**3.8x**	4.0x	(0.2x)
Forecast Year 1 payback	**70%**	78%	-8pp
Repeat customer sales retention	**79%**	78%	+1pp
Repeat customer contribution margin	**25%**	26%	-1pp

Underlying revenue growth of 13% to £87.5m came from both new customers (£12.1m, +19%) and repeat customers (£75.4m, +12%).

New customers

We invested £2.3m more year on year +29% in new customer recruitment, increasing sales to new customers by +19% and achieving forecast payback of 3.8x. Our forecast future value generation (investment x forecast payback) of £39.1m is £7.5m higher year on year, +24%. Margins on new customer sales were lower in particular as we expanded our digital activity in Australia in H1 which operates at significantly lower margins. As the first order for these customers is a 6-pack rather a 12-pack of wine, we generate approximately half the revenue but generally maintain the same customer acquisition cost. As such, payback is unaffected.

The H1 payback forecast of 3.8x is slightly below the target of 4x we communicated in April 2018 and achieved in FY19. Our underlying investment performance in the half has been robust, with improved payback levels in the key US market offset by the more challenging trading conditions in the lower growth UK and Australian markets.

We have responded to the conditions in the UK and Australia by scaling back the rate of investment growth and now project new customer investment in this financial year to be £20m - £25m to balance investment growth with discipline around returns.

Repeat customers

Repeat customer sales and contribution is driven by (a) sales retained from the repeat customers we already had subscribed in H1 FY19, and (b) growth in the customer base since then - the year 1 payback from the prior year's recruitment.

Repeat customer sales grew by 12% in the period, converting to repeat customer contribution growth of 8%. This reflects:

- Sales retention of 79% in the first half
    - An improvement of +1p.p. vs the prior year, with gains in the UK and USA offset by declines in Australia.
    - On track to be around 82% sales retention we guided to for the year as H2 sales retention is generally 3-5% higher than H1 on 30% higher revenues
- Year 1 payback from our FY19 investments on track to 70%, in line with our targets
- Repeat contribution margins one percentage point lower year on year, driven by
    - Increased sampling of premium wines to migrate customers to our "sweet spot"
    - More pro-active refunds to encourage broader sampling and experimentation within the range
    - Early signs are that these initiatives are delivering improved customer performance metrics in terms of retention and / or purchase frequency

Fixed costs

Total fixed costs (combined Naked Wines and unallocated segments) increased by 10% to £12.8m. This is in line with the 10% guidance for the full year that we provided at end FY19 and is expected to reduce in the second half as we begin to realise some of the savings indicated possible as a result of the sale of Majestic. Initially the majority of these will be as a result of charging for transition services provided to support the IT systems sold with Majestic Retail and Commercial.

Note: Historic payback stability

We forecast our payback on investment in new customers based on expected contribution from each cohort of customers over 20 years. Given this is a long-term forecast we consider it important to update for the latest data to confirm we are on track. As shown below our payback forecasts remain stable. We have assessed a small reduction in the forecast payback from last year's new customers as a result of the weaker performance seen in the UK and Australia in the half.

Cohort	Initial payback forecast	F'Cast payback at end F19	Latest forecast	Change
FY17	4.5	4.5	4.5	-
FY18	4.5	4.6	4.6	-
FY19	4.0	4.0	3.9	(0.1)

Outlook for the Continuing Business

Near term our plan is to continue to invest behind the model as-is. We are targeting £20-25m total investment in new customers in FY20 at payback 3.8-4x. Sales retention is expected around 82%, within the range provided for the year and fixed costs guidance remains unchanged. Our working capital growth model remains unchanged over the medium-term but we would expect to see short term levels in excess of guidance if new customer investment is at the low end of the forecast range.

Continuing operations: Statutory performance

Continuing operations revenue of £87.5m grew 15.6% vs HY19 with continued growth in all markets driven by sustained investment in new customer acquisition. Reported loss before tax (£6.2m) vs FY19 (£5.1m) was driven by a higher loss at the adjusted EBIT level due to the continuing growth in investment in new customers and fixed costs[(6)] discussed previously. IFRS 16 does not have a material impact on the profitability of the continuing business. Underlying Finance charge of £0.4m was flat vs H1 FY19.

Continuing operations adjusted items, relating predominantly to the amortisation of acquired intangibles and share based payment charges, reduced from £3.0m to £1.8m in the half.

The Group's continuing operations statutory effective tax rate of 13% (tax credit of £0.8m) is principally impacted by the disallowable expenses in Naked Wines plc and our current policy to not recognise deferred tax assets in Naked Wines International. The Group's Continuing Operations adjusted effective tax rate[(6)] (being current tax divided by adjusted PBT and a credit of £0.4m in the current year) of 9% also reflects the impact of these items.

Continuing operations free cash flow of (£11.0m) was £0.5m favourable to H1 FY19 with increased investment in new customers and net stock holding, both principally in the US business, offset by a reduction in trade receivables which resulted in a lower year on year increase in working capital.

In line with the commitment announced alongside the agreed disposal of Majestic Retail and Commercial, we will pay a special dividend of 5.2p per share following completion of the transaction.

Discontinued Business

Total revenue in the discontinued businesses of £145.6m declined by -5.1% principally driven by a reduction in the Retail business of -5.3% as a result of customer uncertainty about the future strategy and ownership of the business driving lower footfall to the stores.

Reported loss before tax of (£0.7m) vs profit before tax of £5.0m in FY19 was driven by the decline in sales resulting in lower adjusted PBT and a charge of £1.9m included in adjusted items for costs to date associated with the disposal of the Majestic businesses and of Lay & Wheeler. FY20 reported figures also include IFRS 16 interest of £0.9m (not calculated on a reported basis for FY19)

The discontinued operations statutory effective tax rate of -37% is a result of a high ratio of disallowable costs on the disposal of the Majestic businesses on final statutory profit. The disposal Group's adjusted effective tax rate of 21% removes the distorting impact of those one time costs from the adjusted tax charge.

