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Majestic Wine PLC  
Annual Report &  
Accounts 2013

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## Highlights

- Group profit before tax increased by by £0.5m to £23.7m (2012: £23.2m)
- Total sales down 2.1% to £274.4m (2012: £280.3m, a 53 week year)
- Managed reduction in wholesale trade, with sales down by £12.7m to £5.8m (2012: £18.5m)
- Underlying sales excluding wholesale were up 2.6% to £268.6m (2012: £261.8m)
- Like for like sales in UK retail stores up 1.0%
- Final dividend of 11.8p net per share, bringing the total dividend for the year to 15.8p, an increase of 0.2p on last year (2012: 15.6p)
- Lay & Wheeler Profit before interest and tax at £1.7m (2012: £1.9m)
- Majestic in Calais Profit before interest and tax at £1.6m (2012: £1.4m)

**Contents**

<b>02</b>	Chairman's Statement
<b>06</b>	Review of Operations
<b>14</b>	Financial Review
<b>20</b>	Directors and Advisers
<b>22</b>	Directors' Report
<b>27</b>	Audit Report
<b>28</b>	Group Income Statement
<b>29</b>	Group Statement of Comprehensive Income
<b>30</b>	Group and Company Statement of Changes in Equity
<b>31</b>	Group and Company Balance Sheets
<b>32</b>	Group and Company Cash Flow Statements
<b>33</b>	Notes to the Financial Statements
<b>60</b>	Property

## Chairman's Statement

### Phil Wrigley

I am pleased to announce that the Group has achieved an increase in profit before tax for the year ended 1 April 2013 to £23.7m, up 2.1% on last year.

#### Dividend

The Board is proposing a final dividend of 11.8p per share. This brings the total dividend to 15.8p per share, an increase of 0.2p on last year.

#### Board Appointment

We appointed Ian Harding as a non-executive Director on 1 June 2013. Ian, 48, is a Chartered Accountant and is Group Communications Director for Kingfisher plc, a FTSE 100 company and Europe's largest home improvement retailer. He is responsible for Kingfisher's worldwide investor and media relations programmes.

Ian is a strong addition to the Majestic Board, he brings a wealth of relevant experience and an excellent reputation. I look forward to working with him as our business continues to grow and develop.

#### People

Without doubt our most important differentiator from the competition is our people and the excellent customer service they deliver every day. It is their energy and enthusiasm that have made this another successful year for our business and I would like to thank them all for their contribution.

#### Current trading

Majestic is trading in line with our expectations, though as anticipated the year has started slowly reflecting the timing of Easter and the boost given to last year from the Jubilee celebrations. The business is in excellent shape and well placed to maximise sales over the important Summer trading period.

Phil Wrigley  
Chairman  
17 June 2013

I am pleased to announce that the Group has achieved an increase in profit before tax for the year ended 1 April 2013 to £23.7m, up 2.1% on last year.

Phil Wrigley  
Chairman

## Review of Operations

Steve Lewis

Majestic has a clearly defined growth strategy which has four key components, the continuing growth of sales through our core estate coupled with its expansion, growing sales to business customers, increasing ecommerce traffic and developing sales of fine wine

**Steve Lewis**  
Chief Executive

I am pleased to report that the Group has made solid progress with the four key elements of our future growth strategy: new stores, business customers, ecommerce and fine wine. Group profit before tax was up £0.5m to £23.7m and UK like for like sales grew 1.0%.

During the year we decided to scale back our exposure to the wholesale drinks market in order to focus on our on-trade customers and as a result total Group revenue at £274.4m was £5.9m lower than last year. Underlying sales excluding wholesale activities rose 2.6% to £268.6m from £261.8m last year.

### Majestic Wine

We have seen good progress in the expansion of our customer base. The number of customers who have made purchases in the last twelve months was up by 56,000 on last year to 624,000.

Sales through our retail stores were £236.0m, an increase of 3.2% on last year which was a 53 week period. The average bottle price of still wine purchased at Majestic has increased to £7.56, up from £7.34 last year whilst average spend per transaction remained level at £128.

### Product

We have seen particularly good growth in sales of still wine from the Rhone, Argentina, Italy and Spain. Sales of Prosecco and sparkling wine from England have continued to grow strongly.

In each store we stock a broad range of wine in real depth. Purchasing parcels of wine is an important method of keeping the range fresh and interesting while generating value for the customer. These parcels are often in quite small volumes which are perfect for marketing as web exclusives. We were excited to have discovered a large parcel of mature Rioja with vintages all the way back to 1964. We sold this parcel through last Autumn, both as web exclusives and where line volumes were large enough, direct through the store network.

### Customer Service

It is our commitment to delivering an exceptionally high standard of customer service that is the cornerstone of our proposition and this stands us apart from the competition.

We have built a team of personable, articulate and knowledgeable individuals who take great pride in exceeding our customers' high expectations. We recruit primarily at graduate level with over 250 joining us as trainees over the previous year.

We have an extensive training programme designed and delivered in-house that is widely recognised as amongst the best in the industry. All new retail staff are trained extensively in customer service, management skills and product knowledge. They are expected to take the Wine and Spirit Education Trust's (WSET) Level 3 Award in Wines and Spirits within their first year with Majestic. We encourage the most able of our staff to further their knowledge by studying for the WSET Diploma over a two year period.

## Review of Operations continued

### Customer Engagement

At Majestic we believe that the best way for a customer to select wines that are right for their palate and pocket is to taste them. To facilitate this each of our stores has its own dedicated tasting counter where wines are open every day for customers to try before they purchase.

We also have an extensive programme of guided tasting events which are free to attend. These include our popular wine course and seasonal range showcases. We recently launched a new tutorial event where customers are invited to taste wines that should be of interest to them based on their previous purchase history. We are pleased that 44,000 customers attended a tasting event at their Majestic store during the year, up from 37,000 previously.

### New Stores

We are pleased to have been able to maintain the rate of new site openings at sixteen during the financial year bringing the total number of UK stores to 193. We opened in Northallerton, Esher, Queensferry Road in Edinburgh, Witney, Basingstoke, Falmouth, Stroud, Ludlow, Uttoxeter, Alton, Sudbury, King's Lynn, Lymington, Dorking, Crawley and Gerrards Cross. The customer reaction to these new stores has been very encouraging.

We continue to see the scope to increase our footprint to around 330 locations in the UK. This expansion is based on securing prominent locations generally on main roads outside town centres with good car parking. The units are on average around 3,500 square feet which provides, in addition to our retail requirements, sufficient space to hold stock for sales to on-trade customers and for the picking and delivery of orders received over the internet.

### Commercial

We have a Commercial sales team who source and build relationships with restaurants, hotels and gastro pubs. All subsequent logistics are handled by the customer's nearest Majestic store or our depot in King's Cross. We hold extensive stocks at each of our locations, offer credit facilities and can arrange deliveries seven days a week.

The sales managed by our Commercial team have grown strongly and are up 13.6% on last year. We continue to see the opportunity for considerable growth from on-trade customers and were delighted to be awarded "Great Value Merchant of the Year" at the Sommelier Wine Awards 2013.

## Ecommerce

We have seen a significant increase in sales received online up 14.7% on last year to now represent 11.1% of total UK retail sales

In June 2012 we reduced our minimum order for delivery to 6 bottles to broaden the appeal of our online offering. The results have been very positive, with 25% growth in online transactions to 234,000, more than offsetting a 7% dip in average order value to £134. Customers purchasing less than 12 bottles are ordering a higher proportion of Champagne and fine wine than customers placing larger orders.

This Summer we will launch the next generation of our website. We are introducing an enhanced stock system, which will allow customers to order from a broader range of products based on what is available locally, as well as introducing an improved click-and-collect proposition. The new platform will power both web and mobile-optimised versions of our UK website, as well as online pre-ordering for Majestic in Calais.

We recognise that social media is changing the way that consumers interact with business. All of our stores have their own individual Facebook and Twitter accounts enabling customers to directly connect with local store staff and other consumers in their area. They can sign up to local store events, get wine advice, write and post reviews, as well as keep up to date with offers and new products. It is very pleasing that our store based social media programme was recognised as the "Customer Service Initiative of the Year" at the Oracle Retail Week Awards 2013.

## Fine Wine

Sales of wine priced at £20 a bottle and above continue to show good growth, up 9.4% on last year and now represent 6.5% of UK store sales. This area of the business services customers' occasional need to purchase fine wine for celebrations or as a treat. In each of our locations we stock a range of fine wines with names recognisable to customers and that are affordable and ready to drink.

We now have dedicated fine wine fixtures in over 90% of the estate and anticipate that the rollout to every suitable store will be complete during the current financial year.

## Lay & Wheeler

Lay & Wheeler is our fine wine merchant and has particular expertise in en primeur sales, cellarage and broking of customer reserves. Profit before interest and tax for the year was £1.7m down 8.9% from that recorded in the previous year. The reason for the decline in profitability is that the year's main en primeur campaign, the Bordeaux 2011 vintage, was much weaker than the previous two vintages. This led to a reduction in the onward broking of older vintages and other ancillary activities that surround these large campaigns.

