

MajesticWineplc

A pivotal year

Majestic Wine plc
Annual Report and Accounts
2019



A Pivotal Moment

We are at a crossroads in the Company's history. As laid out in March, we have taken the difficult but important decision to focus on Naked and exit from Majestic. As at the date of this announcement, our intention is to sell the business and we are at an advanced stage with multiple bidders. A further update will be provided if and when negotiations conclude, at which point we will seek shareholder approval to move ahead. If we are unable to complete the process over the summer, in time for the important Christmas and New Year season, we will continue to run the two businesses independently of each other and look to restart the process in 2020.

It is important to point out that this is a decision we have made from a position of strength.

- The Group grew sales by over 6% despite a tough UK market
- Although underlying profits fell, the biggest cause was a decision to increase investment in new customer acquisition in Naked – which will drive future growth
- And I am delighted to report that our Commercial business, under a new team, has returned to growth after two years of sales contraction
- Our balance sheet remains strong with leverage of only 0.8x EBITDA

So why exit Majestic?

Majestic is a great business, with brilliant people and strong customer loyalty. It is also a much better business than it was four years ago with

- Revenue that's 20% higher with online sales up by more than 50%
- Widescale cost efficiencies to help mitigate FX and inflationary headwinds
- A growing subscription business
- A national fulfilment facility

However, Naked has the greater potential for growth, and will deliver the best results for our shareholders, customers, people and suppliers over time. Although we have several options to realise value from Majestic, the cleanest and best for customers, staff and shareholders looks to be an outright sale at this time.

Majestic Wine started life with a disruptive model that challenged the status quo. Now is the right time to do it again under the Naked brand.

The views from
up here are
amazing!

What's changing?

Of our existing businesses, Naked has the greatest potential to deliver strong, sustainable shareholder returns so we've taken the decision to focus all of our capital and energies into delivering that potential.

What you get?

We will:

1. Change the Company name to Naked Wines plc
2. Simplify into one business with one model worldwide
3. Be acutely growth focussed
4. Be simpler to understand
5. Exit the Majestic brand

Why we're doing it?

We have two great businesses – Naked and Majestic. Both of them have the potential for growth but we only have the resources to manage one. We have therefore taken the decision to focus the Group on Naked as that will deliver the best results for our shareholders, customers, people and suppliers over time.

It is clear that Naked has the better growth opportunity

- It operates in much larger addressable markets
- It's established in the fast growing US market
- It's digital
- It's model is unique and defendable

This is really going to take off!

There's plenty of room for growth then!

We are about to start a new chapter. 30 years ago Majestic changed the wine market with the warehouse concept. Now Naked is doing it again.

How we measure our success

Our investment KPIs

Sales to new customers
Revenues from new customers in the period

Investment in new customers
The sum of all investments in new customers in the period

Life time return
A forecast of the multiple of cash returned from the investment by year 20

Repeat customer sales
The total sales from repeat customers in the period

Repeat customer sales retention
The level of sales delivered in the year from the repeat customers in place a year ago, expressed as a % of the prior year's sales

Repeat customer contribution
The contribution earned from sales to repeat customers

SEE OUR KPIs 16 AND 17

Strategic report

What's happening and what's new...

- 02 Our business at a glance
- 04 Chief Executive's letter
- 08 Our business model

Review of the year

A detailed look at the year that was...

- 14 Performance highlights
- 15 Chairman's statement
- 16 Our Group KPIs
- 18 Business review
- 18 Naked Wines
- 20 Majestic Retail
- 22 Majestic Commercial
- 23 Lay & Wheeler
- 24 Risk management and control environment
- 29 Investment review
- 32 Financial review
- 37 Sustainability report

Governance report

Growing our business the right way...

- 43 An introduction by our Chairman
- 44 Board of Directors
- 46 Governance
- 50 Stakeholder engagement
- 53 Remuneration Committee report
- 63 Audit Committee report
- 65 Directors' report
- 66 Statement of Directors' responsibilities
- 67 Independent auditor's report

Financials

The nuts and bolts...

- 70 Group income statement
- 71 Group statement of comprehensive income
- 72 Group statement of changes in equity
- 73 Group balance sheet
- 74 Group cash flow statement
- 75 Notes to the financial statements
- 100 Company balance sheet
- 101 Company statement of changes in equity
- 102 Notes to the Company financial statements
- 104 Shareholder information
- 105 Definitions and operational KPIs
- 106 Alternative performance measures (APMs)

Our business at a glance

Connecting winemakers to wine lovers

Naked Wines funds independent winemakers, who make exclusive wines at preferential prices. We pass those prices on to our customers and customise our recommendations to them using 18.2 million reviews.

Addressable market and size*

£17.0bn

Reported sales for the year to April 2019

£178.4m

Reported sales growth

+14.3%

Adjusted EBIT

£6.7m

197 winemakers, producing 1,000+ wines in 17 countries

8 distribution hubs shipping your order within 48 hours, helping generate 81% repeat customer sales retention

Competitive advantage

The model delivers better wine for less money, and customers become friends with winemakers

Proposition

Making luxury wines affordable by supporting winemakers

Addressable markets and size* (and a handpicked bunch of winemakers)

USA £14.0bn

UK £2.0bn

Matt Parish
USA
International all-star and former Chief Winemaker for the world's largest wine companies and famous brands

Rick Boyer
USA
Champion of the Californian central coast

Tyson Wolf
USA
Skilled blender working his magic with some of Napa's best grapes

Hermano Veloso
Portugal
Born and bred in the Portuguese wine industry, Hermano gets his kicks from making great value gluggers

Stefano di Biasi
Italy
The talent who made Solaia and Tignanello – two of Italy's most iconic (and eye-wateringly expensive) wines

Peter & Barbara Klein
Germany
This brother and sister winemaking team are smashing stereotypes with beautiful, clean wines

AUS £1.0bn

Luca Hodgkinson
Chile
Making low-yield artisan wines isn't only Luca's passion. It's his way of life

Mauricio Lőrca
Argentina
Angel funding turned Mauricio's business around, and he's forever grateful

Eddy Naim
Lebanon
Our first ever Lebanese winemaker!

Nina Stocker
Australia
Angel support was needed to help Nina resurrect old neglected vineyards facing death by chainsaw

Bill and Claudia Small
New Zealand
Talented husband and wife team who have set-up shop with the support of 1000s of Angels

SEE BUSINESS REVIEW 18 AND 19

* Source: Internal Company figures.

The UK's largest specialist wine retailer. We help people find the wines they will love by employing highly engaged, well trained people equipped with state of the art tools and leading wines.

Addressable markets and size*	£2.2bn
Reported sales for the year to April 2019	£267.7m
Reported sales growth	+1.5%
Adjusted EBIT	£11.3m

Competitive advantages

- People – c.1000 helpful, friendly and trained team members (we employ wine lovers, not shelf stackers!)
- We control the last mile delivery
- We have data on what our customers like and don't like

Proposition

We help you discover the wines you will love.

SEE BUSINESS REVIEW 20 AND 21

An on-trade supplier that helps businesses to make their wine lists more profitable by offering national pricing and scale with local delivery and training.

Addressable markets and size*	£2.0bn
Reported sales for the year to April 2019	£44.1m
Reported sales growth	+1.8%
Adjusted EBIT	£2.5m

Competitive advantage

Only company offering local service with national scale and pricing

Proposition

We help you make more money from your wine lists

SEE BUSINESS REVIEW 22

SEE INFORMATION ON ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS ON PAGES 106 TO 108

A specialist fine wine merchant. Our expertly trained people help customers discover fine wine reliably.

Addressable markets and size*	£0.7bn
Reported sales for the year to April 2019	£15.9m
Reported sales growth	+22.7%
Adjusted EBIT	£1.2m

Competitive advantage

A highly trained sales team that knows how to make fine wine accessible for everyone

Proposition

We help you discover fine wine risk-free

SEE BUSINESS REVIEW 23

* Source: Internal Company figures.

Chief Executive's letter**Going for growth**

Dear shareholders, suppliers and staff,

The short story

This is a momentous time in your company's history. We have taken the difficult, but strategically important decision, to focus your company on Naked Wines. At the time of writing, having tested two routes to achieve this over the past three months it is looking likely that we will be selling all of Majestic Retail and Commercial, and through a separate transaction, Lay & Wheeler.

So, for this report, I will focus on this decision, and what it means to you as shareholders, before I report on the 2019 financial year.

Why are we doing this?

We have had a difficult decision to make. We have two great companies, Naked and Majestic. Both of them have the potential for growth – and we only have the resources to do one well. If we tried to back both to be long-term growth engines we risk delivering neither.

In the end we chose Naked because:

- It is established in the big and fast growing US market
- It is a digital business
- It is differentiated and defensible

What happens next?

If we are successful in selling Majestic in the coming months then:

- We will remain a quoted company.
- The name will be changed to "Naked Wines PLC", subject to shareholder approval.
- The sale proceeds will be used to
 - Pay off our debt
 - Accelerate growth in Naked Wines
 - And we intend to return any surplus to shareholders
- We will be one company, with one brand, and a single focus

If we don't complete a sale over the Summer we intend to continue to run Majestic independently through the important Christmas and New Year season before restarting the process in 2020.

A deeply heartfelt thank you

I want to thank, from the bottom of my heart, the wonderful people of Majestic Wines, who have done an amazing job of delighting our customers, at the same time as we have implemented radical changes, all with great cheerfulness and engagement. You are a wonderful group of people and have faced into the uncertainty of the past few months with the dedication and commitment that has made the last four years a pleasure.

Update on the 2019 financial year

As a Group we delivered another year of strong progress. Group revenue of £506.1m was up 6.3% on last year and comfortably surpassed our target of £500m. Both overall revenues and repeat customer contribution at Naked continued to show strong growth as we increased investment to build a base of loyal and profitable customers. In a relatively resilient performance against a challenging backdrop, Retail grew revenue 1.5% but suffered reduced profitability.

Performance in 2019

	Underlying			
	Revenue £m	% YoY	Adjusted EBIT £m	% YoY
Naked Wines	£178.4	+14.5	£6.7	-22.4
Majestic Retail	£267.7	+1.5	£11.3	-15.1
Majestic Commercial	£44.1	+1.8	£2.5	+3.2
Lay & Wheeler	£14.9	+2.4	£1.2	+22.8

Key drivers of performance in 2019

Group Adjusted EBIT

Key drivers of performance in 2019

1. Naked generated £6.0m more contribution from its repeat customers, who we call Angels. Our investment in new customer acquisition is proving to be effective as we are finding more customers and better customers who spend more with us each year.
2. We increased our new customer investment by £5.0m to £19.1m to drive future growth. Naked is a subscription business so we have to continually acquire new customers to drive growth. On average our investments are generating payback of 4x so it's a great place to deploy capital.
3. We delivered 1.5% sales growth in Retail but this translated into a gross profit that was lower by £2.0m as we maintained competitive pricing and used tactical discounts to both retain existing and acquire new customers.
4. Our Fixed costs investment in Naked and central items increased by £5.4m year on year.

As a result, our Group adjusted EBIT (on an underlying basis) reduced by £6m year on year to £12.1m.

In addition, we have recognised a non-cash charge of £11.1m reflecting impairment of the Retail store estate due to the weaker profitability of the business and a further £1.0m of cash restructuring charges as we have started to reduce the capacity in our store estate.

Combining this with the £7.7m of other adjusting items (FY18: £8.9m) and £0.8m of finance expenses has resulted in the Group reporting a pre-tax loss of £8.5m for the financial year (FY18: £8.3m profit).

Operational performance as measured in the following KPIs remains strong.

Operational KPIs

	Naked Wines	Majestic Retail	Majestic Commercial	Lay & Wheeler
Product availability	FY19: 91% FY18: 90%	FY19: 86% FY18: 86%	FY19: 90% FY18: 90%	FY19: n/a FY18: n/a
Team retention	FY19: 91% FY18: 94%	FY19: 80% FY18: 81%	FY19: 69% FY18: 71%	FY19: 100% FY18: 100%
Wine quality (Buy it again)	FY19: 91% FY18: 91%	FY19: 92% FY18: 89%	FY19: n/a FY18: n/a	FY19: n/a FY18: n/a
Proportion of 5* service ratings	FY19: 90% FY18: 90%	FY19: 86%* FY18: 89%	FY19: n/a FY18: n/a	FY19: n/a FY18: n/a

* Now includes web orders. Excluding these for comparison to FY18, this was 90%.

Let's focus on Naked.
It's a great opportunity

Chief Executive's letter
Continued**Naked firmly on track**

In our 10 year history, Naked has delivered remarkable and sustained growth. We've continued to grow in our most mature market – the UK; we've entered, disrupted and grown rapidly in the US, and we are leveraging our experience and marketing techniques in Australia.

In that time, the business has consistently delivered very healthy underlying trends. We've generated attractive returns on our investments in building a loyal and profitable base of repeat customers.

Naked Wines repeat customer contribution

Rolling 12 months £000s

Investment in new customers

£m, rolling 12 month basis

Investment in new customers – channel mix

£m, rolling 12 month basis

We've done that in the following ways:

1. We've successfully built a customer acquisition machine

Over 10 years we have developed and refined the best ways to tell new customers about our business. As a result we have been able to increase our investment in customer acquisition by more than 20% a year for the last five years, up to £19.1m in FY19.

2. Our investments have proven to be effective

We are gaining loyal and profitable customers and we are not paying too much to find them. Our payback, measured as the 20 year return on each £1 spent on customer acquisition, is forecast to be 4x, the target we have set ourselves over the mid-term. We're achieving this through our test and learn approach to optimise returns over time through continuous measurement and refinement of our activities. One of the best examples of that is that we are now spending less on promotional discounting and more on targeted marketing, which we've found is a better way to sign up high quality customers.

3. Our product and service is getting better all the time

The best way to ensure we keep our customers is to make them happy. We give our Angels exactly what they want – great wines at affordable prices and all backed up with industry leading service. Our customers rate 91% of our wine sales as something they would buy again and give 90% of our customer service interactions a 5* satisfaction rating.

We've made further great progress on this front this year:

- We've continued to grow the number of excellent winemakers we work with
- Our wines are great value and great quality – we have the awards to prove it
- Operational capability is better than ever (and better than most!). This year, we've built out our distribution capability with the addition of a fourth distribution centre in the US so we now cover the breadth of the country and can deliver to the vast majority of Angels within 48 hours

Retail and Commercial resilient

The Retail operations delivered a resilient top line performance achieving 1.5% sales growth amidst weak consumer confidence and political and economic uncertainty. Growth in online sales together with our subscription business, Concierge, offset the impact of having no Easter – a peak period – in this financial year.

However, the top line growth came at the expense of profitability as continued competitive intensity and aggressive pricing put pressure on gross margins. Operating efficiency gains and continued cost control helped to offset increased distribution costs and inflationary headwinds, however resulted in lower adjusted EBIT year on year.

Commercial returned to growth after an extended period of decline. With a new team and refined processes in place, the business delivered both top line growth of 1.8% (FY18: -5.6%) and EBIT improvement of 3.2% year on year.

Both Retail and Commercial sales take place through our stores. Having reassessed the portfolio against current trading patterns we have taken a charge for impairment of our store estate of £11.1m (FY18: £0.5m).

Lay & Wheeler delivered reported revenue growth of 22.7% due to higher levels of en primeur shipments. Underlying revenue was 2.4% higher year on year and EBIT growth of +22.8% through a combination of margin improvement and cost control.

SEE INFORMATION ON ALTERNATIVE PERFORMANCE
MEASURES AND DEFINITIONS ON PAGES 106 TO 108

The future is Naked

An investment machine

In the very near future we intend to have one business model, operating under one brand which is well funded and a clear focus on growth. With renewed focus on a single goal we have reappraised the Naked opportunity and have decided that now is the time to put more fuel in the engine.

What gives us the confidence to do that? The short answer is that the economics of a subscription business with loyal customers who behave predictably give us long-term contribution growth in exchange for upfront investment.

If we continue to invest at the current rate, maintain current retention levels and achieve the targeted payback, the future repeat contribution will continue to scale. That's if we maintain the current rate of investment. We think we can go faster.

As growth investment drives future contribution, we want to increase the rate of investment to maximise future value. We believe we have the model, the experience and the opportunity to accelerate investment, at our targeted payback, and in doing so dramatically increase future contribution and value.

I'm so excited
I've turned blue!

Summary

Our future is Naked. Strategically we intend to exit Majestic, with promising progress being made to achieve this over the summer. We will then be starting a new chapter in our Group's history.

We'll operate a much simpler business with one brand and one business model. We're well-resourced, have a clear focus on growth, and we believe we can accelerate investment to build a bigger, more profitable business in the longer term.

Our business model

A business that will win in our chosen markets

What is our business model?

We want to build a business that is going to win in our chosen markets

OUR GOAL

To deliver sustainable growth in shareholder value, by delivering customer propositions so compelling that customers become extremely loyal, and therefore valuable, allowing us to grow by investing in acquiring more of them

To achieve this we will...

1.

We're laser-focused on keeping our customers

Investing in acquiring new customers, which we can afford to do because we retain existing customers through extreme loyalty

2.

Testing and refining absolutely everything

Investing with discipline, because we are able to test new opportunities before we roll them out

3.

Letting data show us the way forward and improve our actions

Every quarter we double up on our best performing investments, and cancel the worst performers

LET'S DRILL DOWN A LITTLE FURTHER...**What do we do?**

We generate shareholder value by acquiring and keeping customers.

How?

By creating a long-term compounding growth business that gets stronger with scale, i.e. better delivery, larger range.

Why?

Retention is high because loyalty is high. Loyalty is high because we do something for our customers that no one else can do.

Why can't everyone do this?

- Because we have enough data on our customers to accurately measure their value
- Because we use that value insight to frame an investment opportunity

Sticky customers
created by
brilliant people
and data

How do we do it?

- We start by assuming we will be wrong half the time
- So we test our investments in a scalable way
- We put as much energy into finding dead ends quickly as finding new investments to test
- And then we scale the successes and get rid of the duds

READ ABOUT OUR STICKY CUSTOMERS ON PAGES 10 AND 11

1.
We're laser-focused on keeping our customers

2.
Testing and refining absolutely everything

3.
Letting data show us the way forward and improve our actions

How Naked does it

1. We're laser-focused on keeping our customers

We offer an entire ecosystem, not just a shop

Angels can chat to each other and to winemakers on the site, meet them on tasting tours, or even drop in on them at home!

Customer involvement equals real customer power

We hold votes on which wines to buy and how to make them, and pricing and range are influenced by customer ratings.

Guaranteeing customer satisfaction is fundamental to our business

- We tell our customers before they buy if we don't think they'll like a certain wine
- Our service is highly proactive – we keep an eye out for delivery issues and warn our customers about them before the courier realises something is amiss
- We love to surprise our customers – whether it's a free bottle, a birthday card, or even a massage kit!

2. Testing and refining absolutely everything

We are curious, and always willing to try out interesting ideas

Anyone at Naked can have an idea – but they'll need to spearhead the effort to see if it'll work. And if our customers like it, it stays! But if not, we're on to the next thing.

And we really do test everything...

- Corks versus screwcaps?
- Free delivery or more expensive wine?
- Wrap it in tissue paper?
- Add beer or gin?
- Glasses or a decanter this Christmas?
- Mixed cases or new products on the home page?
- A red, round graphic or a blue square?
- Message A or message B?

3. Letting data show us the way forward and improve our actions

It's crucial that everyone can see what's going on

We've established a single source of the truth: one set of customer, product and order data, made available through Tableau dashboards.

Our top-notch, growing data science and business intelligence team never stops mining and analysing

We have a comprehensive suite of tools that enables us to visualise relevant data, from hourly operations information through to annual investment reviews. We look at order profitability levels to identify inefficiencies, and use machine-learning to better anticipate what our customers will do, and want.

Data leads directly to action

We keep checklists that force us to act on the implications of the data. We believe in failing fast, and doubling down on the things that work.

Our business model
continued

This is how we turn wine shoppers into sticky customers

If we have a secret ingredient, it's loyalty. Our customers stick around, because we invest heavily in acquiring the right ones. Then we work as a team to offer reliable and friendly service and exceptional value for money. We treat our customers like VIPs, and we make their lives easier.

CREATING STICKY
CUSTOMERS

#12

Be reliable

I always recommend you because I've never had a bad bottle and my appreciation of wine has increased immeasurably since becoming an Angel

Majestic staff are its best asset.

I've been a customer of Majestic for a couple of years now and they've never failed to be friendly, knowledgeable, helpful and attentive without being overbearing.

I've worked in retail for over 25 years, Majestic staff act exactly as I want my colleagues to.

A J Critten (Trustpilot)

CREATING STICKY
CUSTOMERS

#04

Know your grapes

Always good value, fabulous selection, extremely knowledgeable staff, fantastic customer service.

Ricardo (Trustpilot)

CREATING STICKY
CUSTOMERS

#08

**Don't sell
Suggest**CREATING STICKY
CUSTOMERS

#02

Be friendly

I love ordering my wine from Naked Wines I do have an account, but I love phoning as your customer service people are so lovely.

CREATING STICKY
CUSTOMERS

#14

**Offer value
for money**

I love Naked Wines.
I think its great quality
wines for great prices.
I put money into my
account every month and
save up to buy a case for
special occasions. It feels
like I'm waiting for a
Christmas present every
time I order.

CREATING STICKY
CUSTOMERS

#01

**Sell what
people want**

Wide choice of excellent
wines at great prices.
Extensive range of excellent
wines from all round the world,
extremely knowledgeable and
personable staff always available
to provide information, highly
welcome tasting opportunities,
very good value. What more
could anyone want?

John B (Trustpilot)

Great wines at great prices &
really helpful people at the end
of the phone. Love that I can
just order on my app whenever
& wherever I am. Love the free
bottle when you order, & the
fact there is usually a choice
of freebie. Really like the fact
I can choose to let the money
build up in my account, or just
order, gives me great flexibility.
Can't recommend "Naked
Wines" enough. Plus I do love
starting or finishing a conversation
with "I'm a Naked Angel!"

CREATING STICKY
CUSTOMERS

#03

**Everyone
is a VIP**

Brilliant company, superb
wines and excellent customer
service: what more can one
ask for? Oh, perhaps you can
send someone round to do
my dusting??

CREATING STICKY
CUSTOMERS

#07

**Make life
easier**

Nicky Parish

Father (viticulturist) and daughter (winemaker) team up to produce single vineyard estate wines from the Waipara in New Zealand

Mauricio Lorca

Angel funding turned Mauricio's business around, and he's forever grateful

Virgile Joly

Loveable Languedoc winemaker producing some of the region's best wines

Virgile Joly – He's almost annoyingly perfect. He's ultra organic, with the certificates to prove it. Stupidly talented with wine, he has glowing reviews from the doyenne of wine writing, Jancis Robinson

Review of the year

A detailed look at the year that was...

Denis Crespo
In Cairanne, Denis is a bit of a hero

Benjamin Darnault
Consultant winemaker on a mission to uncover gems for the Angels all over the Languedoc

Peter & Barbara Klein
This brother and sister winemaking team are smashing stereotypes with beautiful, clean wines

Liam McElhinney
Marlborough born and raised, Liam learned his trade from the region's finest winemakers

Jen Pfeiffer
Your Winemaker of the Year 2015!

Richard Kershaw
South Africa's first Master of Wine, adored by Angels and critics alike

14	Performance highlights
15	Chairman's statement
16	Our Group KPIs
18	Business review
18	Naked Wines
20	Majestic Retail
22	Majestic Commercial
23	Lay & Wheeler
24	Risk management and control environment
29	Investment review
32	Financial review
37	Sustainability report

Review of the year

Performance highlights

- In advanced discussions regarding potential sale of Majestic Retail and Commercial ("Majestic") – expected to be finalised over the summer months
- Group revenue grew +6.3% to £506.1m, accelerating as Naked Wines ("Naked") continues to invest in customer acquisition
- Naked growth plan on track:
 - Naked Underlying revenue growth accelerated to 14.5% (FY18: 11.3%)
 - USA now biggest division with sales 21% higher year on year
 - New customer investment of £19.1m, an increase of £5m on last year
 - Repeat customer sales retention of 81% (FY18: 83%)
 - Repeat customer contribution increased by £6.0m to £39.8m with margin improved to 26.1% (FY18: 25.2%)
 - Forecast payback on new customer investment on target at 4.0x (FY18: 4.7x)
- Majestic Retail ("Retail") solid in a tough market
 - Underlying Revenue growth of 1.5% (FY18: 1.9%)
 - Adjusted EBIT reduced to £11.3m (FY18: £13.3m) due to gross margin decline
- Group Adjusted PBT of £11.3m lower than FY18 (£17.2m) as a result of the accelerated investment in Naked growth and lower Retail profitability year on year
- Reported loss before tax of £8.5m impacted by £11.1m store impairment charge
- Balance sheet robust: Net Debt of £15.5m, 0.8x Adjusted EBITDA (FY18: £8.4m, 0.35x Adjusted EBITDA) despite high levels of investment in the year and high working capital due to Easter timing and Brexit contingency planning
- Final dividend suspended, to be replaced with a special dividend equal to the final FY18 payment, contingent on completion of Majestic sale
- Board strengthened with US expertise in anticipation of Naked's next phase of growth with proposed appointment of John Walden as Chairman elect and the appointment of Nick Devlin as COO

Revenue (£m)

£506.1m

6.3%

(Loss)/Profit before tax (£m)

(£8.5m)

£8.3m

Net debt (£m)

£15.5m

(0.8x net debt: adjusted EBITDA)

Adjusted EBIT (£m)

£12.1m

(33.8%)

Adjusted PBT (£m)

£11.3m

(34.5%)

(Loss)/earnings per share

(13.3p)

10.9p

- * To provide a meaningful comparison with last year, operating performance commentary is stated on an underlying basis (unless otherwise stated) which means:
- En primeur revenues are included in year of order, not year of fulfilment
 - Calculated using constant foreign exchange rates for translation

A full reconciliation between our reported numbers and these underlying measures is provided on each divisional reporting page.

SEE INFORMATION ON ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS ON PAGES 106 TO 108

Chairman's statement

The future is Naked

It's an incredibly exciting time as we are about to begin a new chapter in the long history of our Group. The Board has decided that shareholders' interests are best served if we are to focus all of our capital and energies into delivering the long-term potential of Naked.

Greg Hodder
Chairman

Overview

Through many years of dedicated and focused hard work, we are in the enviable position of owning two businesses with the potential to be long-term winners.

Since 2015 we've evolved the Majestic retail estate into a differentiated and scaled customer centric model. In the last three years we've:

- Refocused the business to be customer focused, not store focused
- Driven sales online
- Dramatically improved sales retention
- Successfully launched a subscription business
- Introduced Franchise Lite to address underperforming stores

At the same time we've accelerated investment in Naked and in doing so, dramatically increased future value. In the last three years we have:

- Almost doubled Naked in size
- Built a loyal and profitable repeat customer base
- Built a 200 strong winemaker portfolio, producing 1,000 wines in 17 countries
- Built robust infrastructure able to deliver market leading service levels

The Board believes that both businesses have good long-term potential, but with only finite resources and capital, we are unable to maximise both. It has become clear that we need to focus our energies and capital behind the business with the greater potential for growth and which will in turn deliver the greatest value for shareholders.

After carefully weighing the options, the Board's decision is clear. Of the two businesses, Naked operates in much larger and faster growing markets, it has a disruptive model that will benefit from the consumer shift towards online, and we have first mover advantage and a more defensible competitive

position. That is why the Board has taken the decision to focus on Naked and release value from Majestic. We now believe that a sale of Majestic, rather than a merger of both businesses, is the best way to maximise value for our shareholders.

As always, the Board has shareholders' best interests in mind when considering these options and the decision to focus on Naked was not one taken lightly. The criteria that any plan has to meet in order to get Board support remains as we stated in April 2018 and is equally applicable to the Naked growth plan as ever:

1. We need to be sure that we can maintain our targeted returns on investment in growing the base of customers
2. We must be able to identify clear milestones to allow us to course correct if returns deteriorate
3. We invest in a control environment commensurate with the investment plans

Whilst we remain in the process of completing the realisation of value from Majestic we have suspended the dividend. If a sale of Majestic completes we will pay a special dividend in place of the final.

Performance

FY19 was a year of further progress in which we continued to make underlying improvements in the Majestic businesses while investing for growth in Naked.

Reported revenue of £506.1m was up 6.3% in the year (FY18: +2.3%). We reported a loss before tax of £8.5m, a significant reduction from the £8.3m profit before tax delivered in FY18, reflecting the investment in growth in Naked, weaker Retail trading and a non-cash impairment charge relating to the Retail store estate of £11.1m. Adjusted PBT was £11.3m (FY18: £17.2m).

Naked Wines continues to deliver reliable growth and future value generation with underlying sales growth of 14.5% in the year (FY18: 11.3%). We delivered

strong growth in each of the Naked markets but we're particularly pleased with the 21% sales growth in the US, proving that our accelerated investment in customer acquisition is effective.

Majestic Retail has delivered a solid performance in a challenging environment with underlying sales growth of 1.5% (FY18: 1.9%). The improvements and growth initiatives we've implemented are showing signs of success. Customised and targeted marketing is delivering year on year customer growth, a large and growing proportion of sales are now placed online, and we've built on the successful launch of our subscription business, Concierge, which is a source of dependable and recurring revenue. However gross margins were again lower year on year and this drove a reduction in profitability for the business.

Majestic Commercial returned to growth with sales up 1.8% (FY18: -5.6%) and improved profitability. The new leadership, restructured operations and improved processes have delivered higher sales to new customers and improved retention.

Lay & Wheeler is once again contributing to growth with reported sales up 22.7% (FY18: -1.1%) and significantly improved profitability.

Board changes

Katrina Cliffe was appointed to the Board as an Independent Non-Executive Director on 20 May 2019. Katrina adds a wealth of experience and a complementary skill set through her other Board positions and previous management experience across the financial and retail sectors.

Alongside these results we are announcing two further changes to the Board, which will balance the composition towards the US market, our biggest growth opportunity.

Firstly, Nick Devlin, President of the US Naked Wines business, will join the Board in the new position of Group COO. Nick has done tremendous work with the US business in the last two years, driving our ambitious growth agenda in a structured and efficient way, and we look forward to him having the same impact on the rest of the Group.

Secondly, due to other commitments I will be stepping down as Chairman at the AGM in August and leaving the Board six months later after a period of transition. Taking my place is John Walden, who brings a wealth of Retail experience across both online and face to face channels, as well as significant US experience to guide our continued growth into that market.

I am delighted to welcome Katrina, Nick and John to the Board.

Outlook

The Board is confident that we are well on track to create a group focused on Naked Wines, with the process to sell Majestic well advanced. We are also confident that continued investment in customer acquisition by Naked will create sustainable future value. As a result we are on a path to becoming a single brand business with the potential to mature with substantial profitability.

Greg Hodder
Chairman

Our Group KPIs

Measuring our financial value and performance

Our performance indicators allow us to measure both the financial value we create for our stakeholders and our performance delivering our strategy.

