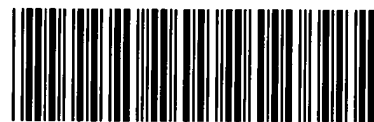


Registered number: 06672317 (England and Wales)

**Annual report and financial statements
for the 52 weeks ended 28 March 2022**

www.nakedwines.com Limited

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Directors:

J Crawford
N Devlin

Company secretary:

A E Huffsmith

Registered office:

The Union Building,
51-59 Rose Lane,
Norwich,
NR1 1BY

Registered number:

06672317 (England and Wales)

Auditor:

Deloitte LLP
Statutory Auditor
1 Station Square
Cambridge
CB1 2GA
United Kingdom

The directors present their strategic report for the 52 weeks ended 28 March 2022.

Review of the business

The principal activity during the year was that of a customer funded wine business that invests in independent winemakers in exchange for access to exclusive wines at preferential prices, which are passed on to customers ("Angels").

The company's financial reporting year represents the 52 weeks to 28 March 2022 (FY22) (prior financial year, 52 weeks to 29 March 2021 (FY21)).

Key Performance indicators (KPIs)

The key financial performance indicators during the year were as follows:

	2022	2021	Year on year
	£'000	£'000	variance
			%
Revenue	146,958	133,058	10.4
Operating profit	4,424	5,862	(24.5)
Profit after tax	3,830	4,987	(23.2)
Shareholders' equity	21,211	17,082	24.2

Performance

Profitability

The performance of the Company was in line with directors' expectations. Revenue grew by 10.4% from £133m to £147m. The effect of covid and lockdown caused a shift in buying behaviour to online channels through the previous financial year, FY22 saw this trend normalise back into a typical trading pattern. This resulted in a reduction of 25% in new Angels during the year. The lower intake of newer Angels and decrease in associated acquisition costs resulted in lower new customer contribution loss, reduced by 17.5%.

The surge in recruitment during FY21 increased the size of our Angel base significantly and despite a 1.3% reduction in activation repeat sales grew by 16.3% to £135m (2021: £113m). Margins on repeat sales at 35.3% (2021: 37.6%) were in line expectations for the year, Repeat Contribution (contribution defined as "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) were down 2.9% due to cost pressure coming through our variable costs. This is being driven by an increase in the cost of warehousing and the increase in our inventory holding. Net Operating profit at £4.4m decreased 24% during the year as a result.

Financial position

The profit after tax of £3.8m and £0.3m (2021: £5m and £0.2m) of share based payment credits with associated deferred tax increased shareholders' funds from £17.1m to £21.2m.

Customer retention and acquisition

A slowdown in growth in line with expectations post pandemic has seen our new customer acquisition return to previous levels. 317k new angels were recruited during FY22 (-31% vs FY21). The reduction being driven by the Online and Partner recruitment channels which saw the largest increase through FY21. Overall retention of existing Angels improved by 34% vs FY21. This is due to a combination of higher quality new customers, increase in the breadth and quality of the range and marketing campaigns.

Winemaker retention and acquisition

During the year, winemaker retention remains high. We brought in 18 new winemakers and 121 new wines into the range. We did not lose any winemakers in FY22. We continue to fund and support our existing winemakers to focus on their passion (winemaking rather than sales and marketing) and we invest time and energy into tracking down the winemaking stars of the future, as well as proven talent, to offer them the freedom and investment to do their own thing.

Principal risks and uncertainties

Directors and management are required to implement controls and processes to adequately mitigate risks, as well as maintaining a business unit risk register which flows into the Group footprint. These registers consider risk likelihood and impact to assess an overall risk rating and prioritise mitigation actions. The Directors confirm that they have carried out an assessment of the principal risks and uncertainties facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board remains committed to ensuring that the key risks are managed on an ongoing basis and operate within an acceptable level.

The principal risks and uncertainties facing the company are:

Competition risk

The Company is exposed to competition risk where persistent, aggressive activity could impact on our ability to grow and keep our customer base and/or our margin position. Our buying team continually monitors our competitors' activity and we are focused on delivering a better experience than our competitors, e.g. better value for money, better service, more engagement with winemakers.

Regulation risk

Sale of alcohol is strictly controlled through licencing and regulations. The Company promotes awareness and best practices within its businesses and uses third party legal advice where necessary. Regulatory developments are routinely monitored in all our markets to ensure that potential changes are identified, assessed and appropriate action is taken.

Climate change

The Board recognises that climate change creates potential risk for the Company. Indeed, within this financial year wine producers in the US and Australia have had to contend with difficult fire seasons. The Board recognises that we are exposed to climate change risks in at least two of the areas listed:

- Business interruption, mitigated through having multiple sites for key activities; and
- Supply risks, mitigated by having a diverse and geographically dispersed sourcing and supply chain network.

Full details of risks and how these are managed are included in the strategic report section on pages 39 to 46 of the Naked Wines plc's annual report and accounts. The annual report and accounts of Naked Wines plc for the year to 28 March 2022 can be obtained via the Investors section of the Naked Wines website: www.nakedwinesplc.co.uk.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. It uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its other debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by having a long-term funding arrangement with its parent and securing other financing in particular from funds deposited by customers.