The main activity that the business is currently engaged in is the marketing of wines from the Bordeaux 2012 vintage, which we expect to be in line with the 2011 campaign. We have recently re-launched the Lay & Wheeler Fine Wine Plan marketed directly at customers on the Majestic database. Members gain access to a range of special offers, some unique to the plan, and are allocated a consultant to provide guidance and advice. The initial level of customer registration into the plan is encouraging.

## Majestic in Calais

This business caters for UK consumers wishing to take advantage of the much lower rate of alcohol duty in France. During the year we closed our store in Cherbourg thereby consolidating the business into our two stores located in Calais. The store in Cherbourg was reliant on customers using ferries that now run much reduced timetables over the winter months and as such only made a marginal contribution to profit.

The business is very well suited to those customers who are organising events. We guarantee that customers will save a minimum of £2 per bottle on the prices that we retail through our UK stores. This is augmented by discounts for large orders. We encourage customers to pre-order either online or over the telephone and together these account for 43% of sales.

We are pleased to report that profit before interest and tax was up 13.5% to £1.6m as we have again been able to improve operating margins from maintaining tight control over cost.

## Future Prospects

We believe that the prospects for our future growth are good and are encouraged by our ability to attract large numbers of new customers. Majestic has a clearly defined growth strategy which has four key components, the continuing growth of sales through our core estate coupled with its expansion, growing sales to business customers, increasing ecommerce traffic and developing sales of fine wine.

Steve Lewis  
Chief Executive  
17 June 2013

## Financial Review

### Nigel Alldritt

#### Trading

Profit before tax at £23.7m was up £0.5m on the previous year. As a result of a targeted increase in gross margin and ongoing tight control over cost the Group's profit before tax as a percentage of sales was up to 8.6% from 8.3% last year.

During the year total Group sales declined £5.9m to £274.4m as a result of our decision to reduce our involvement in the wholesale drinks market. Sales through the wholesale channel at £5.8m were £12.7m lower than the previous year. Underlying sales excluding wholesale activities rose 2.6% to £268.6m from £261.8m last year. Last year was a 53 week period and on a comparable 52 week basis, underlying sales growth was 4.2%.

In aggregate, sales to business customers were £50.5m in the financial year and now represent 20.3% of total sales through Majestic Wine Warehouses. This is £10.2m lower than the figure recorded last year as it is stated after the reduction in sales of £12.7m through the wholesale channel.

#### Taxation

The effective rate of corporation tax in 2013 was 26.8% (2012: 27.9%) compared with the main rate at 24.0% (2012: 26.0%). Majestic has certain items of expenditure mostly relating to share based payments that are non-deductible for tax purposes. In addition, the Group has an excess of depreciation over capital allowances as certain assets are non-qualifying. The Group also recalculated deferred tax balances to be in line with the new lower corporation tax rate of 23.0% which takes effect from April 2013.

#### Earnings per share

Basic earnings per share for the year at 26.9p were 1.5% higher than the previous year (2012: 26.5p). Diluted earnings per share for the year at 26.6p were 1.9% higher than the previous year (2012: 26.1p).

#### Dividend

The Board is proposing a final dividend for 2013 of 11.8 pence per share. Together with the interim dividend of 4.0 pence paid to shareholders on 5 January 2013, this would make a total dividend for the financial year of 15.8 pence per share, an increase of 1.3% over the prior year. The total dividend is 1.68 times covered by profit after tax (2012: 1.67 times).

Subject to shareholders' approval at the Annual General Meeting on 8 August 2013, the final dividend will be payable on 16 August 2013, to shareholders on the register on 19 July 2013.

### Cash flow and net debt

Group cash flows from operating activities were £27.9m, up from £25.4m in the previous year

Capital expenditure in the year increased to £12.5m from £11.0m after incurring £2.1m in the acquisition of a long leasehold interest in a new head office. This facility is in Watford close to our existing offices and is currently being refurbished with a view to occupation early in 2014

The level of dividend paid by the Group to shareholders increased significantly to £10.2m compared with £8.4m in the previous year

Group tax payments totalling £6.4m were made during the year down from £6.6m previously

The Group received £3.0m on the exercise of share options up from £2.0m last year

The Group had net funds of £2.9m at 1 April 2013 compared with £1.1m at the end of the previous financial year

### Liquidity and funding

The Group maintains liquidity by arranging facilities to finance its seasonal working capital requirements and new store opening programme. The amount available under these uncommitted facilities varies though the year from £5.0m to £17.5m matching the Group's funding requirements. They are reviewed annually and have no expiry date. At 1 April 2013 the Group had undrawn short term borrowing facilities of £4.6m

### Financial position

The Group is in good financial health and remains strongly cash generative allowing the expansion of the business from its own resources

Nigel Alldritt  
Finance Director  
17 June 2013

The Group is in good financial health and remains strongly cash generative allowing the expansion of the business from its own resources

Nigel Alldritt  
Finance Director

## Directors and Advisers

### Phil Wrigley

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**Chairman**  
Aged 60

Phil Wrigley was appointed to the Board in April 2010. He is currently non-executive Chairman of LXB Retail Properties plc and a non-executive Director of Carluccio's. He has also held roles at Habitat, New Look, Debenhams, Arcadia and Bhs.

### Steve Lewis

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**Chief Executive**  
Aged 49

Steve Lewis was appointed Chief Executive on 8 August 2009. He was appointed to the Board in 1998.

### Justin Apthorp

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**Buying Director**  
Aged 51

Justin Apthorp was appointed to the Board in January 2006.

### Helen Keays

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**Non-Executive Director**  
Aged 49

Helen Keays was appointed to the Board in November 2005. She is a management consultant, non-executive Director of Domino's Pizza UK & IRL plc and Mattioli Woods plc. She is also trustee of The Shakespeare Birthplace Trust. She chairs the remuneration committee.

## Nigel Alldritt

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**Finance Director & Company Secretary**  
Aged 49

Nigel Alldritt was appointed to the Board in 2002. He is a Chartered Management Accountant and responsible for the finance and IT functions.

**Company Secretary**  
Nigel Alldritt ACMA

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Majestic House  
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London W1U 7AL

**Registrars**  
Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Paul Dermody

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**Non-Executive Director**  
Aged 67

Paul Dermody was appointed to the Board in 2003. He is the former Chief Executive of De Vere Group Plc. He is a non-executive Director of AGA Rangemaster Group Plc and Chairman of the trustees of The National Football Museum. He chairs the audit committee.

## Ian Harding

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**Non-Executive Director**  
Aged 48

Ian Harding was appointed to the Board in June 2013. He is currently Group Communication Director for Kingfisher plc where he is responsible for Kingfisher's worldwide investor and media relations programmes. He is a Fellow of the Institute of Chartered Accountants in England and Wales and prior to joining Kingfisher he spent eight years as an auditor with PWC.

## Directors' Report

### For the year ended 1 April 2013

The Directors present their report and Group financial statements for the year ended 1 April 2013

#### Principal activity

The principal activity of the business is the retailing of wines beers and spirits

#### Results and review of the business

The Group Income Statement is set out on page 28

The Directors Report should be read in conjunction with the Chairmans Statement on pages 2 to 3 the Review of Operations on pages 6 to 9 and the Financial Review on pages 14 to 15 which include information about the Groups business performance during the year and indication of future prospects

#### Dividends

The Directors propose that a final dividend of 11.8p net per Ordinary Share be paid which, together with an interim dividend of 4.0p paid on 4 January 2013, makes a total of 15.8p (2012: 15.6p) per share for the year. The final dividend amounting to £7,701,000 if approved at the Annual General Meeting will be paid on 16 August 2013 to the shareholders whose names appear on the Register of Members at the close of business on 19 July 2013.

#### Directors

The Directors who served during the year and their interests in the Ordinary Share capital of the Company were

	Number of Ordinary Shares	
	2013	2012
Steve Lewis	125,246	97,846
Nigel Alldritt	100,000	75,000
Justin Apthorp (note 1)	762,873	762,873
Paul Dermody (note 2)	7,000	7,000
Helen Keays	-	-
Phil Wrigley	-	-

#### Notes

1) 738,873 of the Ordinary Shares that Justin Apthorp has an interest in are held in his own name and 24,000 are held by his wife

2) 2,000 of the Ordinary Shares that Paul Dermody has an interest in are held in his own name and 5,000 are held by his wife

Phil Wrigley, Paul Dermody and Helen Keays are non-executive Directors. On 1 June 2013 Ian Harding was appointed to the Board as a non-executive Director. A proposal to confirm his appointment will be put to the Annual General Meeting.

In accordance with the Company's Articles of Association, Nigel Alldritt and Phil Wrigley retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

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.