FINANCIAL			
KPI	How are we doing?	What's the plan and why does it matter?	What are the risks? (See pages 24-27)
Revenue	Reported revenue of £506.1m vs. £476.1m	Investing in customer acquisition through tested channels	<ul style="list-style-type: none"> - Competition - Regulation - Investment
Underlying revenue growth	FY19: 5.8% underlying growth in Group revenue	Growing revenue through investment in new customer acquisition is how we create shareholder value	<ul style="list-style-type: none"> - Competition - Regulation - Investment
Net Debt: adjusted EBITDA	0.8x	Capital allocation priorities: a. Investment in new customers/growth b. Target net debt 0.5x EBITDA c. Return capital to shareholders if no use for investment spend – ordinary dividend	<ul style="list-style-type: none"> - Financial - Investment
Fixed costs	Naked Wines: (£14m) (FY18: (£11.1m)) Retail: (£10.4m) (FY18: (£11.3m))	Investing in resources that support: 1. Sustained growth 2. Optimised economics 3. Controls and compliance	<ul style="list-style-type: none"> - Systems development - Management/key staff
OPERATIONAL AND TRANSFORMATION KPIs			
KPI	How are we doing?	What's the plan and why does it matter?	What are the risks? (See pages 24-27)
Team retention	Retention rates ranging from 69-100% in FY19	Retain the best people through empowerment, engagement and reward	<ul style="list-style-type: none"> - Investment - Brand recognition - Management/key staff
Product availability	Availability across the Group between 86% and 91% (FY18: 86%-90%)	To keep availability of core product above 85% and promotional products above 95% Good availability saves employees time and increases customer experience	<ul style="list-style-type: none"> - Business interruption - Supply chain - Third-party suppliers
Wine quality	Buy it Again ratings now 92% and 91% for Majestic and Naked (FY18: 89% and 91%)	To grow our exclusive and own brand wine ranges High quality, exclusive products differentiate us from the competition	<ul style="list-style-type: none"> - Business interruption - Supply chain - Third-party suppliers
5* customer service	Customer 5* ratings now 86% and 90% for Majestic and Naked (FY18: 89% and 90%)	To consistently offer a 5* service across all our brands Better service will lead to greater customer retention	<ul style="list-style-type: none"> - Brand recognition - Management/key staff

SEE INFORMATION ON ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS ON PAGES 106 TO 108

INVESTMENT			
KPI	How are we doing?	What is it?	Why does it matter?
Sales to new customers	Naked Wines: £25.5m (FY18: £21.6m) Retail: £53.5m (FY18: £55.9m)	Revenues derived from transactions with customers who meet our definition of a new customer	New customers replenish the sales to repeat customers that we lose through retention being less than 100%. We also strive to make new customers into repeat customers. The better our repeat customer retention the more that any new customers drive growth rather than replenishment
Investment in new customers (also referred to as new customer contribution)	Naked Wines: £19.1m (FY18: £14.1m) Remaining businesses are not yet investing materially in new customer acquisition presently	The sum of all investments in new customers in the period. A loss represents an investment in customers	We invest in customers from whom we expect to receive a payback in future years. The more we spend, the more money we make in future assuming they are retained and purchase from us at the prevailing levels and profitability.
Lifetime payback	FY19: On target of 4.0x (FY18: 4.7x)	The ratio of the future contribution we expect to earn from the customers recruited this year to the investment we made recruiting them. We calculate this by reviewing the level of sales and contribution generated in the current year from new customers and compare this to a reference level based on historical behaviour of all new customers, then projecting forwards to a 20 year lifetime to estimate the payback ratio. As this is a projected measure we include an update assessment of last year's recruitment economics with a further year of performance in the data used to make the estimate	It's easy to spend money and say we recruited customers, but it's also easy to recruit low quality customers who have shorter average lifetimes and lower annual spend. By calculating this ratio based on the average history of over a million customers we can forecast our investment returns and eliminate poor investments. Our target is 4x return on all new customer investments
Repeat customer sales	Naked Wines: £152.9m (FY18: £134.3m) Retail: £214.2m (FY18: £207.9m)	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering	This portion of our revenue is more predictable as it is reflective of customers we have an ongoing relationship with
Repeat customer sales retention	Naked Wines: 81% (FY18: 83%) Retail: 92% (FY18: 92%) We are not yet reporting Commercial and L+W on this basis	The proportion of sales made to customers who met our definition of "repeat" last year that were realised again this year. Using our till and website data, the population who were active in the prior year and the current year are identified for each month and summed to calculate the full year retention	Continuing to sell to existing customers is critical if we are to grow the business. The higher our sales retention the more that our sales to new customers can translate into growth rather than replenishment
Repeat customer contribution	Naked Wines: £39.8m (FY18: £33.8m) Retail: £19.5m (FY18: £20.1m)	The contribution earned from sales to repeat customers	Contribution from repeat customers gives us the profitability to reinvest into new customer recruitment and growth

Business review

Naked Wines performance

Product availability

91%

(FY18: 90%)

5* service ratings

90%

(FY18: 90%)

New customer investment

(£19.1m)

(FY18: (£14.1m))

LTV payback

4.0x

(FY18: 4.7x)

Repeat customer sales

£152.9m

(FY18: £134.3m)

Sales to new customers

£25.5m

(FY18: £21.6m)

Team retention

91%

(FY18: 94%)

Wine quality

91%

(FY18: 91%)

Repeat customer contribution

£39.8m

(FY18: £33.8m)

Repeat customer sales retention

81%

(FY18: 83%)

Number of winemakers

197

(FY18: 187)

Year ended 1 April 2019

	Reported £m	Impact of FX £m	Underlying £m
Revenue	178.4	–	178.4
Adjusted EBIT	6.7	–	6.7

Year ended 2 April 2018

	Reported £m	Impact of FX £m	Underlying £m
Revenue	156.1	(0.2)	155.9
Adjusted EBIT	8.7	(0.1)	8.6

The Naked growth plan is firmly on track. After pausing for breath last year, we reaccelerated investment in new customer acquisition which was reflected in strong revenue growth of 14.3%, driven by new and repeat Angels, but EBIT £2.0m lower at £6.7m. Our plans to scale the business are progressing well with new customer investment up 35%, payback on target at 4x and sales retention at a healthy 81%.

What we've have done

Opened our 4th Fulfilment Centre in Missouri with plans underway to consolidate our National DC and California fulfilment centre in summer 2019.

Why we've done it

To improve delivery service to customers and take transport cost out of our network.

The results so far

Best in class in US wine fulfilment with 98% of population getting one or two day shipping and expected annualised cost savings of over \$1m.

What we've have done

Increased investment in creative resource to enable us to better tell our brand and winemaker stories, especially across digital channels.

Why we've done it

To deliver our growth strategy and enable us to recruit more high value customers using highly targeted marketing channels.

The results so far

48% increase in new customers acquired from digital channels in H2 vs H1 FY19.

What we've have done

Brought on board our first in-house legal counsel Anne Huffsmith to the Naked USA Leadership team.

Why we've done it

To take in-house ownership of more of our regulatory compliance operations and strategy.

The results so far

The team is well-equipped to respond proactively to changes in the US wine compliance landscape.

What we've have done

Launched seven new winemakers into the US business, including doubling our winemaker presence in fast growing Pacific Northwest.

Why we've done it

Our customers have told us they want to see continued innovation and voted for Washington as a priority for 2018.

The results so far

Dave Harvey, a former winner of a Decanter award for the world's best Syrah, launched his debut wines in 2018: he's already sold over 150,000 bottles and support from Angels has just allowed him to sign a lease on a new winery site!

What we've have done

A-list winemakers.

Why we've done it

We've drawn up a hitlist of the winemakers behind the world's best wines – and going after them to make wines exclusively for Naked. We believe this will boost internal customer loyalty and transform external credibility.

The results so far

We already have the winemakers behind Grange, Tignanello and Solaia. In FY19 we landed Edgard Carter (Sena) and Jorge Gutierrez (Montes Alpha "M"). In FY20 Eamon FitzGerald (Naked UK "Wine Guy") will be fully focused on this task.

ONE TO WATCH Edgard Carter

You probably haven't heard of him, but you might have heard of Sena, one of the most famous (and expensive) wines in Chile, which he made for 3 years.

The Chilean wine industry is dominated by four or five mammoth corporations, and as a result Chile is best known for £5 plonk in the supermarket.

Edgard is one of the brave few trying to change this. Angel backing is helping him to make delicious wines his own way, and put the real Chile on the map.

Angel support will free him from the financial and marketing treadmill, and allow him to continue supporting local growers and their families, paying them a fair price for their produce, so they aren't driven off the land into the cities, as has happened to so many traditional growers. It's what Naked was born to do.

Vote for change – give us a thumbs up

In the past 12 months, 49.2% of Angels have helped steer the future of Naked by voting on various projects throughout the year. Here are a few highlights...

First

Back in May we asked Angels what wines they'd like to invest their Angel funding in and the message was loud and clear – more off-the-beaten-track wines. Since then, we've introduced our first Lebanese and Bulgarian wines.

20,000 votes – I'll drink to that!

Backed

Angels gave winemaker Johan Kruger the thumbs up to save a stunning 41-year-old Chenin Blanc vineyard high up in the hills of Swartland, South Africa. The vineyard was about to be ripped up and replaced by an orchard because it's five times more profitable to make apple juice than wine down there. Backed with 20,000 Angel votes, he was able to save it.

Support

In August we asked Angels if they'd support Connie Schwaderer's dream to plant Chile's first ever Albarino vineyard. Turns out Angels are a most adventurous bunch, with 91% of voters giving it the thumbs up.

Watch Connie's story at
www.vimeo.com/64525785

Business review
continued**Majestic performance**

Team retention

80%

(FY18: 81%)

Wine quality

92%

(FY18: 89%)

Product availability

86%*

(FY18: 86%)

5* service ratings

86%

(FY18: 89%)

Repeat customer sales

£214.2m

(FY18: £207.9m)

Repeat customer contribution

£19.5m

(FY18: £20.1m)

Repeat customer sales retention

92%

(FY18: 92%)

Sales to new customers

£53.5m

(FY18: £55.9m)

Year ended 1 April 2019

	Reported £m	Impact of FX £m	Underlying £m
Revenue	267.7	–	267.7
Adjusted EBIT	11.3	–	11.3
Year ended 2 April 2018			
Revenue	263.8	–	263.8
Adjusted EBIT	13.3	–	13.3

* We can now measure this including web orders, which were excluded in FY18. On a comparable basis to FY18 this was flat at 89%.

Majestic Retail has delivered a resilient performance against the backdrop of weak consumer sentiment and political and economic uncertainty in the UK. The business achieved sales growth of 1.5% but suffered gross margin pressure from a mix shift into lower margin products and heavier discount where we have driven footfall to grow the customer base. As we've progressed through our transformation plan, the business is now in great shape with targeted customer acquisition channels, a growing online sales channel and improved retention.

What we've have done

Store refits – continuing the roll out of shelving across the estate.

Why we've done it

Gradual programme to improve the standard of the store base and make shopping easier for our customers.

The results so far

An additional 74 stores have been revamped and fully shelved bringing the total number to 92. This roll out continues to remove non-value adding tasks so our staff have more time to sell wine and spend time with our customers.

What we've have done

Store refits – Wineify.

Why we've done it

To help customers discover wine they will love.

The simple colour coding system makes it easier for customers to shop online and in store. Investment in Wineify supports our concierge product – the next generation concierge will personalise customers' case based on their previous purchases and preferences expressed through Wineify tastings.

The results so far

39 stores now wineified – early signs are that it produces a 15% uplift in customer spend.

CONCIERGE HAS
HELPED ONLINE SALES
GROW AT

30%

What we've have done

Grew our subscription membership.

Why we've done it

Concierge has proved to be a popular proposition with our customers and early data suggests it is over 100% incremental.

The results so far

We now have almost 35,000 customers subscribed to Concierge which has helped online grow at 30% and generated over £2m incremental GP.

92
STORES HAVE BEEN
REFITTED

Refreshing refits rolling out

A "Wineify" store encourages customers to state their preferences by colour coding wines. Early signs are that customers who do this go on to spend more.

What we've have done Continuation of Meritocracy.

The "Meritocracy" is our framework for evaluating the performance of store managers. The best performing managers are invited to become "Partners" which gives them additional freedom to manage their stores as they wish.

Why we've done it
Partner stores are on average outperforming non-partner stores by 6%. Store managers on the programme feel empowered to be entrepreneurs and have a higher retention rate (92% versus 67% for non-partner managers).

The results so far
63 store managers are now on the Partner Programme. 56% of our stores are classified as "Nailing" compared to 10% in January 2018, meaning two thirds of our stores are growing and engaging our customers.

What we've have done
Re-platformed the Calais site onto our own platform that runs majestic.co.uk. This was the final part of our web migration which started with the UK site which we re-platformed in November 2017.

Why we've done it

- Bringing all our websites onto the same platform that Naked Wines is on so we have a single IT team supporting them all
- More efficient across all teams in the business as everyone is working from the same system now
- Lower cost and better able to make changes

The results so far
A little too soon to tell to be honest... but the Calais site operates faster than before, and when we re-platformed the UK website online conversion improved.

"Take the Majestic Wine-Fitting... and LOVE every bottle you buy!"

The Majestic Wine-Fitting is designed to help customers understand the styles of wine that they love, and then recommend other similar styles:

1. **Taste...** the wines open in store
2. **Discover...** the different wine styles that fit you best
3. **Explore...** with confidence! Look for other wines with the same colour

Wineify is built around the premise of identifying the style of wines the customer enjoys, and using that as a base to help them explore similar wines. Knowing which they enjoy, and, crucially, which ones they don't enjoy, enables us to personalise their journey, both in store and online – everyone's a winner!

Business review
continued**+1.8%**
INCREASE IN YOY SALES**Commercial performance**

Product availability

90%

(FY18: 90%)

Team retention

69%

(FY18: 71%)

Number of accounts
spending over £1,000 pa**4,037**

(FY18: 3,733)

Year ended 1 April 2019

	Reported £m	Underlying £m
Revenue	44.1	44.1
Adjusted EBIT	2.5	2.5

Year ended 2 April 2018

Revenue	43.4	43.4
Adjusted EBIT	2.4	2.4

This year, the Commercial business turned a corner and against a backdrop of intense competition and business failures, returned to growth after a period of decline. With a new team in place, the business focused on growing new customer accounts whilst improving processes around existing accounts to drive improved customer retention.

What we've done

Increased momentum on "Sweet Spot" sales (independent and small chain on-trade).

Why we've done it

- Improve sales performance
- Clarify the proposition
- Expend our energy where it matters most
- Provide visibility of input KPIs to drive continual improvement

The results so far

- Full visibility in CRM of a pipeline of new opportunities consistently totalling £35m annualised value. Prior to implementing salesforce, we couldn't accurately measure this
- New business revenue exceeded our internal target for the year by 5.6%
- Increased value of new accounts

What we've done

Implementation of account management blueprint.

Why we've done it

- Improve customer retention
- Create a shared view of what good looks like for account managers
- Better visibility of account management performance
- Extend our profitability approach past new business wins

The results so far

- More customers – we saw an 8% YoY increase in the number of customers trading with Commercial in FY19 versus the previous year
- More sales – in Q3 and Q4 we saw an increase in sales YoY, despite a contracting market in on-trade sales overall
- Commercial is now in a position where we consistently gain more valuable new accounts than those we lose

What we've done

Re-structured London team and operations.

Why we've done it

- The right focus, with a differentiated skill set for disparate parts of the business
- Improve sales management for London on-trade
- Improve the profitability of low margin accounts

The results so far

- Major account wins and renewals in the National Sales team
- London on-trade taken from underperforming mid-year to hitting target
- Increased profitability through the Kings Cross depot, with the removal of low cash margin products from large accounts

Lay & Wheeler performance

Team retention
100%
(FY18: 100%)

Year ended 1 April 2019

	Reported £m	En primeur £m	Underlying £m
Revenue	15.9	(1.0)	14.9
Adjusted EBIT	1.2	–	1.2

Year ended 2 April 2018

Revenue	12.9	1.6	14.5
Adjusted EBIT	0.9	–	0.9

Lay & Wheeler delivered a strong year with underlying revenue growth of 2.4% and very strong adjusted EBIT growth of 22.8%, achieved through a combination of mix improvements and cost control.

What we've done

Beaten our targets three years running, including this year.

Why we've done it

- Right culture in place with the right leadership
- Right wines (one of the best ranges in the UK)
- Engaging our customer base in the right way (let technology enable them to manage their accounts easily; have a wine advisor on hand to guide them)

The results so far

- Beat our target despite a softer Bordeaux en primeur campaign
- Beat last year's sales
- Adjusted EBIT soaring, and strong cash flow

What we've done

Invested in the team.

Why we've done it

We believe our team sets us apart: friendly, non-pretentious, a helpful guide, and a named face within Lay & Wheeler (at a time when people are used to screens)

The results so far

- WSET training: we sponsored six team members to complete the WSET Level 2, all of whom passed, one passed the Level 3, one passed the Diploma; we enrolled three more in the Diploma, one in Level 3 and one in Level 2
- Harvest trip: we took the entire team down to the award-winning Hambledon on October 9th to help harvest grapes for their classic cuvée and learn more about fine wine production
- We are able to increase our sales while keeping headcount steady

Awards in FY19

International Wine Challenge (July 2018):

Shortlisted

- IWC Specialist Merchant of the Year: Burgundy
- IWC Specialist Merchant of the Year: Rhône
- IWC Wine Club of the Year
- IWC Online Retailer of the Year

Decanter Retailer Awards
(September 2018):

Winner

- IWC Decanter Best Rhône Specialist
- Winner – Decanter Best Loire Specialist
- Winner – Decanter Best Subscription Wine Club

What we've done

Increased the scope of our tastings.

Why we've done it

- We are a people business, so the most important thing we can do is build relationships with our customers, and guide them through fine wine by letting them actually taste it

The results so far

- Our Burgundy tasting (January 2019 at Glaziers Hall) and our Rhone tasting (March 2019 at the Dutch Church in the City) were both our best-attended yet, with 300 tickets sold (out) and over 50 growers represented for both regions
- Our reputation is growing amongst both our customers and our growers
- We are getting to know more of our customers, and they are referring their friends

Risk management and control environment

Managing risk effectively

Two prong approach to managing risk

- Top down – Key risks that threaten Strategic Plan
- Bottom up – Business unit identified key risks
- Check for consistency
- Identify main strategic risks across the whole Group

Risk

The Board approves the risk appetite and tolerance levels and reviews the effectiveness of the risk management system. The risk registers, across all business functions, are presented to the Board for review annually. The business is continually assessed to identify and address emerging risks.

The risk environment is divided into internal and external risks. Internal risks are primarily within our control and are thus monitored by the relevant Business Unit Managing Director with oversight by the monthly Business Unit Board meeting. External risks, over which we have little or no control, are monitored by the Group's risk register process as well as by the individual Business Units.

Responsibility to maintain the Risk Register, as well as to implement and monitor mitigating actions, lies with the Executive Directors and the Business Unit management.

The Board is satisfied that, through the processes set out above, it is able to effectively identify, assess and manage risk. The Board is satisfied further that the responsible managers have the necessary skills and expertise to ensure that the relevant risk management process and control systems are in place and fully operative. The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee, and in this instance acts as the third line of defence, with management and internal audit as the second line, and the process/control owner as the first.

Using the process set out above the Board believes that it has undertaken a robust assessment of the principal risks which threaten the implementation of the strategy as well as the long-term sustainability of our business model, future performance and the solvency of the Group. In addition to monitoring the effectiveness of both the risk management and the internal controls, we believe we are able to identify any significant weaknesses or failings and how these are being addressed.

When considering the impact of risks on our sustainability we have linked this to both the business cycle as well as our approved strategy. We have not undertaken specific stress testing but, as part of our overall risk impact analysis, have quantified the impact of the major risks.

Based on our assessments we believe that the Group would be able to withstand the impact of realisation of risks over the forecast period although we would need to make adjustments to our plans.

The risks listed below are not the only ones facing our business but 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.

Process development

In 2018 we used the inherent risk rating for presentation of the risks. Using best practice, we have now used the residual risk rating after the application of the controls and mitigating actions. As a result, all the risks would have gone down. For the purposes of comparison and presentation in this report we will remove the indication of changes in the risk rating and provide an explanation as to the underlying reasons.

Risk Impact

Risk Impact measures the impact the materialisation of the risk would have on the business and is primarily measured in financial consequences as follows:

3 Very High	
2 Moderate	Between £500k – £2m
1 Minimal	<£500k

Risk Likelihood

Risk Likelihood measures the possibility/probability of the risk materialising and is rated as follows:

3 High	>20%
2 Moderate	5-20%
1 Remote	<5%

Control Effectiveness

The inherent risk is then mitigated through the application of controls which are rated according to the effectiveness thereof as follows:

Controls in place, tested and operative	3
Limited untested controls	2
No/inoperative/untested controls	1

The Residual Risk is rated as follows:

1,2	Low risk
3,4,5	Medium risk
6,7,8,9	High risk

Swot analysis

Strengths

- Strong dedicated customer base (>1 million)
- Wine quality
- Management team are shareholders
- Naked Wines business model
- Established successful online business
- Diversified business (UK & US)
- Cash generative
- Strong balance sheet

Opportunities

- US direct-to-consumer market growing
- Growth in online sales
- Improvement in customer experience and retention
- Improvement in team retention

Weaknesses

- Investment in bricks and mortar/high street degeneration
- Supply chain inefficiencies
- Increasing input costs

Threats

- Competition
- Increased regulatory restrictions
- UK economic outlook and Brexit consequences
- Cyber security

Total risks per business unit

Plc	12
Majestic (Retail & Commercial)	81
Naked Wines UK	44
Naked Wines US	31
Naked Wines Australia	41
Lay & Wheeler	16
Majestic Calais	17

Key

Revenue
Underlying revenue growth
Net debt: adjusted EBITDA
Fixed costs
Team retention
Product availability
Wine quality
5* customer service
Sales to new customers
Investment in new customers (also referred to as new customer contribution)
Lifetime payback
Repeat customer sales
Repeat customer sales retention
Repeat customer contribution

1. Competition

Threat from new or existing competitors

Company objective

Risk Rating	Change
Likelihood: 3	Unchanged
Impact: 3	
Residual after mitigation/control: 4	

Potential impacts

- Persistent aggressive competitive pressure could impact on our ability to grow and keep our customer base and/or our margin position

Potential causes

- Threats range from the discounters/supermarkets, where wine can be used as a loss leader, to a range of more tailored online wine clubs

Controls/mitigation

- Our buying teams continually monitor our competition's activity
- We are focused on delivering a better experience than our competitors, e.g. better value for money, better service, more engagement with winemakers

2. Investment

Investment decisions/expenses fail to drive additional sales, resulting in lower than expected profitability

Company objective

Risk Rating	Change
Likelihood: 3	Unchanged
Impact: 3	
Residual after mitigation/control: 4	

Potential impacts

- Investments could potentially not produce the desired return on investment and result in wasted cash

Potential causes

- Increased level of investment across the business with risk increasing proportionately with continued investment and growth

Controls/mitigation

- Investments are constantly monitored and capital redeployed if they are not producing the target returns

3. Strategy

– Failure of execution/change in strategy

Company objective

Risk Rating	Change
Likelihood: 3	NEW
Impact: 3	
Residual after mitigation/control: 4	

Potential impacts

- Loss of investor confidence and withdrawal of funding and share price impact
- Loss of trust from customers and suppliers
- Impact on staff morale and loss of critical staff/CEO

Potential causes

- Failure to realise adequate value as we exit Majestic
- Focused strategy centred around Naked Wines fails to deliver
- Change in scale of business

Controls/mitigation

- Development of effective and focused strategy through use of reliable data coupled with testing of assumptions

4. Financial, Liquidity and Treasury Risks

Restriction of available finance and fluctuations in interest and exchange rates impacts financial position

Company objective

Risk Rating	Change
Likelihood: 1	Unchanged
Impact: 3	
Residual after mitigation/control: 1	

Potential impacts

- Access to financing impacts on our ability to operate and grow

Potential causes

- The availability of funds to meet business needs, remaining within bank covenants, and the effect of fluctuations in foreign exchange rates and interest rates on the Group's financial position

Controls/mitigation

- We review the expected future cash needs of each Business Unit regularly to ensure availability of liquidity. We also periodically review our expected financial position against our banking covenants to ensure that our plans do not create risk of breach, including sensitivity to the risk of increased interest rates. An existing revolving credit facility is in place until 2022
- Transactional exchange rate risk is managed by sourcing from a variety of countries, and buying currency forward against our biggest exposures to achieve certainty of cost of purchased product. We do not undertake net asset hedging of our international operations
- We monitor movement in exchange rates on a regular basis and hedge all our ongoing currency exposures ahead of setting retail prices. We review future orders in foreign currency on a monthly basis to determine hedging requirements. The timing of currency purchases is agreed with the buying team
- We are continuing to build a geographically diversified group to protect against a weaker GBP in aggregate

Risk management and control environment
continued

Key	
Revenue	
Underlying revenue growth	
Net debt: adjusted EBITDA	
Fixed costs	
Team retention	
Product availability	
Wine quality	
5* customer service	
Sales to new customers	
Investment in new customers (also referred to as new customer contribution)	
Lifetime payback	
Repeat customer sales	
Repeat customer sales retention	
Repeat customer contribution	

5. Information and Cyber Security and Systems; Loss of Data	
Failure of IT systems, including ineffective functionality and/or performance, data integrity and cyber security	
Company objective	
Risk Rating Likelihood: 3 Impact: 2 Residual after mitigation/control: 2	Change Low
Potential impacts <ul style="list-style-type: none"> Failure could lead to significant costs and/or restrictions in our ability to operate the business An unauthorised or malicious attack could result in the loss of data and/or customer confidence in the business impacting trading Downtime would affect ability to trade online impacting business and customer loyalty Loss of personal data/sensitive business information could impact business and could result in fines and reputational damage 	
Potential causes <ul style="list-style-type: none"> Failure to successfully upgrade or replace core IT systems Access to internet and malicious incidents are prevalent and on the increase Poor systems access control Reliance on, and exposure to, third-party provider software and systems 	
Controls/mitigation <ul style="list-style-type: none"> IT systems, whether procured from third parties or built internally, are tested for security from attack. We also undertake periodic penetration testing exercises to provide ongoing assurance Critical systems are backed up regularly and/or hosted on third-party data centres with appropriate backup/redundancy A dedicated systems security resource (including 2 factor email authentication) is in place to provide assurance across the multiple businesses in the Group Disaster recovery plans are in place to ensure the businesses can recover from any interruptions with minimal impact. The main trading websites and internal network are protected by a fire-wall with frequently updated anti-virus software We have an experienced and dedicated IT team, and use external consultants where we need to, ensuring we have a good balance of skills and experience in the team 	

6. Regulation	
Non-compliance with core regulatory requirements	
Company objective	
Risk Rating Likelihood: 3 Impact: 2 Residual after mitigation/control: 3	Change Unchanged
Potential impacts <ul style="list-style-type: none"> Change in regulations relating to licensing requirements could impact our ability to operate and/or our cost structures Impact our ability to communicate with customers limiting recruitment, retention and engagement Restrict current business practices and limit customer accessibility Reputational risk, fines/penalties and increased compliance costs 	
Potential causes <ul style="list-style-type: none"> Changes in licensing regulations Increased restrictive and limiting legislative and regulatory provisions – data protection, advertising, distribution, consumer law, etc. Increased scrutiny of business practices, specifically in USA, as business grows Increased governance oversight 	
Controls/mitigation <ul style="list-style-type: none"> We monitor regulatory development routinely in all our markets to ensure that we identify potential changes, assess them and take appropriate action We maintain current licence for all states, businesses and premises operated by us and procure advice from licensing experts to assist with the maintenance thereof We endeavour to pay all taxes and duties on time and in full in respect of all taxes and licensing fees We maintain all appropriate documentation as evidence of our compliance with licensing conditions and regulations We have put in place the necessary management and control functions to ensure we comply with legislation (e.g. GDPR) 	

7. People	
Loss of key staff	
Company objective	
Risk Rating Likelihood: 2 Impact: 2 Residual after mitigation/control: 2	Change Unchanged
Potential impacts <ul style="list-style-type: none"> Loss of critical/core members of staff through a period of change Turnover of key staff could lead to continued change in processes and strategy leading to poor execution 	
Potential causes <ul style="list-style-type: none"> Vesting of shares and loss of incentive to remain Turnover due to lack of career development prospects, challenge and ineffective communication and uncertainty 	
Controls/mitigation <ul style="list-style-type: none"> We pay market competitive remuneration and where possible maintain back up within each functional team We have a business that focuses on staff welfare and culture 	

8. Business Interruption

Loss of site/interruptions to head office or site operations and/or systems due to an unforeseen event

Company objective

Risk Rating Likelihood: 3 Impact: 1 Residual after mitigation/control: 1	Change Unchanged
Potential impacts <ul style="list-style-type: none"> A disastrous event occurring at or around one or more of the Group's sites, may affect the ongoing performance of our operations and negatively impact on the Group's finances and our customers 	
Potential causes <ul style="list-style-type: none"> Unforeseen event (e.g. natural disasters, extreme weather, flooding, fire, unrest etc.) Systems failure 	
Controls/mitigation <ul style="list-style-type: none"> Data is stored or backed up off site. All critical systems can be accessed remotely in the event of physical access restrictions There are "hotdesk" locations available on different sites in the event that nearby sites are inaccessible Internal and third-party warehousing either has multiple sites or is operated by a third party with access to backup capacity Business interruption insurance cover in place 	

9. Supplier Risks

Failure to meet customer expectations and/or operate within current cost structure due to unremarkable product offering and/or supplier failure

Company objective

Risk Rating Likelihood: 2 Impact: 2 Residual after mitigation/control: 2	Change Increase
Potential impacts <ul style="list-style-type: none"> If a supplier's business fails or is impacted by supplier related risks (e.g. natural disasters) our ability to meet customer product expectations and/or operate with our current cost structure could be impacted Gradual erosion of capability resulting in mediocre offering leading to long-term decline 	
Potential causes <ul style="list-style-type: none"> Inability to source good quality unique wines on acceptable terms Over dependency upon key suppliers (e.g. AWS) Capacity/production constraints We have single source delivery partners per geographic location Supply chain project consolidates providers to one company in the UK with increased risks Natural disasters affecting regions and limiting wine production 	
Controls/mitigation <ul style="list-style-type: none"> Outside of IT, we have a diverse supplier base all of which are stable and well-regarded Products sourced from diversified geographic locations and different suppliers Continual sourcing of new wines which meet and exceed standards 	

10. Reputation

Mismanagement of external communications resulting in high-profile damaging PR

Company objective

Risk Rating Likelihood: 2 Impact: 1 Residual after mitigation/control: 1	Change NEW
Potential impacts <ul style="list-style-type: none"> Loss of shareholder/investor confidence and impact on value of business Loss of customer confidence and resultant business growth and retention Increased regulatory oversight 	
Potential causes <ul style="list-style-type: none"> Misleading or incorrect public information Failure to address public issue in time and adequately Failure to implement communications policy resulting in unauthorised statements 	
Controls/mitigation <ul style="list-style-type: none"> We have a strict communications policy which limits who can engage with press. This is limited to certain key and responsible individuals who would follow advice from our PR advisors where necessary We have identified areas of possible reputation risk and manage accordingly with strict buying processes and data management We work closely with our nominated advisor to ensure that public pronouncements are not misleading 	

11. Brexit/Other Shock Event

Disruption to trade and reduced consumer demand

Company objective

Risk Rating Likelihood: 2 Impact: 2 Residual after mitigation/control: 2	Change Unchanged
Potential impacts <ul style="list-style-type: none"> Downturn in economy impacting profitability, access to finance and investor confidence Sustained reduction in value of sterling leading to increased costs despite hedging Increase in costs as a result of tariff changes, customs costs, transport delays etc. Restricted business environment due to uncertainty 	
Potential causes <ul style="list-style-type: none"> Unforeseen economic financial market shock event/"black swan" event Failure/delay to reach Brexit agreement Unfavourable or restrictive trading agreements 	
Controls/mitigation <ul style="list-style-type: none"> Our finance department takes responsibility for reducing exposure to exchange rate risk through hedging our exposure to foreign currency. Foreign currency balances are monitored regularly, with margin frequency reviewed by the Executive Board so any required adjustments can be made quickly where required However, the retail environment remains a level playing field, with a sustained fall in sterling affecting all importers equally. We are used to dealing in many currencies and inside many different trading structures. We will adapt to the new arrangements, whatever the outcome While our two stores in France are at the biggest risk of changes to regulations due to Brexit, sales and profits from the two stores are a relatively small component of the Group total and are not expected to be a major source of future growth Scenario planning for supply chain changes has already been undertaken and we are working with key partners on mitigation strategies 	

Risk management and control environment
continued**Internal controls**

See also our Audit Committee report on page 63.

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.

The Board has ultimate responsibility for the Group's system of controls but can, however, not provide absolute assurances against material misstatement or loss.

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

We continue to enhance our controls through the Group Internal Controls Function which is also responsible for the internal audit function. Annual reviews of material business units are undertaken to ensure a minimum standard of control is applied across the Group. Any significant breaches of controls are investigated and corrective actions identified and implemented. To further strengthen our controls a dedicated regulatory resource is positioned in the USA where regulatory compliance and licensing conditions are managed locally. The Group Legal Counsel oversees the regulatory control environment from the UK.

In addition to the required regulatory statements during the review period we have also reviewed the following policies and procedures:

- Statement of Authority
- Share Dealing
- Standard contractual terms and conditions
- Standard Non-disclosure agreement
- Anti-bribery and Corruption (including gifts & hospitality)
- Business Continuity
- Code of Conduct
- Data Protection
- IT Usage and Security
- Health and Safety
- Whistleblowing

The main elements of the control framework include:

- The Board approval of the overall strategy taking into account the purpose and objectives of the business, interests of shareholders, the strategies of the business, the Group risk SWOT analysis and the risk register
- The Board approval of the supporting budgets and plans. There is a robust budgeting and planning process in support of the approved strategy. The approved plans and budgets are monitored and reported on monthly with variance reports, comparisons against previous years and including forecasts of expected performance over the remainder of the financial year. Budgets are adjusted mid-year with a forward looking view with regards to the following 24 months

- The Board, assisted by the Audit Committee, review of the financial and accounting policies and controls, including the work of the internal audit function and overall compliance with internal policies, processes and regulation
- The Board consideration and approval of key policies
- The Group's system of assessment of all investment opportunities which includes defined financial hurdles and controls which must be met. This system is managed directly by the CEO and the CFO. Ongoing post-investment reviews take place to check the delivery of anticipated return on investments

Investment review

Investing for future growth

After pausing for breath in 2018 to focus on greater productivity, I'm pleased to say that in 2019 we've been able to accelerate our investments for growth across multiple areas of our business.

