A transformational year
Welcome to the new Majestic Wine plc

This has been a truly transformational year: from growth driven by branch expansion to growth built on customer acquisition and retention; from focus on short-term sales to long-term value with propositions that keep customers coming back for more. If you’re thinking this sounds like a big change, you’re right. And this is only the beginning.

Rowan Gormley
Chief Executive
We are committed to delivering sustainable growth in shareholder value through:

1. Doing the right thing for our customers, suppliers, people

2. Disciplined and aggressive investment

3. Data driven test and learn culture

These are not just hollow words. To see what we mean see the Chief Executive’s statement on page 06.
Our four divisions

Four independent divisions each targeting unique customer segments with unique customer propositions.

Our virtuous circle

We have an obsessive focus on customer loyalty – this is the engine that drives growth.

Our new team

Our new senior management team, all with complementary backgrounds, have the autonomy to drive their own divisions.
Financial highlights

The combination of growth in the core business and the addition of Naked Wines has driven the top line by 41.3%. Excluding Naked Wines the original Majestic businesses total revenue has grown 6.2%.

The Group generated free cash flow of £13.8m during the year vs £27.1m in the prior year.

Operational highlights

A transformational year showing encouraging progress against our goals

Positive start to three-year turnaround plan with +4.8% like for like sales performance in the Retail division, the first full year of growth in four years (2015: -0.1%)

Record performance, ahead of expectations from Naked Wines, with sales exceeding £100m, and maiden full year EBIT of £1.0m

Reported Profit performance reflects previously announced increased investment to support transformation plan and acquisition related costs

Reduction of total borrowings related to the Naked Wines acquisition underway. Reinstatement of dividend payments from H1 2017.

On track to deliver £500m in sales by 2019, key performance indicators heading the right way

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Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the operations, strategy, performance, financial condition, and growth opportunities of the Group. By their nature, these statements involve uncertainty and are based on assumptions and involve risks, uncertainties and other factors that could cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and, other than in accordance with its legal and regulatory obligations, the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.
### Majestic Wine plc

**At a glance**

Our four divisions:

#### Majestic Wine

The UK’s largest specialist wine retailer, with 210 branches in the UK, two in France and over 900 highly trained, specialist people.

<table>
<thead>
<tr>
<th>Highlights</th>
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<tbody>
<tr>
<td>Positive start to three-year turnaround strategy</td>
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<tr>
<td>Division back in growth</td>
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<tr>
<td>Talented new team</td>
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<table>
<thead>
<tr>
<th>Market size</th>
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<tbody>
<tr>
<td>£2.2bn</td>
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<table>
<thead>
<tr>
<th>Key financials</th>
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<tbody>
<tr>
<td>Sales for the year (to March 2016)</td>
</tr>
<tr>
<td>£244.0m</td>
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<table>
<thead>
<tr>
<th>% of Group sales</th>
<th>Sales growth</th>
</tr>
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<tbody>
<tr>
<td>60.7%</td>
<td>+5.5%</td>
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</table>

**Proposition:**
We help people find the wines they love

**Competitive advantage:**
900+ delightful team members who love and know wine

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### Naked Wines

Naked Wines funds independent winemakers to make exclusive wines at preferential prices, which we pass onto our customers.

<table>
<thead>
<tr>
<th>Highlights</th>
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<tr>
<td>Exceeded £100m of sales</td>
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<tr>
<td>Delivered new business ROI performance of 104%</td>
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<tr>
<td>301,000 Mature Angels signed up (Mature Angels = Customers for over four months)</td>
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</table>

<table>
<thead>
<tr>
<th>Market size</th>
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<tbody>
<tr>
<td>£17.0bn</td>
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<table>
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<tr>
<th>Key financials</th>
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<tr>
<td>Sales for the year (to March 2016)</td>
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<tr>
<td>£104.3m</td>
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<table>
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<tr>
<th>% of Group sales</th>
<th>Sales growth</th>
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<tr>
<td>25.5%</td>
<td>+27.3%</td>
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**Proposition:**
Making great wine an everyday pleasure, not a privilege

**Competitive advantage:**
The model – crowdfunding independent winemakers

Source: Internal Company figures

* Includes period prior to acquisition
**Commercial**

A specialist on-trade supplier targeting independent restaurants and pubs, with the unique advantage of running their supply chain through Majestic Retail stores.

**Proposition:**
We make your wine list profitable

**Competitive advantage:**
210 delivery hubs enabling more effective, local service

**Highlights**
- Great Value Merchant of the year for the third time

**Market size**
£2.0bn

**Key financials**
Sales for the year (to March 2016)
£45.6m

- % of Group sales: 11.3%
- Sales growth: +7.9%

**Lay & Wheeler**

Specialist fine wine merchant. Lay & Wheeler aims to be a trusted guide for people who love fine wine, supplying the world’s finest wines with a personal service.

**Proposition:**
Your trusted guide into fine wine

**Competitive advantage:**
Committed team specialising in helping normal people discover fine wine

**Highlights**
- New team to refocus business

**Market size**
£0.7bn

**Key financials**
Sales for the year (to March 2016)
£10.0m

- % of Group sales: 2.5%
- Sales growth: +10.0% (before adjustment for En Primeur timing)
Overview
In my last report I described the year to come as one of transformation, and so it has proved. We acquired Naked Wines and brought in a new management team, started the process of restoring the Retail business to growth whilst delivering an impressive performance at Naked Wines. Our plan is progressing well and we are on track with where we said we’d be.

Performance
I am pleased to report that, despite all the changes in the past year, the Group has traded strongly.

Reported Group revenue is up 41.3% to £402.1m and reported profit before tax at £4.7m reflects substantial non-cash charges relating to the Naked Wines acquisition. Adjusting for these and other non-recurring items profit before tax was £15.0m, down from £21.6m in the prior year as a result of previously committed investment costs, the investments related to our plan to drive growth in the original Majestic Retail and Commercial businesses and interest on our debt facilities.

Had Naked Wines performance been consolidated into the Group’s results the prior year, i.e. on a pro-forma basis, revenue would have been up 11.0% and adjusted profit before tax down 11.9%, the majority of which is attributable to the investment costs associated with the Retail transformation plan.

The key factors driving this performance were;

- An improvement in like for like sales in our core Retail business from -0.1% to +4.8%, supported by our focus on getting back to “retail basics”
- Continued strong growth from Naked Wines, most significantly in the exciting US wine market
- +7.9% sales growth in Commercial, our specialist B2B division

It is encouraging to see early signs that the transformation plan is working but I should emphasise that this is a three-year long exercise, and there remains much to do before we can safely say that the Group is back on the growth trajectory we are aiming for.

Majestic people
Among the many talented new faces that have joined us this year, I would like to welcome John Colley, who has joined us to head up our circa £250m revenue Retail division. John has a wealth of retail experience and is the perfect person to lead the Retail division through this transformation.

John has made significant progress on getting the basics right in our core Retail division. The store experience is already much better, prices have been simplified and the range is tighter. However most importantly, he has made a good start at restoring morale amongst our excellent store colleagues.

In our Commercial division, Ben Nicholl has also made a great start at setting up his business as a separate entity to maximise the growth opportunity. Ben has been in the Commercial division from the beginning and knows his market from top to bottom. He is the right person to take this already strong business to the next level.

Phil Wrigley
Chairman
Dividend
The Board has decided not to pay a dividend for this financial year. We are still in the early stages of the transformation plan, and the Board believe that shareholder interests are best served by investing in the business while deleveraging the balance sheet post the acquisition of Naked Wines.

We plan to reinstate the dividend in H1 2017 and have put in place a new policy of a base of circa 35% of adjusted earnings being returned to shareholders each year subject to no major changes in outlook. In addition, we intend to pay special dividends if management determines that excess cash is available that cannot be better used strengthening the balance sheet or reinvesting into the Group. The Board remains committed to maintaining a disciplined allocation of cash between deleveraging, growth and shareholder returns.

Thank you
As a specialist retailer, our people are what make us special. In a year with a huge amount of change, I have been enormously impressed by the commitment and enthusiasm they have shown. So I’d like to take this opportunity to give a very heartfelt thank you to every employee who has supported our plan, from Scotland to Australia.

Looking forward
Although trading conditions in the UK remain tough, the Group is on track with our transformation plan. We remain positive about our long-term prospects and believe that our strategy will deliver our medium to long-term goals.

I look forward to reporting on further development as we execute our plan to restore Majestic to growth.

Phil Wrigley
Chairman

What we do for our people

A fair reward for everyone
Doing the right thing for our people means reward should not just be for the senior management team. We’re serious about our people so we’ve extended our remuneration plan to everyone.

Listening to our people’s views
Within the Retail and Commercial divisions we launched a “Have your say” questionnaire. We need to listen to our teams more, recognise when they have gone beyond the call of duty and make their jobs simpler and easier to do well.

Industry recognition
Naked Wines has featured in the Sunday Times top 100 small companies to work for over the past four years.

World class training
305 trainee managers were put through the WSET Level 3 exams in 2015 (Wine and Spirit Education Trust). We are the only business in the UK that offers Level 3 qualifications to our retail management teams.

Strong trainee schemes
Our Retail division employed 301 trainee managers in the Retail Graduate Scheme in 2015-16. Last year Majestic Retail employed the second largest number of graduates within the 700 UK companies part of the Association of Graduate Employers.

Naked Wines Personal Pathways
At Naked we are passionate about developing people who deliver an excellent service to our customers. Each employee has £300 to spend per year on their personal development through three different pathways: 1) The Naked Pathway – Training in leadership, communications and personal development 2) The Wine Pathway – A Wine industry training scheme 3) The Personal Pathway – Any (sensible!) skill they wish to develop personally e.g. a language course.
Chief Executive’s statement and Strategic Report

It’s been quite a year. A new management team, a transformational acquisition in Naked Wines and the first signs of a turnaround in our original Majestic businesses.

So if I were you, I would want to know...

1. What’s the plan?
2. How’s it going so far?
3. What are we worried about?

(If you have other questions, please feel free to contact our new Investor Relations manager or contact us on our G+ page. Details are on our Shareholder information page of this Report.)

1. What’s the plan?

Like every CEO, my job is to create value for shareholders.

What I like to think we are doing differently is delivering that growth in a sustainable way – in other words, doing it in a way that we can repeat year after year.

Why? Because customer loyalty is the engine that drives sustainable growth.

How we create value: Our business model

We aim to deliver sustainable growth in shareholder value, by doing the right thing for our customers, people and suppliers.

Doing the right thing creates a virtuous circle, which is self-reinforcing and creates compound growth.

To deliver this plan we need to excel at three disciplines:

1. Doing the right thing for our customers, people, suppliers and shareholders
2. A disciplined and aggressive approach to investment
3. A test and learn, data driven culture

These are all driven by the virtuous circle. Over the next few pages I’ll explain how this plan will work.
How we create value: Our business model

- Doing the right thing
- Extreme customer loyalty
- Cash, which can be reinvested in growth
- The best people and the best suppliers

This way...
It is very fashionable to claim to be profitable and nice. We don’t go along with that. We believe you have to be nice to be profitable.

Just in case I have not made the point... we don’t just focus on customer retention, we obsess about it. Let me show you an example:

The clever young man who runs Naked Wines UK, Eamon Fitzgerald, spotted something interesting.

We ask all customers who interact with us to rate the experience on a scale of 1-5.

Eamon noticed that customers who had a 5* experience were 62% more valuable than customers who had a 4* experience. 62%!

He knows a seam of gold when he sees one, so he rebuilt our customer service function to deliver 5* experience.

1. We changed the name. From customer service to The Customer Happiness Team.
2. By reading the data behind our tests we can change how we motivate our teams. We stopped measuring the number of calls per hour and now only measure 5* ratings.
3. We put a new pay scheme in place where someone who does their job well can grow their income by 20% a year.

The result... 5* ratings have increased from 86% to 90% this year and customer retention has increased from 78% to 80% in the same period.

If you want to know more, read a book called “The Loyalty Effect” by Fred Reichheld

Being disciplined and aggressive sounds like a contradiction in terms. This is what we mean by it:

Disciplined investment
We are instinctively a lean company. We don’t pay fancy salaries (please be sure to read the footnotes to the Directors’ remuneration table!), the offices are not too glossy and we don’t do vanity projects.

So when we talk about a disciplined investment strategy, any proposal has to answer three questions:
1. Does it create value?
2. How do we know it’s working?
3. Can we get our money out again if it stops working?

Aggressive investment
Many companies regard investment as a necessary evil. We regard it as an opportunity to beat the market.

Where we can spend more money and get a return we will. When we talk about investment, we don’t just mean bricks and mortar – we mean any opportunity to deploy cash to generate value.

This means we are agnostic about whether we invest in Capex or Opex, in the UK or the US, in Naked Wines or the original Majestic businesses.

An investment we made this year which delivered attractive ROI is wine quality. We measure our wine quality through “Buy It Again” (BIA) scores that our Angels give our wines. We saw that Angels with stronger BIA ratings across their first orders deliver much greater loyalty and lifetime value.

So we tested investing more into our wines; this reduced gross profit at first but increased the BIA ratings by 10 basis points, increasing the lifetime value of our Angels.
We don’t debate, we test. Because that way we know what works, and we know it a lot sooner than if we spent ages debating it.

Test and learn companies are also able to spot the stars of tomorrow; they are the ones looking to find a better way today.

An example is the current recalibration of Naked Wines, away from a loss leading recruitment strategy to one where we focus on higher quality customers with higher retention through better quality wines. As a result we are recruiting less, but higher quality Angels and are focusing more on lifetime values. In the USA, for example, our customer attrition rate in the past year has fallen materially from these new measures.

The end result of this is that we are delivering the same or better ROI, can open new channels of marketing, i.e. invest more, and will have a bigger business in three years than we would have had.
2. How’s it going so far?

In short...

- Some early signs of success
- I am delighted with our new team
- But this is a three-year plan, all of our big projects are at a very early stage and still have a long way to go before we see their effects.

Early signs...

I am pleased to say reported Group revenue is up 41.3% (11.0% pro-forma). Due to the increased investment of £4.1m as part of our Majestic transformation programme Group adjusted profit before tax is 11.9% lower on last year on a pro forma basis, (-30.3% lower on a reported basis). Reported profit before tax of £4.7m was achieved after recognition of significant non-cash and one-off items. So the early signs are encouraging, but at the risk of repeating myself, this is the start of a three year plan – it is too early to say that it is working yet.

How are we doing in executing our plan?

In our view, these five Group Key Performance Indicators are the best way of measuring how we are doing in delivering our “deliver value by doing the right thing” plan.

We are in the process of embedding these across the Group, so there remain a number of “N/A”s in the table below which we will get populated in the coming months. However, as you can see, we have good progress in three of these in the Retail division. The one number that is going the wrong way is team retention. As we’ve said before we expect this to get worse before it gets better, as the changes we are making to the business bed in and staff decide whether the new Majestic is right for them or not.

<table>
<thead>
<tr>
<th>GROUP KPI</th>
<th>DEFINITION</th>
<th>MAJESTIC RETAIL</th>
<th>NAKED WINES</th>
<th>MAJESTIC COMMERCIAL</th>
<th>LAY &amp; WHEELER</th>
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</thead>
<tbody>
<tr>
<td>Repeat customer retention</td>
<td>% of repeat customers from 12 months ago that are still repeat customers, as measured from our customer databases</td>
<td>68% (FY15: 66%)</td>
<td>66% (FY15: 64%)</td>
<td>80% (FY15: 78%)</td>
<td>92% (1) (FY15: 90%)</td>
</tr>
<tr>
<td>Product availability</td>
<td>% of targeted range available in stores/on websites as indicated by our inventory reporting</td>
<td>66% (FY15: N/A)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Team retention</td>
<td>% of key staff (e.g. store managers) as of 12 months ago still working per payroll records</td>
<td>75% (FY15: 78%)</td>
<td>N/A (2)</td>
<td>81% (2) (FY15: N/A)</td>
<td>76% (FY15: 84%)</td>
</tr>
<tr>
<td>Wine quality (Buy It Again ratings)</td>
<td>% of “Yes” scores in the last 12 months as recorded by websites/apps</td>
<td>N/A (FY15: N/A)</td>
<td>89% (FY15: 88%)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Proportion of 5* service ratings</td>
<td>% of service ratings scoring 5* in last two months as recorded by websites/apps/ telephone feedback</td>
<td>86% (FY15: N/A)</td>
<td>90% (FY15: 86%)</td>
<td>N/A</td>
<td>N/A</td>
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Note that we also measure some additional KPIs in each of the businesses which you will see discussed in the Managing Director’s discussion.

(1) Cellar Circle only
(2) All staff
Retail
Our plan to restore the core Retail business to growth is a simple one:
1. Get the basics right
2. Rebuild the supply chain to deliver the right product in the right store at the right time
3. Deliver a joined up IT and multi-channel proposition

How have we done?
The positive results in Retail were driven heavily by our “get the basics right” project, which was about doing a better job at looking after our people, simplifying pricing, making the stores more shoppable, improving the customer experience, etc. I think the new team have done a great job at getting the basics right – just walk into a Majestic store and see what I mean!

During the year we got rid of the requirement to buy six bottles – we do not expect this to have a material impact on the results one way or another but it reflects our focus on making the shopping experience better for the customer.

The supply chain and IT projects have a two-year delivery timetable so we did not anticipate any benefit in the past financial year.

Although we are delighted with the early results in Retail, it is too early in the programme to be sure that this is a trend, rather than a bounce.

However, I am delighted by how well the people have responded to the changes and this alone gives me cause for optimism for the future.

Commercial
To enable Commercial to fulfil its potential as a specialist B2B merchant our focus is:
1. Establish Commercial as a stand-alone business unit
2. Like Retail, rebuild supply chain and IT capabilities
3. Improve the efficiency of our new customer acquisition process

We are at the early stages of these projects, but there are encouraging signs that Commercial will revert to long-term double-digit sales growth.

Naked Wines
Naked Wines has had a great year, delivering over £100m of sales and a maiden profit. This is a tribute to the strength of the business model, the quality of the team, and the quality of the data on which to base decisions.

Our plan is to do more of the same and look to increase the investment in:
1. New winemaker and new customer acquisition
2. Improved wine quality
3. Improved service

This acceleration in investment is underpinned by solid data, showing that not only are these investments doing the right thing, they are also creating shareholder value.

Lay & Wheeler
Lay & Wheeler is our smallest division by some way. The market in which it operates has fundamentally changed and innovation is required for the division to deliver its potential.

My view is that there is a good business in there, we need to give it the opportunity to prosper.

- The brand is strong and has recognition and respect among the target audience
- The business needs to be reconfigured to prosper without relying solely on Bordeaux weather or French winemakers
- The customer economics are compelling

Due to the low profitability of Lay & Wheeler, the high carrying value and the volatility of revenue and profits, we determined that it was appropriate to write off the goodwill associated with the business during Financial Year 2016.

Team
By far the most exciting thing accomplished so far is the quality of the people we have been able to attract.

John Colley brings fantastic levels of energy and people leadership – two qualities we sorely needed. John has had a huge impact in his first six months, and in his words “I haven’t even started yet!”

Luke Jecks has done a brilliant job at Naked Wines, over-delivering against the investment case at the time of acquisition, but more importantly, positioning Naked Wines for future growth by developing the team and building the business in some challenging and competitive markets.

Ben Nicholl knows his business back to front, has done a fantastic job of establishing the Commercial division as a separate business and I believe he will take this division from strength to strength.

James Crawford is an exceptional CFO. He combines a firm grasp of the financial detail with the ability to apply that strategically. His 13 years at Diageo give him a truly fresh perspective on the business, making him a huge asset to the team.

I have been delighted at how open the Majestic team has been to the transformation programme, and how loyal they are to the Company they joined, many of them many years ago. In our top 35 people we have a cumulative 300+ years of Majestic experience.

To the Naked people, I want to say a huge thank you for sailing through all the changes in such an eventful year.
3. What are we worried about?

What hasn’t gone so well?

Inventory control in Naked Wines USA For several reasons, some of them self-inflicted, we lost sales in the US because we ran out of key selling lines at peak trading times. This is avoidable in the future, and we now have a planning process in place to avoid a repetition.

Commercial growth rate While Commercial grew at 79%, which is significantly ahead of the market, we could have done better. The reason is that we brought on some key people later in the year, so we did not get a full year’s contribution from them. We have learnt and not repeated that mistake.

Lay & Wheeler We are still too dependent on en primeur, which is in the hands of the weather gods and the Châteaux. We have a plan in place to reposition L&W in a more sustainable and predictable market but are still in the very early stages of how this will work in practice. We decided this year that the business did not support the goodwill we were carrying and so impaired the £2.6m of goodwill associated.

Naked Australia had a bad year. Since the acquisition, we moved Luke Jecks to the USA. This was the right thing to do for the business, but left a big gap in Australia. We now have a new MD of Australia, Greg Banbury, who was one of the founders of Naked Wines in 2008.

Competition

The wine market is hugely competitive, and we expect it to become more so as the industry consolidates.

Our strategy is to focus on doing what we do, and to do it better than anyone else.

In the case of Naked Wines, it is inevitable that the Naked Wines model will attract attention and competitors, who will be looking to innovate to erode our competitive advantage.

So what do we do about it? Our plan is to continue to innovate, and execute brilliantly by:

- Improving value for money – improve our quality of wines by putting more wine in the bottle
- Improve service levels
- Attract and retain the best winemakers on the planet

If we can make our business so good that the best winemakers in the world want to get Naked, we will be in a strong position to deal with the competitive pressures.

Regulation

We are confident that our regulatory position is robust.

However, competitors who fail to beat us in the market, may well resort to trying to use US regulation to limit our growth.

Our approach to this is:

- Accept that it is inevitable
- Ensure we pay all taxes on time and in full
- Ensure that all our paperwork is squeaky clean
I believe that our plans are clear, simple and right. However, there is a lot to do all at once, at the same time as day-to-day trading.

That is why we have built a team, not just for today, but for the future.

We have entered the new financial year with excitement, tempered with caution.

I have addressed all the areas that cause us to be cautious. We are excited because we now have a solid foundation for growth, and the team to deliver it.

To repeat:
– This is a three-year programme and we are too early into it to be able to confidently forecast success, but we are definitely well placed.
– Trading conditions remain tough in the UK especially, and we expect them to stay that way, the long-term indicators are looking positive and the signs are that the plan is working, but we have a lot to do!