Section 172(1) statement

With regard to the requirements of S172 of the Companies Act 2006, the directors assert that they act in ways which they consider, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

Each of the Directors is mindful of their duties under S172 of the Act to run the company for the benefit of its shareholders, and in doing so, to take into account the long term impact of any decisions on stakeholder relationships and the impact of its activities on its reputation.

The Directors have identified the company's key stakeholders as its: shareholders, employees, customers, winemakers, suppliers, regulators and governmental bodies, environment and the wider community. Building positive relations with these stakeholders, treating them well and with respect is essential to the success of the business.

Section 172(1) statement continued

Set out below are examples of how the company engages with its employees, suppliers, customers, regulators, community and the environment.

Employees

The Company regularly engages with its staff in multiple ways including through consultations, by providing Company updates, through employee engagement surveys, by giving staff a say in the selection of our sponsored charity, or by the participation in the Company's share schemes.

Suppliers

The business model continues to seek out and support the world's best independent winemakers. The Company supports and invests in winemakers through advance commitment and funding of purchasing of wine. It follows supplier guiding principles to make sure suppliers are looked after. The Company's Responsible Supplier Policy encourages its supplier network to conduct its business in line with the same principles embraced by Naked Wines. The Company has developed a multi-functional team to plan, monitor, and manage potential disruption in the supply chain post-Brexit and additional shippers were engaged to diversify risk.

Customers

The Naked Wines business model effectively makes their customers the Company's partners, with a mutual investment in winemakers – the tasting tours give Angels access to the world's best independent winemakers. The website enables customers to give their feedback to the Company and winemakers directly. The Company implements ongoing enhancement of customer helplines with a dedicated Customer Happiness team.

Community and environment

The Company has an established Sustainability Focus group and project team. There is an ongoing commitment to wider community regarding responsible drinking and marketing of alcohol, and ethical behaviour/responsible corporate citizenship.

The Directors have examined the parent company's disclosures on its approach to fulfilling the requirements of S172 of the Companies Act 2006 on pages 36 to 38 of its 2022 Annual Report and Accounts and believe that these align and satisfy their own obligations to fulfil the requirements of S172 of the Act.

Approved and authorised by order of the Board:

.....
J Crawford
Director

Date: 15/12/2022

Registered number 06672317

The Directors present their annual report with the audited financial statements of the company for the 52 weeks ended 28 March 2022.

Directors

The directors who served during the year and subsequent to the year end were:

J Crawford
N Devlin

Corporate responsibility

Statement on employee engagement and business relationships

Please refer to S172 in the Strategic report section.

Environmental

The company remains committed to operating in an environmentally responsible manner. Full details can be found on pages 47 to 51 of the 2022 Naked Wines plc Annual Report.

Health and safety

The company is committed to providing for the health, safety and welfare matters for all its employees. Every effort is made to ensure that the requirements of the Work Health and Safety Act 2011 and all other relevant regulations and codes of practice are complied with.

Dividends

The company did not pay any dividends during the year (2021: £nil). No dividends have been proposed.

Future developments

The company will continue to grow the customer base by driving loyalty and customer retention. Alongside this, the company intends to continue to expand the range of wines and winemakers it offers which in turn will increase the proposition to its Angels base.

Financial risk management objectives and policies

Details of the financial risk management objectives and policies can be found in the Strategic report.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

In assessing the appropriateness of the going concern assumption, the Directors have considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Company from existing cash reserves and from its access to the funding of its parent Group Naked Wines PLC and (iii) potential variations in the cash requirements of the Company and the Group taking into account severe yet plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook.

As set out in note 23, events after the balance sheet date, the Company's parent Group entered into an Asset Backed Lending facility on 31 March 2022 which provides up to \$60 million of additional borrowing secured against the stock holding of its US business. www.nakedwines.com Limited is a participant and guarantor of the credit facility.

At the time of the preparation of the consolidated Group annual report and accounts and the parent company report and accounts in June 2022, Group management forecasts prepared showed that whilst under a base case scenario the Group had sufficient liquidity over a twelve month time period, a severe but plausible downside resulted in the Group being unable to meet the profit convenient commitment of the credit facility. Accordingly at that time, the Group prepared its accounts on a going concern basis but recognised that there existed a material uncertainty which may have cast significant doubt on the Group's ability to continue as a going concern.

under a severe but plausible downside scenario.

On the 19 October 2022, the Group completed a renegotiation with its bank of the credit facility profit covenant commitment, replacing the previous repeat contribution profit covenant with a facility defined adjusted EBITDA covenant which the Directors believe provides the Group with an accessible credit facility in a wide range of economic circumstances.

On 20 October 2022, the Group announced a change in medium terms strategy which has resulted in significantly higher short and medium term profitability but which in the short term results in a higher working capital cash absorption.