James Crawford
Group Chief Financial Officer

Naked Wines new business

We increased our total investment in new customer acquisition for Naked Wines to £19.1m, in line with our strategy announced in April 2018. This drove an increase in sales to new customers of 18%. Overall forecast payback achieved was 4.0x, in line with our target.

Within this spend we have already identified certain new partnership activities which deliver low returns which we will stop running if they cannot be repriced to acceptable levels.

This investment is so critical that we report a set of KPIs relating to it as follows:

		FY19	FY18
Sales to new customers	£m	25.5	21.6
Investment in new customers (= new customer contribution)	£m	(19.1)	(14.1)
New to repeat customer sales conversion	%	183%	168%
Repeat customer sales	£m	152.9	134.3
Repeat customer contribution	£m	39.8	33.8
Repeat customer sales retention	%	81%	83%
Forecast payback	Ratio	4.0x	4.7x

Action and implication

In FY20 we are targeting growing the investment level by a further c£7m whilst maintaining payback discipline. To achieve this we have:

- Added resource, in particular in the US, to identify bigger strategic partnership opportunities
- Developed new tools to track partner distributed marketing materials to assess partner operational effectiveness and identify optimisation opportunities
- Implemented a number of changes to our customer onboarding journey to eliminate discounts, driving immediate enhancements in LTV and payback

Digital marketing

A growing portion of our new customer investment is deployed digitally. We grew our digital new customer acquisition investment in Naked Wines to £3.5m (FY18: £1.6m). As we analyse these customers we see that they are our highest value customers, testament to the targeting algorithms that digital marketing is supported by. As a result we have continued to increase the scale of the digital marketing resources.

Action and implication

In FY20 we are forecasting that we will step up our digital investment in Naked Wines to £4-5m. We will also commit about 10% of this to test and learn, to explore new digital channels and executions.

SEE INFORMATION ON ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS ON PAGES 106 TO 108

Investment review
continued**Retail subscriptions**

We now have almost 35,000 customers subscribed to our "Concierge" proposition and it continues to deliver customers with a higher annual spend and improved retention, driving a 48% uplift in their profitability and an early indication that forecast payback is c. 10x on the cost of acquiring them.

During the year we launched new features to the service:

- Premium: A more premium and profitable range of wines
- Double Up: The ability to quickly reorder the same case
- Lock It In: A regular case of your favourite wine with our best price guaranteed

About 6% of our subscribers are now signed up to our premium proposition and this figure is growing each month. This premium option has the added benefit of a 44% higher contribution than standard customers as picking, packing and shipping costs remain the same. Early data on the customers who "Lock It In" are showing 26% uplifts in spending, with the benefit being through more non-subscription spending as much as the subscription.

Action and implication

It is clear that there is appetite for a subscription service for Majestic customers and that adding subscription to the Majestic proposition enhances customer LTVs. Furthermore, early in FY20 we tested migration to Naked subscriptions with Majestic customers and those results give us confidence that we could execute that strategy should we wish to.

Retail partnerships

Retail partnerships, where we advertise our business to other companies' customers, have been successful in acquiring new customers into the business. This year we invested £0.9m driving nearly 100,000 incremental customer visits to store. However the data shows us that these customers, on average, tend to be materially lower value than unprompted customers as they have lower tendency to repeat shop and therefore spend considerably less as repeat customers. While our models of customer value suggest payback of 3.9x from this activity, because of the weaker spending behaviour we are not yet fully confident in the long-term value forecast for these customers so will only repeat activities where customers are delivered at minimal cost and therefore deliver very fast payback.

Action and implication

We will continue to drive traffic through selected partnerships, however we will ensure that we are only doing so when the incremental footfall is not disruptive to the core store operation e.g. avoiding the Christmas peak period.

OUR RANGE IS NOW
40%
EXCLUSIVE

Retail promotional plans

Our range is now 57% exclusive products and own label and we want to continue to grow this as we are able to offer customers superior value when we manage the full supply chain while achieving better margins ourselves – a profitable win-win! Over the last year we invested £0.4m of gross margin in short-term price support to drive adoption of our exclusive products, growing participation significantly year on year. Early signs on the top five lines that we have the most data on indicate a net benefit of c. £0.2m per year, indicating a two year payback on the investment in developing these products.

Action and implication

We intend to continue to drive switching to own label and Majestic exclusives, ensuring that as we achieve greater scale we also realise cost savings through the supply chain.

**Lay & Wheeler Fine Wine
Discovery Club**

We have been trialling the FWDC for c. two years now. In FY18 we slowed the rate of investment pending review of the long-term customer performance. Having done this we believe that payback on the investment to date may be considerably higher than originally expected due to better long-term customer retention, higher rates of additional purchasing and conversion to our Cellar Circle product which tends to drive higher spending levels and engagement.

Action and implication

With confidence in the longer-term customer value we will start to test higher levels of investment, not only in FWDC but also directly into Cellar Circle.

Lock It In allows you to subscribe to wines you love at great prices at a quantity and frequency that suits you. There are no contracts or tie ins, it is just a much smarter way to buy wine

Our new product management team use test and learn to generate improvements in customer conversion and basket completion rates

This year we refurbished and fully shelved 74 stores, part shelved all others and have begun to "wineify" the estate – an initiative designed to engage the customer in their wine flavour profile and help them navigate the world of wine more effectively

Online "product management" team

We spent in excess of £0.5m on a team tasked with rigorously optimising our web properties element by element. They have generated some significant improvements in our customer conversion funnel and basket completion rates, as well as trialling some innovative features with less success. Such is the nature of test and learn!

Action and implication

The team will continue their work focused on a large testing plan around the different elements of the Naked Wines proposition.

Controls & Compliance

We have invested in control and compliance in a number of areas; most notably the US where we have ambition to be materially bigger. As such we have built out a dedicated regulatory compliance team as well as adding resource across finance and analytics. We also added resource into our Plc team to support the ever-changing regulatory landscape, with big projects this year including development of our sustainability policy and preparation for IFRS 16. Within the retail business we spent £2m replacing our EPOS system to ensure compliance with latest security standards, as well as having a platform to further build our customer experience on.

Action and implication

We will continue to invest to ensure we have the right processes and controls to manage the increasing scale of our business units, especially in the US where we operate in a complex regulatory environment.

Driving productivity

Store operations: van fleet

Action taken

Using the data from our telematics implementation in FY18 we have investigated ways to consolidate our van network without impacting our customer experience. We have modelled what an alternate van network could look like which maximises van utilisation and reduces the cost per drop significantly.

Action and implication

With the concept proved to be a source of significant savings, we are now finalising the execution plan for this initiative.

Store operations: staff

Action taken

We continue to invest in our store estate to improve both our customer experience and store productivity. This year we refurbished and fully shelved 74 stores, part shelved all others and have begun to "wineify" the estate – an initiative designed to engage the customer in their wine flavour profile and help them navigate the world of wine more effectively. Shelving and revised labour modelling has resulted in labour costs held flat in the face of increased transaction volumes and inflationary pressure due to reduced merchandising effort. The early data from our "wineify" experience suggests that customers who build a profile are showing 10-20% higher values, albeit we need to see how this develops over an extended period.

Action and implication

We will continue to roll out shelving across the estate, aiming to install it in an additional 20 stores by half year, to drive efficiency in the staffing model.

Financial review

The Chief Operating Decision Maker ("CODM") of the Company is the Board of Directors. In discussing business performance the CODM uses adjusted underlying measures. These differ from statutory reporting as follows:

Item	Description	Rationale for use
Adjusted EBIT/PBT	EBIT/PBT excluding impact of:	
	– Amortisation of acquisition related 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.
	– Acquisition related share-based payments	A substantial portion of the consideration for acquiring Naked Wines was structured in Majestic Shares. Due to the recipients having continued employment obligations IFRS2 requires this to be accounted as an expense over a vesting period, the last tranche of which expired at the end of the current reporting period. As this expense reduced over the vesting period of the shares and is not an operating expense of the business we adjust it out to better reflect the business' ongoing profitability.
	– Mark to market on unmatched FX 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 value may fluctuate materially due to day-to-day variation in spot exchange rates, we adjust it out to better reflect our trading profitability.
	– En primeur adjustment	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 EBIT at the time of 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 owners can calculate our financial performance per share on a fully diluted basis.
	– Non-cash impairment charge	We have reduced the expectation of future cash flows based on the weaker profit margins we are experiencing in Retail and by reflecting that our stores are no longer necessary to fulfil our online orders due to our centralised fulfilment arrangements. As such, we have recognised a non-cash write-off of retail store assets where their carrying values are less than the greater of expected value in use or expected disposal proceeds less costs to dispose.
	– Restructuring costs	We are undertaking a transformation plan to simplify the Group around the Naked Wines brand and proposition. In the current financial year we have incurred cash costs on advisory fees, employee termination costs and realised store exit costs. We expect to report further restructuring cash costs in FY20 and FY21 as we realise our restructuring plans.
Underlying movements	The movement in a financial metric versus a prior year value, recalculated for:	
	– Constant foreign exchange translation	We source almost 25% of revenues in currencies other than GBP. By translating these at consistent exchange rates in each year we see the year on year performance without the distortion of changing currency rates.
	– En primeur timing	By recognising en primeur revenues and profits at the time of ordering in each of the current and comparative year we report a trend based on the sales activity in the year.

SEE INFORMATION ON ALTERNATIVE PERFORMANCE MEASURES AND DEFINITIONS ON PAGES 106 TO 108

Group overview

The Group grew reported revenue by 6.3% to £506.1m delivering on the target to achieve Group sales of at least £500m that we set in 2015 at the start of the transformation plan. On an underlying basis we delivered an increase of 5.8% to £505.1m. Underlying revenue growth has accelerated vs the 4.0% rate seen in FY18 as we increased Naked Wines investment in customer acquisition, growing underlying sales by +14.5% in this division (FY18: +11.3%).

The Group generated a statutory loss before tax of £8.5m, a significant reduction from the £8.3m profit reported in FY18.

On an adjusted underlying basis our profit before tax of £11.3m reflected a 34% underlying reduction vs FY18.

The main drivers of our reduced profitability are:

Adjusted EBIT:

- Retail adjusted EBIT reducing by £2m as gross margin pressure outweighed the sales growth we achieved, and our focus on costs which maintained a flat cost base despite significant inflationary pressures
- Naked Wines adjusted EBIT (on an underlying basis) £1.9m lower year on year, the net of:
 - £5.0m increase in the level of investment to acquire new customers
 - Contribution from repeat customers increasing by £6.0m as a result of the investment in prior years in customer acquisition
 - Fixed costs increasing by £2.9m
- Our central cost base increasing by £2.4m as we invested in control and compliance resource across staff costs, IT systems and legal and professional support

Statutory loss before Tax:

- £11.1m impairment to the Retail store estate. This non-cash write-off of assets is based on our expected cash flows from each store in future, compared to the carrying value of the store. We have reduced the expectation of future cash flows based on the weaker profit margins we are experiencing in Retail and by reflecting that our stores are no longer necessary to fulfil our online orders due to our centralised fulfilment arrangements

Taxation

Despite the reduction in statutory profit in the current year our income statement tax charge has remained level at £0.9m (FY18: £0.9m). The negative statutory effective tax rate of -10.7% is principally the result of the impact of the £11.1m impairment of fixed assets charge in the UK Retail business which is not a deductible expense. It is also affected by the increased profitability and effect of prior year tax charges in our overseas trading businesses. The adjusted effective tax rate this year of 17.3% (FY18: 12.1%) does not benefit from a number of one-off credits which reduced the rate in FY18.

(Loss)/earnings per share

As a result of the reduction in profitability our statutory loss per share has reduced to -13.3p. Under the guidance set out in IAS 33, Earnings per share, no diluted earnings per share is reported. On an adjusted basis earnings per share have declined from 23.9p to 14.7p due to the decline in adjusted profit after tax and the increase in the weighted average number of shares in issue.

Year ended 1 April 2019

	Reported £m	Adjusted Items £m	Adjusted £m	Impact of FX £m	Underlying £m
Revenue	506.1	(1.0)	505.1	–	505.1
EBIT	(7.7)	19.8	12.1	–	12.1
PBT	(8.5)	19.8	11.3	–	11.3

Year ended 2 April 2018

Revenue	476.1	1.6	477.7	(0.2)	477.5
EBIT	9.3	8.9	18.2	(0.1)	18.1
PBT	8.3	8.9	17.2	(0.1)	17.1

Cash flow and Net debt

Our net debt increased by £7.1m year on year to £15.5m. The major drivers of this were an increase in net working capital and an increase in capex largely absorbing adjusted EBITDA, with dividend, tax and interest outflows totalling £7.9m.

Our working capital increased by £10.6m, a combination of:

- Investment in inventory at Naked Wines, in particular the USA to support our continued future growth. We grew stock levels by £9.1m, offset by £2.7m of additional customer funds
- Higher stock levels in the UK due to the later timing of Easter year on year and to allow us to carry additional stock of c. £8m as mitigation to supply disruption in the event of a disorderly Brexit, which largely unwound in the first periods of FY20
- We estimate a normalised year end working capital position would have been c. £8m lower

We also incurred

- Higher capital expenditure this year of £7.0m (FY18: £3.8m) as we replaced the EPOS system in the Retail estate and rolled out shelving to more stores, whilst continuing to invest in our
 - new accounting system
- Tax and interest payments of £2.7m
- Payment of dividends totalling £5.2m

The closing net debt balance represents 0.8x adjusted EBITDA (FY18: 0.3x) which remains well within our covenant leverage limits.

Dividend

In March we announced that the final dividend for the year would be reviewed in light of our decision to focus on Naked Wines and to exit from Majestic. As the exit process is still ongoing, the Board has taken the decision to suspend the dividend. Should a sale of the Majestic business take place, the Board intends to pay a special dividend to the level of the FY18 final dividend (5.2p).

Guidance

Our near-term outlook is highly dependent on the potential sale of the Majestic business and we expect to give an update over the summer months. We anticipate focusing the Group on increasing levels on investment in Naked Wines. We believe that we can increase this investment by a further c. £7m in FY20 while maintaining our 4x payback. We also expect similar levels of new to repeat customer sales conversion and repeat sales retention as previous years.

Our fixed cost base across Naked and the central costs totalled £23.6m in FY19. We expect these will show an underlying increase in the order of 10-15%. Should we sell Majestic we would expect to eliminate £1-1.5m p.a. of our central cost base, reflecting our desire to refocus the central team fully onto the significant growth opportunity the business represents.

Financial review
continued**Business Unit highlights****Naked Wines**

We increased investment in new customers by £5.0m to £19.1m (FY18: £14.1m) supporting growth in revenue to new customers of +18.0%.

Our sustained investments in new customers translated to repeat customer revenue growth of +13.9%. This growth, plus the improvement in repeat customer contribution margin to 26.1% (FY18: 25.2%) brought FY19 Repeat Customer contribution to £39.8m, £6.0m higher than FY18.

Combining £5.0m higher new customer investment, £6.0m higher repeat contribution and £2.9m higher fixed costs, adjusted EBIT decreased by £1.9m in the year to £6.7m (FY18: £8.6m).

We focus on two critical measures of performance for Naked Wines:

1. Repeat customer sales retention: In FY19 this was 81%, marginally lower than in FY18 (83%). This was impacted in H1 (78%) in particular by the timing of Easter this year, but recovered well in H2 (83%) giving us confidence that loyalty remains high
2. Forecast payback on investment in new customers: In FY19 this was 4.0x compared to 4.7x for the investments made in FY18. This is in line with our targeted payback based on our growing investment. The reduction year on year reflects our willingness to invest more aggressively while remaining disciplined about returns

Because we get more data about the Angels we have acquired over time, we can also refine our expectations on payback of older cohorts of Angels. The following table shows how our payback assessment is changing over time for the Angels acquired in each financial year. As you can see, recent history has shown payback expectations in line with the initial estimate.

	Payback measurement in		
	Year 1	Year 2	Year 3
Investment Year			
FY17	4.5	4.9	4.5
FY18	4.7	4.6	
FY19	4.0		

Majestic Retail

Revenue increased 1.5% vs FY18 driven by our repeat customer base (+3%). New customer sales declined by 4.3% as we sourced more new customers year on year but with the mix moving towards discounted partnership activity. Overall, this is a resilient sales performance in a flat market which had no Easter falling in the financial year. Gross margin fell to 21.8% (FY18: 22.9%) resulting in Gross profit being £2.0m lower year on year. The gross margin reduction is a combination of mix shift into lower margin products and heavier discounts where we have driven footfall to grow the customer base.

Our distribution costs, predominantly store operating costs and fulfilment costs, increased by £0.9m (2.8%) reflecting the continued shift of business online and towards national fulfilment including third parties. Continued focus on admin cost control resulted in a £0.8m reduction year on year. As a result of these movements adjusted EBIT for the Retail division declined by £2.0m year on year to £11.3m (FY18: £13.3m).

Majestic Commercial

The performance of Commercial improved in the year with sales returning to growth of +1.8% (FY18: 5.6% decline) while growing gross margins by +0.3% points resulting in gross profit of £7.9m (FY18: £7.7m). With operating costs growing at 3.5% the gross profit growth drove adjusted EBIT 3.2% higher year on year at £2.5m (FY18: £2.4m).

The improved performance has come as a result of two key changes:

- In the first half, the team reworked their approach to securing new accounts resulting in higher levels of sales to new customers, offsetting the continuing high levels of account losses being seen to a mix of competitive activity and business failures
- In the second half, the team then improved their processes around management of existing accounts and improved repeat customer retention. As a result H2 sales growth was an impressive +5% vs FY18

Lay & Wheeler

Lay & Wheeler reported revenue was 22.7% higher year on year driven by high levels of en primeur shipments. Underlying revenue, that recognises en primeur at time of order rather than dispatch, was 2.4% higher year on year. This resulted in adjusted EBIT growth of +22.8% through a combination of gross margin improvement through mix movements and managing to a flat cost base.

Central costs

Central costs grew from £7.2m in FY18 to £9.6m this year, as a result of the planned investments into resources supporting growth (digital marketing, online product management, business intelligence) and controls and compliance (finance, legal).

Item	Highlights/Comments
Revenue £506.1m reported, +6.3% £505.1m underlying, +5.8%	<ul style="list-style-type: none"> Retail sales growth of +1.5% (underlying: +1.5%) to £267.7m, despite continuing competitive conditions. Online and subscription key drivers of growth Naked Wines: Sales growth of +14.3%. On underlying basis sales growth was 14.5% driven by the USA +20.9%, Australia +15.7% and UK +7.9%. Sales growth accelerated as a result of increased levels of investment into new customers Commercial sales growth of 1.8% to £44.1m as the initiatives introduced by the new Managing Director began to gather momentum Lay & Wheeler posted +2.4% underlying sales growth to £14.9m (reported: +22.7%) despite more challenging en primeur campaigns this year
Gross margin 27.5%, 0.7%	<ul style="list-style-type: none"> Group Gross Margin % grew by 0.7%, driven by mix shift towards Naked (in particular the USA) Majestic Retail gross margin fell by 1.1% due to sales mix shift to lower margin products and heavier levels of discount vouchers to continue to build the customer base Naked Wines gross margin increased by +3.0% (60bps) comprising mix shift in addition to increasing volume of repeat customers
Administrative expenses £61.5m, 21.9%	<ul style="list-style-type: none"> Group operating costs increased by £11.1m, or +21.9%. Of this £6m represents increased marketing spend in Naked Wines to drive growth. The remainder reflects the investment plan outlined in April 2018, under which we have added resource to drive growth, productivity and improve our business controls and compliance
Adjusted EBIT £12.1m reported, -33.8% £12.1m underlying, -33.4%	<ul style="list-style-type: none"> Net impact of our investment plan, plus reduced profitability in Retail, led to a reduction in adjusted EBIT Reported and underlying Retail EBIT down by 15.1% due to weaker gross margins as described above Naked Wines underlying reduction in Adjusted EBIT of -£1.9m to £6.7m, the net of £6.1m higher repeat customer contribution, less £5m invested into new customer recruitment and £2.9m invested into administrative costs Commercial adjusted EBIT of £2.5m is 3.2% higher driven by a return to sales growth under new leadership Lay & Wheeler adjusted EBIT was 22.8% higher than last year at £1.2m Central/Unallocated costs were 33.4% higher as we added resource in digital marketing, product management and administrative functions
Adjusted items (£19.7m), 122.2% see Note 8 for full adjustment disclosure	<p>Significantly higher due to an £11.1m store impairment charge. The ongoing adjusting items continued to reduce as the non-cash, acquisition related items become fully expensed:</p> <ul style="list-style-type: none"> Amortisation of acquired intangibles (£3.9m) Acquisition related share based payment charges (£1.4m) Impairment of fixed assets (£11.1m) En primeur impact £ – m Fair value movement on FX contracts (£1.5m) Share based payment charges (£0.9m) Restructuring costs (£1.0m) <p>The prior year included higher acquisition related share based payment charges (£4.1m) offset by lower mark-to-market loss on forward contracts (credit £0.2m)</p>
Finance charges £0.8m, -20.8%	<ul style="list-style-type: none"> Finance charges reduced by 20.8% in the period due to the lower average net debt balance in the year
Statutory PBT Loss £8.5m compared to profit £8.3m in prior year	<ul style="list-style-type: none"> Profit before tax decreased by £16.8m £11.1m of this relates to the store impairment charge The majority of the remainder reflects the reduced adjusted EBIT due to the investments in Naked and weaker Retail margins described above
Taxation £0.9m, (10.7%)	<ul style="list-style-type: none"> Accounting tax charge level at £0.9m (FY18: £0.9m) principally due to non-tax deductible impairment of fixed assets charge Adjusted effect tax charge of 17.3% (FY18: 12.1%) does not benefit from one-off prior year credits

Financial review
continued

Item	Highlights/Comments
Shares outstanding	<ul style="list-style-type: none"> – Shares issued at year end of 72.1m (FY18: 71.5m) – Weighted average shares in issue of 70.5m (FY18: 68.1m) – Weighted average fully diluted number of shares 73.3m (FY18: 73.1m) – If all the company and acquisition related share schemes fully vested we would have 74.8m shares in issue (FY18: 74.5m)
Earnings per Share Basic (13.3p) Adjusted basic 14.7p	<ul style="list-style-type: none"> – Substantial decline in year on year earnings per share to a reported basic loss per share as a result of the decline in the (adjusted and statutory) profitability of the business. IAS 33, Earnings per share, does not require the calculation of a diluted earnings per share measure where the business reports a basic loss per share
Dividend	<ul style="list-style-type: none"> – Final dividend is suspended, will be replaced with a special dividend at the level of FY18 final payment (5.2p per share) if the Majestic business is sold
Free cash flow	<ul style="list-style-type: none"> – Free cash flow totalled £1.9m compared to £31.4m in the prior year, reflecting: – Lower adjusted EBIT as described above, higher Capital Expenditure as we rolled out EPOS and shelving in Retail – Considerably higher year end working capital levels due to the timing of Easter and Brexit contingency planning we undertook
Fixed assets	<ul style="list-style-type: none"> – Group capital expenditure was £7.0m, invested predominantly in Retail shelving and EPOS system
Working capital	<p>Working capital increased by £10.6m in the year. The two biggest drivers were:</p> <ul style="list-style-type: none"> – Increase in Angel funds and customer deposits £6.1m – Increase in inventories (£21.0m) – The inventory increase was due to the timing of a later, post year end Easter; Brexit contingency stock and preparation for future growth in Naked USA
Net debt (£15.5m) (£8.4m)	<p>Group net debt increased by £7.1m to £15.5m this year compared to a reduction of £17.3m in the prior year. This was principally the result of:</p> <ul style="list-style-type: none"> – Free cash flow £1.9m – Tax and interest (£2.7m) – Dividends paid (£5.2m) – Adjusted cash items (£0.8m)
Bank covenants and facilities	<p>The Group has access to a £60m revolving credit facility which matures in December 2022. Interest is charged at margins between 1% and 2% above LIBOR, depending on the Group's leverage.</p> <p>We remain comfortably within our revised facility covenants with net debt/EBITDA of 0.8x and fixed charge cover of 2.6x.</p>
Hedging policy	<p>The Group's hedging policy is to build currency positions gradually between 15 and three months prior to the date of expected liabilities coming due, using forward purchase contracts. At year end, this resulted in the Group holding £75.9m of forward contracts and recognising a market to market expense of £1.5m.</p>
Naked Wines Contingent Consideration	<p>We are continuing to expense the contingent shares on the basis that performance targets are achieved and the shares will be issued/ have their clawback provisions lifted. The remaining balance is expected to be vested in June 2019 subject to the recipients being able to trade to cover tax liabilities.</p>
Going concern	<p>Our forecasts for the business support our continued investment plans. As such we have prepared the accounts on a going concern basis. This is further discussed in the notes to the accounts.</p>
Events after the balance sheet date	<p>On 25 March 2019 the Group stated its intention to announce a Group Transformation Plan in June 2019. This plan would accelerate the growth of Naked Wines through transformation of the Group into one model and one management team all under the Naked brand. This Group Transformation Plan is expected to be funded by releasing capital from Majestic Retail, the Group's French retail business and from Lay & Wheeler through a combination of actions which, inter alia, may include the share disposal of those businesses.</p> <p>At the balance sheet date no outcome had been reached nor was a transaction highly probable at that time as per the definition under IFRS 5, Non-Current Assets Held for Sale.</p>

Sustainability report

What sustainability means to us

When we commenced with the plan to formalise our sustainability strategy I was heartened to see how much we were already addressing as a Group.

Rowan Gormley
CEO

This is the first year that we have addressed sustainability as a stand-alone element of our annual report. This does not mean that we have not been conscious of the need for our business to focus on long-term sustainability and, quite to the contrary, this report is a formalisation of our activities, policies and processes which are integrated across our business and have been established for some time.

Every industry has its own challenges, with ours being no exception. Within the wine industry probably the most significant issue right now is that associated with the bottling and packaging of our products, and the associated waste. We echo public sentiment which backs any improvement in the recovery and recycling of bottles and we have been running our UK based in-store bottle recycling points, in association with BIFFA, for some time. We are closely following the Government's initiative as set out in the Deposit Return Scheme (DRS) proposal and would support a scheme that complements existing initiatives, is well-designed and takes into account all stakeholder interests.

To cut down on packaging we have increased our transportation of wine on a bulk basis, rather than in bottles. This cuts down on the carbon emissions associated with transportation and also reduces the amount of packaging required.

We believe that to make a difference we need to work with our suppliers and thus have introduced our Responsible Suppliers Policy. We understand that we will not fix everything overnight but are committed to highlighting areas for improvement and working with our suppliers to find cost-effective and beneficial solutions.

When we commenced with the plan to formalise our sustainability strategy I was heartened to see how much we were already addressing as a Group. This demonstrated to me, better than anything else, that we are serious about sustainability and that it is not a tick box exercise but rather a fundamental principle upon which our business is built.

I am pleased to present to you this, our first, formal sustainability report.

Rowan Gormley
CEO

Sustainability report
continued**Basis of Preparation of the Sustainability Report**

We set out to define what sustainability meant for our Group

For us sustainability means carrying on our business in a way that benefits our investors, balances the interests of our wider stakeholder group and ensures that we do not compromise the future of anyone or anything. We are committed to being a responsible corporate citizen in the pursuit of our goal to deliver long-term value (profits) within the context of our social (people) and environmental (planet) responsibilities and the associated globally recognised challenges.

Having done that we asked ourselves how we would approach sustainability and developed guiding principles which we subscribe to:

Inclusivity We will engage with all our stakeholders where possible and across our total value chain. Where we do not own a process we will strive to provide guidance and leadership to effect change.

Sustainability We will identify and manage, as far as commercially possible, the positive and negative impacts we have on the economy, environment and society.

Relevance We will focus on areas where we determine our business to have a significant impact or areas which affect the assessments and decisions of our stakeholders.

Responsibility We will strive to be fair, accountable and responsible in all our dealings.

Transparency We will monitor and report on our activities in a way that is accurate, balanced, reliable and clear and enables our stakeholders to compare our progress year on year.

In determining our approach we considered the GRI (Global Reporting Initiative) management approach.

We then defined our overarching sustainability goals

In determining the goals, we looked at the Environmental, Social & Governance areas and decided on four main goals which we believe drive our sustainability approach. These goals are aligned with the UN sustainability goals as supported by the UK government.

Our behaviour (Economic)
1. Comply with legislation
2. Promote economic success

Our planet (Environment)
3. Protect and enhance the environment

Our people (Social)
4. Be a socially responsible corporate citizen

Next we identified our priorities

- We started with the GRI standards which were used to identify a broad range of topics which indicated areas where the business has an impact
- Direct external stakeholder engagement took place around a limited number of topics; however, we have also given consideration to global trends and current topics of importance
- Having determined the significant topics from the initial long list through our various engagement activities, we set about prioritising these through applying the measure of impact on the business and importance to stakeholders
- By taking materiality into account we identified 23 priorities, graded into four levels of importance. Some of these priorities are closely associated and thus we developed five focus programmes of action

- Sustainability Policy
- Sustainability goals
- An implementation plan with actions, responsibilities and monitoring provisions

- Priorities**Level 1**

Responsible Drinking
Responsible Marketing
Sustainable Packaging
Ethical Behaviour

Level 2

Health & Safety
Right People
Recycling
Energy Consumption
Remuneration
Privacy
Empowering Women
Transparency & Reporting
Human and Worker Protection

Level 3

Tax Strategy
Giving Back All
Responsible Sourcing
Diversity & Equality
Modern Slavery
Climate Change Risks
Benefits
Water

Level 4

Training
Rights of local communities

Responsible Drinking

We recognise that there is a growing concern around the impact of alcohol on individuals and society. In response, we do everything possible to ensure that our products are enjoyed responsibly.

Our customers

We remain committed to promoting a healthy attitude towards drinking. While most of our customers enjoy our products responsibly, we know that alcohol abuse remains a challenge within our wider society. To this end we are signatories to a number of preventative initiatives. Majestic Commitment, WSTA, Government initiatives, Age awareness.

At times customers may, in order to manage an alcohol problem, request that we no longer serve them and it is our policy to honour this request when made. We always adhere to the law in the strictest sense. We ensure we only sell products to those of the appropriate age for that region. Our staff are trained in the correct procedure to ensure no sale to underage persons as well as the identification of persons with a drinking problem. We promote responsible drinking through our websites, in our stores and through our marketing material.

Our Staff

We appreciate that our work environment may pose a challenge for some employees and we thus have included in our Substance Abuse Policy a provision to enable us to recognise and provide the appropriate level of support and assistance to affected employees. It is important however, that we achieve a balance between being supportive and the need to maintain a healthy and safe environment for employees and others, as well as our reputation and high service standards. We will seek to deal with alcoholism as an illness including providing the necessary support while ensuring confidentiality.

Advertising and Labelling

Our products comply with all legal labelling requirements, and our advertising meets legal requirements.

Dealing with our waste

The production of our products produces waste, primarily as glass bottles, packaging and through CO₂e. We are committed to working to reduce our waste through recycling and reduction.

Context

We recognise that viticulture, as an agricultural process, contributes to climate change and global warming through the use of soil, water, energy, fertiliser and pesticide. It is acknowledged that the wine industry is situated in some of the most water challenged areas of the globe with both California and South Africa having experienced a significant water crisis.

In addition to the cultivation process the wine industry also contributes to negative environmental impacts through the transportation and packaging of its products. We generate packaging through the importation of bulk and bottled wine as well as when we move bottles around and sell wine. This results in waste in the form of pallets, boxes, bottles and bottle dividers.

To address our waste generation, we have implemented a number of initiatives:

Bottles

The production of bottles and closures (corks and bottle tops), as well as packaging (boxes and corrugated packaging), contributes to the overall carbon footprint, as does the transportation of wine. We are committed to tackling the generation of waste and have implemented the following actions:

- Collection points for public bottle recycling are available in stores. Majestic is responsible for the removal of the bottles for recycling
- Across the Group we undertake the importation of wine in bulk, particularly from intercontinental locations requiring long distance sea freight. We are continuing to grow this method of importation for cost, quality and environmental reasons as importing in bulk uses less energy than transporting finished product
- Deposit Return Scheme (DRS) – DRS is intended to be implemented in the UK through legislation in 2019/20. Majestic echoes public sentiment which backs any improvement in recovery and recycling of bottles. We would support a scheme that complements existing initiatives, including our in-shop collection, and which is well-designed taking into account all stakeholder interests. We believe that we are well-positioned to implement some form of DRS on the back of our existing in-shop collection and recycling scheme

Although my name may suggest it, I've not just flown in from Australia! The wine inside me has been imported in bulk. This reduces cost and emissions, while improving wine quality.