Rowan Gormley
Chief Executive
17 June 2016
About Majestic Retail
Majestic Retail is the UK’s largest specialist wine retailer, with 210 branches in the UK and two in France. Majestic Retail aims to help people find the wines they will love through the expertise of over 900 highly trained, specialist people.

Majestic Retail’s customer service, range and people set it apart from a sea of retailers.

John Colley
MD Majestic Retail
John has over 20 years of senior retail experience. Prior to joining Majestic he was Chief Executive Officer of Praxis Netherlands, a Dutch based DIY chain. He also held senior positions at Kingfisher plc, working as Commercial and Marketing Director in B&Q, and Commercial Director at Screwfix.

This year
We have achieved a lot in the nine months since I became MD – and I am pleased to say that we are starting to see the results with sales up +4.8% on a like for like basis. I would like to take this opportunity to say a big thank you to all the Store, Support and Distribution Centre teams that have made this happen.

We have seen a very strong increase in the number of active customers who have made a purchase in the last year, up 12% to 775,000 (2014/15: 692,000 including Calais). This has been driven by the removal of the minimum purchase requirement, which has in turn reduced our average transaction value. Our market share has increased to 4.53%. These have both been driven by our re-focus on the customer experience.

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<thead>
<tr>
<th>KPI</th>
<th>FY16</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeat Customer Retention</td>
<td>68%</td>
<td>66%</td>
</tr>
<tr>
<td>Product availability</td>
<td>66%</td>
<td>N/A</td>
</tr>
<tr>
<td>Team retention</td>
<td>75%</td>
<td>78%</td>
</tr>
<tr>
<td>Wine Quality (Buy It Again)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Proportion of 5* service ratings</td>
<td>86%</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of revamped stores</td>
<td>4</td>
<td>N/A</td>
</tr>
<tr>
<td>Return on Investment on new customers</td>
<td>c.30%</td>
<td>N/A</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>70%</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Key initiatives implemented during the year include:

- Removal of the six-bottle minimum purchase requirement
- Simplified our pricing proposition, to offer good value to all and excellent value to people buying six bottles or more
- The product range has been rationalised and enriched – we have removed a number of duplicated products and created space for more variety and excitement
- We restructured the bonus schemes, introduced fairer remuneration to all, invested heavily in training and have given more autonomy to store managers
- Made the stores cleaner, simpler and easier to shop
- Recruited an in-house IT team and are migrating Majestic onto the Naked Wines’ IT platform, enabling better use of customer data throughout the Group
- Worked on availability of products, with the right stock in the right store at the right time
1. Experience

How do we win?
Our shopping experience will become simpler, easier and more pleasurable. Our service will evolve to be completely omni-channel with alignment between our online, digital and in-store experiences. A greater focus will be put on customer loyalty and retention by improving our customer relationship and experience.

What’s the plan and how do we measure performance?

Stores
A key part of our plan is to make the shopping experience simpler and more enjoyable, making it easier for our customers to find the wines that they will love when they shop with us. A new simplified pricing proposition has been implemented and revamped store formats are currently being rolled out. The new format is less cluttered, reducing the warehouse feel with clearer pricing, merchandising and greater visual inspiration. We aim to have all of our stores revamped in the coming years, which will account for the majority of the Capex requirements in the division.

5* Feedback
Our shopping experience will be improved by focusing on 5* customer ratings. We have been sending out feedback emails to new customers and it has so far been a huge success, with over 5,000 responses. In recent weeks we’ve seen an increase in 5* ratings to 89%, a pleasing improvement in a short period.

Digital
Collecting and using our data is vital for us to improve our service and offering. We are working on migrating Majestic onto the Naked Wines IT platform allowing our team to access customer information and make more personal recommendations based on previous orders as well as to tailor marketing communication by customer segments. To support this we will shortly be rolling out Wi-Fi in all of our stores.

As part of our digital re-platforming, developments on our website, mobile site and app are currently in progress. Current work around exploring replenishment options will also support better delivery for customers and a more streamlined replenishment system for stores.

Community
Our York store flooded at the end of December and is now re-opened after a new fit-out. We’ve made the store lighter, smarter and a more welcoming place to shop than ever. Between 22 April and 1 May, we donated 20% of in-store sales to The York Flood Appeal. The York Flood Appeal, set up by Two Ridings Community Foundation, supports people who have been affected by the flooding in York. The York Flood Appeal.

Two Ridings Community Foundation. Charity reg no 1084043.
2. Product offer

How do we win?
Our product offer will be innovative and unique. Our goal is to create a market leading range that stands out from the competition with a focus on exclusive products to give the best value, quality and choice to our customers.

What’s the plan and how do we measure performance?
Range
We are constantly improving our range, introducing exciting new wines and also working with independent winemakers who can work exclusively with us through smaller parcels of products. The changes we have made to our range this year include: reducing the number of SKUs in store, improving quality and innovating through lesser known brands all of which have been positively received.

Our Craft Spirit and Beer offering has rapidly increased and a large percentage of our spirits and beers have won awards, giving us a competitive and exciting range in a rapidly growing market.

To measure our quality of products we are currently rolling out a “Buy It Again” rating. Customers can rate quality and we can tailor our products to their tastes.

Building brands
Our Definition label launched in September 2015 with 12 wines captures the essential qualities of the world’s greatest wine styles. The range has been well received by customers with over £5m worth of sales. In the International Wine Challenge and the Decanter World Wine Awards the wines won 24 awards in total. We’ve now introduced an own label range of craft beers, King of Hops, and see brand development as key for our future strategy.

Innovating
Reacting to market trends is vital to our success. Portugal has been a great success this year, our newly extended range has seen sales grow by 166%. This has been led by the phenomenal success of our exclusive wine Porta 6.

3. Making it easier

How do we win?
Our people are our biggest strength so the majority of their time needs to be spent with customers. To do this we need to make sure they have the right product at the right time – aided by an automated support system and a more flexible store environment.

What’s the plan and how do we measure performance?
Simplifying tasks
Our team is our key strength at Majestic. Customers should always receive a personal service from us and be able to ask us for advice and recommendations. We are therefore simplifying our teams’ roles, taking administrative tasks to the Support Centre and streamlining supply chain management and delivery.

Availability
We aim to increase our availability of products to at least 85% for our core range and higher for products promoted in our direct marketing. We are working on improving our supply chain replenishment model in the coming year.

Stock availability is now a key measure of performance. Since last year we have reduced working capital tied up in stock by 9.2%.
4. People

How do we win?
Customers rate the quality of our people as the number one reason why they shop with us. We want to make Majestic not just a great place to work but also a place to develop and learn.

What's the plan and how do we measure performance?

Internal engagement
Our current manager retention levels are at 75%, a broadly flat performance on the first half of the year.
Earlier in the year we launched a “Have your say” questionnaire and employee engagement survey. Our employee engagement was 70% and we want to improve engagement scores to 80% by the end of the 2017 Financial Year. We are addressing the issues raised by our teams and have started work on improving the store environment. All our people from 1 April 2016 are paid the Living Wage and we are now also applying to be an accredited employer of the Living Wage Foundation.

Remuneration (See Remuneration Report for more details)
Our changes in remuneration will reward everyone for their performance, not just the managers at the top. The new Annual Performance Bonus Scheme will give every employee the opportunity to increase their earnings if they, and the Company, exceed targets. A Long Term Incentive Plan and Share Incentive Plan are being introduced to the whole Group to reward staff at every level of the business for their performance.
Finally, we are introducing a Rising Stars development programme to recognise and train the talent we have in Retail to build our leaders of the future. There will also be greater opportunities to move across divisions and work at Naked Wines and Majestic Commercial for those on this programme.
In summary
We have started to implement a strategy which will result in a customer focused business delivering sustainable growth. Our initial steps have:
- Increased our number of active customers by 12%
- Improved the shopping experience
- Started to recognise our most important assets, our people
We are however only at the beginning of this process. Investment has been made in two main areas so far:
1. The Store branches – Increasing team levels, store appearance and experience
2. The Support Centre – Increasing support in Merchandising, Marketing, Retail Operations, IT and HR
A lot more is to come, revamping stores, improved supply chain and IT systems, to name but a few of the projects we are busy working on.

Needless to say I am very proud of the results the team have delivered this year and are really getting stuck into key parts of the transformation plan. We are not standing still and I believe that our core model and proposition will be strengthened and positioned for growth over the coming periods.

What roles have you held at Majestic Retail?
I joined Majestic soon after graduating in October 2010 as a trainee in the Lincoln store. I have since worked in our Stratford-upon-Avon, Stourbridge, Derby, Worcester, North Nottingham and Leicester stores. I was promoted to regional manager of Surrey, Hampshire and West Sussex in March this year.

Why did you choose to work for Majestic Retail?
As part of my degree I spent six months working in France as an au-pair. The family I worked for own a small Champagne house in Bouzy. I did not drink wine when I arrived and left six months later with the somewhat expensive taste for champagne! After graduating, I was keen to find a job that would allow me to meet and talk to lots of people, work in a team and combine on-the-job training with a recognised qualification, and Majestic allowed me to do just that.

What makes working at Majestic Retail special?
Our buyers work really hard to ensure we have an interesting, exciting range of wines that rivals those of our competitors. Our teams are really knowledgeable, their passion for wines is palpable and they’re fantastic at sharing this passion with our customers. With free tasting every day, free delivery, great people, an awesome range and now no minimum purchase, I really believe we have a compelling, market-beating customer proposition.

What support and training have you received since you started at Majestic Retail?
All of our trainees study for their Level 3 WSET qualification and there are then a range of customer service and management courses that follow. About six months ago I had the opportunity to undertake a leadership course and I have been receiving on-the-job training before becoming a regional manager.

How do you feel about the changes that have been made this year?
The changes are improving staff engagement, driving efficiency and raising customer service levels. As a company we are far more focused on staff training and development than we’ve ever been which I think is a huge positive. The move to selling single bottles has made us far more accessible, particularly to new customers, and the revamps that are coming up will dramatically help the stores’ appearance and make our store teams jobs a lot easier to do well.

Q&A
Rachel Carr
Regional Manager

“The changes are improving staff engagement, driving efficiency and raising customer service levels.”
Business review

Naked Wines

About Naked Wines

We set up Naked Wines because we believe that the wine industry could be so much better.

The two important people – the wine drinker and the winemaker – could be getting a better deal. So we decided to do something about it. The model we came up with turned out to be ahead of its time... crowdfunding. Our customers support independent winemakers, and in exchange get exclusive access to delicious wines, at preferential prices.

The whole premise of Naked Wines is that you are joining a community and benefiting from the recommendations and experiences of fellow consumers. Our belief is that great wine should be an everyday pleasure, not a privilege.

We give talented winemakers the freedom and time to make wines that inspire, supported by a community of passionate wine drinkers, which results in a virtuous circle where everyone is better off; customers get a full experience, not just a product, and the best wines you’ve ever tasted!

Naked Wines has a fast growing and loyal subscriber base of over 301,000 Mature Angels (subscription customers for 4 months or more) across its three markets and works with over 152 independent winemakers in 14 countries.

This year

Since our acquisition by Majestic Wine we have been able to invest for long-term growth. We believe that to deliver sustainable growth you need to do the right thing by your customers, suppliers and people.

The removal of our previous capital constraints therefore allowed us to focus on:

a) Improving wine quality (measured through Buy It Again ratings)
b) Improving service levels (measured through 5* service ratings)

These changes have had a big impact; improving customer retention by shifting from a high mass, high churn consumer model to one where we have recruited high quality customers with greater retention and lifetime values. In the USA alone our customer attrition rate in the past year has fallen materially from these new measures.

As a result we’ve improved our financial results, exceeding the £100m sales milestone and making our first ever profit.

We have to admit we are slightly embarrassed to have made a profit this year. This is a sign that we have not invested as strongly as we should have (particularly in the USA as we had less inventory than we needed during the year). Our goal is to keep finding opportunities to invest in and we plan to increase our growth spend in the business this year.

Our target Return On Investment for Naked is 75%. We achieved a total of a 104% ROI this year, and made £3.3m of investment directed at growth, giving us confidence the right strategy is to increase investment to maximise return.

Luke Jecks
MD Naked Wines

Luke launched Naked Wines in Australia in 2012 and was promoted to MD of Naked Wines International in April 2015. He has over 19 years’ experience within the industry across five different countries. Prior to Naked Wines he was the Sales and Marketing Director at Cellarmaster Wines (Australia’s largest Direct Wine company) and has previously launched wine club businesses for Fosters in the UK and Switzerland.
The plan
Our model is based on a virtuous circle:

- **Doing the right thing.**
- **Generates extreme customer loyalty.**
- **Generates cash, which can be reinvested in growth.**
- **Attracts the best people and the best suppliers.**

1. Customer loyalty

We are obsessed with our Angels’ loyalty and deliver a higher customer retention than many other retailers because of this.

**Data**

Naked Wines’ customer engagement strategy is underpinned by our analysis of our data. We talk to our Angels with personalised communication using our database of over six million customer ratings. Using a test and learn approach we measure the ROI on all our campaigns, if we’re not producing the desired result we can either modify or stop that action.

**Empowering our teams**

We give our people the power to make customers happier. For example, “Project Giraffe”, a fund for each team member to “stick their neck out and blow a customer away with amazing service” and “Project Shark Tank”, a Dragon’s Den style competition for staff to present their ideas on how to improve the business. (This is how our Text for Wine service started!)

Most companies strive for positive feedback which is often quantified as 3 or 4 stars, or the equivalent benchmark of a 50 out of 100 Net Promoter Score (NPS is willingness of customers to recommend a company’s products or services to others). We strive for 5* feedback only and our NPS from our Mature Angels currently stands at 64 out of 100 for the UK and USA, and 61 out of 100 for Australia. Our Customer Happiness team are incentivised on delivering a 5* rating as our data has shown that this results in twice the lifetime value of an Angel who gives a 1-4 star rating. Most recently Naked has hit a record monthly 5* feedback above 90%.
2. Reinvesting cash for long-term growth

**Return on investment**
There are a lot of exciting opportunities that can contribute to our growth and that is why we reinvest our cash with an aggressive but also disciplined return on investment approach. This year we achieved a ROI of 104%.

We measure ROI on everything, from the quality of new customers to the effectiveness of our marketing campaigns. Our data is vital to the success, with over six million wine ratings we have one of the biggest online forums in the whole world. We know exactly what types of wines our customers like and so we have a rich opportunity to redeploy capital efficiently.

3. Attracting the best people and suppliers

Winemakers recognise that we are a partnership – not a bully trying to squeeze their margins – and our people feel passionate about working for a company that treats its people and suppliers with respect while getting our Angels and winemakers the best deals possible.

For this reason we have attracted many famous winemakers from blue chip labels and also created famous winemakers who would have been completely missed by the wine industry otherwise. This year we will spend more time on making sure our current winemakers are getting the most out of working for Naked Wines so that they will become 100% Naked with us.

We will continue to grow Naked into the business it has potential to be while always keeping the passion and “Naked-ness” that made us so special to start with.
4. Our customer proposition

The model

It is well known that there is on average only $20 of wine in a $100 bottle. In the USA this is worse than in the UK because of the three tier system of distribution, however in both cases the winery sales, marketing and distribution costs are often greater than the cost of wine.

The Naked Wines’ model avoids this by funding the supplier directly, removing the middle man from the process. This results in a better value wine for our customers, a better deal for our winemakers and an economic model that works for smaller wine producers. This is what gives us our exciting, unique and exclusive wines unlike anywhere else. This year we plan to further strengthen this value proposition by improving our wine quality, investing in our range and depth, and our supply chain processes.

Buy It Again ratings

We measure our product performance through “Buy It Again” ratings from our Angels. We use these to improve our wines with the winemakers, giving them constant feedback, for example between the different taste preferences in the UK and the USA.

Since our acquisition by Majestic we have developed our range; investing more into our winemakers upfront so we can plan for larger quantities of wine to meet demand. This has been particularly important in the US where availability was much lower than the UK and Australia. We have also focused on our distribution model, launching click and collect and next day delivery in the UK and built a third distribution centre in the USA.

Bill & Claudia Small of Small & Small who released their newest Sauvignon Blanc last November explain how they incorporate feedback from wine drinkers:

“If you asked us, when we embarked on our Naked adventure six years ago, whether we’d ever change the way we made our wine based on customer feedback our response would have been “No way!” At that time, we felt that with our level of training and experience, our customers couldn’t possibly tell us anything about our wine that we didn’t already know.

But since then NakedWines.com has grown to be one of the world’s most engaged and active online wine communities, and our wines are part of the reason why that community exists. Since we got started, our Small & Small wines have received over 118,000 ratings and 13,000 written reviews. To give these numbers some relevance, that’s about 2,000 more reviews than you’ll see listed for the first Harry Potter novel on Amazon.com.”

The first thing we learnt from our reviews was that for every bottle we produce, another unique wine drinking experience is created. We began to take note of these experiences and this is how we ended up making two different Small & Small sauvignon blancs in 2015.

Wine Quality (Buy It Again)

89%

(FY15: 88%)

Return on investment

104%

Product availability

N/A
Business review

Commercial

About the Commercial division
Majestic Commercial is a specialist on-trade supplier with the aim to make customers’ wine lists more profitable. Success has been built on fulfilment via the Retail stores, consultative advice from the sales team and award winning wines.

Majestic Commercial was originally started in 1994. Fulfilment through the store network gives a greater market reach than many of the competition. A new product range was launched in 2008 which gave on-trade customers exclusive products not available to the general public.

Over the past five years the Commercial division has delivered a circa 15% compound annual growth rate.

This year
We have had a good but not excellent year for Majestic Commercial. We focused on maintaining industry leading customer service and ended the year with 4,768 accounts resulting in sales up 7.9% to £45.6m (2014/15: £42.2m).

We are very pleased to be third-time winners of the Great Value Merchant of the Year at the Sommelier Wine Awards, in 2015 and were commended in 2016. A total of 60 of our wines in our range also won awards or were commended in 2016.

Our people are the key to our success. We now have 53 sales people based across the UK focused on servicing their clients and providing value-added services. (2014/15: 48 sales people).

Our model is based around three propositions:
1. Service – Developing a partnership with customers, serviced through local stores
2. Profitability – Our value-added initiatives and expert people to provide advice to customers
3. Product – An exclusive and exciting range

This year has not been one of fundamental change but a year of learning and development to add to what makes us unique. We are still delivering above market levels of growth but at a lower rate than last year. This was mainly due to employing a number of key team members too late on in the financial year which affected growth in the first half.

Ben Nicholl, MD
Majestic Commercial
Ben has over 20 years of experience at Majestic Wine. After heading up the London sales team for 10 years Ben became Commercial Director in 2012 and was appointed Managing Director of Majestic Commercial in July 2015.

Repeat Customer Retention
80%
(FY15: 78%)

Number of accounts
4,768

Product availability
TBC

Percentage of on-trade clients who received a value-added service
49%

Team retention
81%
(FY15: N/A)

Wine quality
(But It Again ratings)
TBC

Proportion of 5* service ratings
TBC
The plan
We believe we have the opportunity to become a £100m sales business. Our strengths of functional delivery within Majestic stores, well trained people and award winning, exclusive products will help us to stand out in a competitive market place and keep winning.

To build on this we will focus on:

1. Customer retention driven by our value-added services.
2. New business acquisition, underpinned by our staff recruitment model.
3. Using the Group to make us stronger.
4. Innovation in our product range.

1. Customer retention driven by our value-added services

Value-added service

Commercial this year had a 80% customer retention rate. A good performance but one that can be improved. Customers who get a value-added service such as bespoke wine lists, staff training and customer tasting events demonstrate a 10% higher retention rate. It is important Account Managers understand customer goals and work with them to increase their profitability. This in turn will increase their loyalty to us.

Our systems

We have recently made improvements to our systems and taken more administrative tasks into the support centre, investing in a separate head office support division which gives our Account Managers the time to work with their customers on consultative tasks, not administration.

FELICITY SCOTT from Leeds asked one of her clients if she could provide spotlight tastings for staff ahead of the evening service. By providing range tastings, confidence in wine and incentives for the staff, the restaurant has managed to upsell 140 bottles of the house wine to one of the hand-picked Majestic Commercial ranges in the past month. This meant a higher margin for the owners, a better wine for the customer and an incentive for the staff who learnt about the wines they were selling.
2. New business acquisition underpinned by our recruitment model

The Commercial recruitment model works by recruiting staff from Majestic Retail stores. This year the Commercial division has recruited an extra six Account Managers to manage existing clients which gives more time for Business Development Managers to focus on customer acquisition and improve existing customer satisfaction. By recruiting team members from Majestic stores the Commercial division can give more autonomy to managers to manage their own accounts.

Zara Sharp started her career working in her local restaurant, moving up to manager. She worked with wine suppliers on a daily basis and through staff training realised that wine was something she wanted to learn more about. She joined the Majestic graduate scheme and spent the past year working in two stores while completing her WSET exams. She had her heart set on working for Majestic Commercial and looking after bars and restaurants and was recently appointed as the Account Manager for Brighton where she will have responsibility of the near 100 accounts in her area.

3. Using the Group to make us stronger

One of the benefits of being part of a larger Group is being able to use the skills and expertise from each of the other businesses to constantly improve our division.

Leveraging Naked Wines’ skills
Since the acquisition of Naked Wines, 5* rankings and acting on customer feedback have become an important part of the Group culture. Although too soon to see the results of the ranking system it will become a key measure of our Account Managers’ performance and help us to generate ideas on how we should be improving our service.

Leveraging Majestic’s skills
The previously mentioned work that is happening within Majestic Retail around stock availability and supply chain improvements will only enhance our current offering and improve our relationship with customers.

Team retention
81%

Number of accounts
4,768

Customer retention
80%

5* service
N/A
4. Innovation in our Product Range

Our goal is to have a range that suits our customers, is innovative and unique, and is mostly made up of exclusive wines. 85% of our still wine sales come from wines exclusive to Majestic Commercial. This gives margin protection to our on-trade establishments. We will keep innovating, adding exciting wines to our offering and providing customers with the choice they need to grow the profitability of their businesses.

CHRONIC WINES

Majestic Commercial recently started an exclusive agreement with Chronic Wines in California. Working as the exclusive UK distributor for winemakers like Chronic we are working with smaller, exciting winemakers with smaller volumes and a brand to build up. By partnering with these unique wines we are creating a truly unique range for our customers while also supporting growing winemakers.
**Business Review**

**Investment**

When I was asked to step into the CFO role at Majestic I jumped at the chance to create a finance function that was more than just accounting and could drive the business forwards.