As part of its FY23 interim reporting process, the Management of the Naked Wines Group prepared a new business forecast for the eighteen month period from October 2022 until March 2024 reflecting both the change in the credit facility profit covenant commitment and the impact of the change in the Group's operating strategy.

Evaluation of this forecast in both a base case and severe but plausible downside scenarios showed that the Group would be able to continue to trade in all the scenarios modelled. Furthermore, the Group retained headroom over all of its credit facility covenant commitments under the base case and downside scenarios and as such was able to continue to access the credit facility over the forecast period.

The www.nakedwines.com Limited business forecast prepared by Management at the same time included cash flow forecasts extending for more than 12 months from the date of this report to assess the liquidity of the Company, including the modelling of the availability and utilisation of the Group's asset backed lending facility. These forecasts showed that the Company continued to be profitable and cash generative over the period from 1 October 2022 to March 2024. Furthermore, the Directors of www.nakedwines.com Limited have scrutinized the Group forecast carefully and note that the Group forecast shows that it has sufficient resources to continue to meet its liabilities as they fall due in both the base case and severe but plausible downside scenarios.

On the basis of its own forecasts of more than 12 months from the signing of these accounts and examination of the forecasts prepared by the Group, the Directors of www.nakedwines.com Limited have a reasonable expectation that the business will continue to meet its liabilities as they fall due for a period of more than twelve months from the date of signature of these statutory accounts. Accordingly, these financial statements are prepared on going concern basis.

The strategic report sets out the principal risks and uncertainties facing the company.

Directors' liabilities

The company's ultimate parent, Naked Wines plc, maintains indemnity to all directors of its subsidiaries against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Events since the balance sheet

On 31 March 2022, the Naked Wines Group and www.nakedwines.com Ltd as a participant and guarantor entered into a 36-month senior secured credit facility with Silicon Valley Bank as administrative agent and issuing lender for up to \$60 million of credit based on the inventory held by Nakedwines.com Inc, a sister group company to www.nakedwines.com Ltd. The facility is secured against the assets of the Naked Wines Group. Interest payable on this facility is calculated on a margin above SOFR with a commitment fee on undrawn funds. As a guarantor, the company is not directly exposed to the financial impact of this facility. However, as an indicative impact of its financial effect across the entire group, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, a representative \$10 million of drawdown for 12 months would amount to a total interest and commitment fee payable of approximately £0.4 million.

On signing, the Company became guarantor to three substantive financial condition covenants in relation to this credit facility:

- a) A facility defined Group level minimum balance sheet current ratio test;
- b) A facility defined Group level minimum qualified cash balance of \$20m to be held with loan parties at all times;
- c) A Group level profit covenant calculated as a minimum repeat contribution level to be equal to or greater than facility defined quarterly contribution targets over the course of the agreement.

On the 19 October 2022, the Directors concluded a first amendment to the Group's asset backed lending facility where the original profit condition covenant was replaced by a new facility defined adjusted EBITDA profit test. This new covenant came into effect for periods beginning after 26 September 2022.

The introduction of the revised covenant has no financial effect on the operation of the credit agreement. However, the Directors believe that this new profit covenant test provides significantly greater latitude to the orderly operation of the facility across a wide range of economic circumstances.

There were no other events after the balance sheet date that had a material impact of the financial position and performance of the company.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

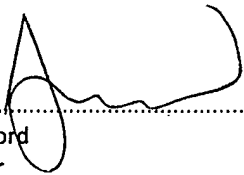
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Deloitte LLP as auditor of the company.

Approved and authorised by order of the Board:


.....
J Crawford
Director

Date: 15/12/2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of www.nakedwines.com Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of www.nakedwines.com Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 28 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 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, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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 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 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included local licensing and alcohol laws, and the UK Bribery act.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it below:

We presume a risk of material misstatement due to fraud relating to revenue. This was pinpointed to the risk of manipulation of revenue journal entries. As Naked Wines is an online retail business, sales journals are collated based on data recorded automatically in the online sales system point of order. Given the high volume and low value of individual sales transactions, we considered the risk of material error to be as a result of manual journals posted by management to override financial reporting processes and controls in order to manipulate results.

In order to address the risk of fraudulent recognition of revenue due to management override, our procedures included:

- Obtaining an understanding of the relevant controls over the recognition of revenue and management override.
- Assessing the revenue recognition policy to understand the characteristics that might indicate revenue journal entries outside the normal course of business.
- Using our data analytics tools to identify a population of manual entries to revenue, from which we have selected a sample of items. We have challenged management on the business rationale for these entries and agreed to supporting evidence.
- Performing historical monthly gross margin analysis to identify and investigate any unusual trends or fluctuations in the data which were not in line with our knowledge of the business.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in 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.