Discontinued operations free cash flow, including adjusting back of the impact of IFRS 16 cash rent, was lower year on year due to lower EBITDA from subdued trading performance and an adverse movement of broadly £1m in working capital being a timing movement in trade and other receivables.

Independent review report to Naked Wines plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
20 November 2019

Unaudited consolidated income statement

	Note	**26 weeks ended 30 Sep 2019 £'000**	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Continuing operations				
Revenue		**87,463**	75,663	178,438
Cost of sales		**(53,976)**	(46,047)	(109,969)
Gross profit		**33,487**	29,616	68,469
Distribution costs		**(15,825)**	(12,766)	(30,057)
Administrative expenses		**(23,332)**	(21,560)	(47,528)
Operating loss		**(5,670)**	(4,710)	(9,116)
Net finance charge		**(541)**	(400)	(789)
Loss before tax		**(6,211)**	(5,110)	(9,905)
Analysed as:				
Adjusted loss before tax		**(4,381)**	(2,148)	(3,747)
Adjusted items:				
- Non-cash charges relating to acquisitions	*4*	**(1,823)**	(2,558)	(5,004)
- Other adjusted items	*4*	**(7)**	(404)	(1,154)
Loss before tax		**(6,211)**	(5,110)	(9,905)
Tax	*5*	**810**	1,890	278
Loss for the period from continuing operations		**(5,401)**	(3,220)	(9,627)
Discontinued operations				
(Loss)/profit for the period from discontinued operations		**(1,012)**	3,124	227
Loss for the period		**(6,413)**	(96)	(9,400)
Loss per share				
Basic and diluted	*7*	**(9.0p)**	(0.1p)	(13.3p)

Unaudited consolidated statement of comprehensive income

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Loss for the period	**(6,413)**	(96)	(9,400)
Other comprehensive income			
Currency translation differences	**1,125**	730	215
Other comprehensive income	**1,125**	730	215
Total comprehensive (losses)/income for the period	**(5,288)**	634	(9,185)

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

Other comprehensive income relates to foreign currency translation differences on consolidation of foreign currency subsidiaries. These gains and losses are recycled to the income statement in the event of the disposal of a foreign currency subsidiary.

Unaudited consolidated statement of changes in equity

	Share capital	Share premium	Capital reserve - own shares	Capital redemption reserve	Currency translation reserve	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 2 April 2018 as reported	5,363	20,989	(17)	363	2,486	92,577	121,761
Adoption of IFRS 15	-	-	-	-	-	(860)	(860)
At 2 April 2018	5,363	20,989	(17)	363	2,486	91,717	120,901
Total comprehensive (losses)/income for the period	-	-	-	-	730	(96)	634
Shares issued	48	127	-	-	-	(44)	131
Share based payment charges - ongoing	-	-	-	-	-	1,194	1,194
Dividends paid	-	-	-	-	-	(3,745)	(3,745)
Deferred tax on share based payments	-	-	-	-	-	112	112
At 1 October 2018	5,411	21,116	(17)	363	3,216	89,138	119,227
Total comprehensive losses for the period	-	-	-	-	(515)	(9,304)	(9,819)
Share based payment charges - ongoing	-	-	-	-	-	(285)	(285)
Share based payment charges - acquisition related	-	-	-	-	-	1,499	1,499
Dividends paid	-	-	-	-	-	(1,443)	(1,443)
Deferred tax on share based payments	-	-	-	-	-	(28)	(28)
At 1 April 2019	5,411	21,116	(17)	363	2,701	79,577	109,151
Adjustment on initial application of IFRS16	**-**	**-**	**-**	**-**	**-**	**36**	**36**
Total comprehensive (losses)/income for the period	**-**	**-**	**-**	**-**	**1,125**	**(6,413)**	**(5,288)**
Shares issued	**51**	**47**	**-**	**-**	**-**	**(49)**	**49**
Share based payment charges - ongoing	**-**	**-**	**-**	**-**	**-**	**482**	**482**
Deferred tax on share based payments	**-**	**-**	**-**	**-**	**-**	**(450)**	**(450)**
At 30 September 2019	**5,462**	**21,163**	**(17)**	**363**	**3,826**	**73,183**	**103,980**

The Group initially applied IFRS 16 at 2 April 2019, using modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Please refer to note 2 for further detail.

Unaudited consolidated balance sheet

		30 Sep 2019	Restated* 1 Oct 2018	1 Apr 2019
		£'000	£'000	£'000
Non-current assets				
Goodwill and intangible assets		**41,036**	46,835	45,153
Property, plant and equipment		**2,111**	65,484	54,301
Right of use asset		**4,804**	-	-
En primeur purchases		**-**	956	897
Prepaid operating lease costs		**-**	1,549	647
Deferred tax assets		**2,681**	2,219	2,259
		50,632	117,043	103,257
Current assets				
Inventories		**81,409**	119,520	119,464
Trade and other receivables		**8,179**	20,987	18,132
En primeur purchases		**-**	4,026	4,296
Financial instruments at fair value		**95**	9	-
Cash and cash equivalents		**11,236**	14,412	19,093
		100,919	158,954	160,985
Assets classified as held for sale	*9*	**194,526**	-	-
Total current assets		**295,445**	158,954	160,985
Total assets		**346,077**	275,997	264,242
Current liabilities				
Trade and other payables		**(29,216)**	(70,509)	(66,363)
En primeur deferred income		**-**	(5,135)	(5,564)
Deferred Angel and other income		**(44,673)**	(39,729)	(39,657)
Bank overdraft		**(85)**	(12,157)	(12,096)
Lease liabilities		**(1,271)**	-	-
Provisions		**(1,235)**	(1,511)	(2,344)
Deferred lease inducements		**-**	(448)	(397)
Bond financing		**-**	(159)	(99)
Financial instruments at fair value		**-**	(235)	(3,011)
Current tax liabilities		**-**	(173)	(123)
		(76,480)	(130,056)	(129,654)
Liabilities directly associated with assets classified as held for sale	*9*	**(127,636)**	-	-
Total current liabilities		**(204,116)**	(130,056)	(129,654)
Non-current liabilities				
En primeur deferred income		**-**	(1,139)	(1,068)
Deferred lease inducements		**-**	(1,676)	(1,502)
Provisions		**(511)**	(1,209)	(203)
Bank loan		**(31,820)**	(22,168)	(22,444)
Lease liabilities		**(3,763)**	-	-
Deferred tax liabilities		**(1,887)**	(522)	(220)
		(37,981)	(26,714)	(25,437)
Total liabilities		**(242,097)**	(156,770)	(155,091)
Net assets		**103,980**	119,227	109,151
Shareholders' funds				
Called up share capital		**5,462**	5,411	5,411
Share premium		**21,163**	21,116	21,116
Capital reserve - own shares		**(17)**	(17)	(17)
Capital redemption reserve		**363**	363	363
Currency translation reserve		**3,826**	3,216	2,701
Retained earnings		**73,183**	89,138	79,577
Equity shareholders' funds		**103,980**	119,227	109,151