#### 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 23 of the financial statements. The Company is authorised by the shareholders to purchase, in the market, the Company's own shares up to a maximum aggregate nominal value equal to £488,592 representing approximately 10% of the nominal value of the issued ordinary share capital of the Company. This authority is renewable annually and approval will be sought at the Annual General Meeting to renew the authority for a further year. It is the Company's present intention to cancel any shares it buys back rather than hold them in treasury.

#### Major shareholders

At 4 June 2013 the following interests of shareholders in excess of 3% have been notified to the Company

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
Rock Nominees	8,000,000	12.28
AXA Framlington Investment Managers	6,043,477	9.28
BlackRock Investment Management	5,340,895	8.20
Aviva Investors	4,439,486	6.81
Investec Wealth & Investment	2,051,185	3.15
McInroy & Wood	2,025,811	3.11

## Directors' Report

### For the year ended 1 April 2013

#### Corporate Governance

The Board has established a remuneration committee and an audit committee

#### Remuneration committee

The remuneration committee consists of the Chairman and the other two non-executive Directors. It is chaired by Helen Keays and meets as required during the year. The committee determines the remuneration and benefits of the executive Directors. The executive Directors have rolling one year contracts subject to one year's notice on either side. The remuneration of non-executive Directors is determined by the Board within the limits set by the Company's Articles of Association. They have letters of engagement with the Company and their appointments are terminable on three months written notice on either side.

#### Annual bonus scheme

The Company operates an annual bonus scheme for the executive Directors. The performance criteria set by the remuneration committee for the year ended 1 April 2013 were not achieved and consequently annual bonuses have not been earned (2012: £495,000).

#### Share option schemes

The Group operates executive share option schemes (one of which is a HM Revenue & Customs Company Approved Share Option Scheme and one of which is unapproved for tax purposes) in which employees participate. The Group also operates a savings related share option scheme that is available to all Group employees and conforms to HM Revenue & Customs rules. The committee determines the allocation of options for the share schemes and the awards made for the long term investment plan and the deferred bonus scheme.

The executive Directors' participation in the Groups executive share option schemes is now limited to the long term incentive plan which replaced the co-investment plan.

#### Long term incentive plan

Under the terms of the long-term investment plan the executive Directors were provided with a contingent award of nil priced options over shares with a market value of 200% of base salary. The vesting of the share option award is subject to pre-determined earnings-based performance conditions which are measured over a three year performance period.

- No vesting will occur if compounded absolute earnings per share growth is less than 10% per annum
- 25% of the award will vest for compounded absolute earnings per share growth of 10% per annum
- Full vesting will occur for compounded absolute earnings per share growth of 14%

Straight line vesting will occur between these points.

In addition, no award will vest until the remuneration committee has made an assessment that earnings per share growth has not been achieved to the long term detriment of the business.

The long term incentive plan complies with the Association of British Insurers discretionary executive plan limit of 5% dilution over 10 years in relation to the number of shares to be provided under the plan.

The Directors' interests in share options are as follows:

	Options at 02/04/12	Options granted	Options exercised	Options at 01/04/13	Exercise price	Weighted average market price at date of exercise	Date from which exercisable	Expiry date	Scheme name
Steve Lewis	40,030	-	40,030	-	£2.635	£4.35	25/07/08	24/07/15	Unapproved
	2,200	-	2,200	-	£1.68	£4.35	17/07/11	17/07/18	Approved
	22,800	-	22,800	-	£1.68	£4.35	17/07/11	17/07/18	Unapproved
	50,000	-	50,000	-	£1.97	£4.35	16/07/12	16/07/19	Unapproved
	52,500	-	52,500	-	nil	£4.35	30/07/12	30/07/19	Co-investment
	52,500	-	-	52,500	nil	-	29/07/13	29/07/20	Co-investment
	136,208	-	-	136,208	nil	-	04/08/14	04/08/18	LTIP
-	148,314	-	148,314	nil	-	30/07/15	30/07/19	LTIP	
Nigel Alldritt	38,620	-	38,620	-	£2.635	£4.35	25/07/08	24/07/15	Unapproved
	25,000	-	25,000	-	£1.68	£4.35	17/07/11	17/07/18	Unapproved
	50,000	-	50,000	-	£1.97	£4.35	16/07/12	16/07/19	Unapproved
	37,500	-	37,500	-	nil	£4.35	30/07/12	30/07/19	Co-investment
	37,500	-	-	37,500	nil	-	29/07/13	29/07/20	Co-investment
	86,265	-	-	86,265	nil	-	04/08/14	04/08/18	LTIP
	-	94,382	-	94,382	nil	-	30/07/15	30/07/19	LTIP
Justin Apthorp	25,000	-	25,000	-	£1.68	£4.35	17/07/11	17/07/18	Unapproved
	15,200	-	15,200	-	£1.97	£4.35	16/07/12	16/07/19	Approved
	34,800	-	34,800	-	£1.97	£4.35	16/07/12	16/07/19	Unapproved
	37,500	-	37,500	-	nil	£4.35	30/07/12	30/07/19	Co-investment
	37,500	-	-	37,500	nil	-	29/07/13	29/07/20	Co-investment
	77,185	-	-	77,185	nil	-	04/08/14	04/08/18	LTIP
	-	85,393	-	85,393	nil	-	30/07/15	30/07/19	LTIP

The market value of the Company's shares at 1 April 2013 was 426p. The highest and lowest prices during the year were 489.5p and 403p respectively.

## Directors' Report

### For the year ended 1 April 2013

#### Directors remuneration

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

	Basic Salary and Fees £000	Benefits £000	Company Pension Contributions £000	Total 2013 £000	Total 2012 £000
Steve Lewis	340	58	74	472	636
Nigel Alldritt	210	19	42	271	382
Justin Aphorip	190	16	38	244	344
Paul Dermody	40	-	-	40	30
Helen Keays	40	-	-	40	30
Phil Wrigley	80	-	-	80	70
	900	93	154	1,147	1,492

#### Deferred bonus scheme

The Group operates a deferred bonus scheme for senior managers which excludes the executive Directors

It involves the award of bonus shares to participants subject to meeting performance criteria that are set annually by the remuneration committee. Any bonus shares awarded in this manner are held on behalf of participants by the trustee of the Company's employee share ownership trust for a two year deferral period. At the end of that period, participants have a right to receive loyalty shares of equivalent number provided that they are still in employment.

The performance criteria set by the remuneration committee for the financial year ended 1 April 2013 were not met and therefore participants are not entitled to an award of bonus shares.

#### Audit committee

The audit committee consists of the Chairman and the other two non executive Directors. It is chaired by Paul Dermody. The other Directors attend by invitation. It meets as required during the year at least once with the Group's external auditors. Its role is to review the interim and final financial statements for approval by the Board, to ensure that appropriate financial and operating controls are functioning properly and to provide the forum through which the Group's external auditors report to the Board.

#### Internal controls

The Directors are responsible for the Group's internal controls and have established a framework intended to provide reasonable, but not absolute, assurance against material financial misstatement or loss.

#### 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.

#### Risk management

The risks facing the business are assessed on an ongoing basis. The executive Directors have direct responsibility for a number of key risk areas. They evaluate the likelihood and potential impact of risks and ensure appropriate action is taken to mitigate them. The key risks and mitigating factors are set out below.

- The retail industry is very competitive. The Group competes with a number of retailers of varying size on areas including price, range, quality and service. Failure to compete effectively could have an adverse impact on the financial results. Apart from regularly monitoring performance against competitors in these areas the Group mitigates its exposure by ensuring that the business is differentiated from the competition by the diversity and quantity of stock at each location, provision of dedicated car parking and wine expertise.
- The Group recognises that it is essential to its success to attract, retain and motivate staff at all levels in the organisation. The Group considers its employment policies regularly and provides a comprehensive package of salary and benefits, including bonuses and participation in the Group's share option schemes. Great emphasis is placed on training in order to help employees achieve their full potential.
- The business is dependent on information technology systems and a significant failure may impact the Group's ability to trade. The Group has extensive controls in place to ensure the integrity and reliability of its systems. Recovery plans are in place to ensure that any disruption from a failure can be kept to a minimum and they are regularly tested.
- As a drinks retailer the Group operates in a market that is regulated, most notably by way of licences to sell alcohol. The Group monitors compliance with licensing requirements ensuring that all relevant staff hold the appropriate qualifications. Changes in the regulatory environment could occur at any time and may have a detrimental effect on the business.
- The Group imports product direct from suppliers located abroad and is therefore exposed to risk from fluctuations in foreign currency exchange rates. Forward currency contracts are purchased to mitigate foreign currency exposures.

## Directors' Report

### For the year ended 1 April 2013

#### 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 28 to the financial statements.

#### Charitable and political donations

Charitable donations made in the year amounted to £11,000 with the largest beneficiary being Bowel Cancer UK (2012: £22,000 Maggie's Centres). The Group made no political donations during the year.

#### Key Performance Indicators

The Group monitors a number of performance indicators both financial and non-financial.