Alongside maintaining a healthy balance sheet, we will invest aggressively in our portfolio of businesses. By doing this effectively, we improve our proposition, increasing customer retention and generating more cash for investment the next year. If we generate more cash than we see available investment opportunities we will return that excess cash to our shareholders.

To do this successfully we must be disciplined in measuring our returns and allocating capital to the highest returning investments. This is underpinned by a) data, to measure the impact of our actions on each customer, b) the tools and people to work out what it’s telling us and c) the process to give visibility across the Group so we can allocate investment capital efficiently.

Now that sounds a lot like what any rational CFO would say, so let me tell you how we do this in practice.

**Investment Model**

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**1. High return investment is a good use of cash**

We use a test and learn approach to maximise investment and release under-performing capital.

There is a difference between investment and cost. Cost is what provides the basic infrastructure of the business, investment is where the business touches a customer and changes their behaviour, and is a necessary precursor to our growth ambitions.

Costs should be minimised and investment should be maximised where it is delivering an attractive return.

We define an attractive return as any investment with a return on investment (ROI) in excess of 25%.

- For a one-off investment \( ROI = \frac{\text{Recurring annual contribution}}{\text{one-off investment}} \)
- For annual spend that will recur each year \( ROI = \frac{\text{(additional annual contribution – annual investment)}}{\text{annual investment}} \)

**2. Disciplined measurement of returns**

The small central team ensures that each business is collecting and reviewing the right data for rigorous decision making. Where needed we build the IT systems to support this.

Each month we have a business review where we review the different investments made in each division and their delivery.

For example, the Naked Wines management team reports its ROI on new customer acquisition every month, and the specifics of any changes in strategy, e.g. new media channels, new customer offers.

**3. Allocation and reallocation**

We use a test and learn approach to maximise investment and release under-performing capital.

**4. Return of surplus cash**

We use a test and learn approach to maximise investment and release under-performing capital.
As another example, the Retail team reports each month the latest performance of refitted stores to demonstrate whether they are delivering the expected return.

Alongside the ongoing investments, we are running multiple "Research and Development" A.K.A "Test and Learn" activities within the businesses.

By reviewing the results we will determine what will be engines of future growth or those where we need to course correct. As an example, in the final few weeks of the financial year we increased investment on direct mail activity in the USA. This is a step up from a previous successful trial. If we are still delivering attractive returns at this scale we will look to increase spend on direct mail again during the coming year.

3. Capital allocation/reallocation

The Group reviews all the ROIs on our different investments.

All the time, within each business, we are curtailing those investments that underperform and increasing the available budget behind the winners.

Bi-annually we will reset budgets to maximise the level of investment we make behind the highest returning activities.

We are agnostic as to whether we invest through operating or capital spend, whether we spend in one country vs another, or any specific business unit. We judge our ability to invest in profitable growth, rather than continuing to invest against a perceived opportunity and risking wasting investment capital.

That said, where we know there is a big opportunity we do make sure that the management team is judged on its ability to find opportunities to invest.

There is a risk that we have the individual management groups making the same investments between our separate divisions.

So we use the accumulated learnings from each business division to leverage our prior learnings and strengths.

For example, the Naked Wines team has helped the Retail team with partnership marketing, the Retail team has helped Naked Wines with optimising direct mail.

4. Return surplus cash to shareholders

I look forward to being able to share with you the emerging results of our investment model as we get further through the year. We are investment minded and prioritise cash in the following way:

1. Maintain a healthy balance sheet – deleveraging to net debt of circa 0.5x EBITDA and lease-adjusted net debt of circa 2.5x EBITDA.

2. Invest in the business for growth – we will invest subject to a minimum hurdle of 25% ROI as defined above.

3. Pay an annual dividend – having reviewed our investment pipeline, net debt and cash flow, we believe we can support our deleveraging process, our growth ambitions and pay a dividend at circa 35% of adjusted earnings with reinstatement at the Financial Year 2017 Interim results. It is worth noting that any material changes in investment, which may or may not occur, are likely to be in operating expenses. The base level of dividend per share could move up and down as a result of this policy being anchored against earnings.

4. Special dividends – to the extent that we forecast excess cash being available in the future, we will review the scope for a special dividend as long as we remain within our long-term gearing targets.

We are continuing to develop and embed this approach

Financial Year 2016 has been a year of building the teams, the data and the governance processes to deliver this.

In the original Majestic businesses – Retail, Commercial and Lay & Wheeler, we have made good progress on the start of the journey – getting the data, the tools and the people to analyse its set up. During Financial Year 2017 we are focusing on fully understanding the impacts of the investments we have already made in the branches, the staff and the marketing lines, to start the process of optimisation and reallocation.

At Naked Wines, the business has been built to generate the data that facilitates this process. We continue to monitor investments in marketing sales and service costs while also starting the journey of understanding what the returns are from investment in our product. With over six million customer ratings we can generate the data to tell us whether we are funding the right investments, making sure we listen to what our customers tell us they want rather than thinking we know what they want.
Financial Year 2016 was a period of significant change in the Majestic business, and the financial performance and standing of the Company now reflects an international group that is investing in growth and delivering it. Sales increased by 41.3% vs Financial Year 2015, 6.2% on an underlying basis (i.e. excluding Naked Wines) and with Naked Wines growing by 27.3%, this resulted in pro-forma growth for the Group of 11.0%

However it is worth me sounding a note of caution in these trends as Financial Year 2016 benefited from two Easter Holidays falling within the year, whereas Financial Year 2017 will not see one. We will benefit from a 53rd week as we hit a retail leap year, but will report growth trends next year excluding this extra week.

We have communicated the investment programme required to transform the core Majestic business into a customer relationship focused omni-channel retailer. During Financial Year 2016 we invested an additional £4.1m of cost into the Majestic Retail and Commercial businesses. Due to the costs of this programme and the committed historic investments, Adjusted EBIT was reduced by 23.6% vs Financial Year 2015, a 27.9% decline on an underlying basis, and pro-forma decline of 10.9% due to Naked Wines moving from loss making to a maiden profit.

1. Majestic Retail: Retail basics

We have started to see the results of our investments in the Retail business with like for like sales growth of +4.8% contributing the majority of total Retail sales growth of 5.5%. Of particular note was the acceleration of performance in the older stores in the estate (>10 years of age) which delivered 2.3% sales growth, giving us confidence that we are on the right track in terms of the changes made to the proposition and store format. Gross profit margin has fallen slightly to 24.1% (2014/15: 24.4%), as expected due to the increase in investment in the transformation plan.

However adjusted EBIT was £14.0m, down 26.9% (2014/15: £19.1m) as we invested in additional store staffing, IT systems, marketing and management to improve processes and proposition in accordance with our transformation plan.

2. Majestic Commercial: Structure for growth

The Commercial business continued to grow strongly at +7.9%, however it was below the levels we aspire to for this business. We opened almost 1,400 new accounts in the year including some big names such as the Ricoh Arena in Coventry. Despite gross margins holding relatively steady (16.5% vs 16.7% in Financial Year 2015) increases in operating costs relating to additional account managers and the Majestic investment plan tempered the translation of this growth to the bottom line as the Commercial division is charged for use of the store network and support centre. Due to this adjusted EBIT of £3.8m was only 1.0% higher than Financial Year 2015 (2014/2015: £3.7m).

Note: Financial values used in this commentary reflect the adjusted figures and underlying growth rates, as reconciled in the notes to the financial statements.
3. Naked Wines: Accelerate growth
Naked Wines sales grew 27.3% to £104.3m for the year on a pro-forma basis. (2014/2015: £82.0m) (Note that as Naked Wines was acquired on 10 April 2015 only a proportion of this result is consolidated into the Group results). Adjusted EBIT was £1.0m, representing a maiden profit for the division since the launch in the USA and Australia. Whilst there was a degree of flattery provided by a lower growth spend than targeted, it is worth noting that we see this as a “bad profit” – we should have been investing harder in the US given the attractive ROI but had insufficient inventory to do so) our Mature Angels around the world grew in numbers to 300k at year end. They ordered more often and spent more per order than we had forecast, driving significantly higher contribution out of the Mature Angel base year on year. This more than covered the 35.7% increase in fixed costs in the year as we continue to build out the management infrastructure of the business.
We also rebuilt inventory levels during the year as the business had been running with light inventory to manage cash flow prior to acquisition. Although a proportion of this was offset by additional customer funds and accounts payable, the overall increase in working capital consumed circa £5m of cash during the course of the year.

4. Lay & Wheeler: Under review
Lay & Wheeler was marginally profitable for the year, as sales (measured on a management basis including en primeur commitments for the current vintage) moved ahead +10.0% due to the positive Burgundy campaign. However the majority of this profit actually comes from cellarage and broking while the core wine retailing business remains subject to the volatility of the en primeur campaigns. Due to this we are reviewing options to build a more reliable base of revenue and profit in the business.

Corporate: Small team
We maintain a small corporate team and built this out during the year with the addition of both new Non-Executive Directors and a small team of management roles. As well as the day-to-day costs of maintaining a listing, legal advice etc. included in this group is a small team of digital marketers who are experimenting with using digital media to bring customers into the Group’s multiple brands. As a result of this activity and the new roles total corporate costs of £2.3m were almost double those of Financial Year 2015 (£1.2m).
### Financial review

#### ITEM HIGHLIGHTS/COMMENTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>HIGHLIGHTS/COMMENTS</th>
</tr>
</thead>
</table>
| **Sales**                     | **£402.1m +41.3% Reported**  
+6.2% excluding Naked Wines (Underlying)  
-11.0% pro-forma  

  - Retail: Like for like of +4.8% represents a strong improvement vs Financial Year 2015 of -0.1%. Like for like and total sales should converge as the store opening programme is reduced
  
  - Naked Wines: Growth of +27.3% was driven by the USA +49.0%, Australia +35.3% and UK +13.5%. Sales growth came from both Mature Angels and new customers
  
  - Commercial: Slowed to +7.9%
  
  - Lay & Wheeler posted +10.0% sales growth reflecting improved En Primeur campaigns, particularly Burgundy

<table>
<thead>
<tr>
<th><strong>Gross margin</strong></th>
<th>Group gross margin percentage improved as a result of adding the higher margin Naked Wines business into the Group</th>
</tr>
</thead>
</table>
| **Operating costs**           | The addition of Naked Wines has added £33.8m of operating costs to the Group
  
  - Excluding Naked Wines, costs increased by £9.3m, of which £4.1m related to the Majestic Retail and Commercial transformation plan. The remainder was a combination of inflation, annualisation of prior growth investment, e.g. new stores plus impairment charges relating to the store estate
  
  - A further £4m of investment is expected to go into the cost base in Financial Year 2017 as the costs are borne for a full year

| **Adjusted EBIT**             | Maiden Naked Wines profit of £1.0m
  
  - Retail profit of £14.0m impacted by investment plans as previously indicated
  
  - Commercial profit of £3.8m is +1.0% year on year as the division absorbed a proportion of the investment in the core business
  
  - Lay & Wheeler profit was +£0.1m year on year as the improved sales dropped to the bottom line
  
  - Central/Unallocated costs were 96.3% higher as we built out the Non-Executive Director and Group management teams

| **Adjustment items** (£10.3m)** | Amortisation of acquired intangibles (£4.2m)
  
  - Share based payment charges (£7.5m)
  
  - Impairment of Lay & Wheeler goodwill (£2.6m)
  
  - Gain on property sale £4.8m
  
  - En Primeur impact (£0.1m)
  
  - Severance costs (£1.0m)
  
  - Transaction costs (£0.5m)
  
  - Fair value movement on FX contracts £0.8m

  See section “changes in accounting presentation” for discussion of why we are eliminating these from adjusted EBIT

| **Finance charges**           | Charges due to borrowing to fund Naked Wines acquisition and the acquired Fine Wine Bond
  
  - Will reduce over time as we pay down the debt of the business
  
  - Lower than forecast as we operated with lower working capital than forecast for a large proportion of the second half

| **Statutory PBT**             | Heavily impacted by the charges relating to the Naked Wines acquisition, offset by the one-off gain on property
  
  - Results in a 74.3% decline year on year

| **Taxation**                  | Effective tax rate of 51.0% (2015: 26.8%) substantially reduced due to the large level of disallowable expenditure, mainly share based payment charges, transaction costs and impairment charges
  
  - Adjusted effective tax rate (being the ratio of current income tax expense to adjusted PBT) was 27.6% (2015: 23.2%) reflecting the higher proportion of profits made overseas
## Financial Review

### Shares Outstanding
- **Shares issued at year end of 70.8m**
  - Of these 4.9m are subject to clawback if the performance conditions relating to the Naked Wines acquisition are not achieved
  - A further 1.4m are due to be issued if the Naked Wines performance standard is achieved
  - A further 1.5m options are outstanding through historic employee share schemes
  - This results in:
    - Weighted average shares in issue of 65.8m
    - Fully diluted we would have 69.6m shares in issue
- Post year end, we announced the launch of a new set of employee share schemes with maximum dilution up to 10% over 10 years.
- If all the Company’s share option schemes had vested at 100%, the Company would have 73,632,424 issued shares.

### Earnings per Share
- **3.5p basic 19.2p adjusted**
  - On an adjusted basis, earnings attributable to shareholders of £12.6m resulted in an EPS of 19.2p, a decrease on the prior year of 24.1% due to previously mentioned transformation investments and costs associated with the Naked Wines acquisition.

### Dividend
- **0.0p per share, -100%**
  - The Group Dividend remains withheld while we rebuild the balance sheet (targeting net/debt/EBITDA of < 0.5 and lease adjusted net debt/EBITDAR < 2.5x).
  - From H1 2017, we will reinstate the dividend at 35% of adjusted earnings, with new policy permitting special dividends if excess cash is available based on foreseeable opportunities.

### Free Cash Flow
- **£13.8m**
  - Free cash flow excluding one-off items of £13.8m was £2.8m below adjusted EBIT, reflecting building inventory at Naked Wines to support growth.
  - Conversion of adjusted EBIT to operating cashflow in the core Majestic business remained over 100% due to lower capital expenditure and inventory management.
  - This is lower than FY15 (£27.1m) due to the partial unwind of £9m payables build in FY15 in the Majestic Retail business.

### Fixed Assets
- **Net reduction of £2.6m in the fixed asset base of the business**
- Group Capex was circa £6.2m, £0.7m in Naked Wines (new offices, winery equipment), £5.5m in Majestic (maintenance Capex, new stores, refits, IT and head office investment).

### Working Capital
- **Net investment of £5.5m into Naked Wines working capital to build inventory in the year to support range and availability**
- Historic Majestic businesses reduced working capital by £0.9m as inventory reduction (£3.9m) and reduction in debtors (£0.7m) was offset by a reduction in accounts payable (£4.3m) following a significant extension in the payables balance during FY15 due to the timing of Easter.

### Net Debt
- **£25.5m**
  - The Group is carrying modest cash leverage as a result of the cash consideration for the Naked Wines acquisition. During the year, the acquisition borrowing was reduced to £25.0m from an initial drawdown of £50.0m. Note this is fully secured by our freehold property portfolio.

### Lease Adjusted Net Debt
- **£88.3m**
  - We also review net debt with the addition of our leases, capitalised at the value of our lease commitments to maturity as this demonstrates the significant liability that our property commitments represent. This results in calculated lease adjusted net debt of 3.1x EBITDAR.

### Bank Covenants and Facilities
We remain comfortably within our facility covenants with Adjusted Leverage (as measured by facility agreement) of 0.9x and interest cover of 27x.

Our main facility provided by Barclays and HSBC matures in April 2020.

### Naked Wines Contingent Consideration
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.

### Going Concern
Our forecasts for the business support our investment plans while deleveraging and paying a dividend. As such, we have prepared the accounts on a Going Concern basis. This is further discussed in the notes to the accounts.
Changes to accounting presentation

You will notice some changes to the way we have presented the accounts this year. The major difference is our focus on “adjusted” measures rather than statutory profits. I recognise that such adjustments can be the hiding place of a multitude of sins but that is not our intent. The reasoning is that we focus on a measure that is more representative of the value accruing to our owners, rather than including various items – mainly costs – that the accounting standards require us to charge. So what are we excluding?

<table>
<thead>
<tr>
<th>“adjusted” measures</th>
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</thead>
<tbody>
<tr>
<td>Amortisation of acquired intangibles</td>
</tr>
<tr>
<td>WHAT IS IT?</td>
</tr>
<tr>
<td>The write off of intangible assets that have been fair valued at the point of acquisition. The main ones are:</td>
</tr>
<tr>
<td>☐ Naked Wines customer list</td>
</tr>
<tr>
<td>☐ Naked Wines IT systems</td>
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<tr>
<td>☐ The Naked Wines brand</td>
</tr>
<tr>
<td>☐ A contract acquired with Lay &amp; Wheeler</td>
</tr>
<tr>
<td>Share based payment charges</td>
</tr>
<tr>
<td>WHAT IS IT?</td>
</tr>
<tr>
<td>A calculated value of shares issued to employees. Note we are adjusting for both:</td>
</tr>
<tr>
<td>1. The shares issued due to the Naked Wines acquisition, and</td>
</tr>
<tr>
<td>2. The charges relating to ongoing employee share schemes</td>
</tr>
<tr>
<td>En primeur sales and profits</td>
</tr>
<tr>
<td>WHAT IS IT?</td>
</tr>
<tr>
<td>Typically an En Primeur order is placed between one and three years prior to the wine physically shipping to the customer, which is the point of revenue recognition. We are adjusting to report the sales and profits of wines ordered during this year’s En Primeur campaign and eliminating the sales and profits of wine sold En Primeur in prior periods that has now shipped.</td>
</tr>
<tr>
<td>One-off costs and gains</td>
</tr>
<tr>
<td>Items that will not be repeated as ongoing business. In Financial Year 2017 this constitutes:</td>
</tr>
<tr>
<td>☐ Costs associated with acquiring Naked Wines</td>
</tr>
<tr>
<td>☐ Severance payments made during the restructuring of the former Majestic leadership team</td>
</tr>
<tr>
<td>☐ Profit made on the sale of a property that was developed into residential units</td>
</tr>
<tr>
<td>☐ Impairment on Lay &amp; Wheeler goodwill</td>
</tr>
<tr>
<td>Revaluation of foreign exchange contracts</td>
</tr>
<tr>
<td>The gain or loss as we value our forward FX positions (used to purchase wine) at year end rates</td>
</tr>
</tbody>
</table>
The impact of these adjustments is material. Whilst the business reported statutory profits before tax of just £4.7m in the year, down from £18.4m in Financial Year 2015, the adjusted PBT is £15.0m, down from £21.6m in Financial Year 2015. The biggest adjustments are the amortisation of intangibles £4.2m and share based payment charges of £7.5m of which £7.3m relates to the Naked Wines acquisition.

Another presentational change relates to how we describe year on year comparisons of performance. There are two factors at play here:

1. The acquisition of Naked Wines is a significant and sudden change in the sales and cost base of the business. As well as reporting the actual sales and profits, we have described what the underlying business would look like without Naked Wines included, and also a pro-forma as if it had been included all year and the prior year. In our view the third of these three views gives the best indication of the scale and growth trajectory we are on.

2. The Group now receives circa 15% of revenues in foreign currencies, a mix of Euros, US and Australian Dollars. To report underlying and pro-forma growth we are translating overseas results for the current and prior year on a constant currency basis so the vagaries of exchange rate changes don’t impact the underlying business growth rate.

**WHY ARE WE EXCLUDING IT?**

These values were calculated at acquisition, having had no carrying value prior to this point. All the costs related to the creation of the Naked Wines assets have been recognised historically and we continue to expense the ongoing costs as incurred. Adjusting the amortisation out ensures we are not double counting the costs of building our IT systems, our customer list and brand.

The shares issued to Naked Wines staff (most notably Rowan Gormley) were in consideration for shares owned in Naked Wines and various schemes running at the time of the acquisition, i.e. they are the payment for the acquisition. However IFRS requires us to account for schemes that have employment obligations as though they were remuneration. Adjusting these out avoids us reporting an acquisition cost as remuneration.

Shares issued under our new schemes will mainly vest based on the Company’s Total Shareholder Return relative to a peer group of retailers. The Company’s share performance in the months prior to issuance of shares can result in the computed charge for these shares varying significantly. We believe this is a distortion to the underlying profits of the business and that our owners can value their shares based on our disclosure of the fully diluted number of shares should all schemes vest.

The sales and marketing activity that determines the level of success in En Primeur sales happens when the wine is made and sold, not after it is bottled. We believe that the better measurement of success is a sale at the time of the customer commitment, not the wine shipping.

These aren’t things that we expect to do every year and so they distort the underlying profitability of the business.

Note that we are not excluding:

- Severance payments made in the ordinary course of business
- Impairments made on the retail property portfolio
- Gains/losses on ordinary course fixed asset sales, e.g. vehicles

We buy currency to assure future product costs. These non-cash movements are not representative of our trading performance.
**Key risks and uncertainties**

The Board oversees risk management across the Group. This includes constant vigilance and discussion as well as an annual review of the Group’s overall risk footprint.

The Executive Directors and business unit management are required to implement controls and processes to adequately mitigate risks, as well as maintaining their 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 Group, including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks are described below along with explanations of how they are managed or mitigated. The principal risks areas have been updated from those reported last year to reflect the new Group structure, footprint and strategy.

The Board remains committed to ensuring that the key risks are managed on an ongoing basis and operate within an acceptable level.

**DESCRIPTION OF RISK OR UNCERTAINTY**

**Competition risk**
Our markets are extremely competitive, with threats ranging from the supermarket sector in the UK where wine can be used as a loss leader, to a range of online/delivery services across our markets.

Persistent aggressive competitive activity could impact our ability to grow and/or our margin position.

**Regulatory risk**
Each of our businesses is involved in the sale, and sometimes manufacture, of alcoholic beverages. Sale of alcohol is strictly controlled in all markets through different systems of licensing and regulation. Our business could be impacted by a change in these regulations, impacting either our cost structures or ability to operate. In particular, the USA has a complex set of regulations that vary by state and we have different limitations on our business in each territory.

**Investment risk**
The new strategy of the Retail business involves significant investment in expectation of future returns which may not materialise.

**Information security and cyber risk**
Each of our business units makes extensive use of IT systems to facilitate sales, supply planning, business management and record keeping. The threat of unauthorised or malicious attack is an ongoing risk, the nature of which is constantly evolving and becoming increasingly sophisticated. Any attack could result in loss of data and/or a lack of customer confidence in the business impacting our trading.