* Restated for IFRS 15

Unaudited consolidated balance sheet

We confirm that to the best of our knowledge:
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 ”Interim Financial Reporting”;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the Board

James Crawford
Chief Financial Officer
20 November 2019

Unaudited consolidated cash flow statement

	Note	**26 weeks ended 30 Sep 2019**	26 weeks ended 1 Oct 2018	Year ended 1 Apr 2019
		£'000	£'000	£'000
Cash generated by operating activities				
Cash generated by operations	*10*	**(10,027)**	(11,175)	(8,774)
UK income tax paid		**(367)**	(520)	(1,729)
Overseas income tax paid		**(452)**	(110)	(379)
Net cash generated by operating activities - continuing operations		**(10,846)**	(11,805)	(10,882)
Net cash generated by operating activities - discontinued operations		**8,775**	7,971	16,720
Net cash generated by operating activities		**(2,071)**	(3,834)	5,838
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1,569)**	(3,218)	(5,472)
Purchase of intangible fixed assets		**(625)**	(878)	(1,518)
Purchase of prepaid lease assets		**(18)**	(17)	(53)
Proceeds from sale of non-current assets		**-**	24	31
Net cash used in investing activities		**(2,212)**	(4,089)	(7,012)
Cash flows from financing activities				
Interest paid		**(467)**	(323)	(636)
Issue of ordinary share capital		**48**	131	131
Repayments of principal under lease liabilities		**(5,840)**	-	-
Draw down of borrowings		**9,300**	13,800	9,500
Repayment of borrowings		**(14)**	(6,786)	(2,346)
Equity dividends paid		**-**	(3,745)	(5,188)
Net cash from financing activities		**3,027**	3,077	1,461
Net (decrease)/increase in cash		**(1,256)**	(4,846)	287
Cash and cash equivalents at beginning of year		**6,997**	6,781	6,781
Effect of foreign exchange rate changes		**308**	320	(71)
Cash and cash equivalents at end of the period		**6,049**	2,255	6,997

Notes to the unaudited financial statements

1. General information

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

The address of the registered office is Norvic House, Chapel Field Road, Norwich, NR2 1RPH. The Group's principal activity is the online retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

2. Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the accounting policies set out in the annual report for the year ended 1 April 2019.

In the period the Group has adopted new accounting standards that are mandatorily effective for the current period. Aside from the adoption of IFRS 16, which is described on the pages that follow, other changes to accounting standards in the current period had no material impact.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed financial statements are not statutory accounts. The financial reporting period represents the 26 week period ending 30 September 2019 and the prior period, 26 weeks to 1 October 2018.

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

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

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

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

Accounting policies under IFRS 16 Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases of a value of less than the equivalent of £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

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

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

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

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

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

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

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

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

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

Approach to transition

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right of use assets arising from property leases using the approach set out in IFRS 16.C8(b)(ii). Under IFRS 16.C8(b)(ii), the right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives at transition date.

Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(i), whereby right of use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

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

Financial impact

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

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

	As previously reported at 1 April 2019	Impact of IFRS 16	As restated 2 April 2019
	£'000	£'000	£'000
Non-current assets			
Goodwill and intangible assets	45,153	-	45,153
Property, plant and equipment	54,301	-	54,301
Right of use asset	-	59,436	59,436
Other non-current assets	3,803	482	4,285
Current assets			
Inventories	119,464	-	119,464
Trade and other receivables	22,428	(1,543)	20,885
Cash and cash equivalents	19,093	-	19,093
Total impact on assets	**264,242**	**58,375**	**322,617**
Current liabilities			
Trade and other payables	(117,435)	397	(117,038)
Lease liabilities	-	(9,840)	(9,840)
Bank overdraft and loans	(12,096)	-	(12,096)
Current tax liabilities	(123)	-	(123)
Non-current liabilities			
Lease liabilities	-	(50,357)	(50,357)
Bank loan	(22,444)	-	(22,444)
Other payables	(2,993)	1,461	(1,532)
Total impact on liabilities	**(155,091)**	**(58,339)**	**(213,430)**
Retained earnings	**109,151**	**36**	**109,187**

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

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. During the 26 weeks ended 30 September 2019, in relation to leases under IFRS 16, the Group recognised the following amounts in the consolidated income statement:

	Continuing operations			
	Depreciation	Net interest expense	Net variable lease payments/ income	Continuing operations
	£'000	£'000	£'000	£'000
Cost of sales	118	-	(123)	**(5)**
Distribution costs	141	-	(146)	**(5)**
Administrative expenses	319	-	(351)	**(32)**
Operating loss/(profit)	578	-	(620)	**(42)**
Net interest payable	-	74	-	**74**
Loss/(profit) before tax	578	74	(620)	**32**

	Discontinued operations				
	Depreciation	Gain on disposal of Right of use asset	Net interest expense	Net variable lease payments/ income	Discontinued operations
	£'000	£'000	£'000	£'000	£'000
Revenue	-	-	-	115	**115**
Distribution costs	4,815	(6)	-	(5,328)	**(519)**
Administrative expenses	61	-	-	(178)	**(117)**
Other operating income	-	-	-	27	**27**
Operating loss/(profit)	4,876	(6)	-	(5,364)	**(494)**
Net interest payable	-	-	903	-	**903**
Loss/(profit) before tax	4,876	(6)	903	(5,364)	**409**

Going concern

The Directors have, at the time of approving the interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Segmental reporting

IFRS8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

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

retailer selling to pubs, restaurants and events. Lay & Wheeler is a specialist in the fine wine market and also provides cellarage services to customers.