	52 weeks to 01/04/13	53 weeks to 02/04/12
Total % (decrease)/increase in Group turnover (%)	(2.1)%	8.9%
UK retail like for like sales increase (%)	1.0%	2.6%
Profit before tax (£m)	£23.7m	£23.2m
Profit before tax as a % of total turnover (%)	8.6%	8.3%
Number of stores trading in the UK	193	178
Number of active customers	624,000	568,000
Average transaction value (£)	£128	£128

These indicators are discussed in the Chairman's Statement, the Review of Operations and the Financial Review.

#### 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:

- 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 judgments 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, and
- 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.

#### Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 20 and 21. Having made enquiries of fellow Directors and of the Company's auditors, 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 auditors are unaware and
- 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 auditors are aware of that information.

## Directors' Report

### For the year ended 1 April 2013

#### Employees

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Groups aims and objectives are communicated in an open and regular manner. Employees are kept informed of the Groups performance and activities by regular briefings. Directors and senior managers visit stores frequently to brief staff and discuss matters of concern or interest. The Groups senior staff participate in the Groups 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 Groups 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.

#### Payment of suppliers

The Group does not follow any formal code of practice for payment of its suppliers. The Groups current policy concerning the payment of the majority of its trade and other payables is to

- (a) agree the terms of payment with suppliers when agreeing the terms of business
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms on purchase orders and
- (c) pay in accordance with the terms agreed

The average credit period taken during the year by the Group was 77 days (2012: 75 days). The Company has no trade payables.

#### Going concern

The Groups 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 28 to the financial statements includes the Groups 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 Groups forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within its current uncommitted borrowing facilities. In common with many other retailers the Group is able to operate at certain times of the year with net current liabilities without impacting its ability to operate within its current banking facilities. 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 Ernst & Young LLP as auditors of the Company will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditor's remuneration.

By Order of the Board



Nigel Aildritt ACMA  
Company Secretary

Majestic House  
Otterspool Way  
Watford  
WD25 8WW

17 June 2013

Registered in England and Wales  
No. 2281640

# Audit Report

## For the year ended 1 April 2013

### Independent Auditor's Report to the Members of Majestic Wine PLC

We have audited the financial statements of Majestic Wine PLC for the year ended 1 April 2013 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 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) 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 Statement of Directors Responsibilities set out on page 25 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 to the Group's and 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 and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implication 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 1 April 2013 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, and
- 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

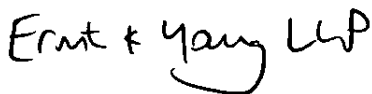
In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters:

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

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



Tony McCartney (Senior statutory auditor)  
for and on behalf of Ernst and Young LLP Statutory Auditor  
Cambridge

25 June 2013

## Group Income Statement

For the year ended 1 April 2013

	Note	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Revenue	5	274,424	280,304
Cost of sales		(211,973)	(218,636)
Gross profit		62,451	61,668
Distribution costs		(24,344)	(23,063)
Administrative costs		(15,082)	(15,993)
Other operating income		786	809
Profit before finance costs and taxation	6	23,811	23,421
Finance revenue	8	13	25
Finance costs	8	(144)	(245)
Profit before taxation		23,680	23,201
UK income tax	9	(5,832)	(6,025)
Overseas income tax	9	(519)	(458)
Profit for the year		17,329	16,718
Earnings per share			
Basic	10	26 9p	26 5p
Diluted	10	26 6p	26 1p
Total dividend per share for the year	11	15 8p	15 6p

Registered in England and Wales  
No 2281640

## Group Statement of Comprehensive Income

For the year ended 1 April 2013

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Profit for the year	17,329	16,718
Other comprehensive income		
Currency translation differences on foreign currency net investments	65	(240)
Other comprehensive income for the year net of tax	65	(240)
Total comprehensive income for the year	17,394	16,478

## Group and Company Statement of Changes in Equity

### For the year ended 1 April 2013

	Share capital £000	Share premium account £000	Capital reserve own shares held in ESOT £000	Capital redemption reserve £000	Currency translation reserve £000	Retained earnings £000	Total shareholders funds £000
<b>Group</b>							
At 28 March 2011	4,686	12,842	(236)	363	2,383	44,822	64,860
Profit for the year	-	-	-	-	-	16,718	16,718
Other comprehensive income	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	(240)	-	(240)
Total comprehensive income for the year	-	-	-	-	(240)	16,718	16,478
Share issue	67	1,901	-	-	-	-	1,968
ESOT share issue	11	660	(339)	-	-	(332)	-
Shares vesting under deferred bonus scheme	-	-	3	-	-	(3)	-
Transfer to shareholders funds – employee costs expected to be satisfied in shares	-	-	-	-	-	1,246	1,246
Tax credit on employee share options	-	-	-	-	-	361	361
Equity dividends paid	-	-	-	-	-	(8,448)	(8,448)
At 2 April 2012	4,764	15,403	(572)	363	2,143	54,364	76,465
Profit for the year	-	-	-	-	-	17,329	17,329
Other comprehensive income	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	65	-	65
Total comprehensive income for the year	-	-	-	-	65	17,329	17,394
Share issue	114	2,927	-	-	-	-	3,041
ESOT share issue	8	413	(233)	-	-	(188)	-
Shares vesting under deferred bonus scheme	-	-	288	-	-	(288)	-
Transfer to shareholders funds – employee costs expected to be satisfied in shares	-	-	-	-	-	713	713
Tax credit on employee share options	-	-	-	-	-	374	374
Equity dividends paid	-	-	-	-	-	(10,175)	(10,175)
At 1 April 2013	4,886	18,743	(517)	363	2,208	62,129	87,812
<b>Company</b>							
At 28 March 2011	4,686	12,842	-	363	-	13,745	31,636
Profit for the year	-	-	-	-	-	5,600	5,600
Total comprehensive income for the year	-	-	-	-	-	5,600	5,600
Share options granted to subsidiary employees	-	-	-	-	-	752	752
Share issue	67	1,901	-	-	-	-	1,968
ESOT share issue	11	660	-	-	-	-	671
Equity dividends paid	-	-	-	-	-	(8,448)	(8,448)
At 2 April 2012	4,764	15,403	-	363	-	11,649	32,179
Profit for the year	-	-	-	-	-	10,787	10,787
Total comprehensive income for the year	-	-	-	-	-	10,787	10,787
Share options granted to subsidiary employees	-	-	-	-	-	586	586
Share issue	114	2,927	-	-	-	-	3,041
ESOT share issue	8	413	-	-	-	-	421
Equity dividends paid	-	-	-	-	-	(10,175)	(10,175)
At 1 April 2013	4,886	18,743	-	363	-	12,847	36,839

## Group and Company Balance Sheets

### As at 1 April 2013

	Note	Group 01 04 13 £000	Group 02 04 12 £000	Company 01 04 13 £000	Company 02 04 12 £000
<b>Non current assets</b>					
Goodwill and intangible assets	12	9,101	8,357	-	-
Property plant and equipment	13	67,642	60,775	-	-
En primeur purchases	14	1,529	5,006	-	-
Prepaid operating lease costs	15	1,998	2,036	-	-
Deferred tax assets	9	1,249	1,855	-	-
Investments in subsidiaries	16	-	-	11,758	11,172
		81,519	78,029	11,758	11,172
<b>Current assets</b>					
Inventories	17	51,306	51,456	-	-
Trade and other receivables	18	8,515	6,855	27,081	23,007
En primeur purchases	14	2,894	4,155	-	-
Financial instruments at fair value	28	38	11	-	-
Cash and cash equivalents	27	4,947	2,953	-	-
		67,700	65,430	27,081	23,007
<b>Total assets</b>		<b>149,219</b>	<b>143,459</b>	<b>38,839</b>	<b>34,179</b>
<b>Current liabilities</b>					
Trade and other payables	19	(48,469)	(47,347)	-	-
En primeur deferred income	14	(3,686)	(5,266)	-	-
Bank overdraft	20	(2,059)	(1,822)	-	-
Provisions	21	(322)	(723)	-	-
Deferred lease inducements	22	(216)	(188)	-	-
Financial instruments at fair value	28	(161)	(452)	-	-
Current tax liabilities		(2,092)	(3,019)	-	-
		(57,005)	(58,817)	-	-
<b>Non current liabilities</b>					
Amounts due to Group undertakings	19	-	-	(2,000)	(2,000)
En primeur deferred income	14	(1,757)	(5,913)	-	-
Provisions	21	(323)	(156)	-	-
Deferred lease inducements	22	(1,373)	(1,044)	-	-
Deferred tax liabilities	9	(949)	(1,064)	-	-
<b>Total liabilities</b>		<b>(61,407)</b>	<b>(66,994)</b>	<b>(2,000)</b>	<b>(2,000)</b>
<b>Net assets</b>		<b>87,812</b>	<b>76,465</b>	<b>36,839</b>	<b>32,179</b>
<b>Shareholders' equity</b>					
Called up share capital	23	4,886	4,764	4,886	4,764
Share premium account	23	18,743	15,403	18,743	15,403
Capital reserve – own shares	23	(517)	(572)	-	-
Capital redemption reserve	23	363	363	363	363
Currency translation reserve	23	2,208	2,143	-	-
Retained earnings		62,129	54,364	12,847	11,649
<b>Equity shareholders' funds</b>		<b>87,812</b>	<b>76,465</b>	<b>36,839</b>	<b>32,179</b>