Paul Schofield FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, UK

Date: 15 December 2022

www.nakedwines.com Limited
Statement of comprehensive Income
For the 52 weeks ended 28 March 2022

	Note	2022 £'000	2021 £'000
Continuing operations			
Revenue	3	146,958	133,058
Cost of sales		(105,653)	(95,747)
Gross profit		41,305	37,311
Distribution costs		(17,216)	(13,614)
Administrative expenses		(19,665)	(17,835)
Operating profit	4	4,424	5,862
Finance charge	6	(21)	(3)
Profit before tax		4,403	5,859
Income Tax	7	(573)	(872)
Profit for the financial year		3,830	4,987

There is no other comprehensive income for the current or prior year.

www.nakedwines.com Limited
Balance sheet
As at 28 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Property, plant and equipment	9	146	202
Right-of-use assets	10	466	35
Investment in subsidiaries	11	-	-
Non-current receivables	12	41,240	26,947
Deferred tax asset	8	745	472
		42,597	27,656
Current assets			
Inventories	13	27,919	19,517
Trade and other receivables	14	2,154	8,651
Financial instruments at fair value	16	324	41
Cash and cash equivalents		10,299	2,778
		40,696	30,987
Current liabilities			
Trade and other payables	15	(60,147)	(39,470)
Lease liabilities	17	(198)	-
Provisions	18	(985)	(686)
Financial instruments at fair value	16	(476)	(1,405)
		(61,806)	(41,562)
Net current liabilities		(21,109)	(10,574)
Total assets less current liabilities		21,487	17,082
Creditors: Amounts falling due after more than one year			
Lease liabilities	17	(276)	-
Net Assets		21,211	17,082
Equity			
Share capital	19	5	5
Profit and loss account	19	21,206	17,077
Shareholders' funds		21,211	17,082

The financial statements of www.nakedwines.com Limited (registered number 06672317) were approved by the board of directors and authorised for issue on 15 December 2022. They were signed on its behalf by:


J Crawford
Director

www.nakedwines.com Limited
Statement to changes in equity
For the 52 weeks ended 28 March 2022

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 30 March 2020		5	11,935	11,940
Profit for the year		-	4,987	4,987
Total comprehensive income for the year		-	4,987	4,987
Transactions with owners:				
Transfer to shareholders' funds - Credit to equity for share based payments	20	-	98	98
Tax credit on employee share options	7(b)	-	57	57
Total transactions with owners		-	155	155
At 29 March 2021		5	17,077	17,082
Profit for the year		-	3,830	3,830
Total comprehensive income for the year		-	3,830	3,830
Transactions with owners:				
Transfer to shareholders' funds - Credit to equity for share based payments	20	-	306	306
Tax charge on employee share options	7(b)	-	(7)	(7)
Total transactions with owners		-	299	299
At 28 March 2022		5	21,206	21,211

1. General information

www.nakedwines.com Limited ("the company") is a private company, limited by shares and incorporated in the United Kingdom under the Companies Act 2006 (registration number 06672317). The company is domiciled in the United Kingdom and is registered in England and Wales. The Company's registered address is The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY. The company is a wholly owned subsidiary of Naked Wines International Limited, which itself is a wholly owned subsidiary of Naked Wines plc. Naked Wines plc is registered in the United Kingdom and copies of the financial statements of the Naked Wines plc Group for the 52 weeks ended 28 March 2022 are available via the Investors section of the Naked Wines website: www.nakedwinesplc.co.uk.

The company's principal activity is set out on page 2.

2. Accounting policies

Authorisation of financial statements and statement of compliance

The financial statements of www.nakedwines.com Limited have been prepared in compliance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and in accordance with the applicable accounting standards.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 28 March 2022. The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) The requirements the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*;
- (e) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii. the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- (k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

The financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments, which are held at fair value.

The financial year represents the 52 weeks to 28 March 2022 and the prior financial year, 52 weeks to 29 March 2021. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

2. Accounting policies (continued)

Basis of preparation (continued)

The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of Naked Wines plc which prepares consolidated financial statements which are publicly available. Accordingly, these financial statements are those of the company and not of its group.

New standards, amendments and IFRIC interpretations

The following new amendments that are required to be adopted in annual periods beginning on 1 January 2022, do not have an impact on the financial statements of the company:

IFRS	Subject
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendment to IFRS 16	Impact of the initial application of Covid-19-Related Rent Concessions

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective. The Directors do not expect that the adoption of the Standards listed above will have an impact on the financial statements of the company in future periods.

Effective date	IFRS	Subject
1 January 2022	Amendments to IFRS 3	Reference to the Conceptual Framework
	Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
	Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
	Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
1 January 2023	Amendments to IAS 1	Classification of Liabilities as Current or Non-current
	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
	IFRS 17	Insurance Contracts
	Amendments to IAS 8	Definition of Accounting Estimates
	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Effective date deferred indefinitely	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Critical judgements and key sources of estimation uncertainty

In the process of applying the company'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. The Directors also consider there to be no key sources of estimation uncertainty.

Significant accounting policies

The company's accounting policies, as set out below have been consistently applied during the year.

2. Accounting policies (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

In assessing the appropriateness of the going concern assumption, the Directors have considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Company from existing cash reserves and from its access to the funding of its parent Group Naked Wines PLC and (iii) potential variations in the cash requirements of the Company and the Group taking into account severe yet plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook.