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

The revenue and profits of the Lay & Wheeler operating segment as presented to the CODM are recognised on the receipt of orders, cash receipts and payments in relation to en primeur campaigns. The segment performance is reviewed in this way as resources utilised in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IFRS 15 where revenue is recognised on delivery of the wine to the customer, which may be up to two years after the original order and payment. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

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

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

Please refer to note 6, Discontinued operations for the reconciliation to the amount included in profit/(loss) for the period from discontinued operations within the consolidated income statement.

26 weeks ended 30 September 2019	**Naked Wines**	**Central costs**	**Total continuing operations**	**Retail**	**Commercial**	**L&W**	**Total discontinued operations**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Segment revenue	**87,463**	**-**	**87,463**	**116,492**	**21,848**	**7,693**	**146,033**
Movement in en primeur sales	**-**	**-**	**-**	**-**	**-**	**(477)**	**(477)**
Reported third-party revenue	**87,463**	**-**	**87,463**	**116,492**	**21,848**	**7,216**	**145,556**
Segment result - adjusted EBIT	**911**	**(4,751)**	**(3,840)**	**1,294**	**587**	**297**	**2,178**
Net finance costs			**(541)**				**(903)**
Adjusted (loss)/profit before tax			**(4,381)**				**1,275**
Adjusted items:							
- Amortisation of acquired intangibles			**(1,823)**				**(112)**
- Other adjusted items			**(7)**				**(1,903)**
Loss before tax			**(6,211)**				**(740)**
Depreciation	**792**	**7**	**799**	**7,038**	**-**	**64**	**7,102**
Amortisation	**1,823**	**8**	**1,831**	**144**	**-**	**179**	**323**

Geographical analysis	**Continuing operations**				**Discontinued operations**		
	UK	**US**	**Australia**	**Total**	**UK**	**Rest of Europe**	**Total**
Reported third party revenue	**32,797**	**39,245**	**15,421**	**87,463**	**141,828**	**3,728**	**145,556**
Non-current assets	**47,629**	**2,420**	**583**	**50,632**	**-**	**-**	**-**

3. Segmental reporting (continued)

26 weeks ended 1 October 2018	Naked Wines	Central costs	Total continuing operations	Retail	Commercial	L&W	Total discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	75,663	-	75,663	122,949	22,190	6,897	152,036
Movement in en primeur sales	-	-	-	-	-	1,372	1,372
Reported third-party revenue	75,663	-	75,663	122,949	22,190	8,269	153,408
Segment result - adjusted EBIT	3,272	(5,020)	(1,748)	3,278	1,100	302	4,680
Net finance costs			(400)				2
Adjusted (loss)/profit before tax			(2,148)				4,682
Adjusted items:							
- Non cash items relating to acquisitions			(2,558)				(112)
- Other adjusted items			(404)				388
(Loss)/profit before tax			(5,110)				4,958
Depreciation	232	-	232	2,522	-	45	2,567
Amortisation	1,823	39	1,862	244	-	171	415

Geographical analysis	Continuing operations				Discontinued operations		
	UK	US	Australia	Total	UK	Rest of Europe	Total
Reported third party revenue	29,725	31,744	14,194	75,663	148,823	4,585	153,408
Non-current assets	35,423	1,105	637	37,165	75,036	2,996	78,032

3. Segmental reporting (continued)

Year ended 1 April 2019	Naked Wines	Central costs	Total continuing operations	Retail	Commercial	L&W	Total discontinued operations
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	178,438	-	178,438	267,664	44,132	14,896	326,692
Movement in en primeur sales	-	-	-	-	-	1,014	1,014
Reported third-party revenue	178,438	-	178,438	267,664	44,132	15,910	327,706
Segment result - adjusted EBIT	6,656	(9,614)	(2,958)	11,333	2,512	1,151	14,996
Net finance costs			(789)				2
Adjusted (loss)/profit before tax			(3,747)				14,998
Adjusted items:							
- Non cash items relating to acquisitions			(5,004)				(225)
- Other adjusted items			(1,154)				(13,363)
(Loss)/profit before tax			(9,905)				1,410
Depreciation	457		**457**	5,269	-	82	5,351
Amortisation	3,,645	46	**3,691**	311	-	344	655
Impairment	-	-	**-**	11,108	-	-	11,108

Geographical analysis	Continuing operations				Discontinued operations		
	UK	US	Australia	Total	UK	Rest of Europe	Total
Reported third party revenue	71,825	75,657	30,956	178,438	318,324	9,382	327,706
Non-current assets	36,045	2,247	558	38,850	61,416	2,991	64,407

4. Adjusted items

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

4. Adjusted items (continued)

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Non-cash charges relating to acquisitions			
Amortisation of acquired intangibles	**(1,823)**	(1,823)	(3,646)
Acquisition related share based payment charges	**-**	(735)	(1,358)
	(1,823)	(2,558)	(5,004)
Other adjusted items			
Restructuring costs	**-**	-	(107)
Fair value movement through P&L on foreign exchange contracts	**634**	-	(539)
Share based payment charges	**(641)**	(404)	(508)
Disposal costs	**-**	-	-
	(7)	(404)	(1,154)
Total adjusted items	**(1,830)**	(2,962)	(6,158)

Amortisation of acquired intangibles
These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. As we expense ongoing customer acquisition in full each year we remove the amortisation as otherwise we overstate the level of investment driving the current rate of growth.