P.S. Check me out: 90% of 342 people would buy me again!

Sustainability report
continued**Packaging**

- We comply with our obligations in terms of the Producer Responsibility Obligations which require us to determine our annual packaging by tonne, both imported and that which is passed on in the next leg of the supply chain. Majestic complies with the UK packaging regulations by being part of a compliance scheme "Comply with Clarity" that has contracts with UK reproducers to assist in recycling materials such as Glass, Plastic etc.
- Responsible Supplier Policy – we acknowledge that to successfully reduce waste we need to address the problem at source. We have introduced a Responsible Supplier Policy, which encourages our suppliers to consider the reduction and use of recycled and sustainable packaging; sustainable sourcing of materials and the reduction of the weight of bottles, recycling of bottles and industry alternative methods of storage and closures. The import of bulk wine has reduced the number of bottles imported as well as the packaging (boxes and inner cartons/bottle sleeves) required for shipping. While we still use packaging for the delivery of bottles internally, we are making every effort to limit this as well as use recycled material

Office Recycling

Across our offices we recycle, from the usual paper/plastic/glass to our coffee grounds. We encourage our staff to take a responsible approach to the use of all resources, with the focus on reduction and recycling.

Energy

Majestic falls within the threshold of the Energy Savings Opportunity Scheme and thus undertakes an obligatory energy audit. This enables us to properly measure our energy utilisation and to demonstrate year on year improvements. This primarily covers our shops, offices and vehicles.

Supply chain management

We understand that the sustainability of our business includes activities within our value chain. We subscribe to the principle of inclusivity and engage with all our stakeholders where possible across our total value chain. Where we do not own a process we will strive to provide guidance and leadership to effect change.

Sustainable Sourcing

We wish to minimise our environmental impacts as far as possible, but need the participation of our suppliers in this regard. Some of the areas which we encourage our suppliers to consider include:

Energy efficiency

Reduction of carbon emissions through:

- Efficient use of transport and minimisation of use of fossil fuels
- Reduction of and use of recycled and sustainable packaging
- Sustainable sourcing of materials
- Reduced weight bottles, recycling of bottles and industry alternative methods of storage and closures

Soil and water

- Recognition of water scarcity, local community water demands and reduction of water usage
- Commitment to reduction of effluent and emissions with the use of environmentally damaging chemicals kept to a minimum. Where possible low chemical or natural alternatives should be used

Worker Protection and Support of Local Content

- We expect our suppliers to provide fair and safe working environments for all their workers and to comply, at a minimum, with national legislation
- We expect our suppliers to comply with the principles set out in our statement on Modern Slavery and Human Trafficking (Anti Modern Slavery Statement). We have undertaken a risk assessment of our production areas which has included the distribution of a questionnaire to potential high risk suppliers
- No person should be discriminated against on the basis of race, age, gender, disability, religion, political affiliation, sexual orientation, medical condition or freedom of association
- We encourage our suppliers to participate in local community charitable activities and to support and promote local enterprise

MEET THE MAGICIANS
**Anna & Derek
Hooper**

All in the name of sustainability

Anna and Derek Hooper's wines are undeniably an expression of the region, of where the grapes were grown. They are serious cool-climate wines. And it's all done with the utmost respect for the environment.

They utilise a variety of environmentally sustainable practices in their own vineyard to maximise soil and vine nutrition. Their flock of poultry keeps away pest insects and weeds are controlled by slashing and a roaming group of Merino sheep.

It's all to do with respect for the land. When a problem in the vineyard is observed there are better ways to respond rather than with blanket proactive sprays.

This husband and wife team live their lives and make their wines, all in the name of sustainability. In fact, in 2013 Anna was named South Australia Rural Woman of the Year for her commitment to sustainability and the environment both within and outside the business.

GREEN-WINGS HAVE YOU EARNED YOURS?

We have launched a staff group called Green-Wings which is focusing on making the office as green as possible – everything from recycling to implementing a re-use policy

MEET THE MAGICIANS

Diego
Fernandez
Pons

Spending more time in the vineyard lends itself to healthier grapes and as a result, better wine.

Bodegas Enguera has been an organic and carbon neutral winery (Carbon Proof Certified) for more than 15 years. We wanted to go further and now, through Enguera Planet, we have teamed up with the two main universities in València (UV and UPV) which have a unique link to our environment. We can only continue to make great wines if we take care of our planet.

We study the interactions that exist in our ecosystem between the vineyard, the plants, insects and microorganisms that live in it. Because nature gives us many possibilities to make viticulture more sustainable and respectful of the environment, it is only necessary to listen carefully.

Treating our people right

At Majestic we recognise that our people are at the core of our business. We understand that we need quality people and thus work to identify and retain talented employees and to provide a productive, safe and rewarding environment which supports our combined success.

Right People

During the year we have reviewed our recruitment policy to ensure that we are focused on identifying the right people and are able to move swiftly and decisively to secure the right staff. We continue to recognise that one of the business opportunities is staff retention and thus have an ongoing focus on making Majestic an employer of choice.

Remuneration & Benefits

We refer you to our Remuneration report (pages 53-62). At Majestic we are proud of our reward strategy which, in addition to a salary and benefits, also encourages employees to participate in the overall success of the company through our employee share participation schemes.

Health & Safety

We continue to place the health and safety of our staff at the heart of our business and are committed to providing a safe working environment for all our staff. We remain vigilant to the threat of modern day slavery. Our staff are paid a Living Wage (UK) and we have a flexible approach to working hours. We have an Anti-Bullying and Harassment Policy in place and remain committed to providing an enjoyable and safe place to work.

Diversity, Equality and Gender

Our Recruitment Policy sets out our commitment to ensuring that our processes are fair and do not discriminate either directly or indirectly, against employees and applicants. We take pride in the diversity of our people which we consider a strength and adopt a zero-tolerance position to any form of unlawful discrimination. We make every effort to ensure all employees are treated equally and are given the same opportunities to progress and develop their careers within the Group.

Our gender pay gap continues to show that women are paid slightly above men. We recognise that we still need to do more to increase the overall percentage of women employees. We continue to offer excellent maternity benefits as well as flexible working hours in an attempt to make us an attractive employer for women.

Training

Ongoing development of our staff remains a priority. We offer a variety of in-house skills development and encourage all our staff to undertake WSET (Wine and Spirit Education) training. Naked Wines have an innovative scheme in the UK which allocates an annual sum to each employee for professional development, which is then agreed between the employee and their line manager.

Ethics & transparency

We are fully committed to an ethical corporate culture.

Fraud and Corruption

We remain vigilant to the ever present threat of fraud and corruption. We are committed to conducting business fairly, honestly and openly and have a zero tolerance towards bribery and corruption. It is Majestic's policy to prohibit all forms of corruption involving our employees, suppliers, agents, and any associated parties acting on our behalf. We have a Whistleblowing Policy which enables both internal and external parties to report any concerns in a confidential manner.

Compliance and Transparency

We are committed to being a company that is compliant with our legal obligations and to this end have approved a Compliance Policy which enables us to monitor our status. We have made full disclosures around our tax strategy, as well as our gender pay gap and our approach to modern day slavery. We have approved and fully implemented a staff Share Dealing Policy. This year we have made the decision to seek shareholder approval of our Remuneration policy which will be put to a shareholder vote at the 2019 AGM. During the review period we have updated and implemented our Data Protection Policy which demonstrates our commitment to treating our stakeholders' information with confidentiality and in accordance with legislation.

Governance

During 2018 we adopted the QCA Governance Code with which we believe we are fully compliant. During the reporting period, we also undertook an independent Board assessment which led to the development of an action plan to address issues identified, the details of which are set out in our governance report. We have a Group Wide Code of Conduct and our Board follows a policy of disclosure of all conflicts of interests.

SEE GOVERNANCE REPORT ON PAGE 46

Stakeholder Engagement

We continue to engage in dialogue with a wide cross section of stakeholders, including our investors, analysts, customers, staff and suppliers as well as with the wider society through a number of industry bodies. A major engagement with suppliers has centred on the roll out of our Responsible Supplier Policy as well as the Modern Day Slavery survey.

SEE STAKEHOLDER ENGAGEMENT ON PAGES 50 TO 52

Governance

Growing our business the right way...

43	An introduction by our Chairman
44	Board of Directors
46	Governance
50	Stakeholder engagement
53	Remuneration Committee report
63	Audit Committee report
65	Directors' report
66	Statement of Directors' responsibilities
67	Independent auditor's report

Rick Boyer
Champion of the
Californian central coast

Jorge Hervella
Consultant winemaker with
a passion for crisp Galician whites

Alex Farber
A young Napa star
discovered by Angels

Mike Paterson
The genius behind Jackson Estate
wines for 10 years, now flying solo
thanks to Angel funding

Sam Plunket
Winner of the Best Shiraz in Australia
in 2010 – and quite possibly the
nicest chap you'll ever meet

Katie Jones
Angels raised over £250k
in under 48 hours to rescue
Katie's business

Joost & Miguela de Villebois
Former Chairman of the Dutch
Stock Exchange, who found his real
passion in making Loire wine

Sebastien Christophe
After 15 years selling his fruit to large
wineries, Angel funding has finally
allowed him make wines for himself

Jean Pascal Lacaze
Maker of the world-famous
Domus Aurea, one of Chile's
most iconic wines

Bill & Claudia
Talented husband and wife team
who have set-up shop with the
support of 1000s of Angels

Governance report

An introduction by our Chairman

We remain steadfast in our commitment to ensure that we embed the highest levels of good governance throughout the business.

Greg Hodder
Board Chairman

On behalf of the Board I acknowledge that we are responsible for corporate governance. We understand the importance of our oversight role of ethical behaviour and business principles while considering the impact of Group decisions on employees, customers, suppliers, communities and shareholders.

I am pleased to report that during the review period we have taken a number of strides towards reaching a new level of governance at Majestic, including the adoption, and implementation, of the Quoted Companies Alliance (QCA) Corporate Governance Code (the "QCA Code").

We fully support and recognise the benefits of a robust governance framework and we believe that through our approach we are able to achieve this. Governance for us includes a broad number of structures, activities and controls as well as different levels of accountability and responsibility.

We critically examined how we were operating against the framework of the QCA Code and identified two areas that we felt needed to be enhanced. The one area was in respect of a Board assessment; and thus, in the Autumn of 2018, we undertook a detailed external assessment, the details of which are set out in the body of the report. The second area was the formalisation of our sustainability approach, and report, which has been addressed through the inclusion of a section on sustainability in this year's annual report (see pages 37-41). In support of our promise of disclosure and transparency we have taken the decision to put our Remuneration report and Policy to a shareholder vote at the 2019 AGM.

In the interests of disclosure, we have decided to report on Board changes which have taken place prior to the completion of this report, but in the FY20 reporting period. We are pleased to report that in May 2019 we have been able to welcome Katrina Cliffe to the Board as a new Non-Executive Director appointment.

Not only does Katrina bring valuable skills and experience to our number but her appointment has enabled us to follow our stated approach to gender diversity at Board level. We appreciate that by embracing diversity we provide an opportunity for the business to gain a new perspective. In addition, Nick Devlin, our United States Managing Director was appointed as the Group Chief Operating Officer in June 2019 and will now also sit as an additional Executive Director on the Majestic Wine Plc Board. As explained in my introductory remarks to the annual report, I will be stepping down as Chairman of the Board at the forthcoming AGM. I will be staying on as a Non-Executive Director for a six-month transition period but will be replaced by John Walden as Board Chairman. These changes will strengthen and complement the Board and position it to manage the changes to come.

We remain committed to a culture which is rooted in our value of "Doing the right thing" which supports our objective of growing the business through the acquisition and retention of customers.

We remain steadfast in our commitment to ensure that we embed the highest levels of good governance throughout the business.

Greg Hodder
Board Chairman

Board of Directors**An experienced team to take us forward****Brian ("Greg") Hodder****Rowan Gormley****James Crawford****Justin Apthorp****Katrina Cliffe****Ian Harding****David Stead****Brian ("Greg") Hodder**
Non-Executive Chairman (66)

Appointment Date: October 2015

Committees:

- Board: Chairman
- Nominations: Chairman
- Audit: Member
- Remuneration: Member

Biography: Greg was the CEO of Direct Wines for 14 years and of Charles Tyrwhitt for nine. He has also held senior positions at Smallbone Plc and Smallbone USA.

Skills brought to the Board: Leadership, digital marketing, UK and US retail

Sector Experience: Retail & wine sector with focus on multi-channel and e-commerce delivery

External Appointments: NED – Hotel Chocolat

Attendance at Board Meetings: Attended all

Rowan Gormley
Chief Executive Officer (57)

Appointment Date: April 2015

Committees: None – Executive Director, but attends as invitee

Biography: Rowan founded Naked Wines in 2008. Prior to that he was co-founder of Virgin Money, The Virgin One Account and Virgin Wines.

Rowan is a qualified chartered accountant and spend seven years at Electra Investment Management.

Skills brought to the Board: Leadership, direct marketing, innovation and entrepreneurship

Sector Experience: Wine, US retail, finance

External Appointments: None

Attendance at Board Meetings: Attended all

James Crawford
Group Chief Financial Officer (42)

Appointment Date: August 2015

Committees: None – Executive Director, but attends as invitee

Biography: James joined Naked Wines as Finance Director in 2014 following a 13 year career with Diageo Plc, a global leader in beers, spirits and wine. James held a number of senior finance, strategy and business development roles in the UK and North America.

Skills brought to the Board: Financial, industry knowledge and international experience

Sector Experience:

- Finance & legislation
- Beverage/alcohol sector
- UK & USA

External Appointments: None

Attendance at Board Meetings: Attended all

Justin Apthorp

Non-Executive Director (57)

Appointment Date: January 2016 (Previous employee January 2006)

Committees: None – Non-independent but attends as invitee

Biography: Justin spent 25 years as an employee of Majestic, retiring from his executive role in 2015. During the last 10 years of his employment he was the Buying Director. Justin previously worked in marketing and brand development for Bejam and Lyons Tetley.

Skills brought to the Board: Knowledge of buying wines and Majestic Wine

Sector Experience: Wine industry

External Appointments:

- Trustee of John Apthorp Charity
- Trustee of Friends of St Peter's Gt Berkhamsted

Attendance at Board Meetings: Attended all

Katrina Cliffe

Non-Executive Director (53)

Appointment Date: 20 May 2019

Committees:

- Audit: Member
- Remuneration: Member
- Nominations: Member

Biography: Katrina has experience over a wide range of financial and retail institutions, including American Express and Lloyds TSB. Through these roles she has gained valuable financial, marketing, customer relations and retail experience.

Skills brought to the Board: Financial knowledge, retail and marketing, board experience

Sector Experience: Finance and retail

External Appointments:

- NED – London and Country Mortgages Limited
- NED – HomeServe Plc
- NED – Cembra Money Bank AG
- NED – Shop Direct Finance Company

Attendance at Board Meetings: New appointment

Ian Harding

Non-Executive Director and Senior Independent Director (54)

Appointment Date: June 2013

Committees:

- Remuneration: Chairman
- Audit: Member
- Nominations: Member

Biography: Ian spent 19 years with Kingfisher Plc in various senior roles, including 11 years as Group Communications Director. Previously he was an auditor for 12 years including senior positions at PwC.

Ian is a fellow of the Institute of Chartered Accountants in England and Wales.

Skills brought to the Board:

Finance, retail experience

Sector Experience: Finance and retail

External Appointments: None

Attendance at Board Meetings: Attended all

David Stead

Non-Executive Director (61)

Appointment Date: November 2017

Committees:

- Audit: Chairman
- Remuneration: Member
- Nominations: Member

Biography: David was CFO of Dunelm Group Plc from September 2003 until his retirement in 2015. Prior to this David was Finance Director for Boots The Chemists Ltd and Boots Healthcare International between 1991 and 2003. David is a chartered accountant, having spent the early part of his career with KPMG.

Skills brought to the Board: Finance and Public Markets, extensive board experience

Sector Experience: Finance and retail

External Appointments:

- NED – Card Factory Plc
- NED – Joules Group Plc
- Member of the Council at the University of Birmingham

Attendance at Board Meetings: Attended all

Nicholas James Devlin was appointed to the Board as an Executive Director and Chief Operating Officer in June 2019. He has been, and will remain, the Managing Director of our Naked Wines division in the United States and is based in California.

Nicholas has played a significant role in the development of our current business worldwide and has a wealth of experience in corporate strategy, specifically in analytical problem solving and customer segmentation. He graduated from Selwyn College, Cambridge with First Class Honours in History.

Nicholas James Devlin (34) holds or has held the following directorships in the past five years:

Current Directorships or Partnerships	Previous Directorships or Partnership
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www.nakedwines.com Inc.	Nil
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John Carl Walden has been appointed as Non-Executive Director and Chairman Designate in June 2019. John has a proven record of business growth across a diverse range of organisations, from start-up to listed companies in the UK and US. John has specific expertise in digital and multi-channel consumer businesses, and in leading growth, turnaround and organisational change in established enterprises across the US and UK markets. John has experience at both Director and Executive Director/CEO level in the retail (including digital) and advisory sectors. John holds a Master's degree in Business Management, a Juris Doctorate with High Honours and a Bachelor of Science in Finance. John holds American nationality.

John is 59 years of age and holds or has held the following directorships in the past five years:

Current Directorships or Partnerships	Previous Directorships or Partnership
Inversion Inc. LLC	FTD Companies Inc.
	Home Retail Group Ltd
	L1R HB Holdings Ltd
	Holland & Barrett International Ltd
	Home Retail Group (UK) Ltd
	HHGL Ltd
	Homebase Group Ltd
	Hampden Group Ltd
	Argos Ltd

Board activities

A Strategy (Financial and Operational)	10%	H Investor relations	7%
B Remuneration policy and approach	10%	I AIM compliance	5%
C Investments, shareholder returns, and dividends (including policy considerations)	4%	J Key policies and governance arrangements	7%
D Performance conditions and employee share scheme awards, including executive management oversight and performance	7%	K Board composition	5%
E Risk management and mitigation	6%	L Auditor reports, appointment and fees	5%
F Trading updates and financial performance, including subsidiaries and business units	10%	M Going concern and viability statement	3%
G Budgeting	6%	N Board evaluation	10%
		O Annual report	5%

	2018							2019			
Board	16 Apr	24 Apr	12 Jun	8 Aug	17 Oct	14 Nov	11 Dec	7 Jan	11 Feb	19 Mar	24 Mar
Audit			12 Jun			14 Nov				19 Mar	
Remco		24 Apr	12 Jun	8 Aug		6 Nov					
Nomination						6 Nov				19 Mar	

Governance

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company adopted the QCA Code in the second half of 2018 on the basis that it is the corporate governance code that is most suited to the requirements and size of the business. We have considered the application of the QCA Code's main principles and in this report we have set out a summary of what we have done to comply with the 10 principles of the QCA Code and will continue to do. Further information on the application of the QCA Code by the Company can be found at majesticwineplc.co.uk – this should be read as an integral part of this report. Throughout the report we have used a key code of symbols indicating where various principles of the Code have been addressed to assist the reader to follow our story.

QCA Code compliance summary

Principle	In short – What we did	What we are going to do
Establish a strategy and business model which promote long-term value for shareholders	Invested with discipline in compounding growth model with continuous assessment and evaluation and reviewed strategy to adjust to market conditions Please see Strategy and Business model (in our CEO's letter on pages 4-11)	Continue to ensure we have a winning strategy and business model that can respond to opportunities and risks
Seek to understand and meet shareholder needs and expectations	Engaged with private and institutional investors in a meaningful and transparent manner so they understand what and how we are doing business and we understand what they expect from us so that we have a mutually beneficial relationship Please see Stakeholder engagement (pages 50-52)	Continue to provide opportunities to meet and communicate with shareholders and listen to what they have to say in a transparent and clear manner
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Engaged with wider stakeholders, taking into account their expectations and positions and working to meet same in a balanced and considered manner through the implementation of our sustainability policy and plan Please see Sustainability report (pages 37-41) and Stakeholder engagement (pages 50-52)	Implementation of sustainability policy, plan and reporting
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Implemented our risk identification and management systems, and controls, across our Group to identify and mitigate our risks while continuing to seek out opportunities to further enhance our business Please see Risk management and control environment (pages 24-28)	Continue to apply our risk and control environment management tools while identifying and leveraging opportunities
Maintain the Board as a well-functioning, balanced team led by the Chair	Maintained a well-functioning and effective Board under the leadership of our Chairman Please see Governance report (page 47)	Continue to maintain a well-functioning and balanced Board under the Chair
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Maintained governance structures with the required skills, and appropriate balance of skills and expertise. We offered relevant and current information and training opportunities to enhance understanding of regulatory and business environment in which we operate. We assessed the potential skills set which would ideally be present in any new Director appointments Please see Governance report (pages 44-45)	Identification and appointment of additional Director to enhance skills set and expertise
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Undertook independent assessment and review of Board and developed action plans to address shortcomings identified Please see Governance report (page 48)	Ongoing implementation of action plans, evaluation and monitoring
Promote a culture that is based on ethical values and behaviours	Lived our values and by "Doing what is Right". The Board has continued to lead by example Please see Sustainability report (pages 37-41) and Ethics section of Governance report (page 48)	Continue to live our values and lead from the top
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Have governance structures "fit for purpose", which meet requirements and strive towards best practice standards Please see Governance report (page 47)	Continue to ensure our governance structures meet requirements
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Engaged with stakeholders, including shareholders, through a variety of methods, to ensure they understood how the business was performing Please see Sustainability and Stakeholder engagement reports (pages 37-41 and pages 50-52)	Continue to communicate with all stakeholders and to maintain a dialogue

Please refer to this symbol throughout the report to cross refer where we address the QCA Code Principles.

Governance Structures Fit for Purpose

The list of Board members, including short biographies and skills sets, as well as Committee membership, is set out on pages 44-45.

As Chairman, I am responsible for ensuring we continue with our collegial approach of working as a team. It is imperative that the relationship between myself and Rowan, as well as all Board members and executive management, remains cordial and robust. We work together in the best interests of the Group while remaining comfortable to engage in rigorous and constructive challenging of positions. No individual or group dominates the Board's decision-making processes.

The Board has a Charter (Board Charter) which sets out in detail its functions and responsibilities, as well as the clear separation of duties between the Chairman and the Chief Executive Officer. It also clarifies the role of the Senior Independent Director. We have a statement of authority which supplements the delegated authority as set out in the Charter. This is reviewed annually and ensures the correct controls are in place across the organisation. The Board has reserved certain powers to itself.

The Company's Articles of Association require that one third of the Directors stand for re-election annually through a process of rotation. This year James Crawford and Ian Harding will retire by rotation, and being eligible, offer themselves for re-election. Directors' contracts are available for inspection at the Company's registered office and at the Annual General Meeting; and are summarised in the Remuneration report (see pages 53-62). We remain confident that, subject to the qualifications set out in our succession planning report, the Board is comprised of a collective that represents the necessary skills and expertise to enable it to function effectively with a full understanding of the business.

As a Board we consider the independence of all members and have an effective conflicts of interests procedure. All other commitments and interests are fully declared and assist in the determination of independence. Changes to commitments and interests are reported to the Company Secretary, and where appropriate referred to the Board, as and when necessary. On this basis Justin Apthorp has been determined to be non-independent given his previous status as an employee of the Company and the level of his shareholding. (See Table below for shareholding).

The Group holds Directors' and Officers' Liability Insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their position, but the cover does not extend to claims arising from dishonesty or fraud.

We have an annual work plan which ensures that all elements of the business are addressed. Meeting dates are aligned with the financial and trading calendars of the Company while ensuring a spread of meetings across the calendar year. The scheduled meetings may be supplemented with additional meetings as and when necessary.

Our meetings are structured and the agendas of the Board and Committees are reviewed by, and agreed with, the respective chairs. The Board and Committees receive appropriate information prior to meetings and more specifically, we are kept abreast of financial and operational performance. The Company reports on its monthly headline performance against its agreed budget and the Board reviews variances at each meeting.

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 our employees and suppliers and makes it clear what is expected of the wider Majestic family members. The Code is regularly reviewed and is available on our website: majesticwineplc.co.uk

The Board held 11 meetings during the year and attendance is set out in the table on pages 44-45. A strategic session was also held in September 2018. The meeting in February 2019 took place in the USA. We remain cognisant of the costs associated with holding Board meetings abroad. It does however allow the members the opportunity to familiarise themselves with all operations, specifically the growing US market. We also periodically visit the other operational areas, including the Naked Wines head office in the UK and Majestic stores. All Directors continue to be well-prepared and to devote sufficient time and effort to their responsibilities.

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/General Counsel, Group Chief Financial Officer, Chief Executive Officer and any member of the management team. In his role as the SID, Board members are also free to seek the counsel of Ian Harding. During the year the advice of Pearl Meyer was sought in relation to the Remuneration report structure and David Smith was engaged to conduct the external Board assessment. Neither of these advisors had any conflict of interests.

As part of our enhanced processes we have recognised the need for ongoing training and information sharing at Director level. A formalised process to ensure that we have access to suitable training opportunities has been developed and during the review period we received quarterly updates regarding topical issues and changes in the governance environment. We had a formal presentation of the updated AIM rules and requirements in relation thereto. A formal induction programme for new Directors will be made available going forward and an electronic "Directors' Toolkit" has been developed allowing easy access to information.

Overall, I believe that the Board has provided the necessary strategic leadership and exercises effective oversight of the Company activities, including over the internal controls and risk management process (see further pages 24-28). We review overall Company performance and ensure that the necessary resources are available to management to give effect to the strategy. We exercise accountability to the shareholders and are responsible to safeguard the relevant interests of all stakeholders (see further Stakeholder engagement – pages 50-52).

The Directors who served during the year and their personal interests in the ordinary share capital of the Company as at 1 April 2019 were:

	Number of ordinary shares		
	2018/19	2017/18	2016/17
Rowan Gormley*	4,394,581	4,378,881**	4,528,881
James Crawford	78,644	74,156	14,000
David Stead	-	-	-
Brian Gregory Hodder	15,000	15,000	10,000
Ian Harding	12,000	12,000	12,000
Justin Apthorp	-	300,000	300,000

* 1,080,191 of these shares remain subject to restrictions and are not freely tradeable. The trading restrictions applicable to the last one third of Rowan Gormley's total shares were due to be removed prior to the end of the review period; however, due to insider information restrictions on trading, this event was postponed given that, upon becoming unrestricted, this last tranche of shares would have attracted tax. Mr Gormley may have wished to trade a percentage of these shares to cover his tax obligations.

** During June 2017 Mr Gormley had traded 150,000 shares. This sale, while announced, has mistakenly not been deducted from his share balance. This led to the incorrect reflection of his total shareholding as 4,528,881 in the 2018 annual report. This has now been corrected.

Governance continued

Board committees

The Board has in place Nominations, Audit and Remuneration Committees, all of which have specific mandates which are contained in approved Terms of Reference which detail the composition, key activities and responsibilities and which are available on our website (Remco ToRs, Audit ToRs, Nom ToRs). All the terms of reference were reviewed during the reporting period. The membership of each of the Committees is set out on pages 44-45.

- **Audit Committee** – the report of the Audit Committee under the chairmanship of David Stead is available on pages 63-64
- **Remuneration Committee** – the report of the Remuneration Committee under the chairmanship of Ian Harding is available on pages 53-62
- **Nominations Committee**
 - The Board Chairman is also the Chairman of the Nominations Committee, which is comprised of at least three members, with the majority being independent
 - The principle role of the Committee is to consider and make recommendations for Board appointments, to consider induction programmes, succession planning in respect of both the Board members and senior management and to consider the performance and evaluation of the Board
 - The Committee meets as and when necessary, but at least to consider the recommendation of Directors for re-election and to review the Board performance, and assessment

Board evaluation

During the Autumn of 2018 the Board commissioned an external assessment which was undertaken by David Smith¹, a performance specialist. The process included the compilation and confidential completion of a detailed questionnaire by all the Directors as well as the Company Secretary. The responses were analysed for specific common trends and in-depth interviews took place between David and the participants. The process included a less formal review of the Board Chairman and probed the relationship between the various Directors, including between Executive Directors and Non-Executives.

The questionnaire contained sections which covered Board composition, Board meetings and content, roles of the chairman and company secretary, Board accountability, appointments, induction and training, succession planning, performance evaluation and remuneration, Board committees, communications and relations, Board dynamics and leadership, strategy and compliance, risk management and internal controls, accounting and auditing, non-financial (sustainability) and governance, balance of power and authority, ethics and leadership and stakeholder engagement. Members were required to answer specific questions around these topics on a rating basis and to provide comments, if required.

A report was compiled for the Board, together with recommendations for enhanced Board effectiveness. The report was presented to the Board in March 2019. The overall outcome was that the Board is effective with the primary observations as follows:

Things going well

- Frequency of Board meetings; information provided; quality of discussions and decision-making; time allowed for items; Teamwork; attendance at meetings and preparedness
- Strategic oversight without becoming operational. Good strategic input
- Information sharing between meetings
- Understanding of accountability and responsibility
- Appropriate committees
- Good interaction between Executives and Non-Executives
- Satisfied with level of compliance and risk management

The assessment process will be undertaken annually, with an external assessment every third year. The focus during the between years will primarily be on the implementation and monitoring of corrective actions and recommendations which have been developed in response to the identification of matters needing attention (see above).

Ethical values & behaviour

We strive to live our value of "Doing what is right" which requires that we act with honesty, integrity and transparency.

We understand our corporate culture to be the shared values, attitudes, standards, beliefs and behaviours which determine how we engage with one another and deal with external business transactions. Because of our customer centric business model everything revolves around the relationship with our customers. We believe that this relationship is based on trust. This means that as a Board we are inherently focused on ensuring that this relationship is maintained through, amongst other things, promoting and embedding an ethical culture across everything the business does.

Internally we drive a culture of respect and fairness. We have a number of policies which underpin this approach including our Code of Conduct, Anti-Bullying and Harassment, Equal Opportunities, Anti-Bribery, Competitions, Maternity Benefits, Data Protection, Share Dealings, Anti-Money Laundering, Health & Safety, Substance Abuse, Recruitment and Discipline, to mention only some (policies can be found at majesticwineplc.co.uk). We continually re-inforce the messages around behaviours and have a Whistleblowing policy and procedure to assist with bringing transgressors to our attention.

We have an employee share participation scheme which includes everyone and our statistics on gender pay gap (see page 62) show us in a favourable light. Our CEO, Rowan Gormley, declined his LTIP share awards in favour of allocation amongst employees. We continually look for ways to incentivise our staff so that they can directly reap the rewards of their hard work. In addition to the share participation schemes we also operate the Franchise-Lite model at store level (see page 51).

Things requiring attention

- Board composition – gender/ethnic diversity/US knowledge
- Board packs – streamlining and improving timing of circulation
- Boost Internal Audit function
- Improve Board member induction and ongoing training
- Formalisation of Board succession planning
- Focus on Business Sustainability
- Discuss further enhancement of Board interaction

Please cross refer to our Stakeholder engagement section (pages 50-52) to see how we engage with our staff and implement their suggestions and feedback.

Externally, our suppliers are seen as part of the Majestic family, a position which is again strengthened by the Naked Wine Business Model which sees us connect our suppliers and customers through a direct funding model. We expect our suppliers to adhere to our standards and values and thus have developed a Responsible Supplier Policy and reviewed our standard terms and conditions. We have again published our revised Anti-Modern Slavery Statement and started to embed these principles across our supply chain through a detailed questionnaire which will enable us to identify any high risk areas, and address them accordingly.

It is our position that we will assist our suppliers to address shortcomings and will look for ways to help them to meet our expectations as stated in our policies.

A number of our KPIs (see pages 16-17) focus on customer acquisition, retention and customer ratings of our service. This assists us to monitor the state of our corporate culture at any given time. We are happy that the level of acquisition of new, and the loyalty of existing, customers is a great indicator of the trust and satisfaction with which we are viewed.