As set out in note 23, events after the balance sheet date, the Company's parent Group entered into an Asset Backed Lending facility on 31 March 2022 which provides up to \$60 million of additional borrowing secured against the stock holding of its US business. www.nakedwines.com Limited is a participant and guarantor of the credit facility.

At the time of the preparation of the consolidated Group annual report and accounts and the parent company report and accounts in June 2022, Group management forecasts prepared showed that whilst under a base case scenario the Group had sufficient liquidity over a twelve month time period, a severe but plausible downside resulted in the Group being unable to meet the profit convenient commitment of the credit facility. Accordingly at that time, the Group prepared its accounts on a going concern basis but recognised that there existed a material uncertainty which may have cast significant doubt on the Group's ability to continue as a going concern under a severe but plausible downside scenario.

On the 19 October 2022, the Group completed a renegotiation with its bank of the credit facility profit covenant commitment, replacing the previous repeat contribution profit covenant with a facility defined adjusted EBITDA covenant which the Directors believe provides the Group with an accessible credit facility in a wide range of economic circumstances.

On 20 October 2022, the Group announced a change in medium terms strategy which has resulted in significantly higher short and medium term profitability but which in the short term results in a higher working capital cash absorption.

As part of its FY23 interim reporting process, the Management of the Naked Wines Group prepared a new business forecast for the eighteen month period from October 2022 until March 2024 reflecting both the change in the credit facility profit covenant commitment and the impact of the change in the Group's operating strategy.

Evaluation of this forecast in both a base case and severe but plausible downside scenarios showed that the Group would be able to continue to trade in all the scenarios modelled. Furthermore, the Group retained headroom over all of its credit facility covenant commitments under the base case and downside scenarios and as such was able to continue to access the credit facility over the forecast period.

The www.nakedwines.com Limited business forecast prepared by Management at the same time included cash flow forecasts extending for more than 12 months from the date of this report to assess the liquidity of the Company, including the modelling of the availability and utilisation of the Group's asset backed lending facility. These forecasts showed that the Company continued to be profitable and cash generative over the period from 1 October 2022 to March 2024. Furthermore, the Directors of www.nakedwines.com Limited have scrutinized the Group forecast carefully and note that the Group forecast shows that it has sufficient resources to continue to meet its liabilities as they fall due in both the base case and severe but plausible downside scenarios.

On the basis of its own forecasts of more than 12 months from the signing of these accounts and examination of the forecasts prepared by the Group, the Directors of www.nakedwines.com Limited have a reasonable expectation that the business will continue to meet its liabilities as they fall due for a period of more than

2. Accounting policies (continued)

twelve months from the date of signature of these statutory accounts. Accordingly, these financial statements are prepared on going concern basis.

The strategic report sets out the principal risks and uncertainties facing the company

Revenue recognition

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 company and the revenue can be reliably measured. Prior to a customer placing an order for wine, amounts received from 'Angels' are recognised as a financial liability under the terms of IFRS 9 and are therefore not considered to be a contract liability in accordance with the requirements of IFRS 15.

Revenue is recognised when the customer obtains control of their purchase and there is reasonable certainty regarding the recovery of the consideration. Specifically to the company, the performance obligations of the company are deemed to be fulfilled when our product is delivered to our customer or Angel, which is typically within one to three days following dispatch. The adjustment for unfulfilled contract income included as part of the deferred Angel balance is considered to be immaterial and therefore no further disclosure is made of this balance in the notes to the accounts.

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

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 online selling teams.

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

Finance charges

Financing charges comprise interest on bonds and lease liabilities. The interest on secured bonds relates to interest paid to bond holders borne on behalf of Naked Fine Wine Bond PLC.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following basis:

- Leasehold improvements on short leaseholds – 50 years, or the lease term if shorter.
- Fittings and vehicles – at rates varying from 3-10 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year that the asset is derecognised.

Impairment of, property, plant and equipment

Impairment reviews in respect of other intangible and tangible assets are performed when an event indicates that an impairment review is necessary.

2. Accounting policies (continued)

Leases

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases of a value of less than the equivalent of £5,000). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses the Group's incremental borrowing rate.

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

The lease liability is presented as a separate line in the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

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

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

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

Assets held under finance leases, where substantially all the risks and rewards of ownership are transferred to the company, are capitalised and included in property, plant and equipment at the lower of the present value of future minimum lease payments or fair value.

2. Accounting policies (continued)

Leases (continued)

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 statement of comprehensive income on a straight line basis over the lease period.

Investment in subsidiaries

The company recognises its investments in subsidiaries at cost less any provision for impairment.

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.

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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the company 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 company 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 recorded at fair value which is estimated to be equivalent to book value.

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

Foreign currency transactions

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 statement of comprehensive income for the year.

The company financial statements are presented in sterling which is the company's functional and presentational currency.

2. Accounting policies (continued)

Derivative instruments

The company uses derivative financial instruments to hedge its exposure to foreign currency fluctuations arising from operational activities. These instruments are foreign exchange forward contracts.

The company 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 statement of comprehensive income.

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.