The financial statements were approved by the Board on 17 June 2013 and signed on its behalf by



Phil Wrigley  
Chairman

## Group and Company Cash Flow Statements

### For the year ended 1 April 2013

	Note	Group 52 weeks to 01 04 13 £000	Group 53 weeks to 02 04 12 £000	Company 52 weeks to 01 04 13 £000	Company 53 weeks to 02 04 12 £000
<b>Cash flows from operating activities</b>					
Cash generated/(utilised) by operations	27a	27,868	25,416	(4,074)	209
UK income tax paid		(5,843)	(6,000)	-	-
Overseas income tax paid		(570)	(611)	-	-
<b>Net cash generated/(utilised) by operating activities</b>		<b>21,455</b>	<b>18,805</b>	<b>(4,074)</b>	<b>209</b>
<b>Cash flows from investing activities</b>					
Interest received		13	25	-	-
Dividends received		-	-	10,787	5,600
Purchase of non current assets		(12,496)	(10,964)	-	-
Receipts from sales of non current assets		45	77	-	-
<b>Net cash (utilised)/generated by investing activities</b>		<b>(12,438)</b>	<b>(10,862)</b>	<b>10,787</b>	<b>5,600</b>
<b>Cash inflow before financing</b>		<b>9,017</b>	<b>7,943</b>	<b>6,713</b>	<b>5,809</b>
<b>Cash flows from financing activities</b>					
Interest paid		(144)	(277)	-	-
Issue of Ordinary Share capital		3,041	1,968	3,041	1,968
Receipt for shares issued to ESOT		-	-	421	671
Term loan repayment		-	(5,600)	-	-
Equity dividends paid		(10,175)	(8,448)	(10,175)	(8,448)
<b>Net cash used by financing activities</b>		<b>(7,278)</b>	<b>(12,357)</b>	<b>(6,713)</b>	<b>(5,809)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,739</b>	<b>(4,414)</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year		1,131	5,627	-	-
Effect of foreign exchange differences		18	(82)	-	-
<b>Cash and cash equivalents at end of year</b>	27b	<b>2,888</b>	<b>1,131</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

## 1 General information

Majestic Wine PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 2281640). The Company is domiciled in the United Kingdom and its registered address is Majestic House, Otterspool Way, Watford, WD25 8WW. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM").

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 Authorisation of financial statements and statement of compliance with IFRS

The Group's and Company's financial statements for the year ended 1 April 2013 were authorised for issue by the Board of Directors on 17 June 2013 and the balance sheets were signed on the Board's behalf by Phil Wrigley.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company's financial statements have been prepared on the same basis. As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The profit dealt with in the financial statements of the Company is £10,787,000 (2012: £5,600,000). The Company has not made any other comprehensive income and consequently has not presented a statement of comprehensive income for the year.

## 3 Basis of preparation

The financial year represents the 52 weeks to 1 April 2013 and the prior financial year, 53 weeks to 2 April 2012. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these financial statements. The Group has adopted the following new and amended standards and interpretations which came into effect for accounting periods commencing on or after 1 April 2012. Insofar as they are relevant to the Group's operations, adoption of these revised standards and interpretations did not have any material effect on the financial statements of the Group.

- IAS 12 - Income taxes (Amendment)
- IFRS 7 Financial Instruments: Disclosures (Amendment)

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 26.

## 4 Accounting policies

### Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up to the nearest Monday to 31 March each year.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

### Company investment in subsidiaries

In its separate financial statements, the Company recognises its investments in subsidiaries at cost less any provision for impairment.

### Revenue recognition

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 consists of

- sales through retail outlets in the UK and France and trade sales through both head office and our dedicated depot in King's Cross, measured at the fair value of consideration net of returns, rebates and value-added taxes and recognised when the significant risks and rewards of ownership have been transferred to the buyer;
- receipts from customers for sales of en primeur wines which are recognised when the wines are available to customers, which may be up to two years later;
- finance revenue is interest receivable from bank deposits, interest receivable from lessees under the terms of their leases and interest receivable from HM Revenue & Customs on corporation tax paid on account and is recognised on an effective interest rate basis;
- other operating income comprises rental income receivable from sub-let premises and is recognised on a straight line basis over the lease; and
- dividends receivable by the Company are from subsidiary undertakings and are recognised when the Company has the right to receive them.

## Notes to the Financial Statements

### 4 Accounting policies continued

#### Cost of sales

Cost of sales consists of the cost of the product including excise duties. It also includes credit card processing charges and the costs of staffing the retail stores.

Supplier incentives, rebates and discounts are recognised within cost of sales as they are earned. The accrued value at the reporting date is included in prepayments and accrued income.

#### Finance costs

##### Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

#### Intangible assets

##### Licences and computer software

Licences and computer software are carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring in to use the specific software. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful life of each of the assets. This is considered to be between three and five years for computer software and for licences it is the term of the relevant licence.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is not amortised and is tested for impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash generating units on which it arose. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Goodwill arising on acquisitions after 31 December 1997 and before 28 March 2005 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 was written off immediately against reserves. This has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

#### Property, plant and equipment

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

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

- Freehold buildings and leasehold properties – 50 years or the lease term if shorter
- Equipment, fittings and vehicles – at rates varying from 10% to 33%
- Freehold land is not depreciated

Land and buildings under construction and non current assets held for sale are not depreciated.

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

## Notes to the Financial Statements

### 4 Accounting policies continued

#### Impairment of property, plant and equipment

At each balance sheet date the Group reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units are generally considered to be individual stores.

An impairment charge is recognised in the income statement in the year in which it occurs. Where an impairment loss subsequently reverses due to a change in its original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes carriage and duty costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

#### Trade and other receivables

Trade receivables, which are generally received on end of month following terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

#### Foreign currencies

##### Foreign operations

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 and items in the financial statements of each entity are measured using that 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, if any, are included within equity and transferred to the Group's currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

##### Foreign currency transactions

Transactions denominated 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.

#### Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, 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 where the effect is material.

#### Leased assets

##### Group as lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up front cash payments or rent-free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

##### 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.

#### Pensions

The Group contributes to the personal pension plans of certain staff. 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.

## Notes to the Financial Statements

### 4 Accounting policies continued

#### Share based payments

The Group and Company provide benefits to employees (including Directors) in the form of share based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions"). The cost of the equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value of employee share option plans is calculated using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions other than performance conditions linked to the price of the shares of the Company (market performance conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the fair value at date of grant.

No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Directors best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or in the case of an instrument subject to a market condition, be treated as vested as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement with the corresponding increase in equity. The Company records an increase in its investments in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in the subsidiary undertakings.

The Group and Company has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 28 March 2005.

#### Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Group has a legally enforceable right to do so and the Company intends to settle them on a net basis.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

#### 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. However if derivatives do not qualify for hedge accounting they are accounted for as such.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For derivative financial instruments not designated as a hedge any change in fair value is immediately recognised in the income statement.

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

#### 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.

## Notes to the Financial Statements

### 4 Accounting policies continued

#### Use of assumptions and estimates

The Group makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. 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.

The estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are those related to establishing the estimates in relation to future cash flows and discount rates utilised in impairment testing.

#### New standards and interpretations not applied

The following standards, interpretations and amendments have been issued by the IASB and IFRIC (but in some cases have not yet been adopted by the EU), none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure. They become effective after the current year (subject to having been endorsed for use in the EU via the EU endorsement mechanism) and have not been early adopted by the Group and Company.

International Financial Reporting Standards (IFRS)	Effective date	To be adopted by the Group and Company during years commencing
IFRS 9 Financial Instruments *	01/01/2015	31/03/2015
IFRS 10 Consolidated Financial Statements **	01/01/2013	01/04/2014
IFRS 11 Joint Arrangements **	01/01/2013	01/04/2014
IFRS 12 Disclosure of Interests in Other Entities **	01/01/2013	01/04/2014
IFRS 13 Fair Value Measurement	01/01/2013	02/04/2013
IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1	01/07/2012	02/04/2013
IAS 19 Employee Benefits (Revised)	01/01/2013	02/04/2013
IAS 27 Separate Financial Statements **	01/01/2013	01/04/2014
IAS 28 Investments in Associates and Joint Ventures **	01/01/2013	01/04/2014
IFRS 1 Government Loans – Amendments to IFRS 1	01/01/2013	02/04/2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	02/04/2013
IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7	01/01/2013	02/04/2013
IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	01/01/2014	01/04/2014
Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27) *	01/01/2014	01/04/2014
Improvements to IFRSs 2009 – 2011	01/01/2013	02/04/2013

\* not yet endorsed by the EU

\*\* endorsed by the EU with an effective date of 1 January 2014

## Notes to the Financial Statements

### 5 Segment reporting

For management purposes the Group is organised into three distinct business units each operating in a separate segment of the overall wine market. Majestic Wine Warehouses is a UK based wine retailer. Lay & Wheeler is a specialist in the fine wine market and Majestic in Calais operates retail units in northern France servicing the UK cross-channel market.

No operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of the business separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on both sales growth and profit before interest.

In the information provided to the chief operating decision maker the underlying performance of the Lay & Wheeler operating segment is evaluated and measured based on revenue and profit being recognised on orders, cash receipts and payments from en primeur campaigns. Management reviews the business on this alternative basis as resources 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 which may be up to two years later. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

Financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments. Inter-segment transactions are conducted on an arms length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit and certain asset and liability information regarding the Groups operating segments for the years ended 1 April 2013 and 2 April 2012. All activities are continuing.

Segment analysis 2013	Majestic Wine Warehouses £000	Lay & Wheeler £000	Majestic in Calais £000	Unallocated £000	Eliminated £000	Group £000
Third party revenue	248,541	11,568	8,579	–	–	268,688
Inter-segment revenue	–	405	–	–	(405)	–
Segment revenue	248,541	11,973	8,579	–	(405)	268,688
Movement in en primeur sales deferred to future periods	–	5,736	–	–	–	5,736
Reported third party revenue	248,541	17,709	8,579	–	(405)	274,424
Segment result	20,560	694	1,559	–	–	22,813
Movement on en primeur profit deferred to future periods	–	998	–	–	–	998
Reported operating result	20,560	1,692	1,559	–	–	23,811
Finance revenue	–	–	–	13	–	13
Finance costs	–	–	–	(144)	–	(144)
Profit/(loss) before tax	20,560	1,692	1,559	(131)	–	23,680
Income tax expense	–	–	–	(6,351)	–	(6,351)
Profit/(loss) for the year	20,560	1,692	1,559	(6,482)	–	17,329
Segment assets	125,229	18,652	6,489	1,249	(2,400)	149,219
Segment liabilities	(76,048)	(9,849)	(1,902)	(3,041)	29,433	(61,407)
Other segment items						
Purchase of non current assets	12,446	39	11	–	–	12,496
Depreciation, amortisation and impairment	4,496	366	47	–	–	4,909
Share based payments	692	21	–	–	–	713

## Notes to the Financial Statements

### 5 Segment reporting continued

Segment analysis 2012	Majestic Wine Warehouses £000	Lay & Wheeler £000	Majestic in Calais £000	Unallocated £000	Eliminated £000	Group £000
Third party revenue	252,964	15,205	9,469	-	-	277,638
Inter-segment revenue	252	246	-	-	(498)	-
Segment revenue	253,216	15,451	9,469	-	(498)	277,638
Movement in en primeur sales deferred to future periods	-	2,666	-	-	-	2,666
Reported third party revenue	253,216	18,117	9,469	-	(498)	280,304
Segment result	20,189	1,435	1,374	-	-	22,998
Movement on en primeur profit deferred to future periods	-	423	-	-	-	423
Reported operating result	20,189	1,858	1,374	-	-	23,421
Finance revenue	-	-	-	25	-	25
Finance costs	-	-	-	(245)	-	(245)
Profit/(loss) before tax	20,189	1,858	1,374	(220)	-	23,201
Income tax expense	-	-	-	(6,483)	-	(6,483)
Profit/(loss) for the year	20,189	1,858	1,374	(6,703)	-	16,718
Segment assets	115,060	22,495	6,452	1,855	(2,403)	143,459
Segment liabilities	(71,361)	(14,792)	(2,138)	(4,083)	25,380	(66,994)
Other segment items						
Purchase of non current assets	10,897	26	41	-	-	10,964
Depreciation, amortisation and impairment	4,017	423	86	-	-	4,526
Share based payments	1,240	6	-	-	-	1,246

The segment assets and liabilities that are not allocated represent deferred and current tax balances. The segment assets and liabilities that are eliminated represent parent and subsidiary intercompany receivables and payables.

### 6 Profit before finance costs and taxation

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Profit before finance costs and taxation is stated after charging/(crediting) the following items		
Depreciation	4,096	3,726
Amortisation	813	800
Operating lease rentals – land and buildings	8,541	7,988
– other leases	951	879
– sublease payments received	(478)	(494)
– lease payments received	(308)	(315)
Loss/(profit) on sale of plant and equipment	16	(29)
Bad debt expense	119	131
Net foreign currency exchange (gain)/loss	(47)	312
Auditor's remuneration		
Audit of the Group financial statements	10	10
Local statutory audits for subsidiaries	92	90

No audit fee has been charged in Majestic Wine PLC.

## Notes to the Financial Statements

### 7 Employee information

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

	2013	2012
Head office including distribution	167	161
Store staff	827	785
	994	946

Staff costs for the above employees during the year amounted to

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Wages and salaries	25,595	24,516
Social security costs	2,682	2,796
Pension costs	418	419
Share based payments expense (note 25)	713	1,246
	29,408	28,977

Directors' emoluments

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Salary and benefits	993	865
Bonus earned in the current year	-	495
Aggregate emoluments	993	1,360
Gain made on exercise of share options	1,247	14
Company pension contributions to money purchase schemes for three Directors (2012: 3)	154	132
	2,394	1,506
<b>Highest paid Director</b>		
Salary and benefits	398	351
Bonus earned in the current year	-	225
Aggregate emoluments	398	576
Gain made on exercise of share options	483	-
Company pension contributions to money purchase scheme	74	60
	955	636

Detailed disclosure of Directors remuneration is set out in the Directors Report on page 24

### 8 Finance revenue and costs

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Interest on bank overdrafts	144	183
Interest on term loan	-	62
Finance cost	144	245
Bank interest receivable	(13)	(25)
Net finance cost	131	220

## Notes to the Financial Statements

### 9 Taxation

#### a) Taxation charge

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
<b>Current income tax expense</b>		
UK income tax	5,779	6,307
Overseas income tax on subsidiary undertaking	519	458
Adjustment in respect of the previous year	(7)	(40)
<b>Total current income tax expense</b>	<b>6,291</b>	<b>6,725</b>
<b>UK deferred tax expense</b>		
Origination and reversal of temporary differences	74	(250)
Adjustment in respect of prior years	(5)	15
Change in tax rate on prior year balances	(9)	(7)
<b>Total deferred tax debit/(credit)</b>	<b>60</b>	<b>(242)</b>
<b>Total income tax expense charged in the income statement</b>	<b>6,351</b>	<b>6,483</b>

#### b) Taxation reconciliation

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Profit before tax	23,680	23,201
Taxation at the standard UK corporation tax rate of 24% (2012: 26%)	5,683	6,032
Adjustments in respect of prior years	(12)	(25)
Overseas income tax at higher rates	137	106
Non-deductible expenses	564	390
Income not taxable	(12)	(18)
Change in tax rate on prior year balances	(9)	(2)
<b>Total income tax expense charged in the income statement</b>	<b>6,351</b>	<b>6,483</b>
<b>Effective tax rate</b>	<b>26.8%</b>	<b>27.9%</b>

#### c) Tax on items credited to equity

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Current tax credit on share based payments	(805)	(436)
Deferred tax debit on share based payments	431	83
Change in tax rate on prior year balances	-	(8)
<b>Total tax on items credited to equity</b>	<b>(374)</b>	<b>(361)</b>

## Notes to the Financial Statements

### 9 Taxation continued

#### d) Deferred tax

	Accelerated tax depreciation £000	Short-term temporary differences £000	Share based payments £000	Total deferred tax assets £000	Deferred tax liabilities £000	Total £000
At 28 March 2011	(76)	122	973	1,019	(395)	624
Credited to the income statement	113	92	7	212	30	242
Credited/(debited) to equity	-	67	(142)	(75)	-	(75)
At 2 April 2012	37	281	838	1,156	(365)	791
Credited/(debited) to the income statement	115	(47)	(143)	(75)	15	(60)
Credited/(debited) to equity	-	30	(461)	(431)	-	(431)
At 1 April 2013	152	264	234	650	(350)	300

The deferred tax liabilities above relate solely to held-over capital gains arising on the disposal of freehold properties. The deferred tax assets and liabilities are net of £599,000 which arose on the acquisition of Lay & Wheeler.

#### Disclosed in the Group Balance Sheet

	2013 £000	2012 £000
Deferred tax assets	1,249	1,855
Deferred tax liabilities	(949)	(1,064)
	300	791

#### e) Factors that may affect future tax charges

The Groups overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais SAS in France are taxed at a rate of 33.2% (2012: 34.3%).

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.