**Disaster recovery/business continuity**
Each group company has certain physical locations that are central to trading, e.g. main offices, warehouses. In the event of a physical impediment to accessing these locations the business could suffer significant interruption.

**Management team/key staff**
Our success relies on the continued dedication and efforts of our senior management and our ability to attract, motivate and retain high quality staff.

**Organisational capacity for change**
The Group is undergoing a significant level of change including organisation into new business units, integration of Naked Wines, significant change to senior management personnel and a change in strategy in multiple business units. This level of change could lead to staff uncertainty and fatigue, resulting in diminished business performance.

**Operational capacity**
We are planning to grow the business significantly which could create capacity constraints through the supply chain, in particular in our ability to warehouse and fulfil stock. If not addressed these constraints would limit the business growth potential and impact the customer experience to the detriment of customer retention.

**Financial, treasury and liquidity risks**
The main financial risks are 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.
Key risks and uncertainties

By the time you receive this Report we’ll know the result of the European referendum. We don’t see this as a risk of the same stature as those listed here, as within the UK, the retail environment will remain a level playing field. The USA and Australia are not impacted and our French sales and profits are a relatively small component of the Group total and not expected to be a major source of future growth.

HOW WE MANAGE IT

RISK ASSESSMENT

- Continual monitoring of competitor activity.
- Ruthless focus on delivering a better experience than our competitors e.g. better value for money, better service, more engagement with winemakers.
- We maintain up to date licences for all states, business and premises that we operate. We procure advice and support from licensing experts to help us maintain these.
- We ensure that we pay all taxes and duties on time and in full to all taxing and licensing authorities.
- We maintain all appropriate documentation as evidence of our compliance with licensing restrictions and regulations.
- Investments behind the new strategy are being monitored for results with a view to reversal if they are not delivering attractive returns.

Potential impact:
- Reduced customer recruitment and retention
  Likelihood: High
  Severity: High

Potential impact:
- Limitation of our ability to sell profitably
  Likelihood: High
  Severity: High

Potential impact:
- Limitation of our ability to sell profitably
  Likelihood: Medium
  Severity: High

Potential impact:
- Limitation of our ability to sell
  Likelihood: High
  Severity: High

Potential impact:
- Poor customer service resulting in lower retention
  Likelihood: Medium
  Severity: Medium

Potential impact:
- Access to financing impacts our ability to operate
  Likelihood: Medium
  Severity: High
Board of Directors

Phil Wrigley, Chairman
(63)
Appointment date: April 2010
Experience: Director at New Look Group, Bhs, Dorothy Perkins and Debenhams. Buying and merchandising, logistics, retail operations, marketing and finance. Founder of Madison Capital aimed at investing and supporting emerging companies with significant opportunities to grow and create value.
External appointments: Chairman of LXB Retail Properties PLC. Chairman of Hobbs. Non-Executive Director of Carluccios.
Skills brought to the Board: Significant retail experience
Number of Board meetings attended: 8 out of 8
Favourite wines: White: Chassagne Montrachet Red: Definition Rioja

Rowan Gormley, Chief Executive Officer
(54)
Appointment date: April 2015
Experience: Co-founded Virgin Money, The Virgin One Account, Virgin Wines and Naked Wines. Qualified as a chartered accountant and spent seven years at Electra Investment Management.
External appointments: None
Skills brought to the Board: Founder of Naked Wines
Number of Board meetings attended: 7 out of 7
Favourite wines: Whatever is in front of me!

James Crawford, Group Chief Financial Officer and Company Secretary
(39)
Appointment date: August 2015
Experience: Joined Naked Wines as Finance Director in March 2014 following a 13-year career with Diageo PLC, a global leader in beers, spirits and wine, where he held several senior finance, strategy and business development roles in the UK and North America.
External appointments: None
Skills brought to the Board: Financial skills, industry knowledge and international experience.
Number of Board meetings attended: 5 out of 5
Favourite wines: White: Definition Chardonnay Red: Chateau Laforge St. Emilion
Justin Apthorp, Non-Executive Director (54)

Appointment date: January 2006

Experience: Spent 25 years with Majestic, with the last 10 years as Buying Director, before retiring from his executive role at the end of 2015. Previously he worked in marketing and brand development for Bejam and Lyons Tetley.

External appointments: Governor of Berkhamsted School since 2005.

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

Number of Board meetings attended: 8 out of 8

Favourite wines:
White: Russian River Chardonnay from the USA
Red: Central Otago Pinot Noir from New Zealand

Ian Harding, Non-Executive Director (51)

Appointment date: June 2013

Experience: Spent 16 years with Kingfisher PLC, 11 years as Group Communications Director, previously spent eight years at PWC and is a fellow of the institute of Chartered Accountants in England and Wales.

Committees: Chair of Audit Committee.

External appointments: None

Skills brought to the Board: Communication, investor and media relations expertise.

Number of Board meetings attended: 8 out of 8

Favourite wines:
Red: Jordan Stellenbosch Cabernet Sauvignon Merlot
White: Bollinger

Anita Balchandani, Non-Executive Director (42)

Appointment date: June 2015

Experience: Holds an MSc in management from the London School of Economics, held roles at Shop Direct and Asda Walmart.

Committees: Chair of Remuneration Committee.

External appointments: Partner and Sector head of UK Retail for OC&C Strategy Consultants. NED of Space NK Apothecary.

Skills brought to the Board: Strategic business expertise.

Number of Board meetings attended: 5 out of 6

Favourite wines:
Pinot Noirs, be they from Burgundy or Oregon

Greg Hodder, Non-Executive Director (63)

Appointment date: October 2015

Experience: Chief Executive Officer of Direct Wines for 14 years. He has also formerly held senior positions at Smallbone USA, the kitchen and home designer, and Folio Society, a specialist publishing business.


Skills brought to the Board: Retail and wine sector experience, focus on multi-channel and e-commerce delivery.

Number of Board meetings attended: 4 out of 4

Favourite wines:
Red: Definition Rioja
White: Greywacke Sauvignon Blanc
The Directors present their report and Group financial statements for the year ended 28 March 2016.

Results and review of the business
The Group income statement is set out on page 51.

The Directors’ Report should be read in conjunction with the Chairman’s Statement and Strategic Report on pages 1 to 37, which 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 29 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.

Dividends
The Directors have decided not to declare a final dividend following the acquisition of Naked Wines International Group.

The Directors’ intention is to maintain a capital structure that is both efficient and balanced between investment for growth and returns to shareholders. The Board have agreed a policy which will pay out approximately 35% of adjusted profit after tax from the Financial Year 2017 onwards subject to no major changes in outlook. Any additional earnings which, in the view of the Board, cannot be usefully reinvested back into the Group will be returned to shareholders, subject to achieving leveraged targets of a net debt/adjusted EBITDA ratio of circa 0.5x and a lease adjusted net debt/EBITDA ratio of circa 2.5x.

Directors
The Company is supervised by the Board of Directors. The Board comprises two Executive and five Non-Executive Directors. There is a clear division of responsibilities between the Chairman, who is responsible for the effective leadership and smooth running of the Board, and the Chief Executive Officer who, with the Chief Financial Officer, is responsible for the running of the Company.

The Board of Directors who served during the year ended 28 March 2016 and their attendance at meetings is shown on the Board members page.

During the year, Rowan Gormley was appointed Chief Executive Officer and Executive Director, effective 10 April 2015. Anita Balchandani was appointed Non-Executive Director, effective 10 June 2015. Helen Keays, Non-Executive Director and Nigel Alldritt, Chief Financial Officer and Executive Director both resigned from the Board at the Company’s AGM on 6 August 2015. James Crawford was appointed Chief Financial Officer and Executive Director, effective 7 August 2015. Brian Gregory Hodder was appointed Non-Executive Director, effective 1 October 2015 and Justin Apthorp moved from Executive to Non-Executive Director, effective 16 November 2015.

Biographical details of the current Board are given on pages 38 and 39.

The Directors who served during the year and their interests in the ordinary share capital of the Company were:

<table>
<thead>
<tr>
<th>Number of ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
<tr>
<td>Phil Wrigley</td>
</tr>
<tr>
<td>Rowan Gormley (Appointed 10 April 2015)</td>
</tr>
<tr>
<td>James Crawford (Appointed 7 August 2015)</td>
</tr>
<tr>
<td>Anita Balchandani (Appointed 10 June 2015)</td>
</tr>
<tr>
<td>Brian Gregory Hodder (Appointed 1 October 2015)</td>
</tr>
<tr>
<td>Ian Harding</td>
</tr>
<tr>
<td>Justin Apthorp</td>
</tr>
<tr>
<td>Nigel Alldritt (Resigned 6 August 2015)</td>
</tr>
<tr>
<td>Helen Keays (Resigned 6 August 2015)</td>
</tr>
</tbody>
</table>

Notes:
1) Rowan Gormley’s shareholding is contingently returnable and included in the shares discussed under “Share payments” below.

Share payments
In addition to the initial cash payment made at the time of the acquisition a further amount of up to £20m in Majestic Wine PLC’s ordinary share capital (based on the closing price at 2 April 2015) has been issued to management in the form of contingently returnable shares and contingent awards.

Due to continuing employment obligations of the recipients of these shares IFRS 2 Share Based Payment treatment 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.

The vesting requirements for these shares were adjusted after the end of the year as described in the Remuneration section of this Directors’ Report.

Board programme
The Board meets at least 6 times each year in accordance with its scheduled meeting calendar and the attendance by each Board member at scheduled meetings is shown in the Board table on pages 38 and 39.

The role of the Board
The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets.

All Directors receive regular and timely information on the Group’s operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.
Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company’s various offices giving, in particular the Non-Executive Directors, access to the different divisions to gain a greater understanding of the Group’s activities.

**Independent advice**
All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company’s expense. In addition the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

**Board Committees**
The Board has Remuneration, Audit and Nomination committees.
The Board is satisfied that the committees discharged their responsibilities appropriately.

**Independent Directors**
The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. Justin Apthorp has been classified as non-independent due to his time working with the Company and current shareholding.

Contracts are available for inspection at the Company’s registered office and at the Annual General Meeting ("AGM"). All Directors retire by rotation at regular intervals in accordance with the Company’s Articles of Association and the principles of the Code. Justin Crawford and Greg Hodder will also offer themselves for appointment to the Board at the Annual General Meeting.

The refreshing of the Board this year enables fresh insight, brings new competencies, skills and experience and builds on our existing talent, further strengthening the Board and standing us in good stead for moving the Group forward to its next phase of growth.

All Directors will undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

The Group has provided to all of its Directors limited indemnities in respect of costs of defending claims against them and third party liabilities. The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were available during the period and remain in force at the date of this report.

**Key Board activities in 2015/16**
- Acquisition of Naked Wines in April 2015
- Non-Executive Director recruitment
- New Remuneration schemes planned and launched
- Input into and approval of new strategy for the Group

**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 24 of the financial statements.

**Major shareholders**
At 24 May 2016 the following interests of shareholders in excess of 3%, have been notified to the Company.

<table>
<thead>
<tr>
<th>Number of ordinary shares held</th>
<th>Ordinary shares as % of issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apthorp Family</td>
<td>12,954,028</td>
</tr>
<tr>
<td>Rowan Gormley</td>
<td>4,528,881</td>
</tr>
<tr>
<td>T Rowe Price International</td>
<td>4,259,753</td>
</tr>
<tr>
<td>Fidelity Mgt &amp; Research</td>
<td>3,984,590</td>
</tr>
<tr>
<td>Standard Life Investments</td>
<td>3,844,006</td>
</tr>
<tr>
<td>Schroder Investment Mgt</td>
<td>3,118,748</td>
</tr>
<tr>
<td>Baillie Gifford &amp; Co</td>
<td>2,851,654</td>
</tr>
</tbody>
</table>

**Corporate governance**
As a company listed on the Alternative Investment Market (AIM) the Company is not required to issue a Corporate Governance Statement of Compliance with the principles and provisions of the UK Corporate Governance Code ("the Code") the Company voluntarily presents disclosures that reflect the extent of the Company’s application of the Code. We have also included insight throughout the report that provides insight around our values and "Doing the right thing" for our stakeholders.

The Board supports the principles and aims of the Code. Good governance reduces risk and adds value to our business. Delivering growth and long-term shareholder value with effective and efficient decision making is of high importance to the Board.

**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 quarterly. The results are compared to budget and prior year performance.

**Store control environment**
Operating procedures for control of store operations are clearly documented and set out in operation manuals. Senior operational managers are responsible for the implementation of these procedures and compliance is monitored.
Responsible retailing
The Group recognises that alcohol misuse, underage drinking and poor health are issues causing real concern in the UK today. Majestic takes these matters very seriously and we are committed to the responsible retailing of alcohol in order to help mitigate their impact. We are a supporter of Drinkaware, the Government sponsored trust which promotes responsible drinking. We operate a Challenge 25 scheme to ensure that minors cannot purchase alcohol at our stores. In addition, we have signed up to the Government’s Responsibility Deal which aims to improve public health by encouraging responsible drinking. We ensure that customers have access to information about alcohol in-store, on our website and in our promotional literature. Staff training includes principles of social responsibility and alcohol misuse and all tasting events encourage customers to enjoy wine responsibly.

Financial instruments
The Group’s financial risk management objectives and policies are discussed in note 21 to the financial statements.

Key Performance Indicators
The Group monitors a number of performance indicators both financial and non-financial. The following non-financial indicators are either currently monitored, or will be monitored in the future once appropriate systems and processes have been finalised to do so:

<table>
<thead>
<tr>
<th>KPIs (52 weeks to 28 March 2016)</th>
<th>Retail</th>
<th>Naked Wines</th>
<th>Commercial</th>
<th>Lay &amp; Wheeler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeat customer retention</td>
<td>68%</td>
<td>66%</td>
<td>80%</td>
<td>92%(1)</td>
</tr>
<tr>
<td>Product availability</td>
<td>66%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Team retention</td>
<td>75%</td>
<td>N/A</td>
<td>81%(2)</td>
<td>76%</td>
</tr>
<tr>
<td>Wine quality (Buy It Again ratings)</td>
<td>N/A</td>
<td>89%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Proportion of 5* service ratings</td>
<td>86%</td>
<td>90%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) Cellar Circle only
(2) All staff

These indicators are discussed in the Chairman’s statement and the Strategic Report.
The aim of the Remuneration Committee is to ensure that shareholder and management interests are aligned. In doing so we also aim to make the schemes more transparent, easier to communicate and simpler to operate.
Directors’ remuneration

The Directors’ remuneration for the year is set out in the table below.

<table>
<thead>
<tr>
<th>Directors’ Date</th>
<th>Basic salary and fees £’000</th>
<th>Benefits £’000</th>
<th>Annual bonus fees £’000</th>
<th>Fees related to additional NED duties £’000</th>
<th>Company pension contributions £’000</th>
<th>Compensation for loss of office £’000</th>
<th>Naked Wines deal related payments</th>
<th>Total 2016 £’000</th>
<th>Total 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Wrigley</td>
<td>80</td>
<td>–</td>
<td>75</td>
<td>–</td>
<td>23</td>
<td>–</td>
<td>–</td>
<td>155</td>
<td>80</td>
</tr>
<tr>
<td>Rowan Gormley</td>
<td>204</td>
<td>49</td>
<td>68</td>
<td>23</td>
<td>18</td>
<td>5,070*</td>
<td>5,414</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>James Crawford</td>
<td>113</td>
<td>17</td>
<td>49</td>
<td>18</td>
<td>–</td>
<td>148*</td>
<td>345</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Anita Balchandani</td>
<td>32</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>32</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Brian Gregory Hodder</td>
<td>20</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,070*</td>
<td>5,414</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Ian Harding</td>
<td>40</td>
<td>–</td>
<td>25</td>
<td>–</td>
<td>–</td>
<td>5</td>
<td>65</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Justin Aplthor</td>
<td>162</td>
<td>10</td>
<td>–</td>
<td>29</td>
<td>202</td>
<td>–</td>
<td>403</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Nigel Alldritt</td>
<td>162</td>
<td>19</td>
<td>–</td>
<td>40</td>
<td>190</td>
<td>–</td>
<td>411</td>
<td>291</td>
<td></td>
</tr>
<tr>
<td>Helen Keays</td>
<td>29</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>29</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

* This is a non-cash accounting adjustment. Rowan Gormley and James Crawford were offered shares in Majestic Wine in exchange for their shares in Naked Wines as part of the acquisition consideration. IFRS 2 requires these shares to be accounted for as Remuneration and so are charged to the income statement over four years.

Historical Share Option Schemes and Long Term Incentive Plan for retiring executives

During the year no share awards were made to the Executive Directors (other than those attributable to the acquisition of Naked Wines). Historic scheme awards to the retiring Executive Directors lapsed as follows:

<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>Options at 31.03.15</th>
<th>Options (lapsed)</th>
<th>Options exercised</th>
<th>Options at 28.03.16</th>
<th>Scheme Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigel Alldritt</td>
<td>94,382</td>
<td>(94,382)</td>
<td>–</td>
<td>–</td>
<td>LTIP</td>
</tr>
<tr>
<td></td>
<td>85,168</td>
<td>(85,168)</td>
<td>–</td>
<td>–</td>
<td>LTIP</td>
</tr>
<tr>
<td>Justin Aplthor</td>
<td>85,393</td>
<td>(85,393)</td>
<td>–</td>
<td>–</td>
<td>LTIP</td>
</tr>
<tr>
<td></td>
<td>77,137</td>
<td>(77,137)</td>
<td>–</td>
<td>–</td>
<td>LTIP</td>
</tr>
</tbody>
</table>

The market value of the Company’s shares at 29 March 2016 was 426.5p. The highest and lowest prices during the year were 471.25p and 296.0p respectively.

Changes to remuneration policy

In FY15/16 Majestic Wine Plc acquired Naked Wines and announced a three year transformation plan to deliver sustainable growth for the Group through driving customer loyalty. To underpin this a number of initiatives have been made including; 1) appointment of a new senior management team and 2) a renewed focus on employee engagement.

Following these developments the Remuneration Committee has reviewed compensation across the business and developed a new unified approach with three key principles:

- Alignment with the 2019 ambition of the transformation plan
- Democratic participation benefiting all employees
- Incentivising sustainable growth by measuring relative Total Shareholder Return

Details of the changes made are listed below. As per best practice guidelines the limitations of both the 2016 LTIP and 2016 SIP share schemes combined are 10% of total share capital over the next 10 years. Shareholders representing 58% of total shareholdings of the Group were consulted regarding both share scheme designs at the end of March 2016.

Annual performance related bonus

The business has typically operated multiple bonus schemes that are team specific and we have overhauled the schemes under operation starting Financial Year 2017, with a view to aligning the incentive philosophy for all staff, along the following lines:

- Schemes for customer facing staff will continue to be based on local unit (e.g. team, store) sales and/or service targets. However historical caps on these will be lifted such that significant overperformance will be better rewarded, within a construct that only a small proportion of incremental profits are being paid out. On track performance would deliver 5% of salary to customer facing staff
- Elimination of the multiple management schemes under operation in favour of one Group-wide scheme which will be active across all divisions: Retail, Commercial, Naked Wines and Lay & Wheeler
- Historical management schemes have had varied measures and bonus targets, and we propose updating this so teams are measured consistently on sales, operating profit, cash management and personal performance. The weightings associated with each of these four elements on which bonus will be predicated are as follows: Sales (40%); EBITDA (40%); Cash (20%) with a modifier for Individual performance
- This bonus scheme will operate at all management levels in the business
The scheme is also constructed to incentivise teams to outperform through a reward curve which pays out as follows:

**Target bonus**: Delivering against the four performance measures results in 100% payout, which equates to 50% of salary for the Executive Leadership through to 10% of salary for junior management.

**“Floor”**: Typically 90% of target performance in the year pays out 25% of the bonus.

**“Ceiling”**: To incentivise out-performance beyond the levels targeted, a 110% out-performance against targets will result in a 125% bonus payout.

The Group operates a deferred bonus scheme for the current Executive Directors and business unit MDs in the year. 50% of the cash bonus amounts provided for Financial Year 2016 have been deferred for 12 months and will be paid subject to a) The satisfaction of the Remuneration Committee that no actions were taken to achieve FY16 goals to the detriment of future performance; and b) continued employment.

**Share Incentive Plan**

As part of the Company’s commitment to rewarding all employees fairly the Company is launching a new Share Incentive Plan. The Plan will initially be funded through the issue of new shares or by purchasing existing shares on the market, subject to general shareholder approval for the company to do so. There will be some local variations in the international subsidiaries to account for local securities regulations and tax considerations.

The Plan provides for restricted share awards split into four categories.

- **Free shares** – free shares in the Company
- **Partnership shares** – the chance to buy shares by making monthly contributions which will be used to buy partnership shares on a monthly basis
- **Matching shares** – free shares given as a match to any partnership share bought
- **Dividend shares** – participants reinvest any dividends received on their SIP shares in dividend shares in the Company

The majority of employees will be entitled to enrol in a free shares plan initially. The first grants under the SIP will be made during Financial Year 2017, predominantly at year end. Free shares will be granted subject to a minimum holding and forfeiture period of three years.

**Long-Term Incentive Plan (“LTIP”)**

The Company is launching a new Long-term Incentive Plan (“LTIP”) as its primary management incentive arrangement. The LTIP seeks to motivate and retain Executive Directors and other management roles within the Group, to enable them to potentially benefit from delivering Total Shareholder Returns (“TSR”) above the average of a peer group of companies.

The scheme will be introduced to all employees from store manager level upwards, post the announcement of the Group’s full year results for the period ended 28 March 2016.

The key terms of the LTIP are as follows:

- Managers will receive a one-time issuance of equity to cover the period of the Transformation (Financial Years 2017–2019), followed by annual grants from Financial Year 2020 to the tune of circa 1% of total issued shares p.a. to employees subject to continued employment and the satisfaction of Total Shareholder Return criteria. (Note: This equates to a one-time issuance of circa 3% for the period Financial Years 2017–2019) New joiners will receive annual awards. The awards made on scheme launch will vest in three equal tranches commencing March 2019 through to March 2021.

- Up to a maximum of 100% of salary in face value to be granted per scheme year (note that this means up to 300% of salary for the FY2017-19 issuance)

- Vesting occurs in three equal tranches three to five years post launch

- Vesting is conditional upon relative performance of Majestic Group total shareholder returns, i.e. relative TSR.