Pensions

The company contributes to the personal 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 company has no further payment obligations once the contributions have been paid.

Share based payments

Naked Wines plc operates a number of equity-settled share based compensation plans and issues share awards to employees of the company.

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 estimated number of shares or options that are expected to vest is revised and the company recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Tax

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. It is recognised in the statement of comprehensive income 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 tax authority and when the company intends to settle its current tax assets and liabilities on a net basis.

2. Accounting policies (continued)

Tax (continued)

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. Revenue

Revenue is wholly attributable to the principal activity of the company and arises mainly from activities within the United Kingdom.

4. Operating profit

Operating profit is stated after charging/(crediting):	2022	2021
	£'000	£'000
Depreciation of property, plant and equipment	63	71
Depreciation of right-of-use assets	193	154
Loss on disposal of fixed assets	18	-
Expenses on short term and low value leases	8	178
Cash outflows relating to lease	276	199
Inventories recognised as an expense (note 13)	101,256	91,946
Staff costs (note 5)	6,412	5,258
Refund liability provision (note 18)	299	196
Net foreign currency loss/(gain)	(1,109)	1,985

Auditor's remuneration

Audit of the financial statements	60	60
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Audit fees were paid by Naked Wines plc and recharged as part of the management fees.

5. Staff costs

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

	2022	2021
	Number	Number
Administrative and distribution	62	42
Sales	91	83
	153	125

Employee benefit expenses (including remuneration paid to Directors) consist of:

	2022	2021
	£'000	£'000
Wages and salaries	5,650	4,749
Social security costs	577	380
Other pension costs	185	129
	6,412	5,258

5. Staff costs (continued)

Directors' emoluments (and highest paid director) comprised:

	2022 £'000	2021 £'000
Aggregate emoluments	184	100
Pension contribution for 1 director (2021: 1)	18	5
	202	105

Number of directors who exercised share options during the year: 1 (2021:1). 23,344 shares were granted to the highest paid director during the year (2021: 54,001 shares).

One of the directors was employed by the company and that director's emoluments were paid by the company and are shown above. The other Director of the company is employed by and is remunerated by Naked Wines plc.

6. Finance charges

	2022 £'000	2021 £'000
Interest on secured bonds	6	-
Interest on lease liabilities	15	3
	21	3

Interest on secured bonds relates to the amount charged by Naked Fine Wine Bond PLC for interest paid to bond holders.

7. Tax

a) Tax on profit

The tax charge is made up as follows:

	2022 £'000	2021 £'000
<i>Current tax</i>		
UK corporation tax	853	1,175
Adjustment in respect of previous years	-	(274)
Total current tax	853	901
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(130)	(29)
Adjustment in respect of previous year	1	-
Change in tax rate on prior year balances	(151)	-
	(280)	(29)
Tax charge	573	872

b) Tax on items charged/(credited) to equity

The tax charge/(credit) is made up as follows:

	2022 £'000	2021 £'000
Change in estimated deferred tax on share based payments	7	(57)

7. Tax (continued)

c) Factors affecting the tax charge

The tax assessed on the profit for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%) The differences are reconciled below.

	2022 £'000	2021 £'000
Profit before tax	4,403	5,859
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	837	1,113
Adjustment in respect of prior years	1	(274)
Income tax not taxable	(2)	-
Non-deductible expenses	6	32
Change in tax rate on prior year balances	(151)	-
Share based payments	(118)	1
Total tax charge	573	872
Effective tax rate	9.8%	14.9%

Deferred tax balances have been calculated to the substantively enacted rate at which they are expected to reverse.

The chancellor has confirmed an increase in CT rate from 19% to 25% with effect from 1 April 2023 that received Royal Assent on 10 July 2021.

8. Deferred tax

Deferred tax assets and liabilities represent the amounts of income taxes recoverable and payable in the future arising from temporary differences that arise when the carrying value of the assets and liabilities differ between accounting and tax treatments. Deferred tax has been recognised on fixed assets, provisions, rolled over gains and share options.

	Accelerated tax depreciation £'000	Short term temporary differences £'000	Share based payments £'000	Total Deferred tax assets £'000
At 30 March 2020	27	304	55	386
Credited/(charged) to statement of comprehensive income	(27)	55	1	29
Credited to equity	-	-	57	57
At 29 March 2021	-	359	113	472
Adjustment in respect of prior years	-	(1)	-	(1)
Credited to statement of comprehensive income	4	211	66	281
Charged to equity	-	-	(7)	(7)
At 28 March 2022	4	569	172	745

9. Property, plant and equipment

	Leasehold improvements on short leaseholds £'000	Fittings and vehicles £'000	Total £'000
Cost			
At 29 March 2021	35	835	870
Additions	24	3	27
Disposals	(35)	(401)	(436)
At 28 March 2022	24	437	461
Accumulated depreciation			
At 29 March 2021	(25)	(643)	(668)
Charge for the year	(12)	(53)	(65)
Disposals	25	393	418
At 28 March 2022	(12)	(303)	(315)
Net Book Value			
At 28 March 2022	12	134	146
At 29 March 2021	10	192	202

10. Right-of-use assets

	Buildings £'000
Cost	
As at 29 March 2021	343
Additions	624
Disposals	(343)
At 28 March 2022	624
Accumulated depreciation	
As at 29 March 2021	(308)
Charge for the year	(193)
Disposals	343
At 28 March 2022	(158)
Net Book Value	
At 28 March 2022	466
At 29 March 2021	35

The maturity analysis of lease liabilities is presented in note 17.