Our sustainability plan (see Sustainability report pages 37-41) has clearly identified responsible retailing as our top priority. The public concerns around alcohol misuse, underage drinking and general health risks are taken very seriously. While we want to increase the sale of our products we want to encourage our customers to enjoy their alcohol responsibly. We support Drinkaware, operate a Challenge 25 scheme, provide in-store information for customers around responsible drinking as well as on our website and in promotional literature. We provide strict guidelines on responsible drinking for our staff together with a policy to assist with support and education. We acknowledge that changing social norms and attitudes towards alcohol present a risk to our business and thus our commitment to responsible drinking remains a top priority. We have noted that according to Drinkaware fewer people in the UK are drinking at harmful levels while annual expenditure on alcohol per capita increased. We see this as a positive sign for our business.

¹ Former People and IT Director of Asda, now Author/ Business Speaker and Consultant, owner of High Performance through Engagement (David Smith) Ltd.

Succession planning

The Board regularly considers the issue of succession planning, at both a Board and executive management level.

At Board level we identified a need to appoint another Non-Executive Director to better diversify our team and bring more experience of digital marketing and US retailing. We are delighted that this led to the appointment of Katrina Cliffe in May 2019.

Following on from both this process, and the detailed Board evaluation exercise, the Board has also considered the succession requirements, in both a planned and crisis situation, for the CEO, CFO and Chairman. We are of the view that within our current structures we have sufficient depth of skill and experience to ensure the continuation of leadership, however we will be continuing to identify suitable succession candidates. In this regard we acknowledge that one of the advantages available to the Company is the young leadership team membership which creates a pool of potentially suitable long-term successors.

Given the rapid growth of the business across all the geographic markets we have now identified a need to appoint a Chief Operating Officer (COO) to support the Chief Executive Officer and to provide further succession planning options for the future. As a result, we have appointed Nick Devlin, our Naked Wines US Managing Director, to the role of COO and to the main Board.

We have also appointed John C. Walden as Non-Executive Director and Chairman Designate. John will replace Greg Hodder as Chairman of the Company at the forthcoming AGM.

At a Board level we have not only looked at the mix of skills and experience but have also reviewed membership tenure to ensure we have a suitable balance between continuity and new views and ideas. A summary of the Board skills and experience is set out below.

Stakeholder engagement

(inclusive of S172 disclosures)

At Majestic we value the views of not only our shareholders but also our wider stakeholder group. We believe that there is an obligation on us to disseminate clear and understandable information about the Company, and our business activities, and, in turn to receive and consider the views of stakeholders.

As a Board, we understand our duty to promote the success of the Company while considering our long-term decisions and the impacts on, and views of, the wider stakeholder group and the need to balance any conflicting interests.

We accept the need for a robust and nimble business which is able to deliver good results year on year and to respond to short-term risks and opportunities with alacrity. The long-term consequences of our business

decisions are equally important and it is imperative that we are able to assure a sound and evolving company able to withstand the test of time and respond to changing dynamics. As a result, our decision-making is directed by our long-term vision of compounding growth supported by substantiated information and disciplined investments.

During the review period a decision was taken to outsource investor relations leading to the appointment of Equitory in October 2018. Equitory is an investor relations management company specialising in support to small cap companies. This decision was taken as we were of the opinion that we lacked the internal resources to manage our capital markets relationships effectively and would benefit

from having Equitory as a partner through which to we could enhance our market position. For more information on Equitory please see Equitory.

In addition to having the consultancy services of Equitory to draw on, the Board and Committee Chairmen, the CEO, CFO and Company Secretary are all engaged in day-to-day investor relations management and one-on-one engagements as and when necessary.

Below is a summary of our stakeholder engagements, setting out the stakeholder as well as the means used for engagement and the outcomes thereof.

To request a meeting please contact:
investor.relations@majestic.co.uk

Stakeholders	Who engaged	How we engaged	Outcomes
Shareholders/ Institutional Investors/Analysts	Board /CEO/ CFO/CoSec	<ul style="list-style-type: none"> AGM – Remains the primary method of engagement with our private shareholders, through both the distribution of the annual report, and attendance at the meeting. We continue to encourage attendance at the AGM and a number of our smaller shareholders did avail themselves of this opportunity in August 2018 	<ul style="list-style-type: none"> Outcome of voting at 2018 AGM (see below) The underlying reasons for the protest vote against Resolution 1 related to expectations voiced by some investors by way of written submissions, specifically around our remuneration disclosures and vote (see page 53), sustainability reporting (see page 37) and diversity (see page 49), all of which have been addressed and we believe we have positively responded to the input received
	Remco Chairman/ CoSec	<ul style="list-style-type: none"> Letters from institutional investors during the 2017/18 AGM We took the unprecedented step of seeking input into our remuneration approach, through direct written engagement from the Remuneration Committee Chair to a select group of large shareholders. In selecting the group, we took into account previous shareholders who had made contact with us as well as those who individually held significant shares or, in the case of nominees, represented a large group of shareholders 	<ul style="list-style-type: none"> We were very pleased with the enthusiastic and positive input we received as well as the level of detail, effort and consideration reflected in the engagements, including support for the Board principles proposed as well as a number of helpful contributions, specifically around the performance measures. For more information, please cross refer to our Remuneration report (pages 53-62)
	CEO/CFO	<ul style="list-style-type: none"> CEO and CFO made presentations to the institutional shareholders and analysts following the release of both the year end and half year results 	<ul style="list-style-type: none"> Despite not being required to put our Remuneration policy, and 2019 report, to a shareholder vote, we have taken the view that this is a reasonable expectation and is what is required by the market. The report and Policy are thus included as specific resolutions for the 2019 AGM. The Policy will be put to a vote every three years and the Report, annually
	Board	<ul style="list-style-type: none"> During the summer, the Chairman and SiD met with shareholders in London to enable a direct conversation around performance and the future direction of the Company 	<ul style="list-style-type: none"> Details of the presentations are available on our website. A number of questions were fielded from institutional investors and analysts with management explaining the current position and the long-term outlook of management
	Board /CEO/CFO	<ul style="list-style-type: none"> Investor engagement and capital markets days The announcement of the interim and final results provides an opportunity for direct engagement with investors and analysts. The presentations from these events are available on our website majesticwineplc.co.uk. The Capital Markets Day was held in London on 17 April 2018 	<ul style="list-style-type: none"> These engagements with private shareholders and/or their representatives, institutional investors and analysts enable us to have a sharing of information so as to ensure that we fully understand expectations and, in turn, are able to explain the projection of the business Opportunity for information sharing

Stakeholders	Who engaged	How we engaged	Outcomes
Employees	CEO/HR management and MDs of subsidiaries	<p>We continue to consider our employees as one of our most important stakeholders with whom we are engaged on a day-to-day basis.</p> <p>This engagement takes place through:</p> <ul style="list-style-type: none"> - The systematic provision of information around matters that concern the business in general and them specifically. This is done through regular group wide emails, Business Unit specific emails and event specific electronic communications (e.g. mid and year end results etc.) - Weekly head office Huddle - Annual employee satisfaction survey - Consultation with specific groups/individual employees regularly so that their views can be taken into account in making decisions about matters which affect them - Participation through the share scheme (see page 60) - Disclosure of gender pay gap and pay comparison 	<ul style="list-style-type: none"> - Enabled us to achieve a common awareness amongst employees of the financial and economic factors affecting performance of the Company - The weekly huddle has enabled Executive Directors to discuss with staff, in an open forum, the status of the Company and receive direct input and suggestions from employees - Share scheme participation has aligned interests of shareholders and staff - Feedback from the satisfaction survey has enabled staff to provide direct input into the employee benefit structure and work environment. Management has responded to this input by - Enhancing the maternity benefit policy – From the beginning of FY2018 the Board has approved to increase the level of maternity pay for female staff across the UK. Our maternity pay policy is now six weeks at 100% pay and a further eight weeks at 90% pay if employees commit to one full year of employment after their leave. In addition, current maternity policies are being reviewed in our international divisions - Allowing a flexible working environment - Paying the Living Wage in the UK - Continued WSET training for all employees - The Company has extended the business model to include the Franchise-Lite approach which has effectively turned our managers into our partners, allowing them to increase their earnings by allowing them to share in their store's contribution rather than a percentage of sales
Suppliers	CFO/Subsidiary Executives	<ul style="list-style-type: none"> - Our Naked Wine model continues to include the identification and development of winemakers through direct funding by the Naked Wines Angels - Annual Supplier Conference to have an open and two-way conversation with our biggest suppliers about our business and strategy - Supplier guiding principles to make sure we are looking after our suppliers - During the review period we have launched the Responsible Supplier Policy which encourages our supplier network to conduct their business in line with the same principles embraced by Majestic. This policy specifically looks to identify ways in which Majestic can assist suppliers to be compliant - Distributed Anti-Modern Slavery questionnaire 	<ul style="list-style-type: none"> - Funding of winemakers - Directly assistance to winemakers affected by adverse natural disasters and other hardships - Engagement around Responsible Supplier Policy and Anti-Modern Slavery questionnaire to understand how we can assist suppliers to meet our requirements in a mutually beneficial manner - Review of standard terms and conditions
Customers	CEO/Retail MD/ executives of subsidiaries	<ul style="list-style-type: none"> - The Naked Wine business model effectively makes our customers, our partners, with a mutual investment in winemakers - Personal in store engagement - Online offers and information sharing - Engagement with potential customers through partnerships (e.g. Twickenham Rugby Stadium) and promotions (Debenhams pop up store) - Updated our websites to make it easier to leave customer feedback - Ongoing enhancement of Customer helplines with dedicated Customer Happiness Teams for each business 	<ul style="list-style-type: none"> - Alignment of interests in producing best quality wine at best price - Concierge customers - Wineify to assist customers to select suitable wines to individual liking - 5* rating in store remains near to 90%, reflecting customer satisfaction - Feedback leading to update of product range

Stakeholder engagement
continued

Stakeholders	Who engaged	How we engaged	Outcomes
Community and environment	Board/CEO/ Sustainability Team	<ul style="list-style-type: none"> – Established Sustainability Focus group and project teams – Ongoing commitment to wider community regarding responsible drinking and marketing of alcohol – Ongoing commitment to wider community regarding ethical behaviour/responsible corporate citizenship 	<p>Please cross refer to Sustainability report (page 37)</p> <ul style="list-style-type: none"> – Various sustainability initiatives – Support, membership and funding of Drinkaware and compliance around sale and marketing of alcohol – Reviewed our Modern Slavery Statement – Reviewed Code of Conduct for all our employees and suppliers – Published a UK tax strategy under schedule 19 of the Finance Act 2016 – Published Gender Pay Gap

Outcome of voting at AGM 2018

No	Type	Nature	Majority in Favour
1	Ordinary	Receipt of the Strategic report, Directors' report, Auditor's report and financial statements of the Company	81.05*
2	Ordinary	Re-election of retiring Director – Greg Hodder (Chairman)	91.82
3	Ordinary	Re-election of retiring Director – Rowan Gormley (CEO)	91.58
4	Ordinary	Re-election of retiring Director – Justin Apthorp	91.56
5	Ordinary	Election of David Stead as Director	99.46
6	Ordinary	Appointment of Deloitte LLP as auditor and delegation to Board to fix remuneration	99.76
7	Ordinary	Directors' authority to allot securities (1/3)	99.73
8	Special	Disapplication of pre-emptive rights	99.68

* The lower percentage of votes cast in favour of resolution one, as evidenced by feedback received, related to issues associated with the need to address sustainability reporting, the remuneration policy/report voting and diversity. These issues have now all been addressed.

Remuneration Committee report

Ian Harding (FCA), Chair of the Remuneration Committee

... we have chosen to disclose more and seek shareholder approval as part of our commitment to continually evolve and improve the way we do business and engage with our stakeholders.

Ian Harding (FCA)
Chair of the Remuneration Committee

Dear shareholder,

I am pleased to present our Remuneration policy and Remuneration report. For the first time we will put both to a shareholder advisory vote at the upcoming 2019 Annual General Meeting. Whilst not a requirement for AIM listed businesses, we have chosen to disclose more and seek shareholder approval as part of our commitment to continually evolve and improve the way we do business and engage with our stakeholders.

Update on changes to our policies

In my report last year, I committed to review our policies and practices as the business moves into a new and exciting growth phase. I also committed to engaging with our largest shareholders on any proposed changes. This review took place during the year and was very useful.

Our guiding principles of competitive reward, simple but stretching incentives and broad employee share ownership, remain unchanged. However, we identified two opportunities for improvements. Firstly, as flagged last year, we will introduce a second metric to sit alongside Total Shareholder Return (TSR) for the award of shares under our Long Term Incentive Plan (LTIP). This second metric would be an absolute measure of value creation. The other proposed change is the introduction of minimum shareholdings for Executive Directors and selected members of senior management.

I am pleased to say shareholder feedback was very positive on these two points and we will introduce both these measures as soon as practical.

The Committee believes these changes are particularly relevant and timely now that the Board has decided that shareholders' interests are best served by focusing all of our capital and energies into delivering the long-term potential of Naked. As we continue to develop the Naked business, in particular in the USA, we will consider whether further changes are needed to bring the best talent into the business in a market where compensation practices, in particular around equity, can be substantially different to those in the UK.

Performance for the year

As Rowan sets out on pages 4-7, this has been a very significant year for the Group. As well as surpassing our revenue target of £500m set at the time of the Naked Wines acquisition, the Board have taken the difficult but important decision to focus on Naked and exit from the Majestic brand, most likely through a sale of the entire business. This has understandably caused uncertainty for all our stakeholders, including our staff. The Committee gives thanks to their loyalty, hard work and determination during these times.

Naked continued to grow strongly as we increased investment to build a base of loyal and profitable customers. Majestic Retail managed to grow sales in challenging conditions but suffered reduced profitability in a price promotional market.

As a result, the overall annual bonus criteria were met in part, with the strong performance at Naked and L&W partly offset by tougher environment for Retail and Commercial and the Committee approved bonus payouts to staff pro rata between 0% and 100% of the target amounts, with the Group scheme (as applied to the Executive Directors) paying out at 34% of target.

During the year we vested the second tranche of Naked Wines deferred consideration shares, as well as delivering business performance from Naked that will trigger the third vesting during FY20.

The year ahead

We will continue to look for ways to enhance our proposition as an employer of choice while ensuring that we align the interests of our staff with that of our shareholders. We believe that we have brought our reward process to bear in this regard through our approach of rewarding targeted performance and encouraging share ownership by all of our staff. We want everyone who works for us to think and act like a business owner and to have a vested interest in the success of our Company.

Ian Harding (FCA)
Chair of the Remuneration Committee
12 June 2019

Remuneration Committee report
continued**The Remuneration Committee**

Who	What	How	When
<ul style="list-style-type: none"> The Remuneration Committee (the "Committee") is comprised of myself, as Chairman, together with Greg Hodder (Chairman of the Board and non-executive), David Stead (independent non-executive), Katrina Cliffe (independent non-executive) Executive Directors attend the meetings as invitees, but play no role in decisions relating to their own remuneration Justin Apthorp is not considered independent by virtue of his time as an executive at the Group and his position as a major shareholder representative, but attends the Committee as an invitee No member of the Committee has any conflict of interests, nor do they have any personal financial interests other than as shareholders. Subject to these qualifications, the Committee is considered independent 	<p>Responsibilities, in summary</p> <ul style="list-style-type: none"> Determine and recommend to the Board the Remuneration policy (Board, executives and general staff body) and monitor ongoing effectiveness thereof Determine headline targets for any performance related bonus or pay schemes Determine specific targets and objectives for any performance related bonus or pay schemes for Executive Directors Review and approve any material termination payment or executive package upon appointment <p>Main activities for review period</p> <ul style="list-style-type: none"> Review of Remuneration policy for executives Revisited performance criteria for LTIP Considered performance criteria for vesting of shares and payment of bonuses 	<p>Terms of reference (Remco ToRs)</p> <p>External services</p> <ul style="list-style-type: none"> During the course of the year, Pearl Meyer provided remuneration consultancy services to the Company at a total cost of £40,516. This related to the assessment of the Remuneration policy and Remuneration report Tapestry continue to provide ongoing support in respect of the various share schemes of the Company although the costs incurred were under £1,000 The independent Board assessment was undertaken by David Smith* on behalf of the Company at a cost of £7,920 External consultants, The Up Group, were appointed to support our searches for a NED and a COO <p>Fees and expenses totalled £90,000.</p>	<p>The Committee meets as required and the list of meetings and attendance is contained in the Governance report (see pages 46-49)</p>

The Link – Reward/Strategy/Business Model/KPIs and Risk

Remuneration policy			
Strategy**	<ul style="list-style-type: none"> Generate shareholder value through acquisition and retention of customers Increase future value of business 	Align long-term objectives of staff and shareholders	<ul style="list-style-type: none"> Share participation Performance targets/bonus
Business Model**	<ul style="list-style-type: none"> Long-term compounding growth which gets stronger with scale Focus on customer retention, while testing and refining what we do, using data to measure and improve our actions 	Incentivise and retain staff to deliver model	<ul style="list-style-type: none"> Competitive base salary Attractive benefits and pension
KPIs**	<ul style="list-style-type: none"> Financial Operational and Transformational 	Measure and link to individual performance	<ul style="list-style-type: none"> Performance bonus Share participation
Risk Management**	<ul style="list-style-type: none"> Risk appetite Identify and risk rate Mitigate and manage 	Encourage entrepreneurs without unacceptable risk/behaviours	<ul style="list-style-type: none"> Realistic performance targets with stretch Bonus payments

Current Trends and Shareholder Expectations

* Former People and IT Director of Asda. Now author/business speaker and consultant, owner of High Performance through engagement (David Smith Ltd).

** Indicates how these elements touch specifically on remuneration and are fully addressed under the relevant stand-alone sections of the Annual Report.

Through a combination of competitive salaries and benefits, long-term performance based share participation and annual target focused bonus payments we support our strategic goals. Our strategy and business model remain customer centric with our goal being, in essence, to attract and retain customers. This is underpinned by a model which requires that we test and refine what we do while using data to measure, improve and inform our decisions. We remain cognisant of the need to limit unhealthy risk taking and thus, while we do not reward failure, similarly we do not encourage undue risk taking and set targets which do not drive inappropriate behaviour. When it comes to risk we have a well-entrenched mitigation strategy which encourages our people to embrace the direct marketers approach of test, learn, refine and re-test – in the words of our CEO “They can try crazy new stuff because they are not betting the ranch; just testing a theory on a segment”. While we reward excellent performance, and thus encourage stretch targets, unnecessary risk taking outside of our tolerance level is not in line with our risk management model.

The Remuneration policy

Following our shareholder engagement, which took place in the Autumn of 2018, and the review of our processes and policy, we are pleased to announce that our Remuneration policy will be presented at the 2019 annual general meeting for purposes of a non-binding advisory vote by shareholders.

Although our current policy was broadly in line with market trends and shareholder expectations, we believe there were opportunities for further enhancements to better align rewards and achievement of strategic goals and value creation. We have carefully considered the input received through our shareholder engagements as well as the extensive benchmarking against the market, both AIM and FTSE350. We have identified two areas where we will be undertaking further reviews; however, this exercise will be undertaken concurrently with the recently announced strategic transformation:

- Adding a minimum shareholding requirement for our Executive Directors and a few key senior managers, including, to embed the alignment of the interests of management and shareholders
- Introducing a second performance condition attaching to the LTIP, in addition to Relative Total Shareholder Return (TSR)

Below we describe the elements of our remuneration, together with a clear link to our strategy and explanations as to how we implement each element operationally, setting out the maximum that an employee can earn as well as the performance measures. While this policy is specific to our executive level, at Majestic we pride ourselves on our simple and equal approach. We have thus included a column to indicate where a specific element of reward offered to executives differs substantially from that offered to other employees. As you will note, the rewards are significantly consistent across our structure with individuals generally being differentiated only on amount, linked to responsibility, skills and performance outcomes.

The application of the Remuneration policy in the review period is summarised below each element, but should not be read as part of the policy. Where we have felt the need to explain an element of the policy, or the application thereof, we have done so by way of notes at the end of the policy.

Executive Remuneration policy – for approval of shareholders at AGM – August 2019

1. Introduction

The Remuneration policy is intended to offer fair, competitive and attractive reward packages consistent with the scale and performance of the Company; is aligned to the Company Strategy, our Key Performance Indicators and our Risk Management Processes; and supports our Business Model.

2. Policy statement

We will seek to attract and retain qualified staff through rewarding all our employees fairly and equitably and balance the shareholder and employee value proposition, while placing our overall Company wellbeing, values and performance at the heart of our reward practices.

We believe the reward process to be a management instrument with which to change, establish and reinforce the outputs and behaviours of employees in order to achieve strategic business objectives and results.

3. Application

This policy is applicable to the executive level of the Company which comprises Executive Directors of the Company (“Executive Directors”), Directors of the subsidiaries, heads of IT and Group Digital Acquisition. Where applicable, the appropriate comparison with remuneration practices applicable outside of the leadership level will be highlighted.

4. Reward principles

The following overarching principles are applicable:

- We will offer competitive salary packages 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
- We will offer the chance for all employees to participate in share reward schemes so that we all think and act like business owners

5. Remuneration elements and conditions

– Reward levels

Our reward decisions are based on a robust assessment of the wider environment in which we operate, taking into account the conditions within similar retail markets, across our Group and within our budget limitations. Base salary is determined by a range of considerations including skills, experience and performance. Job categories and grading of roles are determined having regard to function, skills and responsibilities, resulting in a grading system that ranges from Executive Directors, down to our customer facing and operational entry-level roles at the bottom. The components of remuneration listed in this policy are then set for each employee according to the job grade. Note that there are variations between Business Units based on local legal requirements and expectations for that territory.

– Performance measures are applicable to the variable portion of remuneration and are divided into Group wide and individual measures depending on the job description. Group measures are generally financial and are set out in detail on page 106 of the annual report. The higher the level of seniority the greater the weighting of the financial performance measures. Individual measures include more qualitative and operational criteria as contained in the operational KPIs as set out in detail on pages 16-17 of the annual report.

– Remuneration structure

	1. Base salary
Fixed	2. Pension
	3. Benefits
	4. Bonus
Variable	5. Shares
	LTIP
	SIP
	Legacy schemes

Remuneration Committee report
continued**Fixed: Salary****Policy****Purpose and link to strategy/KPIs:**

Base salaries are set to recognise individual skill, experience, performance and market value of the role so as to attract, retain and motivate the best skills to deliver against the strategy and key performance indicators, 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
- Competitive salaries relative to the market and jurisdiction
- Wider employee pay structure
- 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.

Limitation:

How we control it: Maximum increases are no greater than local inflation 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 related to performance:

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

Significant differences between Executive Directors and the main body of employees:

None, other than salary levels.

2018/19 Application

- Inflation linked pay rises were granted to employees who met or exceeded performance criteria
- Promotions and/or change in responsibility resulted in amended base salary structure
- Salary ranges reviewed and remained unchanged

Executive salary 2018

Name	Position	Basic Salary/ Fees £'000	Benefits £'000	Annual Bonus Payment £'000	Company pension contribution £'000	Naked Wine/ MIP payments £'000 ¹	Total 2019 £'000	Total 2018 £'000	Total 2017 £'000
Brian Gregory Hodder	Non-Executive Chairman	80	–	–	–	–	80	63	40
Rowan Gormley	CEO	172	77	26	34	758	1,067	2,701	5,386
James Crawford	CFO	200	61	31	37	36	364	452	500
Ian Harding	Senior Independent Director and Chairman of the Remuneration Committee and Chairman of the Audit Committee until 1 July 2018	59	–	–	–	–	59	51	48
Justin Apthorp	Non-Executive Director	40	–	–	–	–	40	40	43
David Stead	Non-Executive Director and Chairman of the Audit Committee from 1 July 2018	44	–	–	–	–	44	19	–

¹ June 2019 for 2018/19 year end – this figure is disclosed as part of total remuneration as it relates to shares granted to Naked Wine (NW) employees for achieving a minimum value creation over a four year period after the acquisition by Majestic.

In FY18/19, we undertook a review of the salaries of both the CEO and the CFO, based on extensive benchmarking, and which resulted in recommendations of increases. Despite the Board's recommendation, Rowan Gormley, the CEO, declined the pay increase. He also continues to exclude himself from the LTIP awards. Rowan does hold an extensive number of shares in the Company and thus we are satisfied that his interests remain aligned with that of the other shareholders.

Fixed: Benefits

Policy

Purpose and link to strategy/KPIs:

Make us competitive within the market while providing financial protection for employees and their families, supporting staff retention.

Operation:

What we offer:

- Paid annual leave
- Enhanced maternity benefits
- Staff discount and job flexibility
- Professional subscriptions (limited to 2 & HMRC approved)
- Company cars
- Private medical insurance
- Life insurance
- Relocation expenses
- Subsidised accommodation for multi-site employees
- Directors' & Officers' liability insurance to "top up" indemnity from Company (where law allows)

Limitation:

Level of benefit is set by the Committee appropriate for or business relative to the market.

How it is related to performance:

Benefits are not conditional on performance.

Significant differences between Executive Directors and the main body of employees:

Executive Directors earn the maximum level of benefits which is graded according to job level. For example, the Executive Directors receive medical insurance that cover their family; at lower levels of management this may only cover the individual and in our entry level roles medical insurance is not offered.

2018/19 Application

- All benefits were available to staff at a level commensurate to their grade
- 1% took maternity leave
- £52,018 paid in relocation expenses, of which £nil was paid to Executive Directors

Fixed: Pension

Policy

Purpose and link to strategy/KPIs:

Provide for a competitive post-retirement income and supports recruitment and retention of suitable people to deliver on strategy.

Operation:

What we offer:

We offer payments in a defined contribution scheme. High earners impacted by the Tapered Annual Allowance in the UK may opt for (taxable) cash payments in lieu of contributions.

Limitation:

Contributions are based on % salary, ranging from the statutory minimum for entry level jobs to 20% of salary for Executive Directors.

How it is related to performance:

Pension contributions are not conditional on performance.

Significant differences between Executive Directors and the main body of employees:

The % of salary contributed is the highest level available to employees.

Remuneration Committee report
continued

Variable: Bonus

Policy**Purpose and link to strategy/KPIs:**

1. Reward employees for achieving key financial, operational and strategic goals, annually by selecting measures that drive long-term shareholder value;
2. Reward achievement of customer centric KPIs that grow and retain customer base.

Operation:**How we determine it:**

- We set each role an "on target" bonus as a percentage of salary (note: customer facing staff may have fixed incentives for hitting short-term targets)
- Bonus and targets are set at the start of the financial year and performance is reviewed at the end of the financial year to assess whether targets have been reached
- The Committee applies discretion to the final bonus payout taking into account performance against targets and underlying performance of the Company

What we don't do:

- We do not reward failure or mediocre performance
- While encouraging stretch targets, we do not set unrealistic goals
- We do not encourage unhealthy risk taking and inappropriate behaviour

Limitation:

"On target" bonus as % of salary is tiered by grade. Executive Directors are set at 50%. Other leadership roles operate at between 30-50%.

How it is related to performance:

The Committee determines annual metrics based on approved budget and priorities of forthcoming year. In FY18/19 we used two constructs to set these goals:

Naked Wines		Retail, Commercial and L&W	
Adjusted EBIT from repeat customers (calculated as Repeat Contribution minus fixed costs)	40%	Sales	40%
Payback from new customer investment (calculated as investment in new customers x forecast payback)	40%	Adjusted EBIT	40%
Net inventory per repeat customer (calculated as inventory less liabilities to customers, per repeat customer)	20%	Free Cash Flow	20%

- In all cases individual performance is applied as a moderating overlay
- For employees in our central teams, including CEO and CFO, who oversee all Business Units, a blended bonus based on the Naked and non-Naked schemes is used
- Targets are set at a level to incentivise ambitious performance but not drive unacceptable levels of risk or inappropriate behaviour
- Stretch targets linked to scaled awards with 100% of bonus potential paid for on target performance, minimum of 0% and maximum of 125% of bonus potential paid

Significant differences between Executive Directors and the main body of employees:

Executive Directors have the highest level of potential bonuses currently set at 50% of base salary. They are required to defer 50% of any bonus earned in year by 12 months.

2018/19 Application**Business performance outcome:**

Combined Retail, Commercial and L&W	Component	Outturn
Sales	40%	0.0%
Adj. EBIT	40%	0.0%
Free Cash Flow	20%	0.0%
Sub-total	100%	0.0%
Naked Wines		
Repeat EBIT	40%	50.0%
Payback from new customer investment	40%	18.3%
Net inventory per repeat customer	20%	0.0%
Sub-total	100%	68.3%
Blended position		34.2%

Individual calculations for Executive Directors

Rowan Gormley	Salary		£171,717
	Bonus potential	50%	£85,859
	Business performance	34.2%	£29,335
	50% paid on business		£14,668
	50% moderated for personal delivery	80%	£11,734
	Total payment		£26,402
James Crawford	Salary		£200,000
	Bonus potential	50%	£100,000
	Business performance	34.2%	£34,167
	50% paid on business		£17,084
	50% moderated for personal delivery	80%	£13,667
	Total payment		£30,750

Variable: Share schemes – LTIP

Policy

Purpose and link to strategy/KPIs:

Incentivise and retain staff while aligning management interests with the value creation interests of shareholders.

Operation:

What we offer:

- Nil cost option awards made annually up to a fixed % of salary
- Discretion of the Committee to award
- Vesting over three years' subject to performance conditions, whereafter no further holding period
- Clawback (awards may be reduced or cancelled)

Summary of scheme rules are available on request

Limitation:

Tiered scheme with maximum award currently set at 100% of salary for Executive Directors.

How it is related to performance:

- The plan has performance conditions which are linked to the achieving of Total Shareholder Returns (TSR) measured against a comparator group of companies with a sliding scale of vesting (see NOTE 1)
- TSR reports are prepared externally and reviewed by the Committee
- Comparator group reviewed and adjusted to ensure companies of similar size/market capitalisation

- Clawback/Malus provision (see NOTE 2)
- No vesting below threshold of minimum performance at median of group, whereafter sliding scale to 100% vesting if top quartile

Significant differences between Executive Directors and the main body of employees:

The % of salary awarded is the highest level available to employees.

2018/19 Application

- Award made in 2016 to cover three year transformation period, with vesting from 2019 to 2021
- Rowan Gormley declined the LTIP awards he would have been due, requesting the shares to be reallocated to staff
- New/promotional adjustments made biannually
- See detailed allocations below

NOTE 1: LTIP Performance Criteria and Comparator Group

Vesting is determined by comparing the Total Shareholder Returns (TSR) of the company against those in the comparator group. The calculation reflects share price movements, dividend payments and any other capital raising or return events.

The comparator group of companies is periodically reviewed by the Committee to ensure that there is no skewing of the outcome through selection. The current comparator group consists of listed entities (across AIM and FTSE) which are predominantly engaged in the retail sector. During the review period three companies were removed and replaced as they had gone into administration or were delisted.

There is a sliding scale of vesting against position in comparator group as follows:

NOTE 2: LTIP Clawback/Malus

- At discretion of the Committee
- Triggers – Misconduct or a Misstatement during the Clawback Period (three years from grant to vesting)
- The amount is determined on a basis that the Committee considers to be fair, reasonable and proportionate, and adjustment should not exceed the market value of the shares on the date the adjustment is made, or, if lower, the market value on the date that the shares were acquired by the participant
- Adjustment/clawback is effected by a transfer of shares, cash payment, reduced vesting in future, reduce number of future shares to vest, reduce future cash bonus, reduce value of shares

Misconduct means (the Committee applying discretion to interpretation):

- Any circumstances justifying summary dismissal of a Participant from his office or employment with any Member of the Group including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust
- Any material breach of a Participant's terms and conditions of employment
- Any material violation of Company policy, rules or regulation

Misstatement means the materially inaccurate reporting of any accounts, financial data or such other similar information, resulting in such accounts, financial data or other information being materially corrected or any future accounts, financial data or information having to include write-downs, adjustments or other corrective items in order to address the material inaccuracy (such inaccuracy being determined by the Committee).

Remuneration Committee report
continued**Variable: Share schemes – SIP****Policy****Purpose and link to strategy/KPIs:**

Incentivise and retain staff while aligning management interests with the value creation interests of shareholders.

Operation:**What we offer:**

- Open to all employees, in the UK this is an HMRC approved SIP scheme
- Shares are awarded at nil cost
- Allocation of shares may be determined in accordance with a number of methods, including but not limited to performance, period of continuous employment and/or job grading

- Currently awards are made annually at the discretion of the Committee, based on fixed % of base salary subject to maximum
- Vesting takes place after three years with a further two year holding period to enjoy tax benefits
- Dividends may be earned during the holding period

Summary of scheme rules are available on request.

Limitation:

Maximum award currently set at 2.5% of total annual remuneration or £3,600, whichever is the lower, with the equivalent in local currency in other geographies.

How it is related to performance:

- The Committee has discretion to change the % of salary awarded in the event of poor performance
- Employees must remain in continued employment for the shares to vest

Significant differences between Executive Directors and the main body of employees:
At senior levels SIP enrolment impacts eligibility for LTIP.