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

En primeur adjustment (*Discontinued operations only)*
We sometimes secure wine orders, generally for fine wines, a substantial period before the wine is ready to ship as it continues to mature in barrel on the winemaker's premises. While these transactions do not reach the statutory definition of a sale (as title has not passed to the customer) we include the sales and profits in our adjusted profit before tax at the time of the order, not shipment, to align the financial impact with the sales team's activity and cost.

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

Acquisition and restructuring costs
Accounting standards require all acquisition and restructuring costs to be expensed in the consolidated income statement. Due to their nature these costs have been excluded from adjusted profit before tax as they do not reflect the underlying performance of the Group.

5. Tax

Tax for the six month period is charged at an adjusted effective tax rate of 9% (2019: 19%) representing the best estimate of the average annual effective tax rate expected for the full year, applied to the profit before taxation of the period. The adjusted effective tax rate is the ratio of the current tax charge to the adjusted profit before taxation. This is principally impacted by the Group's policy of not recognising deferred tax assets on the losses of Naked Wines International and due to disallowable expenses in Naked Wines plc.

6. Discontinued operations

During the period ended 30 September 2019, the Group entered into two sale agreements. The two disposals represent a significant milestone in the evolution of the Naked group, by freeing up capital and resources to pursue the significant growth opportunity ahead of Naked.

a) On 2 August 2019, the Group announced that it had entered into an agreement to sell Majestic Wine Warehouses Limited and Les Celliers de Calais S.A.S. which together comprise the Majestic business ("Majestic") to CF Bacchus Holdings Limited, a vehicle controlled by funds managed by Fortress Investment Group LLC, for a total consideration of £95m. The disposal is expected to be completed by the end of the calendar year.

The results of the Majestic operations which have been included in the consolidated income statement as discontinued, were as follows:

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Revenue	**138,340**	145,139	311,796
Cost of sales	**(110,564)**	(113,744)	(245,383)
Gross profit-	**27,776**	31,395	66,413
Distribution costs	**(16,654)**	(17,557)	(34,399)
Administrative expenses	**(11,121)**	(9,674)	(32,238)
Other operating income	**350**	438	821
Operating profit	**351**	4,602	597
Net finance charge	**(901)**	2	2
(Loss)/profit before tax	**(550)**	4,604	599
Analysed as:			
Adjusted profit before tax	**980**	4,380	13,847
Adjusted items:			
- Other adjusted items	**(1,530)**	224	(13,248)
(Loss)/profit before tax	**(550)**	4,604	599
Tax	**(237)**	(1,703)	(1,007)
(Loss)/profit after tax for the period	**(787)**	2,901	(408)
Adjusted profit before tax before the impact of IFRS 16	**1,387**	4,380	13,847

Detailed impact of IFRS 16 on the consolidated income statement is explained further in note 2.

6. Discontinued operations (continued)

b) On 1 October 2019, the Group completed the disposal of Lay & Wheeler Limited and Vinotheque Holdings Limited, which together comprise the Lay & Wheeler business ("L&W"), to Coterie Limited ("Coterie") for a total cash consideration of £11.3m.

The results of the L&W operations which have been included in the consolidated income statement as discontinued, were as follows:

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Segment revenue	**7,693**	6,897	14,896
Movement in en primeur sales	**(477)**	1,372	1,014
Reported third-party revenue	**7,216**	8,269	15,910
Cost of sales	**(5,379)**	(6,190)	(11,638)
Gross profit	**1,837**	2,079	4,272
Distribution costs	**(657)**	(616)	(1,156)
Administrative expenses	**(1,368)**	(1,109)	(2,305)
Operating (loss)/profit	**(188)**	354	811
Net finance charge	**(2)**	-	-
(Loss)/profit before tax	**(190)**	354	811
Analysed as:			
Adjusted profit before tax	**295**	302	1,151
Adjusted items:			
- Amortisation of acquired intangibles	**(112)**	(112)	(225)
- Other adjusted items	**(373)**	164	(115)
(Loss)/profit before tax	**(190)**	354	811
Tax	**(35)**	(131)	(176)
(Loss)/profit for the period	**(225)**	223	635
Adjusted profit before tax before the impact of IFRS 16	**297**	302	1,151

Detailed impact of IFRS 16 on the consolidated income statement is explained further in note 2.
Total discontinued operations which have been included in the consolidated income statement is summarised as follows:

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Majestic	**(787)**	2,901	(408)
L&W	**(225)**	223	635
Total (loss)/profit for the period from discontinued operations	**(1,012)**	3,124	227

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding £nil (2018: 1,214,671) contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options) and 378,026 (2018: 235,512) held by Employee Share Trusts.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These comprise contingently returnable shares and share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the period. Share options granted over 399,150 (2018: 89,021) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the period end.

Adjusted earnings per share is calculated by excluding the effect of Adjusted items (see note 4) This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's underlying trading performance.

	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Loss per share			
Basic earnings per share	**(9.0p)**	(0.1p)	(13.3p)
Diluted earnings per share	**(9.0p)**	(0.1p)	(13.3p)
Adjusted basic earnings per share	**(3.6p)**	3.7	14.7
Adjusted diluted earnings per share	**(3.6p)**	3.5	14.1

	Note	**26 weeks ended 30 Sep 2019 £'000**	26 weeks ended 1 Oct 2018 £'000	Year ended 1 Apr 2019 £'000
Loss for the period		**(6,413)**	(96)	(9,400)
Add back adjusted items:				
- Total adjusted items - continuing operations	*4*	**1,830**	2,962	6,158
- Total adjusted items - discontinued operations	*6*	**2,015**	(276)	13,588
Adjusted loss after taxation		**(2,568)**	2,590	10,346

	26 weeks ended 30 Sep 2019	26 weeks ended 1 Oct 2018	Year ended 1 Apr 2019
Weighted average number of shares in issue	**71,291,875**	70,350,639	70,518,556
Dilutive potential ordinary shares:			
Employee share options and contingently returnable shares	**1,848,704**	3,036,173	2,802,836
Weighted average number of shares for the purpose of diluted earnings per share	**73,140,579**	73,386,812	73,321,392
Total number of shares in issue	**72,816,733**	72,134,618	72,137,402

If the Group's share option schemes had vested at 100% the Company would have 75,583,914 (2018: 74,824,241) issued shares.