11. Investment in subsidiaries

	2022 £'000
At beginning and end of the year	-

The company owns 100% of the ordinary share capital of £1 of Naked Wines Prepayments Trustee company Limited, a private company incorporated in the United Kingdom. Its registered address is The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY.

12. Non-current receivables

	2022	2021
	£'000	£'000
Amounts due from parent undertakings	33,535	19,371
Amounts due from fellow subsidiary undertakings	7,705	7,576
	41,240	26,947

The Directors have determined that these amounts are not expected to be recovered within the next 12 months. They are financing in nature, unsecured, repayable on demand and are interest free.

13. Inventories

	2022	2021
	£'000	£'000
Work in progress	14,270	10,680
Finished goods	13,649	8,837
	27,919	19,517

The amount of inventories recognised as an expense and charged to the statement of comprehensive income was £101,256,000 (2021: £91,946,000).

14. Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	1	3
Amounts due from parent undertakings	-	6,000
Prepayments	259	130
Other receivables	1,894	2,518
	2,154	8,651

Trade receivables are non-interest bearing and are on 30 day terms. Other receivables include £1,894,000 (2021: £2,518,000) due from credit card companies.

The amounts due from parent undertakings in FY21 were financing in nature, unsecured, have no fixed payment terms and are interest free and are expected to be settled within one year.

15. Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	(2,118)	(4,540)
Amounts due to fellow subsidiaries' undertakings	(42,380)	(27,656)
Other taxes and social security	(9,688)	(2,053)
Deferred income	(1,022)	(1,163)
Accruals	(4,839)	(3,948)
Other payables	(100)	(111)
	(60,147)	(39,471)

The amounts due to fellow subsidiaries' undertakings, are financing in nature, have no fixed repayment terms, are interest free and are expected to be settled within one year.

16. Derivative financial instruments

The nominal and fair value of financial instruments is shown in the following table. All forward currency contracts have maturity dates within one year. The fair value of the forward currency contracts and swaps was determined using quoted forward exchange rates matching the maturities of the contracts.

	At 28 March 2022			At 29 March 2021		
	Nominal value £'000	Fair value		Nominal value £'000	Fair value	
		Assets £'000	Liabilities £'000		Assets £'000	Liabilities £'000
Forward foreign currency contracts						
Australian dollar	1,753	76	(4)	1,692	3	-
Euro	21,068	-	(393)	23,802	-	(1,312)
New Zealand dollar	2,375	45	(11)	1,710	-	(33)
US dollar	2,644	69	(2)	1,404	-	(60)
South African rand	2,307	134	(2)	740	38	-
	30,147	324	(412)	29,348	41	(1,405)
Forward foreign currency swaps						
Euro	3,367	-	(64)	-	-	-
	33,514	324	(476)	29,348	41	(1,405)

The following table demonstrates the sensitivity to a reasonable change in GBP against the exchange rates with all other variables held constant, of the company's profit before tax:

	Year ended 28 March 2022			Year ended 29 March 2021	
	Sensitivity in exchange rate	Impact of increase in rate £'000	Impact of decrease in rate £'000	Impact of increase in rate £'000	Impact of decrease in rate £'000
Australian dollar:GBP	5%	(88)	92	(81)	89
Euro:GBP	5%	(1,232)	988	(1,135)	1,113
US dollar:GBP	5%	(129)	143	(64)	71
Other currencies:GBP	5%	(183)	289	(111)	49

17. Lease liabilities

The company leased office facilities with a lease term of three years. The maturity analysis of the lease liabilities is disclosed as follows:

	2022 £'000	2021 £'000
Due within 1 year	198	-
Due after 1 year	276	-
Less: unearned interest	(20)	-
Total	454	-

There are no amounts falling due more than 5 years.

18. Commitments

	Less than one year £'000	1-3 years £'000	3+ years £'000	Total £'000
At 28 March 2022				
Wine purchase order commitments	52,009	2,469	-	54,478
Other commitments	5,240	5,642	-	10,882
Total	57,249	8,111	-	65,360

	Less than one year £'000	1-3 years £'000	3+ years £'000	Total £'000
At 29 March 2021				
Wine purchase order commitments	18,701	694	-	19,395
Other commitments	5,186	5,997	-	11,182
Total	23,887	6,691	-	30,577

The company has prepared an analysis of its future minimum amounts payable under non-cancellable agreement for the first time to better articulate the contractual obligations and commitments of the business.

Wine purchase order commitments are made in the course of securing the wine the company sells to its customers.

Other commitments include minimum commitments for the provision of warehousing facilities, delivery services and bottling services.