2018/19 Application**SIP**

- All enrolled employees granted SIPs in July 2018
- Total shares /options awarded are shown in Note 5

Variable: Share schemes – Legacy schemes (ESOS, MIP)**Policy****Purpose and link to strategy/KPIs:**

Incentivise and retain staff while aligning management interests with the value creation interests of shareholders.

Operation:**What we offer:**

- These schemes are legacy schemes no longer making awards
- The ESOS scheme was used until 2015 to award market-value options to employees based on seniority and tenure

- The MIP is the scheme through which the deferred consideration for the acquisition of Naked Wines is paid in shares. Note this scheme is not considered in calculating our total employee share awards versus the threshold of 10% of issued share capital

Limitation:

Not applicable as no further awards are being made.

How it is related to performance:

- The vesting conditions for the MIP are linked back to Naked Wines investment and payback performance
- The ESOS options will only be exercised if the share price is higher than the price at the time of issue

Significant differences between Executive Directors and the main body of employees:
Not applicable.

2018/19 Application**ESOS**

As at 1 April 2019 526,300 options were available at different strike prices.

MIP

- Performance criteria for all tranches of shares have been met
- Tranche 3 was due to vest on 29 April 2019; however due to trading restrictions relating to insider information, vesting was postponed until June 2019, provided insider information restrictions have lifted. A total of 45 members of the management team (including the CFO, James Crawford) will be granted 526,300 new ordinary shares of 7.5p each
- The CEO, Rowan Gormley, will have the restrictions on his final tranche of shares removed at the same time, subject to the same conditions
- Following the final vesting the scheme will cease to operate

2018/19 Application (all schemes consolidated)

The total employee shares schemes (LTIP/SIP/ESOS) may not exceed 10% total issued share capital over 10 year period, hence limiting the dilution of share value.

Total Scheme Shares as of 1 April 2019

Issued or subject to option and including unissued shares subject to performance conditions			Total issued shares
LTIP	SIP	ESOS	
1,609,621	200,766	526,300	72,137,402

6. Recruitment and remuneration

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

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

- The general principles set out in this policy
- 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 Committee takes into account:
 - Current incumbent package
 - Skills and expertise of the candidate
 - Jurisdiction from where person is recruited
 - The appropriate structure of the package

In doing this, the Committee may consider the “buy-out” of existing equity or other elements of remuneration forfeited on leaving a previous employer. The Committee may also utilise the services of external recruitment consultants.

The limitations we impose on recruitment are as follows:

- The remuneration package will be limited to base salary, benefits, bonus and share plan participation as applicable in the policy
- “Buy-out” grants will only be paid in exceptional circumstances and will be capped at the current fair value
- Recruitment fees will be limited to a percentage of base salary depending on position

2018/19 Application

No Executive Director was recruited during the review period.

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 no contract extends beyond a 12 month period and thus Executive Director's service contracts include a 12 month notice period by either the Company or the employee.

These are the longest notice periods within the Company, with other employees having six months (senior roles, down to one month at the lower levels of the organisation).

8. Policy of payment for loss of office

To ensure a smooth transition for leadership roles during times of change so as to preserve shareholder value, we maintain a policy on payments for loss of office.

This operates as follows:

- The policy applicable at the time that the loss of office was agreed will be applied
- The terms of the service contract and other legal obligations will be upheld
- The 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 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 Committee may waive the need for an executive to work any notice period and may make a payment in lieu thereof
- Shares will be treated as follows:
 - If an employee is deemed a good leaver shares due to vest in the next 12 months will be accelerated. In the case of the LTIP this is subject performance criteria being achieved
 - If the employee is considered a bad leaver then awards will lapse

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

2018/19 Application

N/A

9. Non-Executive Directors (NEDs)

- Appointment/Termination
NEDs, including the Chairman, have letters of appointment from the Company which contain 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 and Committee members will be subject to the rotation policy, as contained in the Articles of Association of the Company, as well as the provisions of the Board Charter, terms of reference of the various Committees and Governance Codes adopted by the Company from time to time
- Remuneration
 - During the period under review the remuneration of NEDs was reviewed as follows:

Element	Operation	2019	2018	2017
Fee	Chairman	£80,000	£80,000	£80,000
	NED	£40,000	£40,000	£40,000
	Committee Chair	+£5,000	+£5,000	–
	SID	+£13,000	+£13,000	–

- The fee is paid as an all-inclusive fee with no split between base and attendance fees. The fee does not include any additional benefits, and specifically excludes the participation by NEDs in any share scheme

- The Company has cover and pays for liability insurance, the amount of which is determined by management in consultation with the Audit Committee, taking into account the possible risks and liabilities attaching to the position of director from time to time. For purposes of insurance directors, alternate directors, committee members and advisors to the respective committees are deemed to be directors and enjoy the benefits of the insurance cover. It is noted that the insurance cover is in accordance with the provisions of the Companies Act, and does not provide cover in respect of acts or omissions by or on behalf of directors which are specifically excluded by the Act
- Payment will be effected once per quarter, in arrears

2018/19 Application

Name	Position	Total 2019 £'000	Total 2018 £'000	Total 2017 £'000
Brian Gregory Hodder	Chairman of Board	80	63	40
Ian Harding	NED/SID/ Chairman Committee	59	51	48
Justin Apthorp	NED	40	40	43
David Stead	NED/ Chairman Audit Committee	44	19	–
Total		223		

10. External appointments

- Executive Directors will not be paid any fees as reward for serving on the Board or committees of the Company or any company within the Majestic Group, nor will they be paid a fee in respect of services rendered on any other Board on which they serve as a representative of Majestic
- An Executive Director may be permitted to sit on external boards, subject to the following:
 - The appointment must be strategic for Majestic and/or to the benefit of the Director's development but should not be to the detriment of their full time position at Majestic
 - Appointments to external boards must be declared to the Committee and must be referred to the Board for approval with a recommendation from the Committee
- Fees earned from an external position would be retained by the Executive Director in recognition of the risks attaching to board positions

Remuneration Committee report
continued**11. Application of Discretion**

- The Committee has discretionary authority in a number of instances which are set out in the policy as well as the various share scheme rules. Some such examples include the interpretation of definitions within the clawback provisions of the LTIP rules, payment of relocation costs, payment of settlement amounts upon ending of contracts and the moderation element of individual performance on determination of bonus payments
- In using its discretion, the Committee will apply the following guiding principles:
 - Always explain use of discretion, including how and why it was applied
 - Discretion will not be used to reward failure
 - Any decisions made using discretion will be reasonable, impartial, procedurally fair and will take into account all relevant information
 - Application of discretion will be consistent
 - Discretion will be exercised having regard to the law, contractual entitlements, policies and the best interests of the Company
 - Decisions will be based on supporting evidence which will be retained
- Where there is a discretionary authority in respect of the award of bonuses and shares, the position of the Committee is that discretion should be used to address the effect of unforeseen challenges and not as the norm. In this regard the Committee will endeavour to reach a discretionary decision which will be applicable for an agreed period of time (example: accelerated vesting for good leavers for LTIP shares)

12. Review and Amendment of the Policy

- The Committee has discretion to amend the terms of the Policy. Where any amendments are required, the Committee will maintain regular and transparent communication with shareholders to understand their views on the remuneration arrangements of the Company
- The Remuneration policy shall be put to a non-binding advisory vote of the shareholders at every third annual general meeting of the Company

The Gender Pay Gap and Women in work

We published our second Gender Pay Gap report during the year. The picture was largely unchanged with a 5.8% negative gap (i.e. women earn 5.8% more than men on average) but a heavy skew towards male employees. Our pay data is opposite to the national average primarily because we employ a large number of men in the lower paid warehouse and delivery roles.

One change versus last year is that in 2019 men received considerably higher bonuses than women on average. This is as a result of the liquidation and distribution of an escrow account which had been established to secure possible warranty claims associated with the Naked Wines/Majestic transaction. Once the warranty period expired, this balance was distributed. This was a once-off event and has resulted in a skewing of the results of the bonus payment gender comparison due to the amounts being included as per the definitions of bonus payments set out in the reporting requirements.

1. The vesting of tranche 1 (of three) of the management incentive shares which rewarded Naked Wines employees for achieving a minimum value creation over a four year period after the acquisition by Majestic. The figures are skewed towards men by the payment to Naked Wines founder (Mr Rowan Gormley).
2. The second was the liquidation and distribution of an escrow account which had been established to secure possible warranty claims associated with the Naked Wines/Majestic transaction. Once the warranty period expired, this balance was distributed. This was a one-off event.

Both these events have resulted in a skewing of the results of the bonus payment gender comparison due to the amounts being included as per the definitions of bonus payments set out in the reporting requirements.

At Majestic, women earn more than men (average +5.8% (4.2% 2018) vs National average of -18.4%), but we still need to employ more women across all levels.

We continue to drive this through:

- Enhanced maternity benefits
- Flexible working conditions
- Option to convert part of salary to child care credits

Audit Committee report

David Stead, Chair of the Audit Committee

The objective of the Committee is to provide oversight and governance to the Group's financial reporting, its risk management systems and the appointment and relationship with the external auditor.

David Stead
Chair of the Audit Committee

I am pleased to present this report on behalf of the Audit Committee.

The responsibilities of the Committee are set out below. Over the past 12 months we have had particular focus on the introduction of new accounting standards (IFRSs 9, 15 and 16) and their impact on our financial reporting; and we have given careful consideration to management's work on the need for impairment of the carrying value of shops within the Majestic retail estate. We have also monitored the outcome of internal audit work (which in the year under review used seconded resource from Grant Thornton).

A major development during the year was the implementation of a new EPOS (electronic point of sale) system across the retail estate, improving controls over the security of card transactions. Looking ahead to next year, management intends to implement a new accounting system and we will monitor this carefully to gain assurance as to the integrity of balance transfers to the new system and its subsequent effective operation.

I look forward to meeting with investors at the Annual General Meeting.

David Stead
Chairman of the Audit Committee
12 June 2019

Key Responsibilities

Terms of reference are available on the Majestic Wine Plc Investor Relations website. In accordance with these terms of reference, the Audit Committee is required, amongst 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 and effectiveness of the internal control and risk management systems
- Oversee the relationship with the external auditor, reviewing performance and advising the Board on their appointment and remuneration
- Review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management; together with monitoring management's responsiveness to internal audit findings

Committee Governance

The Audit Committee comprises all the independent Non-Executive Directors. It was chaired during the year under review by David Stead who is a chartered accountant with recent and relevant financial experience, having served as Chief Financial Officer of Dunelm Group plc from 2003 to 2015.

The other members of the Committee during the year were Greg Hodder and Ian Harding. Since the year end, Katrina Cliffe has joined the Board as a Non-Executive Director and has also become a member of the Committee.

Audit Committee report
continued

Justin Apthorp, Non-Executive Director, is not a member as his past experience means he is not deemed independent. However, he attends all meetings by invitation along with the Executive Directors as the Committee values their input. In addition, senior management are asked to attend certain meetings where relevant.

The Committee meets a minimum of three times per year including at least twice a year with the external auditors present. Private meetings were also held with the external auditors and with the seconded internal audit resource from Grant Thornton at which management were not present.

The key work undertaken by the Committee during the year under review and up to the date of this Annual Report 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 on behalf of the Board has reviewed the effectiveness of the internal controls and risk management.

The Group has an established set of standards for internal controls, and adherence to these standards is confirmed in regular reporting from management and independently validated by a programme of internal audit work.

In the year under review, the Group had no internal audit capability as the former Group Controls Manager was transferred into one of the operating businesses. In order to provide independent assurance to the Committee regarding the operation of key controls, professional resource from Grant Thornton was seconded to complete an abridged internal audit review.

The Committee was satisfied that the reports received indicate that the Group has a satisfactory control environment, commensurate with the scale and maturity of each Business Unit.

The Committee also received and considered reports from the external auditor, Deloitte LLP, which included control findings relevant to their audit.

Alongside the audit activities described above there is an ongoing process to identify, evaluate and manage the risks faced by the Group. Each Business Unit reports monthly to the Board on key risks identified and measures that are being taken to mitigate the risk. In addition, the Committee oversees an annual risk review, the results of which are discussed with the Board.

The Review of the year on pages 13 to 41 includes further detail as to the business risks identified and actions being taken. The process of risk management is continually being developed and improved.

Significant reporting issues and judgements

The Committee reviewed the recommendations of the Finance function and received reports from the external auditors on their findings. The significant reporting matters and judgements the Committee considered during the year included:

- The presentation of "Adjusted" profit alongside statutory profit. The Committee considered the approach adopted in previous years and were satisfied that this approach continues to provide a more useful view of the underlying performance of the business. It also concluded that the approach is being applied consistently from year to year and the rationale is clearly disclosed (see the Financial review on pages 32 to 36 for details)
- The carrying value of assets within the retail store estate. In particular, the Committee considered carefully management's assumption of future growth rates underpinning cash flow projections, the allocation of sales in the impairment calculation, the discount rate applied and the results of sensitivity analysis. This led to an impairment provision of £11.1m being recognised in the financial statements (see Note 16 on page 87)
- The carrying value of goodwill and other intangible assets to determine whether any impairment had been suffered. The Committee reviewed the key financial assumptions underpinning cash flow projections, the discount and long-term growth rates applied thereto and the results of sensitivity analyses. The Committee was satisfied that no impairment was required and that appropriate disclosure has been made (see Note 15 on page 85 for details)
- The implementation of IFRS 9 and IFRS 15 and their impact on the financial statements, including in particular the adjustments required to reflect changes in revenue recognition as prescribed by IFRS 15 (see Note 2 on page 75 for details)
- The implementation of IFRS 16, which will be fully effective in the next financial year; an estimate of the impact on reported Group performance is given in Note 2 on page 75

The Committee received a report from the Chief Financial Officer in respect of the going concern assumption, and was satisfied that the Group will have adequate resources to continue in operational existence for the foreseeable future.

As a result of its work, the Committee was able to confirm to the Board that it considers this annual report and financial statements, taken as a whole, to be fair, balanced and (to the extent possible whilst complying with applicable legal, regulatory and reporting requirements) understandable.

External audit

The Group's external auditors since 2014/15 have been Deloitte LLP.

The Committee considers a number of areas in relation to the appointment of the external auditors, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their remuneration.

The Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditors report to the Committee on actions taken to comply with professional and regulatory requirements and are required to rotate the lead audit partner every five years, with the next such rotation due in the next financial year. There is also an active, ongoing dialogue between the Committee and the external auditors on actions to improve the effectiveness and efficiency of the external audit process.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Deloitte LLP and has recommended to the Board that they be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

In addition to their statutory duties, Deloitte LLP are also engaged where, as a result of their position as external auditors, they are best placed to perform non-audit services. This includes, for example, the interim review and other minimal and incidental non-audit work. Other work is awarded on the basis of competitive tendering.

Directors' report

As required under Companies Act the Directors present their report and Group financial statements for the year ended 1 April 2019

a. Results and review of the business

The Group income statement is set out on page 70. The Directors' report should be read in conjunction with the Chairman's statement on page 15 and the Strategic report on pages 1 and 11, which together include information about the Group's business performance during the year and indication of future prospects. Details of significant events since the balance sheet date are contained in Note 31 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic report.

b. Dividends

Whilst we remain in the process of completing the realisation of value from Majestic we have suspended the dividend until we have better visibility of the timing and quantum of potential cash flows arising from the transformation plan. If a sale of Majestic completes we will pay a special dividend in place of the final.

c. Strategic report

The Strategic report, which can be found on pages 1 to 11, sets out the development and performance of the Group's business during the financial year and the position of the Group at the end of the year. A description of the principal risks and uncertainties is set out on pages 24 to 28.

d. Significant events since the end of the financial year

Note 31, on page 98, provides details of significant events since the end of the financial year.

e. Articles of Association

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at majesticwineplc.co.uk pursuant to AIM Rule 26.

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, are shown in Note 26 of the financial statements.

g. Major shareholders

At 28 May 2019 the following interests of shareholders in excess of 3% have been notified to the Company:

Shareholder	Number of ordinary shares	Ordinary shares as % of issued share capital
Apthorp Family	10,141,094	14.05
Acacia Partners	7,000,000	9.70
T Rowe Price International	4,831,662	6.70
Rowan Gormley	4,378,881	6.07
Aberdeen Standard Investments (Standard Life)	4,097,742	5.68
CLS Investments	3,120,294	4.32
Shareholder Value Management	2,725,000	3.78

In accordance with the AIM Rule 26 in so far as the Company is aware, the percentage of the Company's issued share capital that is not in public hands is 6.72%. This percentage comprises the holdings of Directors and related parties.

The Company is subject to the UK City Code on Takeovers and Mergers.

h. Political donations

During the year, no political donations were made.

i. Annual General Meeting

The Annual General Meeting will be held at 11.30am on 8 August 2019 at Norvic House, 29-33 Chapel Field Road, Norwich, NR2 1RP. The Notice of Annual General Meeting, which sets out the resolutions to be proposed at the forthcoming AGM, is enclosed with this Annual Report. 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 Annual General Meeting and published on the Company's website.

j. 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. The key trading aspects of the business are monitored weekly and internal management and financial accounts are prepared monthly. The results are compared to budget and prior year performance. The Group's financial risk management objectives and policies are discussed in Note 23 to the financial statements.

k. Store control environment

Please refer to internal controls governance framework, which includes a system of both financial and non-financial controls, on page 28 of the Risk management and control environment section.

l. Responsible retailing

We have addressed our commitment to responsible retailing in our Sustainability report contained on page 37, which should be read as part of this report.

m. Modern slavery

We take the issue of modern slavery very seriously. This has been addressed as part of our Sustainability report (see page 41) and our full response to the issue is available on our website: majesticwine.plc.co.uk

n. Key performance indicators

The Group monitors a number of performance indicators both financial and non-financial. See pages 16 and 17 for a full list of KPIs. Operational KPIs are discussed in the CEO report on page 5.

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. Greenhouse gas emissions reporting

Majestic falls within the threshold of the Energy Savings Opportunity Scheme and we have undertaken an obligatory energy audit, the results of which we are awaiting. This will enable us to properly measure our energy utilisation and to demonstrate year on year improvements. This primarily covers our shops, offices and vehicles. A number of possible initiatives to improve our energy utilisation are being considered including electric vehicles and improved lighting and heating within our buildings. Across the Group we have also begun importing wine in bulk, particularly from deep sea locations, and we are continuing to grow this method of importation for cost, quality and environmental reasons. This results in the improved efficiency of deep sea wine transit. Taking the potential volume of wine that could be currently packaged from bulk stock ordering, it would result in a total saving of 30t CO₂e (or 73 529 miles driven by an average passenger car 35.5 acres of forest). The basis of calculation of the savings has been performed according to EN 16258 using the Clean Cargo Working Group methodology for ocean legs.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the Company financial statements in accordance with Financial Reporting Standard 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 the affairs of the Group and parent company and of their 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 accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 "Reduced Disclosure Framework" has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business

In preparing the Group financial statements, International Accounting Standard one "Presentation of Financial Statements" requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and parent company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face
- The Annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group and parent company's position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 12 June 2019 and signed on its behalf below.

Auditor

A resolution to reappoint Deloitte LLP as auditor of the Group will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditor's remuneration.

By Order of the Board

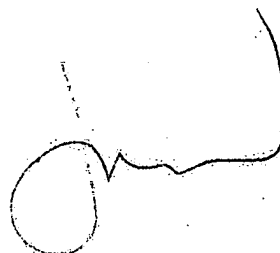
Rowan Gormley
Chief Executive

12 June 2019

James Crawford
Chief Financial Officer

12 June 2019

Registered in England and Wales
No. 2281640.



Independent auditor's report to the members of Majestic Wine plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Majestic Wine plc (the "parent company") and its subsidiaries (the "group") give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and parent company balance sheets;
- the group cash flow statement;
- the group and parent company statements of changes in equity; and
- the related notes 1 to 40.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the impairment of Majestic Wine store assets.
Materiality	The materiality that we used for the group financial statements was £2.7 million utilising a blended rate of financial metrics including revenue, normalised pre-tax profits and net assets.
Scoping	We performed full scope audit procedures on over 92% of the group's revenue, adjusted profit before tax and net assets. The remaining group entities were subject to analytical procedures.
Significant changes in our approach	In the prior year the carrying value of goodwill for Naked Wines was included as a key audit matter. This has not been included in the current year as the estimate of recoverable amount is significantly in excess of the carrying value. In the current year we identified impairment of Majestic Wine store assets as a new key audit matter. There have been no other significant changes in our approach in the period to 1 April 2019 compared to the prior period.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

Impairment of Majestic Wine store assets

Key audit matter description	<p>The group held £54.3 million (2018: £65.0 million) of property, plant and equipment at 1 April 2019.</p> <p>Under IAS 36 <i>Impairment of assets</i> the Group is required to complete an impairment review of its store portfolio where there are indicators of impairment. Management has identified an impairment indicator related to the carrying value of store and related fixed assets in the Majestic Wine retail business due to historic and anticipated growth rates in certain stores being lower than previously forecast. In addition Management are considering the future strategy of the business including restructuring plans announced on 25 March 2019. As a result an impairment review on the carrying value of store and related fixed assets has been carried out.</p> <p>There is a risk that the carrying value of store and related fixed assets may be higher than the recoverable amount.</p> <p>The recoverable amount is determined based on the higher of value-in-use and fair value less costs of disposal. The value in use is calculated based on estimated future cash flows which rely upon Directors' assumptions and estimates of future trading performance. Where the fair value of properties supports the carrying value of store assets, there is an estimation required in determining the fair value of properties.</p> <p>As a result of the group's store impairment review completed an impairment of £11.1 million (2018: £0.4 million) was recognised.</p> <p>Refer to page 63 (Audit Committee report), note 15 to the consolidated financial statements and note 4 on the related Critical Accounting Judgements and Key Sources of Estimation Uncertainty.</p>
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Independent auditor's report to the members of Majestic Wine plc
continued

Impairment of Majestic Wine store assets

How the scope of our audit responded to the key audit matter	<p>Our procedures included:</p> <ul style="list-style-type: none"> – completing a walkthrough of the store impairment process and assessed the design and implementation of key controls; – challenging the key assumptions utilised in the cash flow forecasts with reference to historical trading performance, market expectations and our understanding of the Group's strategic initiatives; – reviewing and challenging the adequacy of Management's sensitivity analysis in relation to key assumptions to consider the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired; – engaging our Valuations Specialist to review the discount rates used; – challenging the reasonableness of the terminal growth rates used with reference to short-term growth rates; – where assets were valued based on fair value less costs to sell, we reviewed the valuation reports provided, including engaging with our Real Estate experts; – performing an assessment of any contradictory information; – assessing the accuracy of the "value-in-use" modelling by the Group by reviewing the methodology applied in determining the value-in-use compared with the requirements of IAS 36 and checking the integrity of the model; and – reviewing the associated disclosures in the financial statements.
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Key observations Based on the audit procedures performed we are satisfied that the impairment charge recognised and the valuation of store assets at year end is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£2.7 million (2018: £2.7 million)	£1.2 million (2018: £1.5 million)
Basis for determining materiality	<p>We have considered a combination of three benchmarks revenue, normalised pre-tax profits and net assets. The determined materiality represents 0.5% (2018: 0.6%) of revenue and 2.4% (2018: 2.2%) of net assets.</p> <p>Normalised pre-tax profits is the group's pre-tax profits adjusted for acquisition related share based payment, store impairment and restructuring costs. Refer to note 8 to the group financial statements.</p>	<p>Parent company materiality equates to 2.8% (2018: 2.8%) of net assets.</p>
Rationale for the benchmark applied	This has been based on professional judgement and the requirements of the auditing standards. We believe that using materiality based on these three benchmarks reflects the critical underlying measures of the Group, and the key metrics used by analysts and investors.	As this parent company is non-trading, we have determined net assets to be the appropriate benchmark.

On the basis of our risk assessment, together with our assessment of the group's control environment and the history of error we also set performance materiality for the group at £1.9 million which represents 70% of materiality. We use performance materiality to determine the extent of our testing; it is lower than materiality to reflect our assessment of the risk of errors remaining undetected by our sample testing or uncorrected in the financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1 million (2018: £0.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped on an entity basis, assessing components against the risk of material misstatement at the group level. We considered group wide controls, and the quantum of financial statement balances and individual financial statement transactions of a significant nature.

We performed full scope audit procedures on all significant trading companies in the UK and US. The results taken together for these entities account for over 92% (2018: 92%) of the group's revenue, pre-tax profits and net assets. At the parent entity level, we tested the consolidation process and carried out analytical procedures to confirm our conclusion there were no material misstatements in the aggregated financial information of the group's operations in France and Australia that were not subject to full scope audit.

All UK entities are audited by one team in the UK led by the Senior Statutory Auditor. Detailed instructions were sent to the US component audit team, who were included in team briefings to discuss risk assessment. The Senior Statutory Auditor attended the component close meeting.

Our audit work at all audit locations was executed at a local component materiality level determined by reference to the scale of the business concerned, with all entities using a materiality lower than group materiality. Component materiality applied ranged from £30,000 to £2.5 million (2018: £30,000 to £2.5 million).

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

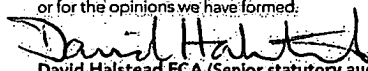
Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Use of our report

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.


David Halstead FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom
12 June 2019

Group income statement

For the year ended 1 April 2019

	Note	Year ended 1 April 2019 £'000	Restated Year ended 2 April 2018 £'000
Revenue	6	506,144	476,134
Cost of sales		(366,990)	(349,032)
Gross profit		139,154	127,102
Distribution costs		(65,612)	(58,806)
Administrative expenses		(82,071)	(59,850)
Other operating income		821	846
Operating (loss)/profit	9	(7,708)	9,292
Net finance charge	11	(787)	(994)
(Loss)/profit before taxation		(8,495)	8,298
Analysed as:			
Adjusted profit before taxation		11,251	17,184
Adjusted items:	8		
– Non-cash charges relating to acquisitions		(5,229)	(8,018)
– Other adjusted items		(14,517)	(868)
(Loss)/profit before taxation		(8,495)	8,298
Taxation	12	(905)	(901)
(Loss)/profit for the year		(9,400)	7,397
(Loss)/earnings per share	13		
Basic		(13.3p)	10.9p
Diluted		(13.3p)	10.1p

The results are all derived from continuing operations.

* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

Group statement of comprehensive income

For the year ended 1 April 2019

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
(Loss)/profit for the year	(9,400)	7,397
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	215	(1,352)
Other comprehensive income/(losses)	215	(1,352)
Total comprehensive (losses)/income for the year	(9,185)	6,045

The total comprehensive loss for the year and the income for the prior year is wholly attributable to the equity holders of the parent company, Majestic Wine PLC.

Group statement of changes in equity

For the year ended 1 April 2019

	Share capital £'000	Share premium £'000	Capital reserve – own shares £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 3 April 2017 as reported	5,309	20,505	(17)	363	3,838	84,574	114,572
Adoption of IFRS 15	–	–	–	–	–	(860)	(860)
At 3 April 2017 restated*	5,309	20,505	(17)	363	3,838	83,714	113,712
Total comprehensive income for the year	–	–	–	–	(1,352)	7,397	6,045
Shares issued	54	484	–	–	–	(43)	495
Share based payment charges – ongoing	–	–	–	–	–	607	607
Share based payment charges – acquisition related	–	–	–	–	–	3,800	3,800
Dividends paid	–	–	–	–	–	(3,993)	(3,993)
Deferred tax on share based payment	–	–	–	–	–	235	235
At 2 April 2018 restated*	5,363	20,989	(17)	363	2,486	91,717	120,901
Total comprehensive income/(losses) for the year	–	–	–	–	215	(9,400)	(9,185)
Shares issued	48	127	–	–	–	(44)	131
Share based payment charges – ongoing	–	–	–	–	–	909	909
Share based payment charges – acquisition related	–	–	–	–	–	1,499	1,499
Dividends paid	–	–	–	–	–	(5,188)	(5,188)
Deferred tax on share based payment	–	–	–	–	–	84	84
At 1 April 2019	5,411	21,116	(17)	363	2,701	79,577	109,151

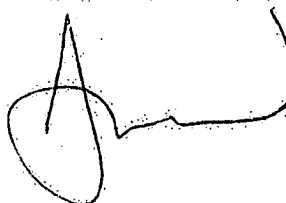
* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

Group balance sheet
As at 1 April 2019

	Note	1 April 2019 £'000	Restated* 2 April 2018 £'000
Non-current assets			
Goodwill and intangible assets	15	45,153	48,126
Property, plant and equipment	16	54,301	65,032
En primeur purchases	17	897	2,390
Prepaid operating lease costs	18	647	1,640
Deferred tax assets	12	2,259	2,243
		103,257	119,431
Current assets			
Inventories	19	119,464	97,434
Trade and other receivables	20	18,132	16,280
En primeur purchases	17	4,296	3,779
Cash and cash equivalents		19,093	15,618
		160,985	133,111
Total assets		264,242	252,542
Current liabilities			
Trade and other payables	21	(66,363)	(59,579)
En primeur deferred income	17	(5,564)	(4,824)
Deferred Angel and other income		(39,657)	(32,817)
Bank overdraft	22	(12,096)	(8,837)
Provisions	24	(2,344)	(1,724)
Deferred lease inducements	25	(397)	(657)
Bond financing	22	(99)	(2,445)
Financial instruments at fair value	23	(3,011)	(897)
Current tax liabilities		(123)	(246)
		(129,654)	(112,026)
Non-current liabilities			
En primeur deferred income	17	(1,068)	(2,822)
Deferred lease inducements	25	(1,502)	(1,672)
Provisions	24	(203)	(917)
Bank loan	22	(22,444)	(12,793)
Deferred tax liabilities	12	(220)	(1,411)
		(25,437)	(19,615)
Total liabilities		(155,091)	(131,641)
Net assets		109,151	120,901
Shareholders' funds			
Called up share capital	26	5,411	5,363
Share premium	26	21,116	20,989
Capital reserve – own shares	27	(17)	(17)
Capital redemption reserve		363	363
Currency translation reserve		2,701	2,486
Retained earnings		79,577	91,717
Equity shareholders' funds		109,151	120,901

* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

The financial statements were approved by the Board and authorised for issue on 12 June 2019 and were signed on its behalf by James Crawford.



Strategic report

Review of the year

Governance report

Financials

Group cash flow statement

For the year ended 1 April 2019

	Note	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Cash generated by operating activities			
Cash generated by operations	30	7,946	28,670
UK income tax paid		(1,729)	(2,035)
Overseas income tax paid		(379)	–
Net cash from operating activities		5,838	26,635
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,472)	(2,921)
Purchase of intangible fixed assets		(1,518)	(869)
Purchase of prepaid lease assets		(53)	–
Proceeds from sale of non-current assets		31	2
Net cash used in investing activities		(7,012)	(3,788)
Cash flows from financing activities			
Interest paid		(636)	(802)
Issue of ordinary share capital		131	495
Draw down of borrowings		9,500	19,500
Repayment of borrowings		(2,346)	(40,174)
Loan arrangement fees paid		–	(411)
Equity dividends paid		(5,188)	(3,993)
Net cash from/(used in) financing activities		1,461	(25,385)
Net increase/(decrease) in cash		287	(2,538)
Cash and cash equivalents at beginning of year		6,781	10,470
Effect of foreign exchange rate changes		(71)	(1,151)
Cash and cash equivalents at end of year	30	6,997	6,781

Notes to the financial statements

1 General information

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

The address of the registered office is given on the inside back cover. The Group's principal activity is the retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

2 Adoption of new and revised standards

In the current year, the Group has adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" for the first time. The nature and effect of these changes are disclosed below.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 "Financial instruments"

IFRS 9 impacts on the Group through the introduction of a new impairment model approach to the valuation and presentation of trade receivables and lease receivables.

This means that the Group is required to reflect a provision for expected future losses against trade receivables and lease receivables at the point of recognition of the initial asset instead of an incurred loss-model where specific provisions are made as required on individual losses.

The Group has applied the new accounting requirements of IFRS 9 "Financial instruments" for the first time this year. The effect on initial application was immaterial to the Group financial statements.

Impact of adoption of IFRS 15 "Revenue from contracts with customers"

In the current year, the Group has applied IFRS 15 "Revenue from contracts with customers" (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Details of the new requirements as well as their impact on the Group's consolidated financial statements are set out below. The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach.

a) Majestic Wine

Majestic Wine operates a sale or return policy. The refund liability provision reflects the extent to which sales recorded to the balance sheet date will be subsequently returned for refund of value.