- The peer group for the above relative TSR assessment is a group of circa 25 listed UK retailers with revenues below £1.5bn

The vesting conditions are as follows:

- 100% vesting if Majestic TSR is upper quartile relative to peer group
- 25% vesting if Majestic TSR is median
- 0% vesting for performance below median
- LTIP performance will be measured against the average share price three months prior to issuance and vesting date
- The LTIP will apply down to store manager or equivalent level, a total population across the Group of almost 500 managers

**Changes to the performance criteria in regards to the acquisition of Naked Wines**

The contingent share awards relating to the Naked Wines acquisition will vest subject to the achievement of certain performance criteria over a maximum period of four years.

The criteria for management to achieve the performance related consideration of the acquisition were originally linked to a minimum spend on new business and 75% ROI threshold on this spend, with a fallback Financial Year 2019 EBITDA criterion in the event the spend and ROI criteria were not reached.

The Remuneration committee amended the criteria as follows:

- That new customer acquisition spend metric be replaced with minimum value creation (Rol multiplied by spend). This was to avoid an incentive to generate lower Rol spend in order to meet the minimum spend requirement even though the return quantum being generated was satisfactory due to achievement of Rol ahead of the standard; and
- The definition of EBITDA has been adjusted to eliminate certain intercompany recharges not contemplated when the target was set at the time of the acquisition.

The Company’s Directors (excluding Rowan Gormley and James Crawford who are subject to the amendment) consider, having consulted with Investec in its capacity as Majestic’s nominated adviser, that the terms of these amendments are fair and reasonable insofar as the Company’s shareholders are concerned.
Audit Committee report
Ian Harding, FCA,
Chairman of the Audit Committee

Key responsibilities
- 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.
- To keep under review the need for an internal audit function and make recommendations to the Board.

Membership and meetings
The Audit Committee is chaired by Ian Harding, who is a Chartered Accountant, and consists of the other four Non-Executive Directors. The Executive Directors attend by invitation. It meets a minimum of three times per year and at least twice a year with the external auditors present. Its role is to monitor the integrity of the financial statements, including the Annual and Interim Reports, review the significant accounting policies and financial reporting judgements contained therein and provide updates and recommendations to the Board. It is also responsible for reviewing and evaluating the adequacy of internal control and risk management processes.

Terms of reference
Updated terms of reference were adopted by the Committee in 2013. These are available on the Majestic PLC Investor Relations website.

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 no significant failings in control have been found. 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 a very thorough annual risk management process, the results of which are discussed with the Board. The Strategic Report 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 auditor on their findings. The significant reporting matters and judgements the Committee considered during the year included:

- The accounting and disclosures relating to the acquisition of Naked Wines (see note 13 on page 71)
- The presentation of “adjusted” profit alongside statutory profit to provide a clearer and more balanced view of the underlying performance of the business (See financial review on page 30)
- The carrying value of goodwill and other intangible assets to determine whether any impairment had been suffered. This review resulted in the full write off in the year of the goodwill that arose on the acquisition of Lay & Wheeler (see note 12 on page 69)

The Committee was satisfied with the treatment and disclosures of these items.

Internal audit
The Committee keeps under review the need for internal audit function. Following the acquisition of Naked Wines the business is now larger, has significant international operations and so the Committee has recommended the need for an internal audit. This recommendation has been adopted and a recruitment process is underway.

External audit
The Committee considers a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their reappointment and remuneration.

The Committee reviews the objectivity and independence of the auditors when considering reappointment. The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years.

Deloitte provides a range of other services which include tax compliance and advisory services.

The Committee has confirmed it is satisfied with the independence objectivity and effectiveness of Deloitte and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.
Statement of Directors’ responsibilities
in respect of the financial statements

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, and as required by the AIM rules, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business
- Present fairly the Group and Company financial position, financial performance and cash flows
- Select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements that are reasonable
- Provide additional disclosures when compliance with the specific requirements in IFRSs, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s and Company’s financial position and financial performance
- State whether the Group and Company financial statements have been prepared in accordance with IFRSs, as adopted by the EU, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors’ Report are listed on pages 40 and 41. Having made enquiries of fellow Directors and of the Company’s auditor each of these Directors confirms that:

- To the best of each Director’s knowledge and belief, there is no information relevant to the preparation of their report of which the Company’s auditor is unaware
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of 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 section 418 of the Companies Act 2006.

Employees

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group’s aims and objectives are communicated in an open and regular manner. Employees are kept informed of the Group’s performance and activities by regular briefings. Directors and senior managers visit stores frequently to brief staff and discuss matters of concern or interest. The Group’s senior staff participate in the Group’s share option schemes, and the deferred bonus scheme. Recruitment and training development policies give equal opportunity to all employees regardless of age, sex, colour, race, religion or ethnic origin. The Group’s policy is to recruit disabled workers for those vacancies that they are able to fill. The Group uses its best endeavours to continue to employ persons who become disabled during their employment. Training programmes are held for all levels of staff. These are aimed at increasing skills and contribution with particular emphasis placed on product knowledge and customer service skills.
**Going concern**

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the financial review. The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are also described in that review. In addition, note 21 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk. The Board are currently of the opinion that the Group’s forecasts and projections, which take account of reasonable possible changes in trading performance, show that the Group is able to meet its banking covenants and to operate within the current committed borrowing facilities described in note 20. The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

**Auditor**

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

By order of the Board

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**James Crawford**

Group Chief Financial Officer and Company Secretary

Majestic House
The Belfry
Colonial Way
Watford
WD24 4WH

17 June 2016

Registered in England and Wales
No. 2281640
Independent Auditor’s Report to the members of Majestic Wine PLC

We have audited the financial statements of Majestic Wine PLC for the 52 weeks ended 28 March 2016 which comprise the Group Income Statement, the Group Statement of comprehensive income, the Group and Company statement of changes in equity, the Group and Company balance sheets, the Group and Company cash flow statements and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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.

Respective responsibilities of Directors and auditor
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate for the Group’s and the parent Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:
- The financial statements give a true and fair view of the state of the Group’s and parent Company’s affairs as at 28 March 2016 and of the Group’s profit for the year then ended.
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.
- The parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us.
- The parent Company financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of directors’ remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

David Halstead (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans
17 June 2016
## Group income statement

For the year ended 28 March 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Revenue</th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Year ended 28 March 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended 30 March 2015 (restated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>402,086</td>
<td>284,495</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(297,835)</td>
<td>(218,211)</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>104,251</td>
<td>66,284</td>
<td></td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(45,836)</td>
<td>(28,337)</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(52,898)</td>
<td>(20,242)</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>766</td>
<td>836</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>6,283</td>
<td>18,541</td>
<td></td>
</tr>
<tr>
<td>Net finance charge</td>
<td>6</td>
<td>815</td>
<td>(119)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>4,743</td>
<td>18,422</td>
<td></td>
</tr>
</tbody>
</table>

Analysed as:

| Adjusted profit before taxation | 15,021 | 21,566 |
| Adjusted items: | | |
| – Non-cash charges relating to acquisitions | 5 | (11,508) | (225) |
| – Other adjusted items | 5 | 1,230 | (2,919) |
| Profit before taxation | 4,743 | 18,422 |

| Taxation | 9 | (2,419) | (4,943) |

| Profit for the year | | |
| Basic | 10 | 3.5p | 20.5p |
| Diluted | 10 | 3.3p | 20.4p |
| Adjusted basic | 10 | 19.2p | 25.3p |
| Adjusted diluted | 10 | 18.1p | 25.1p |

The results are all derived from continuing operations.

The prior period comparatives have been restated to recognise a recategorisation of online listing fee income as a cost of sales, resulting in a reduction to cost of sales and a corresponding increase in administrative expenses of £1,736,000.
<table>
<thead>
<tr>
<th><strong>Group statement of comprehensive income</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year ended 28 March 2016</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>2,324</td>
<td>13,479</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences on foreign currency net investments</td>
<td>553</td>
<td>(583)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>553</td>
<td>(583)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>2,877</td>
<td>12,896</td>
</tr>
</tbody>
</table>

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

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

For the year ended 28 March 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital £'000</th>
<th>Share premium account £'000</th>
<th>Capital reserve – own shares £'000</th>
<th>Capital redemption reserve £'000</th>
<th>Currency translation reserve £'000</th>
<th>Retained earnings £'000</th>
<th>Total Shareholders’ funds £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>At 31 March 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(583)</td>
<td>13,479</td>
<td>12,896</td>
</tr>
<tr>
<td>Share issue</td>
<td>2</td>
<td>63</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>65</td>
</tr>
<tr>
<td>Shares vesting under deferred bonus scheme</td>
<td>–</td>
<td>–</td>
<td>213</td>
<td>–</td>
<td>–</td>
<td>(213)</td>
<td>–</td>
</tr>
<tr>
<td>Share based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>131</td>
<td>131</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(55)</td>
<td>(55)</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>11</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(10,501)</td>
<td>(10,501)</td>
</tr>
<tr>
<td><strong>At 30 March 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>553</td>
<td>2,877</td>
</tr>
<tr>
<td>Share issue</td>
<td>13</td>
<td>471</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>484</td>
</tr>
<tr>
<td>Shares issued on acquisition of subsidiary</td>
<td>370</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(289)</td>
<td>81</td>
</tr>
<tr>
<td>Share based payments – ongoing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>172</td>
</tr>
<tr>
<td>Share based payments – acquisition related</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,846</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>188</td>
</tr>
<tr>
<td><strong>At 28 March 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,307</td>
<td>20,441</td>
<td>(17)</td>
<td>363</td>
<td>2,058</td>
<td>81,062</td>
<td>109,214</td>
</tr>
<tr>
<td>Note</td>
<td>Non-current assets</td>
<td>28 March 2016 £'000</td>
<td>30 March 2015 £'000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Goodwill and intangible assets</td>
<td>12</td>
<td>56,671</td>
<td>9,002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Property, plant and equipment</td>
<td>14</td>
<td>70,038</td>
<td>72,632</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>En primeur purchases</td>
<td>15</td>
<td>1,291</td>
<td>526</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepaid operating lease costs</td>
<td>16</td>
<td>2,115</td>
<td>2,182</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deferred tax assets</td>
<td>9</td>
<td>1,129</td>
<td>401</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td>131,244</td>
<td>84,743</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Current assets</th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inventories</td>
<td>17</td>
<td>80,732</td>
</tr>
<tr>
<td></td>
<td>Trade and other receivables</td>
<td>18</td>
<td>12,416</td>
</tr>
<tr>
<td></td>
<td>En primeur purchases</td>
<td>15</td>
<td>1,657</td>
</tr>
<tr>
<td></td>
<td>Financial instruments at fair value</td>
<td>21</td>
<td>889</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td></td>
<td>6,875</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td>102,569</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Current liabilities</th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade and other payables</td>
<td>19</td>
<td>(61,801)</td>
</tr>
<tr>
<td></td>
<td>En primeur deferred income</td>
<td>15</td>
<td>(2,150)</td>
</tr>
<tr>
<td></td>
<td>Deferred Angel income</td>
<td></td>
<td>(18,832)</td>
</tr>
<tr>
<td></td>
<td>Bank overdraft</td>
<td>20</td>
<td>(3,071)</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>22</td>
<td>(747)</td>
</tr>
<tr>
<td></td>
<td>Deferred lease inducements</td>
<td>23</td>
<td>(433)</td>
</tr>
<tr>
<td></td>
<td>Bond financing</td>
<td>20</td>
<td>(4,990)</td>
</tr>
<tr>
<td></td>
<td>Financial instruments at fair value</td>
<td>21</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Current tax liabilities</td>
<td></td>
<td>(1,443)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td>(93,467)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Non-current liabilities</th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>En primeur deferred income</td>
<td>15</td>
<td>(1,469)</td>
</tr>
<tr>
<td></td>
<td>Deferred lease inducements</td>
<td>23</td>
<td>(2,552)</td>
</tr>
<tr>
<td></td>
<td>Bank loan</td>
<td>20</td>
<td>(24,317)</td>
</tr>
<tr>
<td></td>
<td>Deferred tax liabilities</td>
<td>9</td>
<td>(2,794)</td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>(124,599)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Net assets</th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td>109,214</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Shareholders’ funds</th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Called up share capital</td>
<td>24</td>
<td>5,307</td>
</tr>
<tr>
<td></td>
<td>Share premium</td>
<td>24</td>
<td>20,441</td>
</tr>
<tr>
<td></td>
<td>Capital reserve – own shares</td>
<td>24</td>
<td>(17)</td>
</tr>
<tr>
<td></td>
<td>Capital redemption reserve</td>
<td>24</td>
<td>363</td>
</tr>
<tr>
<td></td>
<td>Currency translation reserve</td>
<td>24</td>
<td>2,058</td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td></td>
<td>81,062</td>
</tr>
<tr>
<td></td>
<td><strong>Equity shareholders’ funds</strong></td>
<td></td>
<td>109,214</td>
</tr>
</tbody>
</table>

The financial statements were approved by the Board on 17 June 2016 and signed on its behalf by James Crawford.
# Group cash flow statement

For the year ended 28 March 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Cash generated from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash generated by operations</td>
<td>18,650</td>
</tr>
<tr>
<td></td>
<td>Foreign exchange differences</td>
<td>229</td>
</tr>
<tr>
<td></td>
<td>UK income tax paid</td>
<td>(3,905)</td>
</tr>
<tr>
<td></td>
<td>Overseas income tax paid</td>
<td>(821)</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash generated by operating activities</strong></td>
<td>14,153</td>
</tr>
<tr>
<td></td>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest received</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Purchase of property, plant and equipment</td>
<td>(4,994)</td>
</tr>
<tr>
<td></td>
<td>Purchase of intangible fixed assets</td>
<td>(973)</td>
</tr>
<tr>
<td></td>
<td>Purchase of prepaid lease assets</td>
<td>(271)</td>
</tr>
<tr>
<td></td>
<td>Acquisition of subsidiary, net of cash acquired</td>
<td>(36,081)</td>
</tr>
<tr>
<td></td>
<td>Acquisition costs and payments</td>
<td>(8,535)</td>
</tr>
<tr>
<td></td>
<td>Proceeds from sale of non-current assets</td>
<td>6,173</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>(44,681)</td>
</tr>
<tr>
<td></td>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest paid</td>
<td>(1,350)</td>
</tr>
<tr>
<td></td>
<td>Issue of ordinary share capital</td>
<td>566</td>
</tr>
<tr>
<td></td>
<td>Draw down of borrowings</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Repayment of borrowings</td>
<td>(25,007)</td>
</tr>
<tr>
<td></td>
<td>Loan arrangement fees paid</td>
<td>(844)</td>
</tr>
<tr>
<td></td>
<td>Equity dividends paid</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash inflow/outflow from financing activities</strong></td>
<td>23,365</td>
</tr>
<tr>
<td></td>
<td><strong>Net (decrease)/increase in cash</strong></td>
<td>(7,163)</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents at beginning of year</td>
<td>10,967</td>
</tr>
<tr>
<td></td>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>28,804</td>
</tr>
</tbody>
</table>
1 General information
Majestic Wine PLC is a public limited company ("Company") and is incorporated in the United Kingdom under the Companies Act 2006. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The 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 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.

2.1 Basis of preparation
The financial statements presented in this document have been prepared in accordance with the Companies Act, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union as they apply to the financial statements of the Group for the 52 week period ending 28 March 2016.

The Group's financial reporting year represents the 52 weeks to 28 March 2016 and the prior financial year, 52 weeks to 30 March 2015.

The consolidated financial statements are presented in sterling, 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 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

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's loss for the period is £2,861,000 (2015: profit of £9,159,000). The Company has not made any other comprehensive income and consequently has not presented a statement of comprehensive income for the year.

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

The following new amendments to published standards and new standards are due to be effective in future periods:

<table>
<thead>
<tr>
<th>IFRS</th>
<th>Subject</th>
<th>Effective from</th>
<th>Date to be adopted by the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 12*</td>
<td>Recognition of Deferred Tax Assets for Unrealised Losses</td>
<td>1 January 2017</td>
<td>2017/18</td>
</tr>
<tr>
<td>IFRS 16*</td>
<td>Leases</td>
<td>1 January 2019</td>
<td>2019/20</td>
</tr>
<tr>
<td>Amendments to IFRS 10, IFRS 12 and IAS 28*</td>
<td>Investment entities: applying the consolidation exception</td>
<td>1 January 2016</td>
<td>2016/17</td>
</tr>
<tr>
<td>Amendments to IAS 1</td>
<td>Disclosure initiative</td>
<td>1 January 2016</td>
<td>2016/17</td>
</tr>
<tr>
<td>Amendments to IAS 27</td>
<td>Equity method in separate financial statements</td>
<td>1 January 2016</td>
<td>2016/17</td>
</tr>
<tr>
<td>IFRS 9</td>
<td>Financial instruments</td>
<td>1 January 2018</td>
<td>2018/19</td>
</tr>
<tr>
<td>IFRS 15</td>
<td>Revenue from contracts with customers</td>
<td>1 January 2018</td>
<td>2018/19</td>
</tr>
<tr>
<td>Amendments to IAS 16 and IAS 38</td>
<td>Clarification of acceptable methods of depreciation and amortisation</td>
<td>1 January 2016</td>
<td>2016/17</td>
</tr>
<tr>
<td>Amendments to IFRS 11</td>
<td>Accounting for acquisitions in joint operations</td>
<td>1 January 2016</td>
<td>2016/17</td>
</tr>
</tbody>
</table>

* not yet endorsed by the EU

It is not expected that any of the new standards and interpretations that have not been applied will have a material impact on the results, net assets or cash flows of the Group.
2 Accounting policies (continued)

2.2 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 and
- Has the ability to use its power to affect its returns

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

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

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.

2.3 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. Further detail is contained in the Directors’ report on page 40.

2.4 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. 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 5.

2.5 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 they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group’s operating segments have changed during the period as a result of an internal reorganisation following the acquisition of Naked Wines in April 2015. The Group’s operating segments are now 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 which was previously reported as a separate business segment. 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 based on sales, adjusted EBIT (being operating profit less any adjusted items) and adjusted PBT (being profit before taxation less any adjusted items). These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of each segment. Adjusted items are not allocated to the operating segments as this reflects how they are reported to the Board.

2.6 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 to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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.

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.

2.7 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.

2.8 Finance costs and income

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.
2.10 Taxation
Income tax on the profit or loss for the period 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 period, 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 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.

2.11 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 period.

The consolidated financial statements are presented in sterling which is the Company’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.

2.12 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 cash generating units 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 cash generating unit) 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 cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.
2 Accounting policies (continued)
2.12 Business combinations and goodwill (continued)
Acquisition related costs are recognised in the income statement as incurred.

On 10 April 2015 the Group acquired the entire share capital of Naked Wines International Limited and all its subsidiaries ('Naked Wines'). The acquisition is detailed in note 13. In addition to the cash consideration paid, a further amount of up to £20m is payable to the previous shareholders and employees of Naked Wines in the form of Majestic Wine PLC share capital. These shares are conditional on the achievement of certain performance criteria. Details of these shares can be found in note 26. These shares are accounted for under IFRS 2 Share Based Payments and result in a charge to the income statement.

2.13 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer list and relationships</td>
<td>6 years</td>
</tr>
<tr>
<td>Brand</td>
<td>8 years</td>
</tr>
<tr>
<td>Software</td>
<td>2-5 years</td>
</tr>
<tr>
<td>Licences</td>
<td>Over the term of the licence</td>
</tr>
</tbody>
</table>

Customer lists and relationships and brands arise only on acquisition.

2.14 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.

2.15 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold land</td>
<td>Not depreciated</td>
</tr>
<tr>
<td>Freehold buildings</td>
<td>50 years (or the term of the lease and leasehold properties if less than 50 years)</td>
</tr>
<tr>
<td>Equipment, fittings and vehicles</td>
<td>3-10 years</td>
</tr>
</tbody>
</table>

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.

2.16 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.

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

2.18 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.

2.19 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.
2 Accounting policies (continued)

2.20 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 is made for impairment when it is likely that the balance will not be recovered in full.

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 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.

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.

2.21 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.

3 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.

The following are considered to be key areas of estimation and uncertainty.

3.1 Impairment of tangible and intangible assets including goodwill
In determining whether tangible and intangible assets are impaired, the recoverable amount of cash generating units is determined based on the higher of net realisable value and value in use calculations. These value in use calculations require the use of estimates. The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the CGUs carrying values. See note 12 for further details.

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.

3.2 Amortisation of acquired intangible assets
Acquired customer lists, brands, software, licences and tangible fixed assets are considered to have finite lives (refer to note 2.13). The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as history and heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement.
4 Segmental reporting

The Group’s operating segments have changed during the period as a result of an internal reorganisation following the acquisition of Naked Wines in April 2015. The Group’s operating segments are now 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 which was previously reported as a separate business segment. Commercial is a business-to-business (“B2B”) wine retailer selling to pubs, restaurants and events. Lay & Wheeler is a specialist in the fine wine market and also provides cellarage services to customers. Naked Wines is a customer funded international online wine retailer.

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

Performance of each operating segment is based on sales, 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 CODM.

The revenue and profits of the Lay & Wheeler operating segment as presented to the CODM are recognised on the receipt of orders, cash receipts and payments in relation to en primeur campaigns. The segment performance is reviewed in this way as resources utilised in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised on delivery of the wine to the customer, which may be up to two years after the original order and payment. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

Costs relating to centralised Group functions are not allocated to operating segments for the purposes of assessing segmental performance and consequently central costs are presented as a separate segment. Inter-segment transactions are conducted on an arm’s length basis. The Group is not reliant on a major customer or group of customers.

Segmental results for prior periods have been restated to reflect the current operating structure.

All activities are continuing.