Prior year numbers have been included as comparatives.

19. Provisions

	Loss on vouchers provision £'000	Refund liability provision £'000	Total £'000
At 29 March 2021	-	(686)	(686)
Provided in the year	(134)	(851)	(985)
Utilised in the year	-	686	686
At 28 March 2022	(134)	(851)	(985)

Refund liability provision

Under the requirements of IFRS 15, the company has established a right of return provision under the requirements to recognise variable consideration in the form of a sales cancellation provision. The company uses its accumulated historical experience to estimate the level of returns on a portfolio level using the expected value method. The resulting outflows are expected within six months.

Loss on vouchers provision

This provision calculates the future expected loss the company is expecting to make on an order that will be placed using vouchers that are currently out in circulation. The number of vouchers in circulation at the balance sheet date is identified and multiplied forecast redemption rates per deal and an average contribution based on historic deals from the past year.

20. Share capital and reserves

Share capital

	2022		2021	
	Number of shares	Value £'000	Number of shares	Value £'000
Authorised, allotted and fully paid				
Ordinary shares of 10p each	54,710	5	54,716	5

There has been no change to the company's authorised or allotted share capital during the year to 28 March 2022.

Profit and loss account

The profit and loss account represents cumulative profits or losses, and other adjustments.

21. Share based payments

The total charge recognised in the Statement of comprehensive income in respect of share-based payments (including social security costs) is £305,000 (2021: £156,000) relating to share schemes.

The company operated two share schemes during the year, all of which are equity settled.

- i) The Naked Wines plc Long-Term Incentive Plan (LTIP) was adopted on 20 July 2016. The first grant of shares under the rules of the scheme was made in July 2016. This scheme is unapproved.
- ii) The Naked Wines plc Share Incentive Plan (SIP) was adopted on 20 July 2016. The first grant of shares under the rules of the scheme was in July 2017.

These schemes permit the grant of shares in respect of Ordinary Shares to selected employees. Shares are normally exercisable between three and five years from the date of grant for consideration not less than market value at grant date. The exercise of SIP shares is not subject to any conditions other than continuous employment. The exercise of LTIP shares granted is conditional on the achievement of specified Group performance targets as well as a superior TSR relative to the Group's peers over a three-year period.

22. Share based payments (continued)

Shares were exercised on a regular basis throughout the year. For LTIP share schemes, the weighted average share price for shares exercised during the year was £7.59 (2021: £4.22) and the weighted average remaining contractual life in years is 1.28 (2021: 1.58). The exercise prices for shares outstanding at the end of the year is £nil.

For SIP share schemes, the weighted average share price for shares exercised during the year was £6.68 (2021: £3.91) and the weighted average remaining contractual life in years is 1.60 (2021: 1.77). The exercise prices for shares outstanding at the end of the year is £nil.

23. Events since the balance sheet date

On 31 March 2022, the Naked Wines Group and www.nakedwines.com Ltd as a participant and guarantor entered into a 36-month senior secured credit facility with Silicon Valley Bank as administrative agent and issuing lender for up to \$60 million of credit based on the inventory held by Nakedwines.com Inc, a sister group company to www.nakedwines.com Ltd. The facility is secured against the assets of the Naked Wines Group. Interest payable on this facility is calculated on a margin above SOFR with a commitment fee on undrawn funds. As a guarantor, the company is not directly exposed to the financial impact of this facility. However, as an indicative impact of its financial effect across the entire group, using a representative current SOFR rate which cannot be predicted in the future and average facility margins which may not be representative of actual final applicable margins, a representative \$10 million of drawdown for 12 months would amount to a total interest and commitment fee payable of approximately £0.4 million.

On signing, the Company became guarantor to three substantive financial condition covenants in relation to this credit facility.

- a) A facility defined Group level minimum balance sheet current ratio test;
- b) A facility defined Group level minimum qualified cash balance of \$20m to be held with loan parties at all times;
- c) A Group level profit covenant calculated as a minimum repeat contribution level to be equal to or greater than facility defined quarterly contribution targets over the course of the agreement.

On the 19 October 2022, the Directors concluded a first amendment to the Group's asset backed lending facility where the original profit condition covenant was replaced by a new facility defined adjusted EBITDA profit test. This new covenant came into effect for periods beginning after 26 September 2022.

The introduction of the revised covenant has no financial effect on the operation of the credit agreement. However, the Directors believe that this new profit covenant test provides significantly greater latitude to the orderly operation of the facility across a wide range of economic circumstances.

There were no other events after the balance sheet date that had a material impact of the financial position and performance of the company.

24. Ultimate parent company

The company's immediate parent undertaking is Naked Wines International Limited, a company domiciled in the United Kingdom.

The ultimate parent undertaking and controlling party is Naked Wines plc which is the parent undertaking of the smallest and largest group to consolidate these financial statements and is incorporated in the United Kingdom.

The registered address for both the immediate parent undertaking and the ultimate parent undertaking is The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY. Group Financial Statements are available via the Investors section of the Naked Wines website: www.nakedwinesplc.co.uk.