At the point of sale, a refund liability provision and a corresponding adjustment to revenue is recognised for the bottles of wines, spirits, beers that are expected to be returned. At the same time, the Group has a right to recover the product from customers when they exercise their right of return so consequently recognises a right of return asset and a corresponding adjustment to cost of sales.

The Group uses historic returns information to estimate the number of returns using the expected value method.

b) Naked Wines

Revenue is recognised when "Angels" purchase wine. Naked Wines offer a customer happiness guarantee and credit a customer's Angel account when a customer is unsatisfied with their wine.

At the point of sale, a refund liability provision and a corresponding adjustment to revenue is recognised reflecting the variable element of consideration represented by the subsequent issue of credits against previous sales.

The Group uses historic returns information to estimate the number of returns using the expected value method.

Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

The prior year comparatives have been restated for the adoption of IFRS 15.

The amount of adjustment for each balance sheet item affected by the application of IFRS 15 is illustrated below:

	Year ended 2 April 2018 £'000	Adoption- of IFRS 15 £'000	Year ended 2 April 2018 restated £'000
Non-current assets	119,431	-	119,431
Current assets:			
Inventories	97,259	175	97,434
Trade and other receivables	15,880	400	16,280
Other current assets	19,397	-	19,397
Total current assets	132,536	575	133,111
Current liabilities:			
Deferred Angel and other customer income	(32,542)	(275)	(32,817)
Provisions	(564)	(1,160)	(1,724)
Other current liabilities	(77,485)	-	(77,485)
Total current liabilities	(110,591)	(1,435)	(112,026)
Non-current liabilities	(19,615)	-	(19,615)
Net assets	121,761	(860)	120,901

IFRS 16 – Leases

IFRS 16 "Leases" will be implemented by the Group from 2 April 2019. The standard will replace the current lease guidance including IAS 17 Leases.

IFRS 16 requires lease liabilities and "right of use" assets to be recognised on the balance sheet for almost all leases, with the exception of short life and low value assets. This will result in a significant increase in both assets and liabilities recognised, as set out in the table below.

The Group will implement IFRS 16 by applying the modified retrospective approach. For the majority of material assets the right of use asset at 2 April 2019 has been calculated at an amount equal to the lease liability using the IBR at the transition date, with the remainder measuring the asset as if IFRS 16 had been applied from lease commencement at transition date IBR. The lease liability is the present value of minimum future guaranteed lease payments, to be subsequently adjusted for future lease value amendments. There is no re-statement of comparative information.

The costs of operating leases currently included within distribution and administrative costs will be split between depreciation and finance charges with the finance element reported within Interest. The overall impact on earnings in FY20 is not expected to be material in future accounting periods.

The adoption of IFRS 16 will have no impact on overall cash flows for the Group, although the classification of cash flows will be affected as operating lease payments cease to be shown as operating cash flows, and will instead be split into a principal and an interest portion, which will be presented as financing cash flows.

Accounting for lessors remains largely unchanged under IFRS 16 although the classification of sublet property will now refer to the newly recognised right of use asset. It is anticipated that this will result in the creation of a small number of Investment properties but it is not expected to have a material impact on the Group accounts.

Following the adoption of IFRS 16 the new right of use asset will be subject to the impairment requirements of IAS 36 Impairment of Assets. Management is currently assessing how the right of use assets should be tested for impairment and consequently the impact, if any, on the financial statements at adoption.

On 2 April 2019 the Group expects to make the following adjustments:

Recognise right of use assets of	£55m – £65m
Recognise a lease liability of	£55m – £65m
Derecognise other balance sheet items including rent accruals, prepayments, rent free accruals	(£1m) – £1m
Adjustment to retained earnings in respect of the above	(£1m) – £1m

Notes to the financial statements
continued**2 Adoption of new and revised standards (continued)**

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 and have not yet been adopted by the EU:

IFRS	Subject
IFRS 16	Leases
IFRS 17	Insurance contracts
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40 (amendments)	Transfer of Investment Property
Annual Improvements to IFRS 2014-16 cycle	Amendment to IFRS 1 First time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associate and Joint Venture
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture
IFRIC 22	Foreign Currency Transaction and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax treatments.

Except as noted above for IFRS 16 Leases, 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 financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulations.

The Group's financial reporting year represents the 52 weeks to 1 April 2019 and the prior financial year, 52 weeks to 2 April 2018.

The consolidated financial statements are presented in GBP, the functional and presentational currency of the parent company.

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

The preparation of financial statements in conformity with adopted IFRS 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.

3.2 Going concern

The Directors have, at the time of approving the 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 financial statements.

In the event of the disposal of the Majestic business, the Directors will work with their banking facility providers to amend the banking facility and covenants if necessary. However, the Directors anticipate sufficient funds to repay debts in this scenario.

Approval for a disposal of the Majestic business will be required from the banking syndicate.

3.3 Basis of consolidation

The consolidated financial statements include the financial statements of Majestic Wine plc and entities controlled by the Company (its subsidiaries). 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
- 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 statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 8.

3.5 Cost of sales

Cost of sales consists of the cost of the product, including excise duties, credit card processing charges and the costs of the retail stores and online selling teams.

Supplier incentives, rebates and discounts are recognised within cost of sales as they are earned.

3.6 Finance costs

Financing expenses comprise interest payable under the effective interest rate method, including the amortisation of loan arrangement fees. Finance income comprises interest receivable on funds invested and positive cash balances.

3.7 Share based payments

The Group operates a number of 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 shares or options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares or options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

3.8 Taxation

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

Current tax

Income 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.

3 Accounting policies (continued)**3.8 Taxation (continued)****Deferred tax**

Deferred taxation 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 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 income tax liabilities are recognised for all temporary differences, except where the deferred income 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.

3.9 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 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 sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of overseas subsidiaries are reported in the statement of comprehensive income and are transferred to the Group's currency translation reserve.

3.10 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.

Goodwill arising on acquisitions after 31 December 1997 and before 28 March 2005 (the date of transition to IFRS) has been recognised at the previously reported UK GAAP value. Goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 was written off immediately against reserves.

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 net realisable value and value in use calculations. In assessing value in use, the estimated 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.

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.

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

3.11 Other intangible assets

Other 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 lives of each asset. The estimated useful lives are as follows:

Customer list and relationships	6 years
Brand	8 years
Software	2-5 years
Licences	Over the term of the licence

Customer lists and relationships and brands arise only on acquisition.

3.12 Impairment reviews

Impairment reviews in respect of other intangible and tangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events 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.

3.13 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated 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:

Freehold land	Not depreciated
Freehold buildings and leasehold properties	50 years (or the term of the lease if less than 50 years)
Equipment, fittings and vehicles	3-10 years

Land and buildings under construction and non-current assets held for sale are not depreciated.

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

3.14 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 rebates and discounts.

3.15 Deferred income

Amounts received by the Group from "Angels" are initially reported as a liability in the balance sheet. It is recognised as revenue in the period when Angels use the funds to buy wine and delivery of goods is made.

3.16 Provisions

A provision is made when there is a present legal or constructive obligation as a result of 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 where the effect is material.

Notes to the financial statements
continued**3 Accounting policies (continued)****3.17 Leases****Group as lessee**

Assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or fair value. Each asset is depreciated over the shorter of the lease term or its estimated useful life on a straight line basis. Obligations relating to finance leases, net of finance charges in respect of future periods, are included under borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental costs under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the lease period.

Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

3.18 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.

3.19 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 less any provision for impairment. A provision for impairment is established when based on an expected loss model.

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, cash 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.

Interest-bearing bank loans and overdrafts are measured initially at fair value net of attributable arrangement costs, and subsequently at amortised cost, using the effective interest rate method.

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 re-measured at fair value at subsequent reporting dates. For derivative financial instruments not designated as a hedge, the gain or loss on re-measurement to fair value is immediately recognised in the income statement.

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

3.20 Own shares

Majestic Wine plc shares held by the Group are classified in shareholders' equity as "Capital Reserve-Own Shares" and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

4 Critical accounting policies, estimates and judgements

The following are areas of particular significance to the Group's financial statements and include the use of estimates and the application of judgement, which is fundamental to the compilation of a set of financial statements.

The estimates and underlying assumptions 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 current and future periods.

In the process of applying the Group's accounting policies the Directors consider there to be no critical accounting judgements that have a significant effect on the amounts recognised in the financial statements.

In the determination of whether property, plant and equipment related to Majestic Wine store assets are showing indicators of impairment, the Group makes a number of accounting estimates including assumptions made in relation to forecast cash flows and the fair value of each cash generating unit ("CGU").

Although significant judgements and estimates are used in determining the value in use for calculation of impairment of goodwill and acquired intangible assets, there is sufficient headroom available to believe that there is no significant risk of material adjustment to the carrying amount of intangibles within the next financial year.

5 Prior year comparatives

The prior year comparatives have been restated for the adoption of IFRS 15, "Revenue from contracts with customers". Please refer to Note 2 for further details.

6 Revenue

Revenue represents the total amount receivable for the sales of goods and services, net of discounts and excluding value added tax sold, in the ordinary course of business.

Revenue is recognised in accordance with IFRS 15 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 and recognising variable consideration in the form of a sales return provision. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer and there is reasonable certainty over recovery of the consideration. Specifically to the Group, the performance obligations of the Group are deemed to be fulfilled when our product is delivered to our customer or Angel. The Group uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. As a predominantly consumer facing organisation, we do not provide credit terms to our customers although the Majestic Commercial business offers usual credit terms to its commercial customers.

Sale of goods

Revenue from the sale of goods represents the sale of wines, beers and spirits in store, online and en primeur sales.

Revenue relating to the sale of en primeur wines is recognised when the wines are made available to the customer, which may be up to two years following the actual payment made by the customer.

Revenue from the provision of services represents cellarage income

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.

Rental income

The Group subleases surplus space in various owner-occupied stores, office and warehouses and recognises rental income from such subleases in the period in which it is earned, in line with the terms of the subleases. Rental income is disclosed in other operating income.

7 Segmental reporting

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

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

Performance of each operating segment is assessed on revenue, 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 IAS 18 where revenue is recognised on delivery of the wine to the customer, which may be up to two years after the original order and payment. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

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

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

All activities are continuing.

Year ending 1 April 2019	Retail £'000	Commercial £'000	Naked Wines £'000	L&W £'000	Unallocated £'000	Group £'000
Segment revenue	267,664	44,132	178,438	14,896	-	505,130
Movement in en primeur sales	-	-	-	1,014	-	1,014
Reported third-party revenue	267,664	44,132	178,438	15,910	-	506,144
Segment result – adjusted EBIT	11,333	2,512	6,656	1,151	(9,614)	12,038
Net finance costs	-	-	-	-	-	(787)
Adjusted profit before taxation						11,251
Adjusted items:						
– Non-cash items relating to acquisitions						(5,229)
– Other adjusted items						(14,517)
Loss before taxation						(8,495)
Depreciation	5,269	-	457	82	-	5,808
Amortisation	311	-	3,871	119	46	4,347
Impairment of fixed assets	11,108	-	-	-	-	11,108
Geographical analysis		UK	Rest of Europe	USA	Australia	Group
Reported third-party revenue		390,149	9,382	75,657	30,956	506,144
Non-current assets		97,461	2,991	2,247	558	103,257
Year ended 2 April 2018	Retail £'000	Commercial £'000	Naked Wines £'000	L&W £'000	Unallocated £'000	Group £'000
Segment revenue	263,754	43,360	156,058	14,549	-	477,721
Movement in en primeur sales	-	-	-	(1,587)	-	(1,587)
Reported third-party revenue	263,754	43,360	156,058	12,962	-	476,134
Segment result – adjusted EBIT	13,349	2,435	8,666	937	(7,209)	18,178
Net finance costs	-	-	-	-	-	(994)
Adjusted profit before taxation						17,184
Adjusted items:						
– Non-cash items relating to acquisitions						(8,018)
– Other adjusted items						(868)
Loss before taxation						8,298
Depreciation	5,120	-	353	106	-	5,579
Amortisation	332	-	3,882	106	-	4,320
Impairment of fixed assets	486	-	-	-	-	486

Notes to the financial statements
continued**7 Segmental reporting (continued)**

Geographical analysis	UK	Rest of Europe	USA	Australia	Group
Reported third-party revenue	378,826	7,812	61,481	28,015	476,134
Non-current assets	114,666	2,977	1,027	761	119,431

8 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:

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	(3,871)	(3,882)
Acquisition related share based payment charges	(1,358)	(4,136)
	(5,229)	(8,018)
Other adjusted items		
Impairment of fixed assets	(11,108)	-
Restructuring costs	(957)	-
Fair value movement through P&L on foreign exchange contracts	(1,540)	193
En primeur adjustment	38	(289)
Share based payment charges	(950)	(772)
	(14,517)	(8,866)
Total adjusted items	(19,746)	(8,886)

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.

Impairment of fixed assets

Due to the materiality of the impairment on fixed assets in 2019, the Group is reporting impairments in adjusted items. For further details, please refer to Note 15 – Goodwill and intangible assets, Note 16 – Property, plant and equipment and Note 18 – Prepaid operating leases.

Restructuring costs

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

Acquisition related share based payment charges

A substantial portion of the consideration for acquiring Naked Wines was structured in Majestic shares. Due to the recipients having continued employment obligations IFRS 2 requires this to be accounted for as an expense. As this expense reduces over the vesting period of the shares and is not an operating expense of the business we adjust it out to better reflect the business' ongoing profitability.

Fair value movement on foreign exchange contracts

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

En primeur adjustment

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 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 the award can have a material impact on the calculated expense of these schemes. To mitigate the volatility of these charges we adjust them out, while ensuring we report the maximum total dilution from all share schemes so that our shareholders can calculate our financial performance on a fully diluted basis.

9 Operating (loss)/profit

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

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Depreciation	5,594	5,353
Amortisation of operating lease costs	214	226
Amortisation of intangible fixed assets	4,347	4,320
Impairment of fixed assets	11,108	486
Operating lease rentals:		
– Land and buildings	11,408	11,191
– Other leases	1,283	1,172
– Sublease payments received	(482)	(548)
– Lease payments received	(339)	(298)
Loss on disposal of tangible fixed assets	331	28
Loss on disposal of intangible assets	118	–
Loss on disposal of prepaid leases	36	–
Bad debt expense	67	111
Net currency exchange loss/(gain)	1,009	(200)
Auditor's remuneration		
Fees payable for the audit of the Company's subsidiaries	337	312
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	18	17
Total audit fees	355	329
Audit related assurance services	30	28
Other taxation advisory services	–	–
Corporate finance services	–	–
Total non-audit fees	30	28
Total fees paid to the Company's auditor	385	357

10 Staff costs

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

	Year ended 1 April 2019	Year ended 2 April 2018
Administrative and distribution	448	421
Sales	1,206	1,107
	1,654	1,528

Their aggregate remuneration comprised:

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Wages and salaries	48,541	46,574
Social security costs	4,734	4,995
Contributions to defined benefit pension plans	1,096	897
Share based payment charges – ongoing	906	607
Share based payment charges – acquisition related	1,496	3,800
	56,773	56,873

Notes to the financial statements
continued**10 Staff costs (continued)**

Directors' emoluments comprised:

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Salary and benefits	733	717
Bonus accrued	57	124
Payments in lieu of pension contributions to money purchase schemes	72	67
Emoluments before share based payment charges	862	908
Share based payment charges	847	2,571
	1,709	3,479

The highest paid Director's emoluments comprised:

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Salary and benefits	249	245
Bonus accrued	26	64
Pension contributions to money purchase schemes	34	34
Emoluments before share based payment charges	309	343
Share based payment charges	758	2,438
	1,067	2,781

Detailed disclosure of Directors' remuneration is set out in the Remuneration report on page 53.

11 Finance income and charges

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Interest payable on bank overdraft	(153)	(26)
Interest payable on revolving credit facility	(408)	(517)
Interest payable on customer funded bond	(79)	(259)
Amortisation of debt issuance costs	(151)	(192)
Interest payable	(791)	(994)
Bank interest receivable	4	-
Net finance charge	(787)	(994)

12 Taxation

(a) Taxation charge

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Current income tax expense		
UK income tax	(1,638)	(2,716)
Overseas income tax	(354)	(98)
Adjustment in respect of prior periods	42	741
Current income tax expense	(1,950)	(2,073)
Deferred tax expense		
Origination and reversal of temporary differences	1,073	1,069
Adjustment in respect of prior periods	61	155
Effect of change in tax rate on prior period balances	(89)	(52)
Total deferred tax credit	1,045	1,172
Total income tax charge for the year	(905)	(901)

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

12 Taxation (continued)**(b) Taxation reconciliation**

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The reasons for this are detailed below:

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
(Loss)/profit before taxation	(8,495)	8,298
Taxation credit/(charge) at the standard UK corporation tax rate of 19% (2018: 19%)	1,614	(1,576)
Adjustments in respect of prior periods*	103	896
Overseas income tax at higher rates	(285)	(338)
Disallowable expenditure**	(2,022)	(423)
Deferred tax not previously recognised***	-	616
Share based payments	(226)	(24)
Change in tax rate on prior period deferred tax balances	(89)	(52)
Total income tax expense	(905)	(901)
Effective tax rate	-10.7%	10.9%
Adjusted effective tax rate	17.3%	12.1%

* Adjustments in respect of 2018 relate to UK capital allowance relief realised in the current year and utilisation of prior year tax losses against current year profits in the USA and Australia.

** Disallowable expenditure mainly relates to amortisation of acquired intangibles and share based payment expenses and impairments.

*** Deferred tax in 2018 not previously recognised relates to deferred tax asset recognised on taxable losses in Australia.

(c) Taxation on items recorded in reserves

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Deferred tax credit on share based payments	84	235
Total tax on items credited to reserves	84	235

(d) Deferred tax

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
At beginning of year	832	(333)
Adjustment in respect of prior years	61	155
Credited to the income statement in the year	984	1,017
Credited to reserves in the year	84	235
Foreign exchange	78	(242)
At end of year	2,039	832

	Accelerated tax depreciation £'000	Short-term timing differences £'000	Share based payments £'000	Tax losses carried forward £'000	Total deferred tax assets £'000
Deferred tax assets					
At 3 April 2017	183	-	862	651	1,696
Credited to reserves in the year	-	-	235	-	235
Credited/(charged) to income statement	(47)	-	(62)	502	393
Foreign exchange	10	-	13	(104)	(81)
At 2 April 2018	146	-	1,048	1,049	2,243
Credited to reserves in the year	-	-	84	-	84
Credited/(charged) to income statement	591	-	(168)	(631)	(208)
Foreign exchange	(10)	-	10	19	19
Transferred from deferred tax liabilities	-	121	-	-	121
At 1 April 2019	727	121	974	437	2,259

Notes to the financial statements
continued**12 Taxation (continued)****(d) Deferred tax (continued)**

	Rolled over gains £'000	Short-term timing differences £'000	Total deferred tax liabilities £'000
Deferred tax liabilities			
At 3 April 2017	(259)	(1,770)	(2,029)
Credited to income statement	49	730	779
Foreign exchange	(10)	(151)	(161)
At 2 April 2018	(220)	(1,191)	(1,411)
Credited to income statement	-	1,253	1,253
Foreign exchange	-	59	59
Transferred to deferred tax assets	-	(121)	(121)
At 1 April 2019	(220)	-	(220)

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Deferred tax assets	2,259	2,243
Deferred tax liabilities	(220)	(1,411)
	2,039	832

Deferred tax on losses of £11.5m (2018: £11.5m) relating to losses in the UK, have not been recognised in these financial statements on the basis that there is insufficient evidence of suitable future taxable profits against which to recover any deferred tax asset created.

(e) Factors that may affect future tax charges

The Group's overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 33.3% and profits earned by its Naked Wines subsidiaries in the USA and Australia are taxed at 21.0% and 30.0% respectively.

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

13 Earnings/loss 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 1,214,671 (2018: 3,067,028) contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options), 229,009 (2018: 139,609) shares held by the Majestic Wine plc Share Incentive Plan Trust (which have been treated as dilutive share options), and 3,934 (2018: 3,934) shares held by Employee Share Ownership Trust.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These comprise contingently returnable shares and share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Share options granted over 573,880 (2018: 112,003) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the year end.

Adjusted earnings per share is calculated by excluding the effect of adjusted items (see Note 8). 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.

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
(Loss)/earnings per share		
Basic (loss)/earnings per share	(13.3p)	10.9p
Diluted (loss)/earnings per share	(13.3p)	10.1p
Adjusted basic earnings per share	14.7p	23.9p
Adjusted diluted earnings per share	14.1p	22.3p

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
(Loss)/profit for the year	(9,400)	7,397
Add back adjusted items:		
- Non-cash charges relating to acquisitions	5,229	8,018
- Other adjusted items	14,517	868
Adjusted profit after taxation	10,346	16,283

13 Earnings/loss per share (continued)

	Year ended 1 April 2019	Year ended 2 April 2018
Weighted average number of shares in issue	70,518,556	68,051,900
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	2,802,836	5,036,886
Weighted average number of shares for the purpose of diluted earnings per share	73,321,392	73,088,786
Total number of shares in issue	72,137,402	71,499,086

If all the Company's share option schemes had vested at 100% the Company would have 74,750,580 issued shares.

14 Dividends

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Amounts recognised as distributions to shareholders in the year:		
2018 Final dividend: 5.2p (2017: 3.6p)	3,745	2,565
2019 Interim dividend: 2.0p (2018: 2.0p)	1,443	1,428
Equity dividends paid	5,188	3,993
Proposed for approval by the shareholders at the AGM:		
Final dividend: nil (2018: 5.2p)	–	3,718

15 Goodwill and intangible assets

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Cost						
At 3 April 2017	39,942	2,985	14,300	10,100	8,317	75,644
Additions	–	–	–	–	869	869
Foreign currency	363	–	–	–	–	363
At 2 April 2018	40,305	2,985	14,300	10,100	9,186	76,876
Additions	–	–	–	–	1,518	1,518
Disposals	–	–	–	–	(856)	(856)
Foreign currency	–	–	–	–	(48)	(48)
At 1 April 2019	40,305	2,985	14,300	10,100	9,800	77,490
Accumulated amortisation						
At 3 April 2017	(8,065)	(1,800)	(4,708)	(2,494)	(7,130)	(24,197)
Charge for the year	–	(225)	(2,383)	(1,263)	(449)	(4,320)
Foreign currency	(233)	–	–	–	–	(233)
At 2 April 2018	(8,298)	(2,025)	(7,091)	(3,757)	(7,579)	(28,750)
Charge for the year	–	(225)	(2,383)	(1,263)	(476)	(4,347)
Impairments	–	–	–	–	(25)	(25)
Disposals	–	–	–	–	738	738
Foreign currency	–	–	–	–	47	47
At 1 April 2019	(8,298)	(2,250)	(9,474)	(5,020)	(7,295)	(32,337)
Net book value						
At 1 April 2019	32,007	735	4,826	5,080	2,505	45,153
At 2 April 2018	32,007	960	7,209	6,343	1,607	48,126

Included within additions are assets held under construction totalling £332,000 (2018: £392,000).

Please refer to the impairment note in Note 16. An impairment of £25,000 to the intangible assets was charged to the Group income statement.

Notes to the financial statements
continued**15 Goodwill and intangible assets (continued)****Impairment testing of goodwill**

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill may be impaired. Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units ("CGUs"). The recoverable amount of a CGU is determined based on value in use calculations.

An analysis of goodwill and intangible assets by CGU is shown below:

	Goodwill £'000	Facilities and trademarks £'000	Customer lists £'000	Brands £'000	Software £'000	Total £'000
Naked Wines CGU	29,162	–	4,826	5,080	–	39,068
Lay & Wheeler CGU	–	735	–	–	309	1,044
French retail CGU	2,845	–	–	–	2	2,847
UK retail CGU	–	–	–	–	1,373	1,373
Unallocated	–	–	–	–	821	821
At 1 April 2019	32,007	735	4,826	5,080	2,505	45,153

Amortisation

Intangible fixed assets are amortised on a straight line basis through the income statement, based on the following estimated useful lives:

Category of intangible asset	Total useful life	Life remaining
Customer list and relationships	6 years	2 years
Brand	8 years	4 years
Software	2–5 years	1–5 years
Licences	Over the term of the licence	

Customer lists and relationships and brands arise only on acquisition.

Impairment testing**Key assumptions**

The key assumptions for calculating value in use are cash flows, long-term growth rate and discount rate.

Cash flow assumptions

The cash flows used in the value in use calculation are pre-tax cash flows based on the latest management forecasts in respect of the following five years, the first of which being the Board approved budget. An estimate of capital expenditure required to maintain these cash flows is also made.

Long-term growth rate assumptions

The five year management forecasts are extrapolated to perpetuity using a growth rate of 2.0%. This is not considered to be higher than the average long-term industry growth rate. The long-term growth rate is common to all CGUs.

Discount rate assumptions

The discount rate applied to the cash flows is 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 the Group. Management believe it is appropriate to use a single common discount rate for all impairment testing as each CGU shares similar risk profiles. The Group has considered the impact of the current economic climate in determining the appropriate discount rate to use in impairment testing.

At 1 April 2019, the pre-tax rate used to discount the forecasted cash flows has been determined to be 11.4% (2018: 11.0%).

The Group has carried out a sensitivity analysis on the impairment test of each group of CGUs to which goodwill has been allocated. An increase in the discount rate to 26% would cause the carrying value of goodwill in French retail CGU to equal its recoverable value. An increase in the discount rate to 24% would cause the carrying value of the goodwill in the Naked Wine Group to equal its recoverable value.

16 Property, plant and equipment

	Land & buildings			Equipment, fittings and vehicles £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Leasehold improvements £'000		
Cost					
At 3 April 2017	40,532	6,208	26,256	39,674	112,670
Additions	81	6	468	2,366	2,921
Disposals	-	-	(48)	(138)	(186)
Foreign currency	-	-	12	(111)	(99)
At 2 April 2018	40,613	6,214	26,688	41,791	115,306
Additions	21	24	324	5,103	5,472
Disposals	-	-	(995)	(3,098)	(4,093)
Foreign currency	-	-	(17)	54	37
At 1 April 2019	40,634	6,238	26,000	43,850	116,722
Accumulated depreciation					
At 3 April 2017	(4,489)	(434)	(14,704)	(25,032)	(44,659)
Charge for the year	(453)	(105)	(1,696)	(3,099)	(5,353)
Impairment and impairment reversals	-	-	(222)	(225)	(447)
Disposals	-	-	48	108	156
Foreign currency	-	-	(14)	43	29
At 2 April 2018	(4,942)	(539)	(16,588)	(28,205)	(50,274)
Charge for the year	(454)	(99)	(1,584)	(3,457)	(5,594)
Impairments	(3,644)	(3)	(3,626)	(3,014)	(10,287)
Disposals	-	-	836	2,895	3,731
Foreign currency	-	-	17	(14)	3
At 1 April 2019	(9,040)	(641)	(20,945)	(31,795)	(62,421)
NBV					
At 1 April 2019	31,594	5,597	5,055	12,055	54,301
At 2 April 2018	35,671	5,675	10,100	13,586	65,032
At 3 April 2017	36,043	5,774	11,552	14,642	68,011

Freehold land and buildings includes £17,869,000 (2018: £17,869,000) in respect of land that is not depreciated. The gross value of fully depreciated assets in use was £27,056,000 (2018: £26,071,000).

Impairment of property, plant and equipment

The Group has determined that for the purposes of impairment testing each store is a CGU. CGUs are tested for impairment if there are indicators of impairment at the balance sheet date. Recoverable amounts for CGUs are the higher of fair value less costs of disposal, and value in use. The key estimates for the value in use calculations are those regarding discount rates and expected changes to future cash flows.

The Group estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. Cash flow projections are based on the Group's three year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience and expectations of future changes in the market. The forecasts are extrapolated to five years based on management's expectations, and beyond five years based on long-term average growth rates, which are derived from inflation forecasts by recognised bodies.

Directors have reviewed the key financial assumptions and sensitivities and were satisfied that sufficient growth initiatives and other self-help measures have been implemented during the transformation plan to drive the forecast future cash flows in a more difficult UK market. The review identified a total of 101 stores out of the estate of 204 stores that were unlikely to deliver sufficient cash flow to justify their full carrying value. Accordingly, store impairment provision was increased by £10,287,000 and was charged to the Group income statement.

Notes to the financial statements
continued**17 En primeur**

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

Analysis of en primeur balances

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
En primeur purchases included in non-current assets	897	2,390
En primeur purchases included in current assets	4,296	3,779
Total en primeur purchases	5,193	6,169
En primeur income included in current liabilities	(5,564)	(4,824)
En primeur income included in non-current liabilities	(1,068)	(2,822)
Total en primeur deferred income	(6,632)	(7,646)
Net en primeur balance	(1,439)	(1,477)
Movement in en primeur balances		
Opening net balance	(1,477)	(1,188)
Movement in en primeur balance	38	(289)
Closing net balance	(1,439)	(1,477)

18 Prepaid operating leases

	Prepaid operating leases £'000
Cost	
At 3 April 2017	4,521
Disposals	(27)
At 2 April 2018	4,494
Additions	53
Disposals	(187)
At 1 April 2019	4,360
Amortisation	
At 3 April 2017	(2,616)
Charge for the year	(226)
Reversal of impairment	(39)
Disposals	27
At 2 April 2018	(2,854)
Charge for the year	(214)
Impairment	(796)
Disposals	151
At 1 April 2019	(3,713)
Net Book Value	
At 1 April 2019	647
At 2 April 2018	1,640
At 3 April 2017	1,905

The amortisation of prepaid lease costs is included within distribution costs in the income statement.

Please refer to the impairment note in Note 16. An impairment of £796,000 to the prepaid operating leases was charged to the Group income statement.

19 Inventories

	1 April 2019 £'000	Restated 2 April 2018 £'000
Raw materials	366	356
Work in progress	27,410	20,993
Finished goods	91,688	76,085
	119,464	97,434

* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

The cost of inventories recognised as an expense during the year was £366,990,000 (2018: £349,032,000).

Inventory of £927,000 (2018: £922,000) was expensed through the income statement in the year relating to samples and tasting products.

20 Trade and other receivables

	1 April 2019 £'000	Restated 2 April 2018 £'000
Trade receivables	8,083	6,921
Right of return asset	400	400
Other debtors	4,112	4,550
Prepayments and accrued income	5,537	4,409
	18,132	16,280

* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

21 Trade and other payables

	1 April 2019 £'000	2 April 2018 £'000
Trade payables	47,189	40,066
Other taxes and social security	7,446	9,452
Accruals and other payables	11,728	10,061
	66,363	59,579

Amounts payable in respect of defined contribution pension schemes were £64,000 (2018: £125,000).

22 Bank and other borrowings

	1 April 2019 £'000	2 April 2018 £'000
Current		
Bank overdrafts	12,096	8,837
Customer bond finance	99	2,445
Total bank and other borrowings due within one year	12,195	11,282
Non-current		
Revolving credit facility	23,000	13,500
Debt issuance costs	(556)	(707)
Total bank and other borrowings due within one year	22,444	12,793
Total bank and other borrowings	34,639	24,075

The Group's revolving credit facility during 2019 was £60m, which is due to mature in December 2022. Interest has been charged at a margin of 1% above LIBOR, the rate being dependent on the Group's leverage (being net debt/EBITDA).

Banking covenants are in place and are tested quarterly. The covenants tested are the Group's leverage and fixed charge cover.

Notes to the financial statements
continued**23 Financial instruments**

The Group's financial instruments, other than derivatives, comprise cash, bank borrowings 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 rates, 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 has access to a revolving credit facility agreed with Barclays Bank PLC. The facility was reviewed and amended in December 2017 and expires in December 2022. The £60m facility consists of a revolving credit term facility, an overdraft and guarantees to certain counterparties, predominantly HMRC. The aggregate of the total borrowing facilities at 1 April 2019 were £60m (2018: £60m) of which £23.0m (2018: £13.5m) was drawn down as borrowings, £11.6m (2018: £11.1m) as guarantees, and £10.3m (2018: £8.7m) as composite overdraft at the balance sheet date.

The Group's net debt level 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 debt levels at the period end date may not be indicative of debt levels at other points throughout the period.

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the contractual undiscounted cash flows.