8. Dividend

	26 weeks ended 30 Sep 2019	26 weeks ended 1 Oct 2018	Year ended 1 Apr 2019
	£'000	£'000	£'000
Equity dividends paid and proposed			
Final dividend	-	3,745	3,745
Interim dividend	-	-	1,443
Total Equity dividends paid and proposed	-	3,745	5,188

As announced on the 2 August 2019, the Board intends to pay a special dividend of 5.2p per share following completion of the Majestic disposal.

9. Assets held for sale

Please refer to note 6, discontinued operations for details of the disposal of Majestic and L&W. The net assets classified as held for sale at the lower of its carrying value and fair value less costs to sell.

	Majestic 30 Sep 2019 £'000	**L&W 30 Sep 2019 £'000**	**Total 30 Sep 2019 £'000**
Intangible assets	1,458	443	1,901
Property, plant and equipment	51,252	165	51,417
Right of use asset	52,383	94	52,477
Other non-current assets	1,976	2,098	4,074
Inventories	54,540	5,577	60,117
Trade and other receivables	9,146	5,712	14,858
Cash and cash equivalents	5,623	4,059	9,682
Assets classified as held for sale	**176,378**	**18,148**	**194,526**
Trade and other payables	(42,772)	(14,075)	(57,068)
Bank overdraft and loans	(14,784)	-	(14,784)
Lease liabilities	(52,990)	(638)	(53,628)
Deferred and current tax liabilities	(2,097)	(280)	(2,156)
Liabilities directly associated with assets classified as held for sale	**(112,643)**	**(14,993)**	**(127,636)**
Net assets classified as held for sale	**63,735**	**3,155**	**66,890**

10.Notes to the cash flow statement

	26 weeks ended 30 Sep 2019	26 weeks ended 1 Oct 2018	Year ended 1 Apr 2019
	£'000	£'000	£'000
Cash generated by operations			
Operating loss	**(5,670)**	(4,710)	(9,116)
Add back:			
- Depreciation and amortisation	**2,630**	2,094	4,148
- Loss on disposal of property, plant and equipment	**4**	15	79
- Fair value movement on foreign exchange contracts	**(634)**	-	548
- Share based payment charges	**484**	970	1,977
Operating cash flows before movements in working capital	**(3,186)**	(1,631)	(2,364)
Increase in inventories	**(23,041)**	(20,340)	(13,214)
Increase in customer funds in deferred income	**6,657**	6,701	5,819
Decrease/(increase) in trade and other receivables	**1,943**	(3,005)	(230)
Increase in trade and other payables	**7,600**	7,100	1,215
Net cash consumed by operating activities - continuing operations	**(10,027)**	(11,175)	(8,774)

Cash and cash equivalents			
Cash and cash equivalents	**11,236**	14,412	19,093
Bank overdraft	**(85)**	(12,157)	(12,096)
Total cash and cash equivalents	**11,151**	2,255	6,997
Cash and bank balances included in disposal group held for sale (see note 9)	**(5,102)**	-	-
Total cash and cash equivalents	**6,049**	2,255	6,997

Alternative performance measures (APMs)

Alternative performance measures	
Underlying movement	a) excludes the impact of IFRS 16. b) includes en primeur revenues in year of order not year of fulfilment; c) is calculated using constant FX rates for translation.
EBIT	Operating profit as disclosed in the Group income statement.
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, share based payment charges, impairment of goodwill, restructuring costs, fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any costs included in our adjusted items e.g. amortisation of acquired intangibles.
Operating Costs	Defined as administrative expenses less other operating income excluding adjusted items.
Adjusted PBT	Adjusted EBIT less net finance charges.
Adjusted effective tax rate	Defined as the current year's tax charge divided by the adjusted profit before tax.
Free cash flow	Cash generated by operating activities less IFRS 16 rent paid less capital expenditure and before adjusting items and taxation. A reconciliation of this metric is provided below.
Net Debt	Borrowings less cash and debt issuance cost.
Return on Investment	A measure of the money we subsequently earn from investment in new customers. This measure is akin to a yield on an upfront capital investment, defined as the annual contribution per repeat customer less the cost of replenishment, all divided by the cost per repeat customer. Note that we are phasing this measure out and replacing it with lifetime return, but is still currently used as part of our remuneration policy.
Investment Measures	
Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers. A reconciliation and analysis of including this metric is shown below.
New customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation of this metric is provided in the financial review.
LTV	The future contribution we expect to earn from new customers. This is forecast over a 20 year period.
Lifetime payback	The ratio of the LTV of the customers recruited this year to the investment we made recruiting them. As this is a forward looking estimate it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected Lifetime Payback from prior year investment in the financial review.
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 this metric is provided in the financial review.
Repeat customer contribution	The profit attributable to those sales after fulfilment and service costs. A reconciliation of this metric is provided in the financial review.
Repeat customer sales retention	The proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. Using our website data the population who were active in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention.
Fixed costs	Administrative costs excluding marketing spend.
Year 1 payback	Repeat customer contribution divided by the new customer investment from the year before.
Definitions	
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer facing staff costs) and marketing expenses. We

	often split contribution into that from new and repeat customers as they can have different levels of profitability. A reconciliation of this metric for Naked Wines is provided in the financial review.
Repeat customer	A customer that has bought from one of our businesses more than once, recently. For Naked Wines these are "Angels" who have subscribed.
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 shopping with us at some point or cannot be identified.
Adjusted effective tax rate	Defined as the current year's tax change divided by the adjusted profit before tax.