A reduction in the UK corporation tax from 24% to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012. The effect of this rate reduction creates a reduction in the net deferred tax asset which has been included in the figures shown above. The UK Government also proposed changes to further reduce the main rate of corporation tax to 21% in the year commencing 1 April 2014 and 20% in the year commencing 1 April 2015. The overall effect of the further reductions from 23% to 20% if these applied to the total deferred tax balances at 1 April 2013 would be to reduce the net deferred tax asset by approximately £39,000. These changes will also reduce the Groups current tax charge for future years accordingly.

## Notes to the Financial Statements

### 10 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year, excluding those held by the Employee Share Ownership Trust (note 24), which are treated as cancelled

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potential dilutive Ordinary Shares. These represent 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 46,465 (2012: 580,630) Ordinary Shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the period end.

	2013	2012
Weighted average number of shares in issue	64,459,974	63,042,626
Dilutive potential Ordinary Shares		
Employee share options	771,996	1,095,110
Total number of shares for calculating diluted earnings per share	65,231,970	64,137,736

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Profit for the financial year attributable to equity holders of the parent	17,329	16,718

	2013	2012
Basic earnings	26.9p	26.5p
Diluted earnings	26.6p	26.1p

### 11 Dividends paid and proposed

	2013 £000	2012 £000
Equity dividends on Ordinary Shares declared and paid during the year		
Final dividend for 2012: 11.8p (2011: 9.7p)	7,574	6,047
Interim for 2013: 4.0p (2012: 3.8p)	2,601	2,401
Equity dividends paid	10,175	8,448
Proposed for approval by shareholders at the AGM		
Final dividend for 2013: 11.8p (2012: 11.8p)	7,701	7,574

## Notes to the Financial Statements

### 12 Goodwill and intangible assets Group

	Software £000	Facilities and trademark license £000	Goodwill £000	Total £000
<b>Cost</b>				
At 2 April 2012	3,108	2,985	10,581	16,674
Additions	1,312	-	-	1,312
Foreign currency adjustment	-	-	130	130
<b>At 1 April 2013</b>	<b>4,420</b>	<b>2,985</b>	<b>10,711</b>	<b>18,116</b>
<b>Accumulated amortisation and impairment losses</b>				
At 2 April 2012	2,311	675	5,331	8,317
Amortisation during the year	390	225	-	615
Foreign currency adjustment	-	-	83	83
<b>At 1 April 2013</b>	<b>2,701</b>	<b>900</b>	<b>5,414</b>	<b>9,015</b>
<b>Net carrying value</b>				
At 1 April 2013	1,719	2,085	5,297	9,101
At 2 April 2012	797	2,310	5,250	8,357
<b>Cost</b>				
At 28 March 2011	2,705	2,985	10,732	16,422
Additions	412	-	-	412
Foreign currency adjustment	(9)	-	(151)	(160)
<b>At 2 April 2012</b>	<b>3,108</b>	<b>2,985</b>	<b>10,581</b>	<b>16,674</b>
<b>Accumulated amortisation and impairment losses</b>				
At 28 March 2011	1,933	450	5,331	7,714
Amortisation during the year	387	225	-	612
Foreign currency adjustment	(9)	-	-	(9)
<b>At 2 April 2012</b>	<b>2,311</b>	<b>675</b>	<b>5,331</b>	<b>8,317</b>
<b>Net carrying value</b>				
At 2 April 2012	797	2,310	5,250	8,357
At 28 March 2011	772	2,535	5,401	8,708

The amortisation of intangible assets is included within administrative costs on the income statement

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two cash generating units which are also operating segments within the Group. The relevant acquisitions are Les Celliers de Calais S.A.S. trading as Majestic in Calais and Lay & Wheeler Ltd. Goodwill on these acquisitions of £2,606,000 (2012: £2,606,000) is attributable to the Lay & Wheeler segment and £2,691,000 (2012: £2,644,000) to the Majestic in Calais segment respectively. Majestic in Calais goodwill is determined in Euro and is retranslated every year.

The Group performed its annual impairment test as at 1 April 2013. The impairment test for goodwill and intangible assets with indefinite useful lives is based on a value in use calculation which is a discounted cash flow model. The cash flows do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amounts have been determined on a value in use calculation using discounted cash flow projections based on financial budgets approved by the Board covering a 12 month period. Cash flows for the following five years were modelled at zero growth and discounted at a risk adjusted pre-tax rate of 10% (2012: 10%). The discounted cash flow was further sensitised based on a discount of 12%. No impairment would be recognised based on these sensitised assumptions. The aforementioned range of assumptions model reasonably possible sensitivities.

## Notes to the Financial Statements

### 13 Property, plant and equipment Group

	Land and buildings			Equipment fittings & vehicles £000	Total £000
	Freehold £000	Long leasehold £000	Leasehold improvements £000		
<b>Cost or valuation</b>					
At 2 April 2012	40,853	1,560	17,898	24,246	84,557
Additions	1,833	2,070	3,172	3,809	10,884
Reclassification	(1,224)	686	(1,484)	2,022	-
Transfer from prepaid operating lease costs	-	-	266	-	266
Disposals	-	-	(37)	(420)	(457)
<b>At 1 April 2013</b>	<b>41,462</b>	<b>4,316</b>	<b>19,815</b>	<b>29,657</b>	<b>95,250</b>
<b>Depreciation</b>					
At 2 April 2012	2,480	86	6,514	14,702	23,782
Charge for year	436	28	1,304	2,328	4,096
Reclassification	95	5	(109)	9	-
Transfer from prepaid operating lease costs	-	-	126	-	126
Disposals	-	-	(34)	(362)	(396)
<b>At 1 April 2013</b>	<b>3,011</b>	<b>119</b>	<b>7,801</b>	<b>16,677</b>	<b>27,608</b>
<b>Net book value</b>					
At 1 April 2013	38,451	4,197	12,014	12,980	67,642
At 2 April 2012	38,373	1,474	11,384	9,544	60,775
<b>Cost or valuation</b>					
At 28 March 2011	36,190	1,557	15,901	21,080	74,728
Additions	4,663	3	2,029	3,591	10,286
Foreign currency adjustment	-	-	(32)	(5)	(37)
Disposals	-	-	-	(420)	(420)
<b>At 2 April 2012</b>	<b>40,853</b>	<b>1,560</b>	<b>17,898</b>	<b>24,246</b>	<b>84,557</b>
<b>Depreciation</b>					
At 28 March 2011	2,088	64	5,367	12,939	20,458
Charge for year	392	22	1,176	2,136	3,726
Foreign currency adjustment	-	-	(29)	(1)	(30)
Disposals	-	-	-	(372)	(372)
<b>At 2 April 2012</b>	<b>2,480</b>	<b>86</b>	<b>6,514</b>	<b>14,702</b>	<b>23,782</b>
<b>Net book value</b>					
At 2 April 2012	38,373	1,474	11,384	9,544	60,775
At 28 March 2011	34,102	1,493	10,534	8,141	54,270

Freehold land and buildings includes £18,064,000 (2012: £17,814,000) in respect of land that is not depreciated. The gross value of fully depreciated assets in use was £11,455,000 (2012: £9,915,000).

## Notes to the Financial Statements

### 14 En Primeur Group

En primeur refers to the process of purchasing wines early 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.

#### a) Analysis of en primeur balances

	01 04 13 £000	02 04 12 £000
En primeur purchases included in non current assets	1,529	5,006
En primeur purchases included in current assets	2,894	4,155
<b>Total en primeur purchases</b>	<b>4,423</b>	<b>9,161</b>
En primeur deferred income included in current liabilities	(3,686)	(5,266)
En primeur deferred income included in non current liabilities	(1,757)	(5,913)
<b>Total en primeur deferred income</b>	<b>(5,443)</b>	<b>(11,179)</b>
<b>Net en primeur balance</b>	<b>(1,020)</b>	<b>(2,018)</b>

#### b) Movement in en primeur balances

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Net en primeur balance at beginning of period	(2,018)	(2,441)
Movement in en primeur balance	998	423
<b>Net en primeur balance at end of period</b>	<b>(1,020)</b>	<b>(2,018)</b>

## Notes to the Financial Statements

### 15 Prepaid operating lease costs Group

	Prepaid Total £000
<b>Cost</b>	
At 2 April 2012	3,877
Additions	300
Transfer to property, plant and equipment	(266)
Disposals	(92)
<b>At 1 April 2013</b>	<b>3,819</b>
<b>Amortisation</b>	
At 2 April 2012	1,841
Amortisation during the year	198
Transfer to property plant and equipment	(126)
Disposals	(92)
<b>At 1 April 2013</b>	<b>1,821</b>
<b>Net book value</b>	
At 1 April 2013	1,998
At 2 April 2012	2,036
<b>Cost</b>	
At 28 March 2011	3,611
Additions	266
<b>At 2 April 2012</b>	<b>3,877</b>
<b>Amortisation</b>	
At 28 March 2011	1,653
Amortisation during the year	188
<b>At 2 April 2012</b>	<b>1,841</b>
<b>Net book value</b>	
At 2 April 2012	2,036
At 28 March 2011	1,958