At 1 April 2019	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Due after 3 years £'000	Total £'000
Financial assets					
Trade and other receivables	12,195	-	-	-	12,195
Cash and cash equivalents	19,093	-	-	-	19,093
	31,288	-	-	-	31,288
Financial liabilities					
Trade and other payables	(58,917)	-	-	-	(58,917)
Bank overdraft	(12,096)	-	-	-	(12,096)
Revolving credit facility	-	-	-	(23,000)	(23,000)
Financial instruments at fair value	(3,011)	-	-	-	(3,011)
Customer funded bond	(99)	-	-	-	(99)
	(74,123)	-	-	(23,000)	(97,123)

At 2 April 2018	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Due after 3 years £'000	Total £'000
Financial assets					
Trade and other receivables	15,880	-	-	-	15,880
Cash and cash equivalents	15,618	-	-	-	15,618
	31,498	-	-	-	31,498
Financial liabilities					
Trade and other payables	(50,127)	-	-	-	(50,127)
Bank overdraft	(8,837)	-	-	-	(8,837)
Revolving credit facility	-	-	-	(13,500)	(13,500)
Financial instruments at fair value	(897)	-	-	-	(897)
Customer funded bond	(2,445)	-	-	-	(2,445)
	(62,306)	-	-	(13,500)	(75,806)

Financial assets consist of cash and cash equivalents and trade and other receivables which are classified as loans and receivables. Financial liabilities held at amortised cost consist of trade and other payables, bank overdraft and customer funded bond. All other financial liabilities are classified as financial liabilities at fair value through profit and loss.

23 Financial Instruments (continued)**Liquidity risk (continued)**

The following table analyses the Group's 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 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 3 years £'000	Total £'000
At 1 April 2019				
Outflow	(75,274)	(658)	–	(75,932)
Inflow	72,281	640	–	72,921
	(2,993)	(18)	–	(3,011)
At 2 April 2018				
Outflow	(45,211)	–	–	(45,211)
Inflow	44,314	–	–	44,314
	(897)	–	–	(897)

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 and arises principally from the Group's receivables from customers.

There are no significant concentrations of credit risk within the Group. 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. The Group uses a credit referencing agency to establish a third-party's creditworthiness before offering to sell on deferred terms. Credit limits are assigned to each debtor account and compliance is monitored. In addition, trade debtor balances are regularly reviewed with the result that the Group's exposure to bad debts is not significant.

As at the balance sheet date, the ageing analysis of trade receivables that were past due but not impaired is as follows:

	Total trade debtors £'000	Current £'000	Up to 3 months past due £'000	3-6 months past due £'000	Over 6 months past due £'000
At 1 April 2019	8,083	4,671	2,704	389	319
At 2 April 2018	6,921	4,361	1,952	275	333

There are no indicators of impairment for those debtors that are neither past due nor impaired.

At 1 April 2019, trade and other receivables of £137,000 (2018: £125,000) were determined to be specifically impaired and provided for. The total includes receivables from customers which are considered to be experiencing difficult economic situations.

Movements in the provision for impairment of trade receivables are as follows:

	1 April 2019 £'000	2 April 2018 £'000
At beginning of year	(125)	(218)
Charge for the year	(67)	(111)
Uncollected amounts written off	55	204
At end of year	(137)	(125)

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group ensures that the banks used for the financing of loan facilities and foreign exchange forward contracts are reputable, large institutions with acceptable risk ratings.

Interest rate risk

The Group's interest rate risk arises primarily from its revolving credit facility. As at 1 April 2019, the Group had drawn down £23m as borrowings on its revolving credit facility. 1% change in interest rate will result in £0.3m impact on the Group's profit.

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.

Notes to the financial statements
continued**23 Financial instruments (continued)****Foreign currency exchange rates**

The Group's presentation currency is sterling although some transactions are executed in non-GBP currencies, including euros, US dollars and Australian dollars. 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 the euro, US dollar and Australian dollar. The principal foreign currencies affecting the translation of subsidiary undertakings within the Group financial statements are these currencies. The rates applicable are as follows:

Principal rate of exchange	1 April 2019	2 April 2018
Euro : GBP		
Period end	1.171	1.141
Average	1.134	1.135
US dollar : GBP		
Period end	1.314	1.403
Average	1.313	1.329
Australian dollar : GBP		
Period end	1.845	1.829
Average	1.800	1.715

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the French, US and Australian subsidiaries.

The following table demonstrates the sensitivity to a reasonable change in GBP against the exchange rates with all other variables held constant, of the Group's profit before tax:

	Sensitivity in exchange rate	Impact of increase in rate £'000	Impact of decrease in rate £'000
Year ended 1 April 2019			
Euro : GBP	5%	(3,210)	3,199
US dollar : GBP	5%	(136)	190
Australian dollar : GBP	5%	(62)	70
New Zealand dollar : GBP	5%	(167)	203
Other currencies : GBP	5%	(30)	33
Year ended 2 April 2018			
Euro : GBP	5%	(2,646)	2,105
US dollar : GBP	5%	(60)	40
Australian dollar : GBP	5%	(3)	3
New Zealand dollar : GBP	5%	(116)	38

The table below shows the Group's currency exposures that gave rise to net currency gains and losses recognised in the consolidated income statement as a result of monetary assets and liabilities that are not denominated in the Group's functional currency.

Currency:	1 April 2019 £'000	2 April 2018 £'000
Euro	1,663	3,027
US dollar	3,750	1,548
Australian dollar	2,144	1,259
Other currencies	145	–
Sub-total	7,702	5,834
Group's functional currency:		
GBP	(705)	947
Total	6,997	6,781

23 Financial instruments (continued)**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 which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There have been no financial instruments which have transferred between the levels in the hierarchy as detailed above.

The nominal and fair value of forward currency contracts is shown in the following table. All contracts have maturity dates within one year. The fair value of these instruments was determined using quoted forward exchange rates matching the maturities of the contracts. The Group's measurement of their financial instruments meets the criteria of Level 2 and hence all have been included in this classification.

	Fair value		
	Nominal value £'000	Assets £'000	Liabilities £'000
Forward foreign currency contracts as at 1 April 2019	75,932	–	(3,011)
Forward foreign currency contracts as at 2 April 2018	51,371	–	(897)

There is no material difference between the book value and the fair value of any financial asset or liability.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. 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 is not subject to externally imposed capital requirements.

24 Provisions for liabilities

	Dilapidations £'000	Store closures £'000	Social security costs £'000	Refund liability provision £'000	Total £'000
At 3 April 2017	216	–	848	–	1,064
Adoption of IFRS 15	–	–	–	1,160	1,160
At 3 April 2017 restated*	216	–	848	1,160	2,224
Provided in the year	79	–	501	–	580
Released in the year	–	–	(159)	–	(159)
Utilised in the year	(4)	–	–	–	(4)
At 2 April 2018*	291	–	1,190	1,160	2,641
Provided/(credited) in the year	–	260	(100)	96	256
Released in the year	(51)	–	(184)	–	(235)
Utilised in the year	(26)	(89)	–	–	(115)
At 1 April 2019	214	171	906	1,256	2,547

* Restatement due to the impact of adoption of IFRS 15, please refer to details in Note 2.

Dilapidations

The Group occupies various leasehold premises. In relation to stores that have either closed or are marked for closure in the near future, the Group provides for the costs of making good the leasehold property, in accordance with the terms of each lease. The provision is based on the Directors' best estimate of the expected costs involved. The expectation is that the amounts provided at the balance sheet date will be utilised in the next 12 months.

Store closures

During the course of 2019, the Group exited a number of retail locations. Costs associated with the exit of these units are held as a provision at the year end.

Notes to the financial statements
continued**24 Provisions for liabilities (continued)****Social security costs**

National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 17 December 2024. The amount payable is dependent on the Group's share price at the date of exercise of the options. 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 options has been calculated on the share price at the balance sheet date of £2.21 and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

Refund liability provision

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. IFRS 15 has been implemented on a fully retrospective basis and as such prior year reserves have been debited to establish to opening provision and the current year movement in the provision has been recognised in the current year income statement.

25 Deferred lease inducements

	1 April 2019 £'000	2 April 2018 £'000
Current	397	657
Non-current	1,502	1,672
	1,899	2,329

Deferred lease inducements comprise rent free periods and premiums received from lessors in respect of operating leases. These lease incentives are recognised in the income statement on a straight line basis over the full term of each relevant lease.

26 Share capital and reserves

	1 April 2019		2 April 2018	
	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 beginning of the year	71,499,086	5,363	70,778,262	5,309
Exercise of share options	47,938	4	147,100	11
Issue of shares into the Majestic Wine plc Share Incentive Plan	92,307	7	139,609	10
Issue of acquisition related shares	498,071	37	434,115	33
At end of year	72,137,402	5,411	71,499,086	5,363

During the year 638,316 (2018: 720,824) ordinary shares of 7.5p each were allotted for a consideration of £131,000 (2018: £538,000). These shares were allotted under the terms of the Company's share option schemes which are described in Note 28.

Share premium account

The share premium account 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.

Capital reserve – own shares

The Group holds shares in an employee share ownership trust (see Note 27). The reserve represents the cost of acquired shares that have not as yet fully vested with employees.

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 so as 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.

27 Employee Share Ownership Trust

The Employee Share Ownership Trust acquires shares in Majestic Wine PLC to satisfy awards under the deferred bonus scheme. The shares are distributed to participants of the scheme at the end of a two year deferral period.

At the year end the trust held 3,934 (2018: 3,934) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 (2018: £17,000). At the year end the market value of these shares was £9,000 (2018: £16,000).

28 Share based payments

The total charge recognised in the income statement in respect of share based payments, including social security, is £2,308,000 (2018: £4,908,000) relating to share option schemes and share bonus payments under the Company's deferred bonus scheme and in relation to the contingently returnable shares and share options that were issued to employees as part of the consideration for the acquisition of the Naked Wines Group.

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Share option schemes	1,499	607
Acquisition related share schemes	909	3,800
NIC provided on share option schemes	(100)	501
At end of year	2,308	4,908

The Company operated five share option schemes during the year, all of which are equity-settled.

- The Majestic Wine PLC Approved Executive Share Option Scheme (2006) was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first grant of options under the rules of this scheme was made in January 2007.
- The Majestic Wine PLC 2006 Unapproved Employee Share Option Scheme was adopted on 4 August 2006. The first grant of options under the rules of this scheme was made in January 2007.
- The Majestic Wine 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.
- The Majestic Wine 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.
- The Acquisition Related Share Schemes arose following the acquisition of Naked Wines on 10 April 2015. These schemes are unapproved.

Approved and unapproved executive share option schemes (schemes (a) to (d) per above)

These schemes permit the grant of options in respect of ordinary shares to selected employees. Options are normally exercisable between three and 10 years from the date of grant for consideration not less than market value at grant date. Apart from grants of options to Executive Directors, the exercise of options is not subject to any conditions other than continuous employment. The exercise of options granted to Executive Directors is conditional on the achievement of specified performance targets related to growth in earnings per share over a three year period. The Executive Directors' participation in the Group's executive share option schemes is limited such that they are eligible to receive options over shares in value up to a maximum of two times gross salary at the date of grant which will only become exercisable on the achievement of performance criteria determined by the Remuneration Committee.

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP):

	Year ended 1 April 2019		Year ended 2 April 2018	
	Options	WAEP	Options	WAEP
Outstanding at the beginning of the year	2,153,996	£1.34	2,946,766	£1.72
Exercised	(50,845)	£2.57	(147,355)	£3.39
Lapsed	(295,338)	£1.34	(1,019,081)	£1.69
Granted	526,135	-	373,666	-
Outstanding at the end of the year	2,333,948	£1.00	2,153,996	£1.34
Exercisable at the end of the year	526,300	£4.36	673,900	£4.29
Weighted average remaining contractual life in years	2.13		3.14	
Range of exercise prices	£nil – £5.41		£nil – £5.41	

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £2.57 (2018: £3.39).

The following table shows the number of share options outstanding by share option scheme:

	1 April 2019	2 April 2018
2006 Approved scheme	366,850	436,200
2006 Unapproved scheme	159,450	217,700
Share Incentive Plan	198,027	132,527
Long-term incentive plan	1,609,621	1,367,569
Outstanding as at the end of the year	2,333,948	2,153,996

The fair value of equity-settled share options is estimated as at the date of grant using the Black-Scholes option pricing model for schemes (a), (b) and (d) and using the Monte Carlo model for scheme (c).

Notes to the financial statements
continued**28 Share based payments (continued)**

The following table lists the range of assumptions applied to the options granted in the respective periods shown.

	Year ended 1 April 2019		Year ended 2 April 2018	
	Long-Term Incentive Plan	Share Incentive Plan	Long-Term Incentive Plan	Share Incentive Plan
Weighted average share price at grant	£4.27	£4.65	£3.43	£3.12
Weighted average exercise price	–	–	–	–
Expected life of options (years)	3	3	3	3
Contractual life (years)	3	3	3	3
Volatility (%)	36.4% – 37.8%	36.4%	37.69% – 37.75%	37.1%
Dividend yield (%)	2.9%	N/A	2.1%	N/A
Risk-free interest rate (%)	0.79%	0.79%	0.34% – 0.52%	0.2%
Weighted average fair value of options granted during the year	£2.53	£4.65	£1.97	£3.12

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Acquisition related share schemes (scheme (e) per above)

As part of the consideration for the acquisition of Naked Wines, an amount of up to £20 million is payable to the previous shareholders and employees of Naked Wines in Majestic PLC's ordinary share capital conditional on the achievement of certain performance criteria (the "acquisition related share schemes"). The number of shares was calculated with reference to the share price as at the date of acquisition.

A portion of the shares were issued in the form of contingently returnable shares and the remaining portion represented share awards that will vest upon achievement of the performance criteria over a maximum period of four years. As continuing employment is a requirement for the final vesting of these shares IFRS 2 Share Based Payments has been applied to this element of the consideration and the amounts are being recorded in the Group income statement over the next four years.

	Issued	To be issued	Total
Number of shares	1,206,727	516,183	1,722,910

Subsequent to the balance sheet date, the performance criteria were met for the third tranche of these share awards and consequently 12,363 shares vested and were issued on 29 April 2019. Additionally, 102,995 contingently returnable shares became unrestricted on the same date. The remaining balance of the acquisition related shares and contingently returnable shares is due to be issued at a later date.

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP):

	Year ended 1 April 2019		Year ended 2 April 2018	
	Options	WAEP	Options	WAEP
Outstanding at the beginning of the year	4,036,819	–	6,112,981	–
Exercised	(2,350,428)	–	(2,287,950)	–
Granted as future share issues	51,019	–	291,730	–
Lapsed	(14,500)	–	(79,942)	–
Outstanding at the end of the year	1,722,910	–	4,036,819	–
Exercisable at the end of the year	–	–	–	–
Weighted average remaining contractual life in years	–	–	0.99	–
Range of exercise prices	£nil	–	£nil	–

The fair value of equity-settled share options 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 options granted in the respective years shown:

	1 April 2019	2 April 2018
Weighted average share price at grant	£4.65	£3.12
Weighted average exercise price	–	–
Expected life of options (years)	0.72 years	0.72 – 1.72 years
Contractual life (years)	0.72 years	0.72 – 1.72 years
Volatility (%)	39%	39%
Dividend yield (%)	3.0%	3.1%
Risk-free interest rate (%)	1.3%	1.3%
Weighted average fair value of options granted during the year	£4.33	£2.94

29 Commitments

Operating lease commitments where the Group is lessee:

The Group leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	1 April 2019 £'000	2 April 2018 £'000
Future minimum amounts payable under non-cancellable operating leases:		
Within one year	11,499	12,558
Between one and five years	34,461	39,151
Over five years	27,059	33,536
	73,019	85,245

	1 April 2019 £'000	2 April 2018 £'000
Future minimum amounts receivable under non-cancellable operating leases:		
Within one year	802	933
Between one and five years	1,792	2,783
Over five years	572	592
	3,166	4,308

Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £79,000 for the Group (2018: £775,000).

30 Notes to the cash flow statement

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

	Year ended 1 April 2019 £'000	Year ended 2 April 2018 £'000
Cash generated by operations		
Operating (loss)/profit	(7,708)	9,292
Add back:		
– Depreciation and amortisation	10,155	9,899
– Loss on disposal of fixed assets	485	28
– Impairment of intangible fixed assets	25	–
– Impairment of property, plant and equipment	10,287	447
– Impairment of prepaid operating leases	796	39
– Fair value movement on foreign exchange contracts	2,114	(193)
– En primeur movement in income statement	(38)	289
– Share based payment charges	2,408	4,407
Operating cash flows before movements in working capital	18,524	24,208
Increase in inventories	(21,038)	(2,425)
Increase in customer funds in deferred income	6,058	4,137
Increase in trade and other receivables	(1,699)	(130)
Increase in trade and other payables	6,101	2,880
Cash generated by operations	7,946	28,670

Notes to the financial statements
continued**30 Notes to the cash flow statement (continued)****(b) Cash and cash equivalents**

	1 April 2019 £'000	2 April 2018 £'000
Cash and cash equivalents		
Cash and cash equivalents	19,093	15,618
Bank overdraft	(12,096)	(8,837)
Total cash and cash equivalents	6,997	6,781

(c) Analysis of movement in net borrowings

	At 2 April 2018 £'000	Cash flows £'000	Non-cash movements £'000	At 1 April 2019 £'000
Cash and cash equivalents	15,618	3,546	(71)	19,093
Bank overdrafts	(8,837)	(3,259)	-	(12,096)
Net cash and cash equivalents	6,781	287	(71)	6,997
Borrowings – revolving credit facility	(13,500)	(9,500)	-	(23,000)
Borrowings – customer funded bond	(2,445)	2,346	-	(99)
Gross borrowings net of cash	(15,945)	(7,154)	-	(23,099)
Debt issuance costs	707	-	(151)	556
Total net borrowings	(8,457)	(6,867)	(222)	(15,546)

31 Events after the balance sheet date

On 25 March 2019 the Group stated its intention to announce a Group Transformation Plan in June 2019. This plan would accelerate the growth of Naked Wines through transformation of the Group into one model and one management team all under the Naked brand.

This Group Transformation Plan is expected to be funded by releasing capital from Majestic Retail, the Group's French retail business and from Lay & Wheeler through a combination of actions which, inter alia, may include the share disposal of those businesses.

At the balance sheet date and at the date of the approval of the annual report and accounts no outcome had been reached nor was a transaction highly probable at that time.

Note 7 on pages 79 and 80, the Segmental Reporting analysis, illustrates the contribution of Majestic's UK and French retail and commercial businesses and of Lay & Wheeler for 2019.

Subsequent to the balance sheet date, the performance criteria were met for the third tranche of the acquisition related share awards and consequently 12,363 shares vested and were issued on 29 April 2019. Additionally, 102,995 contingently returnable shares became unrestricted on the same date. The remaining balance of the acquisition related shares and contingently returnable shares is due to be issued at a later date.

32 Related party transactions

The Group considers its key management personnel to be the Directors of the Company. The compensation of key management personnel is disclosed in Note 10.

There are no other related party transactions which require disclosure (2018: none).

33 Investments in subsidiaries

Details of the Group's subsidiaries at 1 April 2019 are as follows:

Subsidiary	Primary activity	Place of incorporation and operation	Proportion of ownership interest %
Majestic Wine Warehouses Limited*	Retailing of wines, beers and spirits	United Kingdom	100
Lay & Wheeler Limited	Retailing and cellarage of fine wines	United Kingdom	100
Les Celliers de Calais S.A.S.*	Retailing of wines, beers and spirits	France	100
Majestic Wine Employee Share Ownership Trust Limited*	Trustee company	United Kingdom	100
Naked Wines International*	Holding company	United Kingdom	100
Vinotheque Holdings Limited	Property management	United Kingdom	100
Nakedwines.com Limited	Retailing of wines	United Kingdom	100
Naked Wines Prepayments Trustee Company Limited	Trustee company	United Kingdom	100
Nakedwines.com Inc	Retailing of wines	United States of America	100
Nakedwines.com Prepayment Protection Company LLC	Trustee company	United States of America	100
Naked Wines Australia Pty Limited	Retailing of wines	Australia	100
NWA (Prepayments) Pty Limited	Trustee company	Australia	100
Naked Fine Wine Bonds plc	Funding company	United Kingdom	100

* Directly owned by the parent company.

With the exception of Les Celliers des Calais S.A.S. all of the Company's subsidiary undertakings share the same period end date. Les Celliers des Calais S.A.S. has a period end date of 31 March.

Registered addresses of subsidiaries are as follows:

	Registered Address
Subsidiaries incorporated in the United Kingdom	Majestic House, The Belfry, Colonial Way, Watford, WD24 4WH
Subsidiaries incorporated in France	Rue de Judée, Zone Marcel Doret, 62100 Calais, France
Subsidiaries incorporated in the United States of America	222 Gateway Road West, Napa, CA 94558, USA
Subsidiaries incorporated in Australia	1 Queens Parade, Newport, NSW 2106, Australia

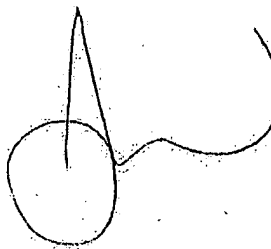
Company balance sheet

As at 1 April 2019

	Note	1 April 2019 £'000	2 April 2018 £'000
Non-current assets			
Investments in subsidiaries	35	67,134	65,717
Intangible fixed assets		822	607
Deferred tax assets		647	206
		68,603	66,530
Current assets			
Trade and other receivables	36	385	97
Amounts due from Group undertakings	36	16,207	10,556
Cash and cash equivalents		113	48
		16,705	10,701
Total assets		85,308	77,231
Current liabilities			
Trade and other payables	37	(2,722)	(2,236)
Provisions	38	(703)	(273)
Amounts due to Group undertakings	37	(16,214)	(14,090)
		(19,639)	(16,599)
Non-current liabilities			
Provisions	38	(203)	(917)
Bank loan	39	(22,444)	(12,793)
		(22,647)	(13,710)
Total liabilities		(42,286)	(30,309)
Net assets		43,022	46,922
Shareholders' funds			
Called up share capital	26	5,411	5,363
Share premium	26	21,116	20,989
Capital redemption reserve		363	363
Retained earnings		16,132	20,207
Equity shareholders' funds		43,022	46,922

For the year ended 1 April 2019, the Company reported a loss of £1,697,000 (2018: £8,477,000).

The financial statements of Majestic Wine plc were approved by the Board of Directors and authorised for issue on 12 June 2019. They were signed on its behalf by James Crawford.



Company statement of changes in equity

For the year ended 1 April 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 3 April 2017	5,309	20,505	363	28,526	54,703
Total comprehensive loss for the year	-	-	-	(8,477)	(8,477)
Shares issued	54	484	-	(43)	495
Share based payment charges – subsidiary employees	-	-	-	1,540	1,540
Share based payment charges – company	-	-	-	2,618	2,618
Dividends paid	-	-	-	(3,993)	(3,993)
Deferred taxation	-	-	-	36	36
At 2 April 2018	5,363	20,989	363	20,207	46,922
Total comprehensive loss for the year	-	-	-	(1,697)	(1,697)
Shares issued	48	127	-	(44)	131
Share based payment charges – subsidiary employees	-	-	-	1,417	1,417
Share based payment charges – company	-	-	-	991	991
Dividends paid	-	-	-	(5,188)	(5,188)
Deferred tax on share based payment	-	-	-	446	446
At 1 April 2019	5,411	21,116	363	16,132	43,022

Notes to the Company financial statements

34 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 "Application of Financial Reporting Requirements" issued by the FRC. Accordingly, these financial statements were 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 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 loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 3 to the consolidated financial statements except as noted below.

Investment

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

35 Investments in subsidiaries

	£'000
Cost or valuation:	
At 2 April 2018	72,317
Net movement on share options granted/(lapsed) to subsidiary companies' employees	1,417
At 1 April 2019	73,734
Amounts provided for:	
At 2 April 2018	(6,600)
Impairment	–
At 2 April 2018 and 1 April 2019	(6,600)
Net book value	
At 1 April 2019	67,134
At 2 April 2018	65,717

Details of the Company's subsidiaries at 1 April 2019 are disclosed in Note 33.

During the prior year due to the economic downturn on Brexit, the Company carried out a review of the recoverable amount of carrying value of its investment in Les Celliers de Calais S.A.S. The review led to the recognition of an impairment loss of £6,600,000.

36 Trade and other receivables

	1 April 2019 £'000	2 April 2018 £'000
Amounts due from Group undertakings	16,207	10,556
Prepayments and accrued income	385	97
	16,592	10,653

The amounts due from Group undertakings have no fixed payment terms and are interest free.

37 Trade and other payables

	1 April 2019 £'000	2 April 2018 £'000
Current		
Amounts due to Group undertakings	16,214	14,090
Accruals and other payables	2,722	2,236
	18,936	16,326

38 Provisions

	Social security costs £'000	Total £'000
At 3 April 2017	358	358
Charged in the year	832	832
At 2 April 2018	1,190	1,190
Charged in the year	(284)	(284)
At 1 April 2019	906	906

National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 17 December 2024. The amount payable is dependent on the Company's share price at the date of exercise of the options. 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 options has been calculated on the share price at the balance sheet date of £2.21 and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

39 Bank and other borrowings

	1 April 2019 £'000	2 April 2018 £'000
Non-current		
Revolving credit facility	23,000	13,500
Debt issuance costs	(556)	(707)
Total bank and other borrowings	22,444	12,793

Terms, amendments and maturity of the revolving credit facility are disclosed in Note 22 of the consolidated financial statements.

40 Share capital and share premium account

Details are disclosed in Note 26 to the consolidated financial statements.

Shareholder information

Annual General Meeting

At the forthcoming AGM, James Crawford and Ian Harding will retire by rotation and, being eligible, will offer themselves for re-election. During the forthcoming AGM Katrina Cliffe, Nicholas Devlin and John Walden will be offering themselves for election since being appointed and Greg Hodder will stand down as Chairman.

The AGM will be held at 11.30am on 8 August 2019 at Norvic House, 29-33 Chapel Field Road, Norwich, NR2 1RP. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:

Company Secretary	Investor Relations
Alex Iapichino Registered Office Majestic House The Belfry Colonial Way Watford WD24 4WH	investor.relations@majestic.co.uk Registered Office Majestic House The Belfry Colonial Way Watford WD24 4WH
Nominated Advisor and Corporate Broker	Solicitors
Investec Bank (UK) Limited 30 Gresham Street London EC2V 7QP	Allen & Overy LLP One Bishops Square London E1 6AD
Auditor	Tax Advisor
Deloitte LLP 3 Victoria Square Victoria Street St Albans Herts AL1 3TF	PricewaterhouseCoopers LLP 10 Bricket Road St Albans Herts AL1 3JX
Registrar	Banker
Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	Barclays Bank PLC Floor 27 1 Churchill Place London E14 5HP
PR Advisor	
Instinctif Partners 65 Gresham Street London EC2V 7NQ	

Financial calendar:

8 August 2019 – Annual General Meeting
30 September 2019 – Half Year End
November 2019 – Interim Results
January 2020 – Christmas Trading Statement
30 March 2020 – Full Year End
June 2020 – Full Year Results

Definitions and operational KPIs

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.
Repeat customer	A customer who has bought from one of our businesses more than once, recently. For Naked Wines these are "Angels" who have subscribed. For Majestic they are people who have shopped with us at least once within the last 12 months, with that shop not being their first time.
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.
Majestic Wine plc	"The Company", "Group", "Majestic" or "Majestic Wine".

Operational KPIs

Product availability	% of targeted range available in stores/on websites as indicated by our inventory reporting.
Team retention	% of key staff (e.g. store managers) as of 12 months ago still working per payroll records.
Buy It Again ratings	% of "Yes" scores in the last 12 months as recorded by websites/apps.
5* Service ratings	% of service ratings scoring 5* in last two months as recorded by websites/apps/telephone feedback.

Alternative performance measures (APMs)

Alternative performance measures

Underlying movement	(a) includes en primeur revenues in year of order not year of fulfilment and (b) is calculated using constant FX rates for translation. Divisional reconciliation can be found on pages 18-23. Group reconciliation is found on page 33.
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, impairment of Retail store estate, restructuring costs, fair value movement through the income statement on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment. Divisional reconciliation can be found on pages 18-23. Group reconciliation is found on page 33.
EBITDA	EBIT plus depreciation and amortisation.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any costs included in our adjusted items e.g. amortisation of acquired intangibles.
Adjusted PBT	Adjusted EBIT less net finance charges. Divisional reconciliation can be found on pages 18-23. Group reconciliation is found on page 33.
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 capital expenditure and before adjusting items and taxation. A reconciliation of Free cash flow is shown on page 108.
Net debt	Borrowings less cash and debt issuance cost. A reconciliation can be found in Note 30.
Operating costs	Defined as administrative expenses less other operating income excluding adjusted items.

New investment measures

Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers. An explanation of why this is used is on page 17. A reconciliation and analysis including this metric is shown below for the Naked Wines and Retail businesses on page 107.
New customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. An explanation of why this is used is on page 17. A reconciliation and analysis including this metric is shown below for the Naked Wines and Retail businesses on page 107.
Lifetime payback	The ratio of the future contribution we expect to earn from the customers recruited this year to the investment we made recruiting them. We calculate this by reviewing the level of sales and contribution generated in the current year from new customers and compare this to a reference level based on historic behaviour of all new customers, then projecting forwards to a 20 year lifetime to estimate the payback ratio. An explanation of why this is used is on page 17. As this is an undiscounted forward looking estimate it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected returns from prior year investment on page 107.
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. An explanation of why this is used is on page 17. A reconciliation and analysis including this metric is shown below for the Naked Wines and Retail businesses on page 107.
Repeat customer contribution	The profit attributable to those sales after fulfilment and service costs. An explanation of why this is used is on page 17. A reconciliation and analysis including this metric is shown below for the Naked Wines and Retail businesses on page 107.
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 till and 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. An explanation of why this is used is on page 17. This APM replaces customer retention as it gives a better indicator of our retention rates.
Fixed costs	Administrative costs by division excluding marketing spend. A reconciliation and analysis including this metric is shown below for the Naked Wines and Retail businesses on page 107.

Naked Wines: Reconciliation of reported to underlying performance, including calculation of contribution and split of new and repeat customer components

					Analysed as:	
	As Reported £m	Constant FX £m	Other £m	Underlying £m	Repeat £m	New £m
Naked Wines						
FY18						
Revenue	156.1	(0.2)	–	155.9	134.3	21.6
Contribution (= EBIT exc. Fixed costs)	19.8	(0.1)	–	19.7	33.8	(14.1)
EBIT	8.7	(0.1)	–	8.6		
Memo						
Admin costs analysed as:						
– Marketing	(11.3)	–	–	(11.3)		
– Fixed costs	(11.1)	–	–	(11.1)		
FY19						
Revenue	178.4	–	–	178.4	152.9	25.5
Contribution (= EBIT exc. Fixed costs)	20.7	–	–	20.7	39.8	(19.1)
EBIT	6.7	–	–	6.7		
Memo						
Admin costs analysed as:						
– Marketing	(17.6)	–	–	(17.6)		
– Fixed costs	(14.0)	–	–	(14.0)		

Retail: Reconciliation of reported to underlying performance, including calculation of contribution and split of new and repeat customer components

					Analysed as:	
	As reported £m	Constant FX £m	Other £m	Underlying £m	Repeat £m	New £m
Retail						
FY18						
Revenue	263.8	–	–	263.8	207.9	55.9
Contribution (= EBIT exc. Fixed costs)	24.6	–	–	24.6	20.1	4.5
EBIT	13.3	–	–	13.3		
Memo						
Admin costs analysed as:						
– Marketing	(5.4)	–	–	(5.4)		
– Fixed costs	(11.3)	–	–	(11.3)		
FY19						
Revenue	267.7	–	–	267.7	214.2	53.5
Contribution (= EBIT exc. Fixed costs)	21.7	–	–	21.7	19.5	2.2
EBIT	11.3	–	–	11.3		
Memo						
Admin costs analysed as:						
– Marketing	(5.5)	–	–	(5.5)		
– Fixed costs	(10.4)	–	–	(10.4)		

Alternative performance measures (APMs)
continued**Free cash flow**

	1 April 2019 £m	2 April 2018 £m
Adjusted EBIT	12.1	18.2
Add back depreciation and amortisation (excludes adjusted amortisation of acquired intangibles)	6.3	6.5
Add back loss on disposal of fixed assets	0.5	–
Adjusted EBITDA	18.9	24.7
Working capital movement		
– Inventories	(21.0)	(2.4)
– Deferred income	6.1	4.1
– Trade and other receivables	(1.0)	(0.1)
– Trade and other payables	5.9	2.4
Working capital movement	(10.0)	4.0
Pre-tax operating cash flow	8.9	28.7
Investments		
Capital expenditure	(7.0)	(3.8)
	(7.0)	(7.5)
Pre-tax operating cash flow/"Free cash flow"	1.9	24.9
Reconciliation to statutory cash flow statement		
Free cash flow	1.9	24.9
Cash adjusted items	(1.0)	–
Capital expenditure	7.0	3.8
Cash generated by operations	7.9	28.7

Printed on Novatech Matt, an FSC® Mixed Sources paper
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Printed by CPI Colour.

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