Segment analysis

<table>
<thead>
<tr>
<th>Year ended 28 March 2016</th>
<th>Retail £’000</th>
<th>Commercial £’000</th>
<th>Naked Wines £’000</th>
<th>Lay &amp; Wheeler £’000</th>
<th>Eliminations £’000</th>
<th>Unallocated £’000</th>
<th>Group £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third party revenue</td>
<td>244,027</td>
<td>45,557</td>
<td>102,534</td>
<td>10,658</td>
<td>–</td>
<td>–</td>
<td>402,776</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>357</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>244,027</td>
<td>45,557</td>
<td>102,534</td>
<td>11,015</td>
<td>(357)</td>
<td>–</td>
<td>402,776</td>
</tr>
<tr>
<td>Movement in en primeur sales</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(690)</td>
<td>–</td>
<td>–</td>
<td>(690)</td>
</tr>
<tr>
<td>Reported third party revenue</td>
<td>244,027</td>
<td>45,557</td>
<td>102,534</td>
<td>10,325</td>
<td>(357)</td>
<td>–</td>
<td>402,086</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>13,984</td>
<td>3,770</td>
<td>979</td>
<td>152</td>
<td>–</td>
<td>(2,324)</td>
<td>16,561</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(1,540)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>15,021</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non cash charges relating to acquisitions (see note 5)</td>
<td>–</td>
<td>–</td>
<td>220</td>
<td>104</td>
<td>–</td>
<td>–</td>
<td>324</td>
</tr>
<tr>
<td>Other adjusted items (see note 5)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(11,508)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>4,743</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,005</td>
<td>–</td>
<td>220</td>
<td>104</td>
<td>–</td>
<td>–</td>
<td>5,329</td>
</tr>
<tr>
<td>Amortisation</td>
<td>1,098</td>
<td>–</td>
<td>3,995</td>
<td>276</td>
<td>–</td>
<td>–</td>
<td>5,369</td>
</tr>
</tbody>
</table>

Geographical analysis

<table>
<thead>
<tr>
<th></th>
<th>UK £’000</th>
<th>Rest of Europe £’000</th>
<th>US £’000</th>
<th>Australia £’000</th>
<th>Group £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported third party revenue</td>
<td>344,440</td>
<td>7,544</td>
<td>38,625</td>
<td>11,477</td>
<td>402,086</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>127,338</td>
<td>2,604</td>
<td>1,263</td>
<td>39</td>
<td>131,244</td>
</tr>
</tbody>
</table>
4 Segmental reporting (continued)

Segment analysis

<table>
<thead>
<tr>
<th>Segment</th>
<th>Retail £'000</th>
<th>Commercial £'000</th>
<th>Naked £'000</th>
<th>L&amp;W £'000</th>
<th>Eliminations £'000</th>
<th>Unallocated £'000</th>
<th>Group £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>231,377</td>
<td>42,229</td>
<td>–</td>
<td>9,694</td>
<td>–</td>
<td>–</td>
<td>283,300</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>894</td>
<td>(894)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>231,377</td>
<td>42,229</td>
<td>–</td>
<td>10,588</td>
<td>(894)</td>
<td>–</td>
<td>283,300</td>
</tr>
<tr>
<td>Movement in en primeur sales</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,195</td>
<td>–</td>
<td>–</td>
<td>1,195</td>
</tr>
<tr>
<td>Reported third party revenue</td>
<td>231,377</td>
<td>42,229</td>
<td>–</td>
<td>11,783</td>
<td>(894)</td>
<td>–</td>
<td>284,495</td>
</tr>
<tr>
<td>Segment result</td>
<td>19,119</td>
<td>3,734</td>
<td>–</td>
<td>16</td>
<td>–</td>
<td>(1,184)</td>
<td>21,685</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(119)</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>21,566</td>
<td>–</td>
</tr>
</tbody>
</table>

Adjusted items:
- Non-cash charges relating to acquisitions (see note 5) (225)
- Other adjusted items (see note 5) (2,919)

Profit before taxation

<table>
<thead>
<tr>
<th>Item</th>
<th>UK £'000</th>
<th>Rest of Europe £'000</th>
<th>US £'000</th>
<th>Australia £'000</th>
<th>Group £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>4,767</td>
<td>–</td>
<td>–</td>
<td>134</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation</td>
<td>619</td>
<td>–</td>
<td>–</td>
<td>225</td>
<td>–</td>
</tr>
</tbody>
</table>

Geographical analysis

<table>
<thead>
<tr>
<th>Segment</th>
<th>UK £'000</th>
<th>Rest of Europe £'000</th>
<th>US £'000</th>
<th>Australia £'000</th>
<th>Group £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported third party revenue</td>
<td>276,845</td>
<td>7,650</td>
<td>–</td>
<td>–</td>
<td>284,495</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>82,371</td>
<td>2,372</td>
<td>–</td>
<td>–</td>
<td>84,743</td>
</tr>
</tbody>
</table>

5 Adjusted items

<table>
<thead>
<tr>
<th>Item</th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cash charges relating to acquisitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(4,220)</td>
<td>(225)</td>
</tr>
<tr>
<td>Acquisition related share based payment charges</td>
<td>(7,288)</td>
<td>–</td>
</tr>
<tr>
<td>Total non-cash charges relating to acquisitions</td>
<td>(11,508)</td>
<td>(225)</td>
</tr>
<tr>
<td>Other adjusted items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of Lay &amp; Wheeler goodwill</td>
<td>(2,606)</td>
<td>–</td>
</tr>
<tr>
<td>Profit on disposal of property</td>
<td>4,801</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>(519)</td>
<td>(1,767)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(1,045)</td>
<td>(695)</td>
</tr>
<tr>
<td>Fair value movement through P&amp;L on foreign exchange contracts</td>
<td>830</td>
<td>(468)</td>
</tr>
<tr>
<td>En primeur adjustment</td>
<td>(59)</td>
<td>142</td>
</tr>
<tr>
<td>Share based payment charges</td>
<td>(172)</td>
<td>(131)</td>
</tr>
<tr>
<td>Total other adjusted items</td>
<td>1,230</td>
<td>(2,919)</td>
</tr>
<tr>
<td>Total adjusted items</td>
<td>(10,278)</td>
<td>(3,144)</td>
</tr>
</tbody>
</table>
### 6 Operating profit

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>5,329</td>
<td>4,901</td>
</tr>
<tr>
<td>Amortisation of operating lease costs</td>
<td>241</td>
<td>231</td>
</tr>
<tr>
<td>Amortisation of intangible fixed assets</td>
<td>5,369</td>
<td>844</td>
</tr>
<tr>
<td>Impairment of Lay &amp; Wheeler goodwill</td>
<td>2,606</td>
<td>–</td>
</tr>
<tr>
<td>Impairment of properties</td>
<td>1,197</td>
<td>56</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Land and buildings</td>
<td>10,611</td>
<td>9,792</td>
</tr>
<tr>
<td>– Other leases</td>
<td>1,020</td>
<td>990</td>
</tr>
<tr>
<td>– Sublease payments received</td>
<td>(87)</td>
<td>(396)</td>
</tr>
<tr>
<td>– Lease payments received</td>
<td>(449)</td>
<td>(439)</td>
</tr>
<tr>
<td>Profit on sale of properties</td>
<td>(4,801)</td>
<td>–</td>
</tr>
<tr>
<td>Profit on sale of plant and equipment</td>
<td>(19)</td>
<td>(2)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>106</td>
<td>118</td>
</tr>
<tr>
<td>Net currency exchange gain</td>
<td>(233)</td>
<td>(12)</td>
</tr>
</tbody>
</table>

### Auditors’ remuneration

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable for the audit of the Company’s subsidiaries</td>
<td>184</td>
<td>88</td>
</tr>
<tr>
<td>Fees payable for the audit of the acquisition of Naked Wines</td>
<td>88</td>
<td>–</td>
</tr>
<tr>
<td><strong>Fees payable to the Company’s auditor and their associates for the audit of the Company’s subsidiaries</strong></td>
<td>272</td>
<td>88</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditor and their associates for the audit of the Company’s annual accounts</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total audit fees</strong></td>
<td>289</td>
<td>105</td>
</tr>
<tr>
<td>Audit related assurance services</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Other taxation advisory services</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Corporate finance services</td>
<td>76</td>
<td>517</td>
</tr>
<tr>
<td><strong>Total non-audit fees</strong></td>
<td>96</td>
<td>526</td>
</tr>
<tr>
<td><strong>Total fees paid to the Company’s auditor</strong></td>
<td>385</td>
<td>631</td>
</tr>
</tbody>
</table>
### 7 Staff costs

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

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and distribution</td>
<td>333</td>
<td>185</td>
</tr>
<tr>
<td>Sales</td>
<td>1,121</td>
<td>902</td>
</tr>
</tbody>
</table>

Their aggregate remuneration comprised:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>40,866</td>
<td>29,033</td>
</tr>
<tr>
<td>Social security costs</td>
<td>4,279</td>
<td>2,766</td>
</tr>
<tr>
<td>Contributions to defined contribution pension plans</td>
<td>925</td>
<td>639</td>
</tr>
<tr>
<td>Share based payment charges – ongoing</td>
<td>172</td>
<td>131</td>
</tr>
<tr>
<td>Share based payment charges – acquisition related</td>
<td>6,846</td>
<td>–</td>
</tr>
</tbody>
</table>

#### Directors’ emoluments comprised:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and benefits</td>
<td>1,037</td>
<td>1,033</td>
</tr>
<tr>
<td>Compensation for loss of office</td>
<td>392</td>
<td>416</td>
</tr>
<tr>
<td>Bonus accrued</td>
<td>117</td>
<td>–</td>
</tr>
<tr>
<td>Pension contributions to money purchase schemes</td>
<td>110</td>
<td>160</td>
</tr>
<tr>
<td>Emoluments before share based payment charges</td>
<td>1,656</td>
<td>1,609</td>
</tr>
<tr>
<td>Share based payments charge</td>
<td>5,218</td>
<td>–</td>
</tr>
</tbody>
</table>

The highest paid Director’s emoluments comprised:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and benefits</td>
<td>253</td>
<td>419</td>
</tr>
<tr>
<td>Compensation for loss of office</td>
<td>–</td>
<td>416</td>
</tr>
<tr>
<td>Bonus accrued</td>
<td>68</td>
<td>–</td>
</tr>
<tr>
<td>Pension contributions to money purchase schemes</td>
<td>23</td>
<td>73</td>
</tr>
<tr>
<td>Emoluments before share based payment charges</td>
<td>344</td>
<td>908</td>
</tr>
<tr>
<td>Share based payments charge</td>
<td>5,070</td>
<td>–</td>
</tr>
</tbody>
</table>

Detailed disclosure of Directors’ remuneration is set out in the Remuneration Report on page 43.
8 Finance income and charges

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable on bank overdraft</td>
<td>(7)</td>
<td>(147)</td>
</tr>
<tr>
<td>Interest on revolving credit facility</td>
<td>(952)</td>
<td>–</td>
</tr>
<tr>
<td>Interest on customer funded bond</td>
<td>(451)</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation of debt issuance costs</td>
<td>(187)</td>
<td>–</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(1,597)</td>
<td>(147)</td>
</tr>
<tr>
<td>Bank interest receivable</td>
<td>57</td>
<td>28</td>
</tr>
<tr>
<td><strong>Net finance charge</strong></td>
<td>(1,540)</td>
<td>(119)</td>
</tr>
</tbody>
</table>

9 Taxation

(a) Taxation charge

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK income tax</td>
<td>(3,437)</td>
<td>(4,523)</td>
</tr>
<tr>
<td>Overseas income tax</td>
<td>(745)</td>
<td>(466)</td>
</tr>
<tr>
<td>Adjustment in respect of prior periods</td>
<td>42</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Total current income tax expense</strong></td>
<td>(4,140)</td>
<td>(4,998)</td>
</tr>
</tbody>
</table>

Deferred tax expense

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>1,423</td>
<td>(30)</td>
</tr>
<tr>
<td>Adjustment in respect of prior periods</td>
<td>84</td>
<td>85</td>
</tr>
<tr>
<td>Effect of change in tax rate on prior period balances</td>
<td>214</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total deferred tax credit</strong></td>
<td>1,721</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total income tax charge for the year</strong></td>
<td>(2,419)</td>
<td>(4,943)</td>
</tr>
</tbody>
</table>

A change to the UK corporation tax rate was announced in the Chancellor’s Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2019 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. Deferred tax balances have been restated to the substantively enacted rate at which they are expected to reverse.
### 9 Taxation (continued)

#### (b) Taxation reconciliation

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 21%). The reasons for this are detailed below:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>4,743</td>
<td>18,422</td>
</tr>
<tr>
<td>Taxation at the standard UK corporate tax rate of 20% (2015: 21%)</td>
<td>(949)</td>
<td>(3,869)</td>
</tr>
<tr>
<td>Adjustments in respect of prior periods</td>
<td>126</td>
<td>76</td>
</tr>
<tr>
<td>Overseas income tax at higher rates</td>
<td>(227)</td>
<td>(168)</td>
</tr>
<tr>
<td>Disallowable expenditure</td>
<td>(2,166)</td>
<td>(992)</td>
</tr>
<tr>
<td>Income not subject to income tax</td>
<td>196</td>
<td>10</td>
</tr>
<tr>
<td>Deferred tax not previously recognised</td>
<td>230</td>
<td>–</td>
</tr>
<tr>
<td>Capital gains</td>
<td>157</td>
<td>–</td>
</tr>
<tr>
<td>Change in tax rate on prior period deferred tax balances</td>
<td>214</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td>(2,419)</td>
<td>(4,943)</td>
</tr>
</tbody>
</table>

**Effective tax rate** 51.0% 26.8%

**Adjusted effective tax rate** 27.6% 23.2%

#### (c) Taxation on items recorded in other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax credit on share based payments</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Deferred tax credit/(charge) on share based payments</td>
<td>188</td>
<td>(62)</td>
</tr>
<tr>
<td><strong>Total tax on items credit/(charged) to equity</strong></td>
<td>188</td>
<td>(55)</td>
</tr>
</tbody>
</table>

#### (d) Deferred tax

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year</td>
<td>(135)</td>
<td>(128)</td>
</tr>
<tr>
<td>Credited to the income statement in the year</td>
<td>1,721</td>
<td>55</td>
</tr>
<tr>
<td>Credited/(charged) to other comprehensive income in the year</td>
<td>188</td>
<td>(62)</td>
</tr>
<tr>
<td>Balances arising from business acquisition</td>
<td>(3,439)</td>
<td>–</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td>(1,665)</td>
<td>(135)</td>
</tr>
</tbody>
</table>
### 9 Taxation (continued)

#### (d) Deferred tax (continued)

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accelerated tax depreciation £'000</td>
<td>Share based payments £'000</td>
<td>Tax losses carried forward £'000</td>
<td>Total deferred tax assets £'000</td>
</tr>
<tr>
<td>At 31 March 2014</td>
<td>234</td>
<td>126</td>
<td>–</td>
<td>360</td>
</tr>
<tr>
<td>Credited/(charged) to income statement</td>
<td>124</td>
<td>(21)</td>
<td>–</td>
<td>103</td>
</tr>
<tr>
<td>Charged to equity</td>
<td>–</td>
<td>(62)</td>
<td>–</td>
<td>(62)</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>358</td>
<td>43</td>
<td>–</td>
<td>401</td>
</tr>
<tr>
<td>Charged to income statement</td>
<td>(251)</td>
<td>(139)</td>
<td>(121)</td>
<td>(511)</td>
</tr>
<tr>
<td>Credited to equity</td>
<td>188</td>
<td>–</td>
<td>–</td>
<td>188</td>
</tr>
<tr>
<td>Balances arising from business acquisition</td>
<td>7</td>
<td>155</td>
<td>889</td>
<td>1,051</td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>114</td>
<td>247</td>
<td>768</td>
<td>1,129</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rolled over gains £'000</td>
<td>Short-term timing differences £'000</td>
<td>Total deferred tax liabilities £'000</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2014</td>
<td>(304)</td>
<td>(184)</td>
<td>(488)</td>
<td></td>
</tr>
<tr>
<td>Charged to income statement</td>
<td>–</td>
<td>(48)</td>
<td>(48)</td>
<td></td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>(304)</td>
<td>(232)</td>
<td>(536)</td>
<td></td>
</tr>
<tr>
<td>Credited to income statement</td>
<td>15</td>
<td>2,217</td>
<td>2,232</td>
<td></td>
</tr>
<tr>
<td>Balances arising from business acquisition</td>
<td>–</td>
<td>(4,490)</td>
<td>(4,490)</td>
<td></td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>(289)</td>
<td>(2,505)</td>
<td>(2,794)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>1,129</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(2,794)</td>
</tr>
<tr>
<td></td>
<td>(1,665)</td>
</tr>
</tbody>
</table>

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

(e) Factors that may affect future tax charges

The Group’s overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 33.3% (2015: 33.2%) and profits earned by its Naked Wines subsidiaries in the United States of America and Australia are taxed at 39.8% and 28.5% respectively.

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.
10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding 4,920,863 contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options) and 3,934 (2015: 3,934) held by the Employee Share Ownership Trust which are treated as cancelled.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These comprise contingently returnable shares and share options granted to employees where the exercise price is less than the average market price of the Company’s ordinary shares during the year. Share options granted over 331,200 (2015: 423,885) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the period end.

Adjusted earnings per share is calculated by excluding the effect of adjusted items (see note 5). 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.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>3.5p</td>
<td>20.5p</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>3.3p</td>
<td>20.4p</td>
</tr>
<tr>
<td>Adjusted basic earnings per share</td>
<td>19.2p</td>
<td>25.3p</td>
</tr>
<tr>
<td>Adjusted diluted earnings per share</td>
<td>18.1p</td>
<td>25.1p</td>
</tr>
</tbody>
</table>

Profit for the year

Add back adjusted items:

Non-cash charges relating to acquisitions (see note 5) | 11,508 | 225 |
Other adjusted items (see note 5) | (1,230) | 2,919 |

Adjusted profit after tax | 12,602 | 16,623 |

Weighted average number of shares in issue | 65,759,587 | 65,623,774 |

Dilutive potential ordinary shares:

Employee share options and contingently returnable shares | 3,872,946 | 560,322 |

Weighted average number of shares for the purpose of diluted earnings per share | 69,632,533 | 66,184,096 |

If all the Company’s share option schemes had vested at 100% the Company would have 73,632,424 issued shares.

11 Dividends paid and proposed

Equity dividends on ordinary shares declared and paid:

Final dividend of nil p (2015: 11.8p) | – | 7,744 |
Interim dividend of nil p (2015: 4.2p) | – | 2,757 |

– | – | 10,501 |
### 12 Goodwill and intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £’000</th>
<th>Facilities and trademark licence £’000</th>
<th>Customer lists £’000</th>
<th>Brands £’000</th>
<th>Software £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2014</td>
<td>10,528</td>
<td>2,985</td>
<td>–</td>
<td>–</td>
<td>5,224</td>
<td>18,737</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency</td>
<td>(911)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(21)</td>
<td>(932)</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>9,617</td>
<td>2,985</td>
<td>–</td>
<td>–</td>
<td>6,269</td>
<td>18,871</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On acquisition</td>
<td>29,162</td>
<td>–</td>
<td>14,300</td>
<td>10,100</td>
<td>900</td>
<td>54,462</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>591</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td>591</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td>(14)</td>
</tr>
<tr>
<td><strong>At 28 March 2016</strong></td>
<td>39,370</td>
<td>2,985</td>
<td>14,300</td>
<td>10,100</td>
<td>8,128</td>
<td>74,883</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £’000</th>
<th>Facilities and trademark licence £’000</th>
<th>Customer lists £’000</th>
<th>Brands £’000</th>
<th>Software £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accumulated amortisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2014</td>
<td>(5,296)</td>
<td>(1,125)</td>
<td>–</td>
<td>–</td>
<td>(3,210)</td>
<td>(9,631)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>–</td>
<td>(225)</td>
<td>–</td>
<td>–</td>
<td>(619)</td>
<td>(844)</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>585</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>21</td>
<td>606</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>(4,711)</td>
<td>(1,350)</td>
<td>–</td>
<td>–</td>
<td>(3,808)</td>
<td>(9,869)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>–</td>
<td>(225)</td>
<td>(2,325)</td>
<td>(1,231)</td>
<td>(1,588)</td>
<td>(5,369)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(2,606)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,606)</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>(380)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(380)</td>
</tr>
<tr>
<td><strong>At 28 March 2016</strong></td>
<td>(7,697)</td>
<td>(1,575)</td>
<td>(2,325)</td>
<td>(1,231)</td>
<td>(5,384)</td>
<td>(18,212)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £’000</th>
<th>Facilities and trademark licence £’000</th>
<th>Customer lists £’000</th>
<th>Brands £’000</th>
<th>Software £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>31,673</td>
<td>1,410</td>
<td>11,975</td>
<td>8,869</td>
<td>2,744</td>
<td>56,671</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>4,906</td>
<td>1,635</td>
<td>–</td>
<td>–</td>
<td>2,461</td>
<td>9,002</td>
</tr>
<tr>
<td>At 1 April 2014</td>
<td>5,232</td>
<td>1,860</td>
<td>–</td>
<td>–</td>
<td>2,014</td>
<td>9,106</td>
</tr>
</tbody>
</table>

**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. The recoverable amount of a CGU is determined based on value in use calculations.
12. Goodwill and intangible assets (continued)

An analysis of goodwill and intangible assets by CGU is shown below:

<table>
<thead>
<tr>
<th>CGU</th>
<th>Goodwill £'000</th>
<th>Facilities and trademark licence £'000</th>
<th>Customer lists £'000</th>
<th>Brands £'000</th>
<th>Software £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Naked Wines CGU</td>
<td>29,162</td>
<td>11,975</td>
<td>8,869</td>
<td>461</td>
<td>50,467</td>
<td></td>
</tr>
<tr>
<td>Lay &amp; Wheeler CGU</td>
<td></td>
<td>1,410</td>
<td></td>
<td>344</td>
<td>1,754</td>
<td></td>
</tr>
<tr>
<td>French Retail business CGU</td>
<td>2,511</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,511</td>
</tr>
<tr>
<td>Majestic Wine Warehouses CGU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,939</td>
</tr>
<tr>
<td>Total At 28 March 2016</td>
<td>31,673</td>
<td>1,410</td>
<td>11,975</td>
<td>8,869</td>
<td>2,744</td>
<td>56,671</td>
</tr>
</tbody>
</table>

Amortisation

Intangible fixed assets are amortised on a straight line basis through the income statement, based on the following estimated useful lives:

<table>
<thead>
<tr>
<th>Category of intangible asset</th>
<th>Total useful life</th>
<th>Life remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer list and relationships</td>
<td>6 years</td>
<td>5 years</td>
</tr>
<tr>
<td>Brand</td>
<td>8 years</td>
<td>7 years</td>
</tr>
<tr>
<td>Software</td>
<td>2-5 years</td>
<td>1-5 years</td>
</tr>
<tr>
<td>Licences</td>
<td>Over the term of the licence</td>
<td></td>
</tr>
</tbody>
</table>

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 in 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 believes 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 28 March 2016, the pre-tax rate used to discount the forecasted cash flows has been determined to be 9.8% (2015: 10.6%).