Free cash flow reconciliation

	Continuing operations	
	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000
Adjusted EBIT	**(3,840)**	(1,748)
Add back depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	**807**	271
Adjusted EBITDA	**(3,033)**	(1,477)
Working capital movement		
- Inventories	**(23,041)**	(20,340)
- Deferred Income	**6,657**	6,701
- Trade and other receivables	**1,993**	(3,004)
- Trade and other payables	**7,401**	6,930
Working capital movement	**(6,990)**	(9,713)
IFRS 16 rent paid	**(410)**	-
Pre-tax operating cash flow	**(10,433)**	(11,190)
Capital expenditure	**(565)**	(337)
Pre-tax operating cash flow / "Free cash flow"	**(10,998)**	(11,527)
Reconciliation to statutory cash flow statement		
Free cash flow	**(10,998)**	(11,527)
Cash adjusted items	**(4)**	15
Capital expenditure	**565**	337
Repayments of principal under lease liabilities	**410**	-
Cash generated by operations	**(10,027)**	(11,175)

Alternative performance measures (APMs)

	Discontinued operations	
	26 weeks ended 30 Sep 2019 £'000	26 weeks ended 1 Oct 2018 £'000
Adjusted EBIT	**2,178**	4,680
Add back depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	**7,318**	2,870
Adjusted EBITDA	**9,496**	7,550
Working capital movement		
- Inventories	**3,307**	(1,746)
- Deferred Income	**(40)**	211
- Trade and other receivables	**(1,042)**	(2,479)
- Trade and other payables	**(2,969)**	4,452
Working capital movement	**(744)**	438
IFRS 16 rent paid	**(5,430)**	-
Pre-tax operating cash flow	**3,322**	7,988
Capital expenditure	**(1,647)**	(3,776)
Pre-tax operating cash flow / "Free cash flow"	**1,675**	4,212
Reconciliation to statutory cash flow statement		
Free cash flow	**1,675**	4,212
Cash adjusted items	**23**	(17)
Capital expenditure	**1,647**	3,776
Repayments of principal under lease liabilities	**5,430**	-
Cash generated by operations	**8,775**	7,971

Additional unaudited information

To provide a meaningful comparison with last year, further analysis is presented below on an underlying basis which means:-
- En-primeur revenues are included in year of order, not year of fulfilment; and
- Results are calculated using current period foreign exchange rates for re-translation of the comparative.

Reconciliation of reported to underlying results by segment
Constant currency (FY20 fx rate)

Continuing operations

	26 weeks ended 30 Sep 2019			26 weeks ended 1 Oct 2018			
	As Reported £'000	**IFRS 16 £'000**	**Underlying £'000**	As Reported £'000	Constant FX £'000	Underlying £'000	variance %
Naked Wines							
Revenue	**87,463**	**-**	**87,463**	75,663	1,603	77,266	13.2%
Gross profit	**33,487**	**(5)**	**33,482**	29,616	862	30,478	9.9%
Gross margin	***38.3%***	***n/a***	***38.3%***	*39.1%*	*53.8%*	*39.4%*	*-1.2%*
Distribution costs	**(15,825)**	**(5)**	**(15,830)**	(12,766)	(414)	(13,180)	20.1%
Administrative costs	**(16,751)**	**(32)**	**(16,783)**	(13,578)	(433)	(14,011)	19.8%
Adjusted EBIT	**911**	**(42)**	**869**	3,272	15	3,287	-73.6%
Central costs							
Administrative costs	**(4,751)**	**-**	**(4,751)**	(5,020)	-	(5,020)	-5.4%
Adjusted EBIT	**(4,751)**	**-**	**(4,751)**	(5,020)	-	(5,020)	-5.4%
Total continuing operations							
Revenue	**87,463**	**-**	**87,463**	75,663	1,603	77,266	13.2%
Gross profit	**33,487**	**(5)**	**33,482**	29,616	862	30,478	9.9%
Gross margin	***38.3%***	**-**	***38.3%***	*39.1%*	*53.8%*	*39.4%*	*-1.2%*
Distribution costs	**(15,825)**	**(5)**	**(15,830)**	(12,766)	(414)	(13,180)	20.1%
Administrative costs	**(21,502)**	**(32)**	**(21,534)**	(18,598)	(433)	(19,031)	13.2%
Adjusted EBIT	**(3,840)**	**(42)**	**(3,882)**	(1,748)	15	(1,733)	NM
Net finance charge	**(541)**	**74**	**(467)**	(400)	-	(400)	16.8%
Adjusted (loss)/profit before tax	**(4,381)**	**32**	**(4,349)**	(2,148)	15	(2,133)	NM