Impairment charge

Due to the low profitability of the Lay & Wheeler segment and the volatility of revenue and profits, an impairment charge of £2.6m was recognised in respect of the goodwill attributable to the Lay & Wheeler CGU. The goodwill relating to this CGU is now fully written down.
13 Acquisitions
On 10 April 2015 the Group acquired the entire issued share capital of Naked Wines International Limited ("Naked Wines") for consideration of up to £70m. The acquisition was viewed as increasing shareholder value by bringing together the growth potential of Naked Wines with the strong cash generation of the legacy Majestic business. The goodwill and intangible fixed assets arising on this business combination have been allocated to a single group of cash generating units as this is the lowest level within the Group at which goodwill is monitored internally. Goodwill arising on the acquisition is mainly attributable to the following factors that do not meet the criteria for recognition as a separate asset at the date of acquisition:

- The ability of the Naked Wines business to continue to grow the business by attracting new customers at a rate in excess of attrition of the existing customer base
- The value of the assembled workforce
- Opportunities to improve operating efficiency as the business scales up

The net assets and results of the acquired businesses are included in the consolidated financial statements of the Group from the date of acquisition. IFRS 3 Business Combinations has been applied and the goodwill arising has been capitalised and is subject to annual impairment testing.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

<table>
<thead>
<tr>
<th>£'000</th>
<th>Intangible fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– Customer contracts and relationships 14,300</td>
</tr>
<tr>
<td></td>
<td>– Brand 10,100</td>
</tr>
<tr>
<td></td>
<td>– Internally developed software 900</td>
</tr>
<tr>
<td></td>
<td>– Deferred taxation liability on acquired intangibles (5,060)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>491</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,291</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8,519</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>6,040</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>1,784</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(30,841)</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>(27,954)</td>
</tr>
<tr>
<td>Corporation tax liability</td>
<td></td>
</tr>
<tr>
<td><strong>Net identifiable liabilities acquired</strong></td>
<td><strong>(7,430)</strong></td>
</tr>
<tr>
<td>Goodwill arising on acquisition</td>
<td>29,162</td>
</tr>
<tr>
<td><strong>Total cash consideration</strong></td>
<td><strong>(21,732)</strong></td>
</tr>
<tr>
<td>Cash paid to settle external debt on acquisition</td>
<td>(22,868)</td>
</tr>
<tr>
<td>Cash acquired with Naked Wines</td>
<td>8,519</td>
</tr>
<tr>
<td><strong>Net cash outflow on acquisition</strong></td>
<td><strong>(36,081)</strong></td>
</tr>
</tbody>
</table>
13 Acquisitions (continued)

Acquisition costs of £22,866,000 arose as a result of the transaction. These have been recognised in the Group income statement as follows:

<table>
<thead>
<tr>
<th>Year ended 30 March 2015</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,767</td>
</tr>
<tr>
<td>Year ended 28 March 2016</td>
<td>519</td>
</tr>
<tr>
<td>Total acquisition costs</td>
<td>2,286</td>
</tr>
</tbody>
</table>

The fair value and gross contractual amounts receivable equate to book value. There are no contractual cash flows that are not expected to be collected.

The acquired businesses have contributed £102,534,000 to Group revenues and £240,000 to Group profit in the period since acquisition. If the acquisition had been completed on the first day of the financial period, Group revenues for the period would have been £403,934,000 and Group loss attributable to equity holders of the parent Company would have been £3,880,000. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

In addition to the initial cash payment made at the time of the acquisition a further amount of up to £20m is payable in Majestic Wine PLC’s ordinary share capital (based on the closing price at 2 April 2015), conditional on the achievement of certain performance criteria (the "acquisition related share schemes"). A portion of the shares have been issued in the form of contingently returnable shares and the remaining portion represent 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.

The table below sets out the total purchase price:

<table>
<thead>
<tr>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash consideration</td>
</tr>
<tr>
<td>Cash paid to settle external debt on acquisition</td>
</tr>
<tr>
<td>Cash funding of pre-acquisition liabilities</td>
</tr>
<tr>
<td>Shares issued or to be issued to former shareholders and employees (at a share price on acquisition of £3.18)</td>
</tr>
<tr>
<td><strong>Total purchase price</strong></td>
</tr>
</tbody>
</table>
14 Property, plant and equipment

<table>
<thead>
<tr>
<th>Cost or valuation:</th>
<th>Land and buildings</th>
<th>Equipment fittings and vehicles</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freehold £'000</td>
<td>Long leasehold £'000</td>
<td>Leasehold improvements £'000</td>
</tr>
<tr>
<td>At 1 April 2014</td>
<td>41,955</td>
<td>5,510</td>
<td>23,193</td>
</tr>
<tr>
<td>Additions</td>
<td>349</td>
<td>601</td>
<td>2,560</td>
</tr>
<tr>
<td>Retranslation</td>
<td>–</td>
<td>–</td>
<td>(77)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(719)</td>
<td>–</td>
<td>(216)</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>41,585</td>
<td>6,111</td>
<td>25,460</td>
</tr>
<tr>
<td>Additions</td>
<td>323</td>
<td>67</td>
<td>1,241</td>
</tr>
<tr>
<td>On acquisition</td>
<td>–</td>
<td>–</td>
<td>28</td>
</tr>
<tr>
<td>Retranslation</td>
<td>–</td>
<td>–</td>
<td>53</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1,599)</td>
<td>–</td>
<td>(757)</td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>40,309</td>
<td>6,178</td>
<td>26,025</td>
</tr>
</tbody>
</table>

Depreciation:

<table>
<thead>
<tr>
<th></th>
<th>Freehold £'000</th>
<th>Long leasehold £'000</th>
<th>Leasehold improvements £'000</th>
<th>Leasehold improvements £'000</th>
<th>Leasehold improvements £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2014</td>
<td>(3,474)</td>
<td>(149)</td>
<td>(9,345)</td>
<td>(18,486)</td>
<td>(31,454)</td>
<td></td>
</tr>
<tr>
<td>Charge for year</td>
<td>(472)</td>
<td>(85)</td>
<td>(1,676)</td>
<td>(2,668)</td>
<td>(4,901)</td>
<td></td>
</tr>
<tr>
<td>Impairment</td>
<td>(176)</td>
<td>–</td>
<td>(58)</td>
<td>(58)</td>
<td>(290)</td>
<td></td>
</tr>
<tr>
<td>Retranslation</td>
<td>–</td>
<td>–</td>
<td>73</td>
<td>58</td>
<td>131</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>88</td>
<td>–</td>
<td>140</td>
<td>1,460</td>
<td>1,688</td>
<td></td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>(4,034)</td>
<td>(234)</td>
<td>(10,864)</td>
<td>(19,694)</td>
<td>(34,826)</td>
<td></td>
</tr>
<tr>
<td>Charge for year</td>
<td>(456)</td>
<td>(96)</td>
<td>(1,781)</td>
<td>(2,996)</td>
<td>(5,329)</td>
<td></td>
</tr>
<tr>
<td>Impairment and</td>
<td>176</td>
<td>–</td>
<td>(1,197)</td>
<td>(218)</td>
<td>(1,239)</td>
<td></td>
</tr>
<tr>
<td>impairment reversals</td>
<td>–</td>
<td>–</td>
<td>(49)</td>
<td>(48)</td>
<td>(97)</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>277</td>
<td>–</td>
<td>747</td>
<td>762</td>
<td>1,786</td>
<td></td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>(4,037)</td>
<td>(330)</td>
<td>(13,144)</td>
<td>(22,194)</td>
<td>(39,705)</td>
<td></td>
</tr>
</tbody>
</table>

Net book value:

<table>
<thead>
<tr>
<th></th>
<th>Freehold £'000</th>
<th>Long leasehold £'000</th>
<th>Leasehold improvements £'000</th>
<th>Leasehold improvements £'000</th>
<th>Leasehold improvements £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 March 2016</td>
<td>36,272</td>
<td>5,848</td>
<td>12,881</td>
<td>15,037</td>
<td>70,038</td>
<td></td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>37,551</td>
<td>5,877</td>
<td>14,596</td>
<td>14,608</td>
<td>72,632</td>
<td></td>
</tr>
<tr>
<td>At 1 April 2014</td>
<td>38,481</td>
<td>5,361</td>
<td>13,848</td>
<td>13,992</td>
<td>71,682</td>
<td></td>
</tr>
</tbody>
</table>

Freehold land and buildings includes £17,144,000 (2015: £17,759,000) in respect of land that is not depreciated. The gross value of fully depreciated assets in use was £17,587,000 (2015: £14,640,000).

Included within additions are assets held under construction totalling £1,556,000 (2015: £1,959,000).
15 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

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>En primeur purchases included in non-current assets</td>
<td>1,291</td>
<td>526</td>
</tr>
<tr>
<td>En primeur purchases included in current assets</td>
<td>1,657</td>
<td>1,792</td>
</tr>
<tr>
<td>Total en primeur purchases</td>
<td>2,948</td>
<td>2,318</td>
</tr>
<tr>
<td>En primeur deferred income included in current liabilities</td>
<td>(2,150)</td>
<td>(2,320)</td>
</tr>
<tr>
<td>En primeur deferred income included in non-current liabilities</td>
<td>(1,469)</td>
<td>(610)</td>
</tr>
<tr>
<td><strong>Total en primeur deferred income</strong></td>
<td><strong>(3,619)</strong></td>
<td><strong>(2,930)</strong></td>
</tr>
<tr>
<td><strong>Net en primeur balance</strong></td>
<td><strong>(671)</strong></td>
<td><strong>(612)</strong></td>
</tr>
</tbody>
</table>

Movement in en primeur balances

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016 £'000</th>
<th>Year ended 30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net en primeur balance at beginning of year</td>
<td>(612)</td>
<td>(754)</td>
</tr>
<tr>
<td>Movement in en primeur balance</td>
<td>(59)</td>
<td>142</td>
</tr>
<tr>
<td>Net en primeur balance at end of year</td>
<td>(671)</td>
<td>(612)</td>
</tr>
</tbody>
</table>
16 Prepaid operating lease costs

<table>
<thead>
<tr>
<th>Prepaid total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
</tr>
<tr>
<td>At 1 April 2014 4,303</td>
</tr>
<tr>
<td>Additions 343</td>
</tr>
<tr>
<td>Disposals (288)</td>
</tr>
<tr>
<td>At 30 March 2015 4,358</td>
</tr>
<tr>
<td>Additions 271</td>
</tr>
<tr>
<td>Disposals (79)</td>
</tr>
<tr>
<td><strong>At 28 March 2016 4,550</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amortisation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2014 (2,158)</td>
</tr>
<tr>
<td>Amortisation during the year (231)</td>
</tr>
<tr>
<td>Disposals 239</td>
</tr>
<tr>
<td>Impairment (26)</td>
</tr>
<tr>
<td>At 30 March 2015 (2,176)</td>
</tr>
<tr>
<td>Amortisation during the year (241)</td>
</tr>
<tr>
<td>Disposals 40</td>
</tr>
<tr>
<td>Impairment (58)</td>
</tr>
<tr>
<td><strong>At 28 March 2016 (2,435)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Book Value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 March 2016 2,115</td>
</tr>
<tr>
<td>At 30 March 2015 2,182</td>
</tr>
<tr>
<td>At 1 April 2014 2,145</td>
</tr>
</tbody>
</table>

The amortisation of prepaid lease costs is included within distribution costs in the income statement.

The impairment loss of £58,000 arose on reducing the carrying value of assets related to the Broadstairs, Cheadle and Durham stores to their recoverable amount, being fair value less estimated selling costs. The stores belong to Retail business unit. Fair value represents the current market value of the property.

17 Inventories

<table>
<thead>
<tr>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials 122</td>
<td>–</td>
</tr>
<tr>
<td>Work in progress 7,417</td>
<td>–</td>
</tr>
<tr>
<td>Finished goods 73,193</td>
<td>54,237</td>
</tr>
<tr>
<td><strong>80,732</strong></td>
<td><strong>54,237</strong></td>
</tr>
</tbody>
</table>

Inventory of £465,000 (2015: £384,000) was expensed through the income statement in the year relating to samples and tasting products.
18 Trade and other receivables

<table>
<thead>
<tr>
<th>Description</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>8,312</td>
<td>5,456</td>
</tr>
<tr>
<td>Other debtors</td>
<td>1,317</td>
<td>496</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>2,787</td>
<td>2,771</td>
</tr>
<tr>
<td></td>
<td><strong>12,416</strong></td>
<td><strong>8,723</strong></td>
</tr>
</tbody>
</table>

Trade receivables are shown net of a provision for impairment. The movements in the provision for impairment of receivables were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>(151)</td>
<td>(132)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(106)</td>
<td>(118)</td>
</tr>
<tr>
<td>Uncollected amounts written off</td>
<td>51</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td><strong>(206)</strong></td>
<td><strong>(151)</strong></td>
</tr>
</tbody>
</table>

19 Trade and other payables

<table>
<thead>
<tr>
<th>Description</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>40,018</td>
<td>40,505</td>
</tr>
<tr>
<td>Other taxes and social security</td>
<td>8,344</td>
<td>5,095</td>
</tr>
<tr>
<td>Accruals and other payables</td>
<td>13,439</td>
<td>7,131</td>
</tr>
<tr>
<td></td>
<td><strong>61,801</strong></td>
<td><strong>52,731</strong></td>
</tr>
</tbody>
</table>

Amounts payable in respect of defined contribution pension schemes were £197,000 (2015: £163,000).

20 Bank and other borrowings

<table>
<thead>
<tr>
<th>Description</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>3,071</td>
<td>–</td>
</tr>
<tr>
<td>Customer bond finance</td>
<td>4,990</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total bank and other borrowings due within one year</strong></td>
<td><strong>8,061</strong></td>
<td>–</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolving credit facility</td>
<td>25,000</td>
<td>–</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>(683)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total bank and other borrowings due after one year</strong></td>
<td><strong>24,317</strong></td>
<td>–</td>
</tr>
<tr>
<td><strong>Total bank and other borrowings</strong></td>
<td><strong>32,378</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

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

Banking covenants are in place and are tested bi-annually. The covenants tested are the Group’s leverage and interest cover (being adjusted EBITDA/net finance charges).
21 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 derivative financial instruments, in the form of forward foreign currency 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 is reviewed annually and expires in April 2020. The facility consists of a revolving credit term facility and an overdraft. The aggregate of the total borrowing facilities at 28 March 2016 were £85m (2015: £5m) of which £25m was drawn down 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.

<table>
<thead>
<tr>
<th>As at 28 March 2016</th>
<th>Due within 1 year £’000</th>
<th>Due between 1 and 2 years £’000</th>
<th>Due between 2 and 3 years £’000</th>
<th>Due after 3 years £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables (including cash and cash equivalents)</td>
<td>16,504</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16,504</td>
</tr>
<tr>
<td>Financial instruments at fair value</td>
<td>889</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>889</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,393</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>17,393</strong></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(53,457)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(53,457)</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(3,071)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3,071)</td>
</tr>
<tr>
<td>Revolving credit facility</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(24,317)</td>
</tr>
<tr>
<td>Customer funded bond</td>
<td>(4,990)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(4,990)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(61,518)</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>(85,835)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at 30 March 2015</th>
<th>Due within 1 year £’000</th>
<th>Due between 1 and 2 years £’000</th>
<th>Due between 2 and 3 years £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables (including cash and cash equivalents)</td>
<td>16,919</td>
<td>–</td>
<td>16,919</td>
<td></td>
</tr>
<tr>
<td>Financial instruments at fair value</td>
<td>41</td>
<td>–</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,960</strong></td>
<td>–</td>
<td>–</td>
<td><strong>16,960</strong></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>47,636</td>
<td>–</td>
<td>–</td>
<td>47,636</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47,636</strong></td>
<td>–</td>
<td>–</td>
<td><strong>47,636</strong></td>
</tr>
</tbody>
</table>
21 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.

<table>
<thead>
<tr>
<th>As at 28 March 2016</th>
<th>Due within 1 year £'000</th>
<th>Due between 1 and 2 years £'000</th>
<th>Due between 2 and 3 years £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outflow</td>
<td>(25,830)</td>
<td>–</td>
<td>–</td>
<td>(25,830)</td>
</tr>
<tr>
<td>Inflow</td>
<td>26,690</td>
<td>–</td>
<td>–</td>
<td>26,690</td>
</tr>
<tr>
<td></td>
<td></td>
<td>860</td>
<td>–</td>
<td>860</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at 30 March 2015</th>
<th>Due within 1 year £'000</th>
<th>Due between 1 and 2 years £'000</th>
<th>Due between 2 and 3 years £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outflow</td>
<td>(18,660)</td>
<td>–</td>
<td>–</td>
<td>(18,660)</td>
</tr>
<tr>
<td>Inflow</td>
<td>19,183</td>
<td>–</td>
<td>–</td>
<td>19,183</td>
</tr>
<tr>
<td></td>
<td></td>
<td>523</td>
<td>–</td>
<td>523</td>
</tr>
</tbody>
</table>

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 third parties’ credit worthiness 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:

<table>
<thead>
<tr>
<th>Total trade debtors £'000</th>
<th>Current £'000</th>
<th>Up to 3 months past due £'000</th>
<th>3-6 months past due £'000</th>
<th>Over 6 months past due £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 28 March 2016</td>
<td>8,312</td>
<td>4,355</td>
<td>3,711</td>
<td>241</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>5,456</td>
<td>3,043</td>
<td>2,157</td>
<td>256</td>
</tr>
</tbody>
</table>

There are no indicators of impairment for those debtors that are neither past due nor impaired.

At 28 March 2016, trade and other receivables of £206,000 (2015: £151,000) 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:

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year</td>
<td>(151)</td>
<td>(132)</td>
</tr>
<tr>
<td>Receivables written off in the year as uncollectable</td>
<td>51</td>
<td>99</td>
</tr>
<tr>
<td>Provisions raised during the year</td>
<td>(106)</td>
<td>(118)</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td><strong>(206)</strong></td>
<td><strong>(151)</strong></td>
</tr>
</tbody>
</table>

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.
21 Financial instruments (continued)

Interest rate risk

The Group’s interest rate risk arises primarily from its revolving credit facility. As at 28 March 2016 the Group had £25m drawn down on its revolving credit facility.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group manages foreign currency risk as detailed below. The Group does not currently enter into any interest rate swaps or other derivative financial instruments to mitigate the risk of rising interest rates.

Foreign currency exchange rates

The Group’s presentation currency is sterling although some transactions are executed in non-sterling 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 sterling. 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-sterling currencies and has assets in non-sterling 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:

<table>
<thead>
<tr>
<th>Principal rate of exchange</th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Euro : sterling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period end</td>
<td>1.267</td>
<td>1.268</td>
</tr>
<tr>
<td>Average</td>
<td>1.363</td>
<td>1.365</td>
</tr>
<tr>
<td><strong>US dollar : sterling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period end</td>
<td>1.414</td>
<td>n/a</td>
</tr>
<tr>
<td>Average</td>
<td>1.509</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Australian dollar : sterling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period end</td>
<td>1.882</td>
<td>n/a</td>
</tr>
<tr>
<td>Average</td>
<td>2.054</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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 reasonably possible change in the sterling against the exchange rates with all other variables held constant, of the Group’s profit before tax:

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Sensitivity in exchange rate</th>
<th>Impact of increase in rate £'000</th>
<th>Impact of decrease in rate £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 March 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>€ : £</td>
<td>5%</td>
<td>(342)</td>
<td>1,940</td>
</tr>
<tr>
<td>US$ : £</td>
<td>5%</td>
<td>(66)</td>
<td>201</td>
</tr>
<tr>
<td>Aus$ : £</td>
<td>5%</td>
<td>26</td>
<td>83</td>
</tr>
<tr>
<td>30 March 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>€ : £</td>
<td>5%</td>
<td>(352)</td>
<td>1,362</td>
</tr>
<tr>
<td>US$ : £</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Aus$ : £</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
21 Financial instruments (continued)

Foreign currency exchange rates (continued)
The table below shows the Group’s currency exposures that gave rise to net currency gains and losses recognised in the consolidated statement of profit or loss as a result of monetary assets and liabilities that are not denominated in the functional currency of the subsidiaries involved.

<table>
<thead>
<tr>
<th>Currency:</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>4,944</td>
<td>10,266</td>
</tr>
<tr>
<td>Euro</td>
<td>566</td>
<td>561</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>662</td>
<td>14</td>
</tr>
<tr>
<td>US dollar</td>
<td>689</td>
<td>–</td>
</tr>
<tr>
<td>New Zealand dollar</td>
<td>14</td>
<td>126</td>
</tr>
<tr>
<td>Sub-total</td>
<td>6,875</td>
<td>10,967</td>
</tr>
</tbody>
</table>

Bank overdraft:

<table>
<thead>
<tr>
<th>Currency:</th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>(3,071)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>3,804</td>
<td>10,967</td>
</tr>
</tbody>
</table>

Fair value

The Group enters into forward foreign currency exchange contracts in order to hedge 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.

<table>
<thead>
<tr>
<th>Forward foreign currency contracts as at 28 March 2016</th>
<th>Nominal value £’000</th>
<th>Assets £’000</th>
<th>Liabilities £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26,126</td>
<td>889</td>
<td>–</td>
</tr>
</tbody>
</table>

The Group considers its financial assets to be short-term trade and other receivables, cash and cash equivalents and its financial liabilities to be the bank overdraft and short-term trade and other payables. 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.
22 Provision for liabilities

<table>
<thead>
<tr>
<th></th>
<th>Dilapidations £'000</th>
<th>Store closures £'000</th>
<th>Social security costs £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2014</td>
<td>208</td>
<td>73</td>
<td>155</td>
<td>436</td>
</tr>
<tr>
<td>Released in the year</td>
<td>–</td>
<td>(73)</td>
<td>(67)</td>
<td>(140)</td>
</tr>
<tr>
<td>Utilised in the year</td>
<td>(51)</td>
<td>–</td>
<td>(55)</td>
<td>(106)</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>157</td>
<td>–</td>
<td>33</td>
<td>190</td>
</tr>
<tr>
<td>Provided in the year</td>
<td>121</td>
<td>–</td>
<td>481</td>
<td>602</td>
</tr>
<tr>
<td>Utilised in the year</td>
<td>(10)</td>
<td>–</td>
<td>(35)</td>
<td>(45)</td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>268</td>
<td>–</td>
<td>479</td>
<td>747</td>
</tr>
</tbody>
</table>

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.