Additional unaudited information

Discontinued Operations

	26 weeks ended 30 Sep 2019			26 weeks ended 1 Oct 2018			
	As Reported £'000	**IFRS 16 £'000**	**Underlying £'000**	As Reported £'000	Constant FX £'000	Underlying £'000	variance %
Retail							
UK revenue	**112,764**	**-**	**112,764**	118,364	-	118,364	-4.7%
France revenue	**3,728**	**-**	**3,728**	4,585	20	4,605	-19.0%
Total revenue	**116,492**	**-**	**116,492**	122,949	20	122,969	-5.3%
Gross profit	**24,197**	**-**	**24,197**	27,822	6	27,828	-13.1%
Gross margin	***20.8%***	**-**	***20.8%***	*22.6%*	*30.0%*	*22.6%*	*-8.2%*
Distribution costs	**(15,055)**	**(519)**	**(15,574)**	(15,940)	(1)	(15,941)	-2.3%
Administrative costs	**(7,848)**	**25**	**(7,823)**	(8,604)	(2)	(8,606)	-9.1%
Adjusted EBIT	**1,294**	**(494)**	**800**	3,278	3	3,281	-75.6%
Commercial							
Revenue	**21,848**	**-**	**21,848**	22,190	-	22,190	-1.5%
Gross profit	**3,579**	**-**	**3,579**	3,572	-	3,572	0.2%
Gross margin	***16.4%***		***16.4%***	*16.1%*	-	*16.1%*	*0.3%*
Distribution costs	**(1,599)**	**-**	**(1,599)**	(1,618)	-	(1,618)	-1.2%
Administrative costs	**(1,393)**	**-**	**(1,393)**	(854)	-	(854)	63.1%
Adjusted EBIT	**587**	**-**	**587**	1,100	-	1,100	-46.6%
Lay & Wheeler							
Reported revenue	**7,216**	**115**	**7,331**	8,269	-	8,269	-11.3%
En primeur	**477**	**-**	**477**	(1,372)	-	(1,372)	-134.8%
Revenue on a management basis	**7,693**	**115**	**7,808**	6,897	-	6,897	13.2%
Gross profit	**1,887**	**115**	**2,002**	1,894	-	1,894	5.7%
Gross margin	***26.2%***	***100.0%***	***27.3%***	*22.9%*	-	*22.9%*	*3.2%*
Distribution costs	**(657)**	**-**	**(657)**	(616)	-	(616)	6.7%
Administrative costs	**(933)**	**(115)**	**(1,048)**	(976)	-	(976)	7.4%
Adjusted EBIT	**297**	**-**	**297**	302	-	302	-1.7%
Total discontinued operations							
Reported revenue	**145,556**	**115**	**145,671**	153,408	20	153,428	-5.1%
En primeur	**477**	**-**	**477**	(1,372)	-	(1,372)	-134.8%
Revenue on a management basis	**146,033**	**115**	**146,148**	152,036	20	152,056	-3.9%
Gross profit	**29,662**	**115**	**29,777**	33,288	6	33,294	-10.6%
Gross margin	***20.3%***	***100.0%***	***20.4%***	*21.9%*	*30.0%*	*21.9%*	*-1.6%*
Distribution costs	**(17,312)**	**(519)**	**(17,831)**	(18,174)	(1)	(18,175)	-1.9%
Administrative costs	**(10,172)**	**(90)**	**(10,262)**	(10,434)	(2)	(10,436)	-1.7%
Adjusted EBIT	**2,178**	**(494)**	**1,684**	4,680	3	4,683	NM
Net finance charge	**(903)**	**903**	**-**	2	-	2	NM
Adjusted profit before tax	**1,275**	**409**	**1,684**	4,682	3	4,685	NM

Additional unaudited information

Total Group

	26 weeks ended 30 Sep 2019			26 weeks ended 1 Oct 2018			
	As Reported £'000	**IFRS 16 £'000**	**Underlying £'000**	As Reported £'000	Constant FX £'000	Underlying £'000	variance %
Reported revenue	**233,019**	**115**	**233,134**	229,071	1,623	230,694	1.1%
En primeur	**477**	**-**	**477**	(1,372)	-	(1,372)	-134.8%
Revenue on a management basis	**233,496**	**115**	**233,611**	227,699	1,623	229,322	1.9%
Gross profit	**63,149**	**110**	**63,259**	62,904	868	63,772	-0.8%
Gross margin	***27.0%***	***95.7%***	***27.1%***	*27.6%*	*53.5%*	*27.8%*	*-0.8%*
Distribution costs	**(33,137)**	**(524)**	**(33,661)**	(30,940)	(415)	(31,355)	7.4%
Administrative costs	**(31,674)**	**(122)**	**(31,796)**	(29,032)	(435)	(29,467)	7.9%
Adjusted EBIT	**(1,662)**	**(536)**	**(2,198)**	2,932	18	2,950	NM
Net finance charge	**(1,444)**	**977**	**(467)**	(398)	-	(398)	17.3%
Adjusted (loss)/profit before tax	**(3,106)**	**441**	**(2,665)**	2,534	18	2,552	NM

Naked Wines revenue analysed by country

	Reported			**Underlying**		
	H1 20 Revenue £'000	H1 19 Revenue £'000	YOY variance %	**H1 20 Revenue £'000**	H1 19 Revenue £'000	YOY variance %
UK	**32,797**	29,725	10.3%	**32,797**	29,725	10.3%
USA	**39,245**	31,744	23.6%	**39,245**	33,563	16.9%
Australia	**15,421**	14,194	8.6%	**15,421**	13,978	10.3%
Total Naked Wines	**87,463**	75,663	15.6%	**87,463**	77,266	13.2%

Additional unaudited information

Naked Wines highlights

26 weeks ended 30 September 2019	**As reported £'000**	**IFRS 16 £'000**	**Underlying £'000**	**Analysed as "Repeat" £'000**	**Analysed as "New" £'000**
Revenue	**87,463**	**-**	**87,463**	**75,319**	**12,144**
Contribution (=EBIT exc. Fixed Costs)	**8,914**	**(10)**	**8,904**	**19,166**	**(10,262)**
Repeat contribution margin				**25.4%**	
Adjusted EBIT	**911**	**(42)**	**869**	**n/a**	**n/a**
Memo:					
Admin costs, analysed as:	**(16,751)**	**(32)**	**(16,783)**		
- Marketing	**(8,748)**	**-**	**(8,748)**		
- Fixed costs	**(8,003)**	**(32)**	**(8,035)**		

26 weeks ended 2 October 2018	As reported £'000	Impact of foreign exchange £'000	Underlying £'000	Analysed as "Repeat" £'000	Analysed as "New" £'000
Revenue	75,663	1,603	77,266	67,058	10,208
Contribution (=EBIT exc. Fixed Costs)	9,669	175	9,844	17,783	(7,939)
Repeat contribution margin				26.5%	
Adjusted EBIT	3,272	15	3,287	n/a	n/a
Memo:					
Admin costs, analysed as:	(13,578)	(433)	(14,011)		
Marketing	(7,181)	(273)	(7,456)		
Fixed costs	(6,397)	(160)	(6,557)		