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 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 £4.31 and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

23 Deferred lease inducements

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>433</td>
<td>425</td>
</tr>
<tr>
<td>Non-current</td>
<td>2,552</td>
<td>2,588</td>
</tr>
</tbody>
</table>

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.

24 Share capital and reserves

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of 7.5p each</td>
<td>140,000,000</td>
<td>10,500</td>
</tr>
<tr>
<td>Allotted, called up and fully paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of period</td>
<td>65,656,349</td>
<td>4,924</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>179,350</td>
<td>14</td>
</tr>
<tr>
<td>Issue of acquisition related shares</td>
<td>4,920,863</td>
<td>369</td>
</tr>
<tr>
<td>At end of year</td>
<td>70,756,562</td>
<td>5,307</td>
</tr>
</tbody>
</table>

During the year 179,350 (2015: 27,490) ordinary shares of 7.5p each were allotted for a consideration of £485,000 (2015: £65,000). These shares were allotted under the terms of the Company's share option schemes which are described in note 26.

In addition, 4,920,863 shares were issued to employees in relation to the acquisition of Naked Wines for consideration of £81,000. These shares are contingently returnable based on certain performance criteria (refer to note 26).
Share capital and reserves (continued)

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 25). 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.

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 (2015: 3,934) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 (2015: £17,000). At the year end the market value of these shares was £17,000 (2015: £12,000).

Share based payments
The total charge recognised in the income statement in respect of share based payments is £7,460,000 (2015: £131,000) relating to share option schemes and share bonus payments under the Company’s deferred bonus 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.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share option schemes</td>
<td>172</td>
<td>131</td>
</tr>
<tr>
<td>Acquisition related share schemes</td>
<td>6,846</td>
<td>–</td>
</tr>
<tr>
<td>NIC provided on share option schemes</td>
<td>442</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total charged to income statement</strong></td>
<td><strong>7,460</strong></td>
<td><strong>131</strong></td>
</tr>
</tbody>
</table>

The Company operated four share option schemes during the year, all of which are equity-settled.

a) The Majestic Wine PLC Approved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.

b) 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.

c) 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.

d) The Acquisition Related Share Schemes arose following the acquisition of Naked Wines on 10 April 2015. These schemes are unapproved.
26 Share based payments (continued)

Approved and unapproved executive share option schemes (schemes (a) to (c) 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"):

<table>
<thead>
<tr>
<th>Year ended 28 March 2016</th>
<th>Year ended 28 March 2016</th>
<th>Year ended 30 March 2015</th>
<th>Year ended 30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options</td>
<td>WAEP</td>
<td>Options</td>
<td>WAEP</td>
</tr>
<tr>
<td>Outstanding as at the beginning of the year</td>
<td>2,845,342</td>
<td>£3.25</td>
<td>2,581,740</td>
</tr>
<tr>
<td>Exercised</td>
<td>(179,350)</td>
<td>(27,490)</td>
<td>(452,158)</td>
</tr>
<tr>
<td>Lapsed</td>
<td>(1,151,592)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>–</td>
<td>–</td>
<td>743,250</td>
</tr>
<tr>
<td>Outstanding as at the end of the year</td>
<td>1,514,400</td>
<td>£4.26</td>
<td>2,845,342</td>
</tr>
<tr>
<td>Exercisable as at the end of the year</td>
<td>405,400</td>
<td>£3.63</td>
<td>578,500</td>
</tr>
<tr>
<td>Weighted average remaining contractual life in years</td>
<td>6.93</td>
<td></td>
<td>712</td>
</tr>
<tr>
<td>Range of exercise prices</td>
<td>£nil – £5.41</td>
<td></td>
<td>£nil – £5.41</td>
</tr>
</tbody>
</table>

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £2.70 (2015: £2.36).

The following table shows the number of share options outstanding by share option scheme:

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 Approved scheme</td>
<td>12,700</td>
<td>20,700</td>
</tr>
<tr>
<td>2006 Approved scheme</td>
<td>981,500</td>
<td>1,298,670</td>
</tr>
<tr>
<td>2006 Unapproved scheme</td>
<td>520,200</td>
<td>893,630</td>
</tr>
<tr>
<td>Long term incentive plan</td>
<td>–</td>
<td>632,342</td>
</tr>
</tbody>
</table>

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 periods shown.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price at grant</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>£3.91</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>£3.89</td>
</tr>
<tr>
<td>Expected life of options (years)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.1-4.6</td>
</tr>
<tr>
<td>Contractual life (years)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10</td>
</tr>
<tr>
<td>Volatility (%)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>29%</td>
</tr>
<tr>
<td>Dividend yield (%)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4.07-4.12</td>
</tr>
<tr>
<td>Risk free interest rate (%)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1.21-1.93%</td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>£0.62</td>
</tr>
</tbody>
</table>

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.
26 Share based payments (continued)

Acquisition related share schemes (scheme (d) per above)

On acquisition of Naked Wines in April 2015, an amount of up to £20m 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 has been issued in the form of contingently returnable shares and the remaining portion represents 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.

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued</td>
<td>4,920,863</td>
<td>1,365,396</td>
</tr>
<tr>
<td>To be issued</td>
<td>1,365,396</td>
<td>6,286,259</td>
</tr>
</tbody>
</table>

The following table reconciles the number of share options outstanding and the weighted average exercise price (“WAEP”):

<table>
<thead>
<tr>
<th>Year ended 28 March 2016 Options</th>
<th>WAEP</th>
<th>Year ended 30 March 2015 Options</th>
<th>WAEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as at the beginning of the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Issued as contingently returnable</td>
<td>4,920,863</td>
<td>£nil</td>
<td>–</td>
</tr>
<tr>
<td>Granted as future share issues</td>
<td>1,365,396</td>
<td>£nil</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding as at the end of the year</td>
<td>6,286,259</td>
<td>£nil</td>
<td>–</td>
</tr>
<tr>
<td>Exercisable as at the end of the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Weighted average remaining contractual life in years</td>
<td>1.9</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Range of exercise prices</td>
<td>£nil</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Acquisition related schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price at grant</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
</tr>
<tr>
<td>Expected life of options (years)</td>
</tr>
<tr>
<td>Contractual life (years)</td>
</tr>
<tr>
<td>Volatility (%)</td>
</tr>
<tr>
<td>Dividend yield (%)</td>
</tr>
<tr>
<td>Risk free interest rate (%)</td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
</tr>
</tbody>
</table>

27 Commitments

Operating lease agreements where 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.

| Future minimum amounts payable under non-cancellable operating leases: |
|-----------------------------|------|------|
| Within one year             | 11,585 | 10,907 |
| Between one and five years  | 39,140 | 37,597 |
| Over five years             | 37,571 | 41,878 |
| Total                       | 88,296 | 90,382 |

The total of future minimum payments expected to be received under non-cancellable subleases amounts to £3,570,000 (2015: £4,832,000).
27 Commitments (continued)
Operating lease commitments where Group is lessor
The Group leases surplus space in various owner-occupied stores, offices, and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Future minimum amounts receivable under non-cancellable operating leases:

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>902</td>
<td>932</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>2,954</td>
<td>3,005</td>
</tr>
<tr>
<td>Over five years</td>
<td>1,544</td>
<td>2,191</td>
</tr>
<tr>
<td></td>
<td>5,400</td>
<td>6,128</td>
</tr>
</tbody>
</table>

Capital expenditure commitments
Capital expenditure authorised and contracted for but not provided in the accounts amounts to £271,000 for the Group (2015: £973,000).

28 Notes to the cash flow statement
a) Reconciliation of profit to cash generated/(utilised) by operations

Cash flows from operating activities
Operating profit 6,283 18,541
Add back:
- Depreciation and amortisation 10,939 5,976
- Profit on disposal of property, plant and equipment (4,801) (2)
- Impairment of goodwill 2,606 –
- Impairment of properties, plant and equipment 1,239 290
- Impairment of prepaid operating leases 58 26
- Fair value movement on foreign exchange contracts (830) 468
- En primeur movement in income statement 59 (142)
- Share based payment charges 7,460 131

Operating cash flows before movements in working capital 23,013 25,288
(Increase)/decrease in inventories (13,276) 524
Increase in customer funds in deferred income 3,946 –
Decrease/(increase) in trade and other receivables 3,383 (756)
Increase in trade and other payables 895 9,052
Movement in en primeur balances 689 (1,195)

Cash generated by operations 18,650 32,913

b) Cash and cash equivalents
Cash and cash equivalents comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £'000</th>
<th>30 March 2015 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>6,875</td>
<td>10,967</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(3,071)</td>
<td>–</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>3,804</td>
<td>10,967</td>
</tr>
</tbody>
</table>
28 Notes to the cash flow statement (continued)

c) Analysis of movement in net borrowings

<table>
<thead>
<tr>
<th></th>
<th>At 31 March 2015 £'000</th>
<th>Cash flows £'000</th>
<th>Non-cash movements £'000</th>
<th>At 28 March 2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>10,967</td>
<td>(4,321)</td>
<td>229</td>
<td>6,875</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>-</td>
<td>(3,071)</td>
<td>-</td>
<td>(3,071)</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents</strong></td>
<td><strong>10,967</strong></td>
<td><strong>(7,392)</strong></td>
<td><strong>229</strong></td>
<td><strong>3,804</strong></td>
</tr>
<tr>
<td>Borrowings – revolving credit facility</td>
<td>-</td>
<td>(25,000)</td>
<td>-</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Borrowings – customer funded bond</td>
<td>-</td>
<td>7</td>
<td>(4,997)</td>
<td>(4,990)</td>
</tr>
<tr>
<td><strong>Gross borrowings net of cash</strong></td>
<td>-</td>
<td>(24,993)</td>
<td>(4,997)</td>
<td>(29,990)</td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>-</td>
<td>870</td>
<td>(187)</td>
<td>683</td>
</tr>
<tr>
<td><strong>Total net borrowings</strong></td>
<td><strong>10,967</strong></td>
<td><strong>(31,515)</strong></td>
<td><strong>(4,955)</strong></td>
<td><strong>(25,503)</strong></td>
</tr>
</tbody>
</table>

29 Post balance sheet events

On 9 June 2016 the Company announced the launch of certain new employee share schemes including a new long term incentive plan (LTIP) and a share incentive plan (SIP) under which all employees will be eligible to receive share awards.

In addition, an adjustment was made to the performance criteria applied to the Naked Wines acquisition related share schemes.

For further details see the Remuneration Report on page 43.

30 Related party transactions

Sales and purchases between related parties are made at arm’s length prices. The Group has not benefited from any guarantees for any related party receivables or payables. During the year ended 28 March 2016, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2015: nil).

The Group considers its key management personnel to be the Directors of the Company. The compensation of key management personnel is disclosed in note 7.

There are no other related party transactions which require disclosure.
Company balance sheet

As at 28 March 2016

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>32</td>
<td>11,876</td>
</tr>
<tr>
<td></td>
<td>68,770</td>
<td>11,876</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td>Amounts due from Group undertakings</td>
<td>33</td>
<td>372</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>385</td>
<td>29,151</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>69,155</td>
<td>41,027</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>34</td>
<td>(848)</td>
</tr>
<tr>
<td>Amounts due to Group undertakings</td>
<td>34</td>
<td>(28)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(876)</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due to Group undertakings</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td>Bank loan</td>
<td>35</td>
<td>(24,317)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(24,317)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(25,193)</td>
<td>(3,756)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>43,962</td>
<td>37,271</td>
</tr>
</tbody>
</table>

**Shareholders' funds**

|                                      | 24            | 24            |
| Called up share capital              | 5,307         | 4,924         |
| Share premium                        | 20,441        | 19,970        |
| Capital redemption reserve           | 363           | 363           |
| Retained earnings                    | 17,851        | 12,014        |
| **Equity shareholders' funds**       | 43,962        | 37,271        |

The financial statements of Majestic Wine plc were approved by the Board of Directors and authorised for issue on 17 June 2016. They were signed on its behalf by James Crawford:
## Company statement of changes in equity
For the year ended 28 March 2016

<table>
<thead>
<tr>
<th>Share capital £'000</th>
<th>Share premium account £'000</th>
<th>Capital redemption reserve £'000</th>
<th>Retained earnings £'000</th>
<th>Total shareholders' funds £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2014</td>
<td>4,922</td>
<td>19,907</td>
<td>363</td>
<td>13,225</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,159</td>
</tr>
<tr>
<td>Share issue</td>
<td>2</td>
<td>63</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Share options granted to subsidiary employees</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>131</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(10,501)</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>4,924</td>
<td>19,970</td>
<td>363</td>
<td>12,014</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,861)</td>
</tr>
<tr>
<td>Share issue</td>
<td>13</td>
<td>471</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares issued on acquisition of subsidiary</td>
<td>370</td>
<td>–</td>
<td>–</td>
<td>(289)</td>
</tr>
<tr>
<td>Share based payments – subsidiary employees</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,046</td>
</tr>
<tr>
<td>Share based payments – acquisition related</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,972</td>
</tr>
<tr>
<td>Capital contribution to subsidiary undertaking</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,969</td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>5,307</td>
<td>20,441</td>
<td>363</td>
<td>17,851</td>
</tr>
</tbody>
</table>
## Company cash flow statement

For the year ended 28 March 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash generated from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>28,293</td>
<td>(490)</td>
</tr>
<tr>
<td><strong>Net cash generated/(utilised) by operating activities</strong></td>
<td>28,293</td>
<td>(490)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend received</td>
<td>876</td>
<td>10,926</td>
</tr>
<tr>
<td>Acquisition of subsidiary, net of cash acquired</td>
<td>(44,600)</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition costs and payments</td>
<td>(8,535)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash (outflow)/inflow from investing activities</strong></td>
<td>(52,259)</td>
<td>10,926</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(755)</td>
<td>–</td>
</tr>
<tr>
<td>Issue of ordinary share capital</td>
<td>566</td>
<td>65</td>
</tr>
<tr>
<td>Draw down of borrowings</td>
<td>50,000</td>
<td>–</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(25,000)</td>
<td>–</td>
</tr>
<tr>
<td>Loan arrangement fees paid</td>
<td>(844)</td>
<td>–</td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>–</td>
<td>(10,501)</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow) from financing activities</strong></td>
<td>23,967</td>
<td>(10,436)</td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>1</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 28 March 2016 £’000</th>
<th>Year ended 30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>(2,626)</td>
<td>(1,767)</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Reversal of impairment of investment</td>
<td>(4,039)</td>
<td>–</td>
</tr>
<tr>
<td>– Share based payment charges</td>
<td>5,415</td>
<td>–</td>
</tr>
<tr>
<td><strong>Operating cash flows before movements in working capital</strong></td>
<td>(1,250)</td>
<td>(1,767)</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other receivables</td>
<td>28,666</td>
<td>(479)</td>
</tr>
<tr>
<td>Increase in trade and other payables</td>
<td>877</td>
<td>1,756</td>
</tr>
<tr>
<td><strong>Cash generated/(utilised) by operations</strong></td>
<td>28,293</td>
<td>(490)</td>
</tr>
</tbody>
</table>
Notes to the Company financial statements

31 Significant accounting policies
The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The Company’s loss for the year was £2,861,000 (2015: profit of £9,159,000).

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 2 to the consolidated financial statements except as noted below.

Investment
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

32 Investments in subsidiaries

<table>
<thead>
<tr>
<th>Cost or valuation:</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2014</td>
<td>15,784</td>
</tr>
<tr>
<td>Net movement on share options granted/(lapsed) to subsidiary companies employees</td>
<td>131</td>
</tr>
<tr>
<td>At 30 March 2015</td>
<td>15,915</td>
</tr>
<tr>
<td>Acquisition of Naked Wines</td>
<td>50,809</td>
</tr>
<tr>
<td>Net movement on share options granted/(lapsed) to subsidiary companies employees</td>
<td>2,046</td>
</tr>
<tr>
<td>At 28 March 2016</td>
<td>68,770</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts provided for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 March 2015</td>
</tr>
<tr>
<td>Reversal of impairment of subsidiary undertaking</td>
</tr>
<tr>
<td>At 28 March 2016</td>
</tr>
</tbody>
</table>

Net Book Value:

<table>
<thead>
<tr>
<th>At 28 March 2016</th>
<th>68,770</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 30 March 2015</td>
<td>11,876</td>
</tr>
</tbody>
</table>

An impairment provision against the Company’s investment in Les Celliers de Calais S.A.S. was reversed during the year as a result of improved current and forecast trading. A credit of £4,039,000 was taken to equity in respect of this.
### 32 Investments in subsidiaries (continued)

Details of the Company’s subsidiaries at 28 March 2016 are as follows:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Primary activity</th>
<th>Place of incorporation and operation</th>
<th>Proportion of ownership interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majestic Wine Warehouses Limited</td>
<td>Retailing of wines, beers and spirits</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Lay &amp; Wheeler Limited</td>
<td>Retailing and cellarage of fine wines</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Les Celliers de Calais S.A.S.</td>
<td>Retailing of wines, beers and spirits</td>
<td>France</td>
<td>100</td>
</tr>
<tr>
<td>Majestic Wine Employee Share Ownership Trust Limited</td>
<td>Trust company</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Naked Wines International</td>
<td>Holding company</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Vinotheque Holdings Limited</td>
<td>Property management</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Nakedwines.com Limited</td>
<td>Retailing of wines</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Naked Wines Prepayments Trustee Company Limited</td>
<td>Trustee company</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
<tr>
<td>Nakedwines.com Inc</td>
<td>Retailing of wines</td>
<td>United States of America</td>
<td>100</td>
</tr>
<tr>
<td>Nakedwines.com Prepayment Protection Company LLC</td>
<td>Trustee company</td>
<td>United States of America</td>
<td>100</td>
</tr>
<tr>
<td>Naked Wines Australia Pty Limited</td>
<td>Retailing of wines</td>
<td>Australia</td>
<td>100</td>
</tr>
<tr>
<td>NWA (Prepayments) Pty Limited</td>
<td>Trustee company</td>
<td>Australia</td>
<td>100</td>
</tr>
<tr>
<td>Naked Fine Wine Bonds plc</td>
<td>Funding company</td>
<td>United Kingdom</td>
<td>100</td>
</tr>
</tbody>
</table>

With the exception of Les Celliers de Calais S.A.S. all of the Company’s subsidiary undertakings share the same period end date. Les Celliers de Calais S.A.S. has a period end date of 31 March.

### 33 Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016 £’000</th>
<th>30 March 2015 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due from Group undertakings</td>
<td>372</td>
<td>28,965</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>12</td>
<td>186</td>
</tr>
<tr>
<td></td>
<td>384</td>
<td>29,151</td>
</tr>
</tbody>
</table>

The amounts due from Group undertakings have no fixed payment terms and are interest free.
34 Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals and other payables</td>
<td>848</td>
<td>1,756</td>
</tr>
<tr>
<td>Amounts due to Group undertakings</td>
<td>28</td>
<td>–</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due to Group undertakings</td>
<td>–</td>
<td>2,000</td>
</tr>
<tr>
<td>Bank loan</td>
<td>24,317</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,317</td>
<td>2,000</td>
</tr>
</tbody>
</table>

The amounts due to Group undertakings have no fixed payment terms and are interest free.

35 Bank and other borrowings

<table>
<thead>
<tr>
<th></th>
<th>28 March 2016</th>
<th>30 March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolving credit facility</td>
<td>25,000</td>
<td>–</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>(683)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total bank and other borrowings</strong></td>
<td>24,317</td>
<td>–</td>
</tr>
</tbody>
</table>

In order to finance the acquisition of Naked Wines, the Group entered into a revolving credit facility of £85m which is due to mature in April 2020. Interest has been charged at margins between 1% and 1.5% above LIBOR, depending on the Group’s leverage (being net debt/EBITDA). Banking covenants are in place and are tested bi-annually. The covenants tested are the Group’s leverage and interest cover (being adjusted EBITDA/net finance charges).

36 Share capital and share premium account

The movements on these accounts are disclosed in note 24 to the consolidated financial statements.
Shareholder information

During the year Gabriella Clinkard joined us as Head of Investor Relations. Gabby is available to answer any shareholder enquiries and can be contacted at: gabby.clinkard@majestic.co.uk

Annual General Meeting
At the forthcoming AGM Justin Apthorp, Anita Balchandani and Rowan Gormley will retire by rotation and being eligible, will offer themselves for re-election. James Crawford and Greg Hodder will also offer themselves for appointment to the Board.

The AGM will be held at 11.30am on 10 August 2016 at Majestic House, The Belfry, Colonial Way, Watford, WD24 4WH. The Notice of Meeting will be separately distributed to shareholders.

Key contacts:
Company Secretary
James Crawford
Registered Office
Majestic House
The Belfry
Colonial Way
Watford WD24 4WH

Bankers
Barclays Bank PLC
Floor 27
1 Churchill Place
London E14 5HP

Nominated Adviser and Joint Broker
Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP

Joint Broker
Liberum Capital Ltd
25 Ropemaker Street
London EC2Y 9LY

Auditor
Deloitte LLP
3 Victoria Square
Victoria Street
St Albans
Herts AL1 3TF

Tax Advisers
PriceWaterhouseCoopers LLP
10 Bricket Road
St Albans
Herts AL1 3JX

Solicitors
Osborne Clarke
Apex Plaza
Forbury Road
Reading RG1 1AX

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial Communications
Buchanan
107 Cheapside
London EC2V 6DN

G+ Majestic Wine PLC Investor Group:
https://plus.google.com/communities/1049100819989722923451

Definitions
(1) Underlying movement (a) excludes impact of Naked Wines; (b) includes En primeur revenues in year of order not year of fulfilment, and (c) is calculated using constant FX rates for translation.
(2) Pro forma presentation per underlying movement but assuming that Naked Wines was included in the group results for all of FY15 and FY16.
(3) Like-for-like sales trends refer to Retail sales only, include Calais and exclude the impact of new stores and store closures in the year.
(4) Adjusted EBIT is operating profit adjusted for amortisation of acquired intangibles, acquisition costs, share based payment charges, impairment of goodwill, restructuring costs, fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment.
(5) Adjusted PBT is defined as Adjusted EBIT less net finance charges.
(6) Free cash flow is defined as cash generated by operating activities less capital expenditure and before one-off items and taxation.
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Board and feature photography George Brooks