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

## Notes to the Financial Statements

### 16 Investments in subsidiaries Company

	£000
Cost or valuation	
At 28 March 2011	14,459
Share options granted to subsidiary employees	752
At 2 April 2012	15,211
Share options granted to subsidiary employees	586
At 1 April 2013	15,797
Amounts provided for	
At 2 April 2012 and 1 April 2013	4,039
Net book value	
At 1 April 2013	11,758
At 2 April 2012	11,172

The Company owns the following

- i) 100% of the ordinary share capital of Majestic Wine Warehouses Limited a company registered in England and Wales whose principal activity is the retailing of wines, beers and spirits
- ii) 100% of the ordinary share capital of Les Celliers de Calais S A S, a company registered in France, whose principal activity is the retailing of wines, beers and spirits. This entity has a year end date of 31 March
- iii) 100% of the ordinary share capital of Majestic Wine Employee Share Ownership Trust Limited a company registered in England and Wales, whose principal activity is acting as a discretionary trust for the benefit of the Group's employees
- iv) Through Majestic Wine Warehouses Limited
  - (a) 100% of the ordinary share capital of Vinotherapie Holdings Limited a company registered in England and Wales whose principal activity is property management
  - (b) 100% of the share capital of WBI Holdco Limited a holding company registered in England and Wales, which owns 100% of the share capital of WBI Limited a non trading company registered in England and Wales
  - (c) Through WBI Limited 100% of ordinary share capital of Lay & Wheeler Limited a company registered in England and Wales whose principal activity is importation sales and storage of fine wines and related services

### 17 Inventories

	Group 01 04 13 £000	Group 02 04 12 £000	Company 01 04 13 £000	Company 02 04 12 £000
Goods for resale	51,306	51,456	-	-

The amount of inventories recognised as an expense and charged to the income statement was £189,217,000 (2012: £196,778,000), included within this figure are £243,000 (2012: £293,000) of inventory write-offs

## Notes to the Financial Statements

### 18 Trade and other receivables

	Group 01 04 13 £000	Group 02 04 12 £000	Company 01 04 13 £000	Company 02 04 12 £000
Trade receivables	6,116	4,466	-	-
Amounts due from Group undertakings	-	-	27,081	23,007
Other debtors	388	81	-	-
Prepayments and accrued income	2,011	2,308	-	-
	8,515	6,855	27,081	23,007

The amounts due from Group undertakings have no fixed payment terms and are interest free. Trade receivables are non-interest bearing and are generally on 30-90 days terms. Trade receivables are shown net of a provision for impairment. The movements in the provision for impairment of receivables were as follows:

	Group 01 04 13 £000	Group 02 04 12 £000	Company 01 04 13 £000	Company 02 04 12 £000
Balance at the beginning of the year	73	50	-	-
Charge for the year	119	131	-	-
Uncollectable amounts written off	(77)	(108)	-	-
Balance at the end of the year	115	73	-	-

As at the balance sheet date, the ageing analysis of trade receivables that were past due but not impaired is as follows:

Group	Total £000	Neither past due nor impaired £000	Up to 3 months past due £000	3 to 6 months past due £000	Over 6 months past due £000
As at 1 April 2013	6,116	3,787	2,181	148	-
As at 2 April 2012	4,466	2,933	1,375	156	2

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

### 19 Trade and other payables

	Group 01 04 13 £000	Group 02 04 12 £000	Company 01 04 13 £000	Company 02 04 12 £000
<b>Current</b>				
Trade payables	39,970	37,453	-	-
Other taxes and social security	4,213	4,242	-	-
Accruals and other payables	4,286	5,652	-	-
<b>Non current</b>				
Amounts due to Group undertakings	-	-	2,000	2,000
	48,469	47,347	2,000	2,000

The amounts due to Group undertakings have no fixed repayment terms, are interest free and are not expected to be settled within one year.

## Notes to the Financial Statements

### 20 Financial liabilities Group

	01 04 13 £000	02 04 12 £000
Current		
Bank overdrafts	2,059	1,822
	2,059	1,822

### 21 Provision for liabilities Group

	Provision for dilapidations £000	Cherbourg store closure £000	National Insurance £000	Total £000
At 28 March 2011	193	–	461	654
Provided in the year	–	125	257	382
Utilised in year	(38)	–	(119)	(157)
At 2 April 2012	155	125	599	879
Provided in the year	169	–	102	271
Released in the year	(148)	–	–	(148)
Utilised in year	(28)	(31)	(298)	(357)
At 1 April 2013	148	94	403	645
Analysis of total provisions			01 04 13 £000	02 04 12 £000
Current			322	723
Non current			323	156
			645	879

#### a) Provision for dilapidations

In July 2014 the lease on the Groups head office and depot facility comes to an end. The terms of the lease require the Group to make good certain aspects of the facility and consequently the Group has provided the Directors best estimate of the costs associated.

#### b) Cherbourg store closure

During the financial year we terminated the lease relating to the store that Majestic in Calais operated in Cherbourg. The Group has provided the Directors best estimate of the redundancy and other employment costs of directly affected staff members which are expected to be incurred within the next financial year.

#### c) National insurance

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 30 July 2022. 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 426p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

## Notes to the Financial Statements

### 22 Deferred lease inducements Group

	01 04 13 £000	02 04 12 £000
Current	216	188
Non current	1,373	1,044
	1,589	1,232

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.

### 23 Share capital and reserves

Called up share capital	2013		2011	
	Number	Value £000	Number	Value £000
<b>Authorised</b>				
Ordinary Shares of 7.5p each	140,000,000	10,500	140,000,000	10,500
<b>Allotted, called up and fully paid</b>				
In issue at beginning of period	63,518,895	4,764	62,478,267	4,686
Issued on exercise of share options	1,626,664	122	1,040,628	78
In issue at end of period	65,145,559	4,886	63,518,895	4,764

#### Issue of new shares

During the year 1,626,664 (2012: 1,040,628) Ordinary Shares of 7.5p each were allotted for a consideration of £3,462,000 (2012: £2,639,000). The shares were allotted during the year under the terms of the Company's share option and deferred bonus schemes which are described in note 25.

#### 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 24). 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 is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### 24 Employee Share Ownership Trust

The trust is used to acquire 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 115,914 (2012: 151,395) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £517,000 (2012: £567,000). At the year end the market value of these shares was £494,000 (2012: £632,000).

## Notes to the Financial Statements

### 25 Share-based payments

The total charge recognised in the Income Statement in respect of share-based payments is £713,000 (2012: £1,246,000) which is made up of share option schemes and share bonus payments under the Company's deferred bonus scheme

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Share option schemes	586	752
Deferred bonus scheme	127	494
<b>Total charged to income statement</b>	<b>713</b>	<b>1 246</b>

#### a) Share option schemes

The Company operated seven share option schemes during the year all of which are equity settled

##### Savings related share option schemes

These schemes permit the grants to employees of options in respect of Ordinary Shares linked to a building society/bank save-as-you-earn contract for a term of three or five years with contributions from employees limited to a maximum amount of £250 per month. Options granted under the schemes are exercisable at the end of the three or five-year period provided that the employee has been in continuous employment in a Group company throughout, at a subscription price not less than 80% of the average of the middle-market quotations of an Ordinary Share over the three dealing days immediately preceding the offer date

The Company operated the Majestic Wine PLC 2006 Savings Related Share Option Scheme which was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first offer of discounted options under the rules of this scheme was made in January 2007. No grants were made under this scheme during the year.

##### Approved and unapproved executive share option schemes

These schemes permit the grant of options in respect of Ordinary Shares to selected employees. Options are normally exercisable between three and ten 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 Groups 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 Company operated the following approved and unapproved executive share option schemes

- i) 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.
- ii) 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.
- iii) The Majestic Wine PLC Unapproved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.
- iv) 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.

##### Co-investment plan

The Majestic Wine PLC Co-investment plan was adopted on 6 August 2004. This scheme permits the grant of options in respect of Ordinary Shares to selected executives. Participants are required to hold shares in the plan and options are granted in proportion to the number of shares invested. Options are normally exercisable between three and ten years from date of grant for nil consideration. The exercise of options will normally be conditional on the achievement of specified performance targets related to total shareholder return over a three-year period.

##### Long-Term Incentive Plan

The Majestic Wine PLC 2011 Long-Term Incentive Plan was adopted on 4 August 2011. This scheme permits the grant of options in respect of Ordinary Shares to selected executives. Options are normally exercisable between three and ten years from date of grant for nil consideration. The exercise of options will be conditional on the satisfaction of specified performance targets related to earnings per share growth over a three year period.

## Notes to the Financial Statements

### 25 Share-based payments continued

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

	Note	52 weeks to 01 04 13 Options	52 weeks to 01 04 13 WAEP	53 weeks to 02 04 12 Options	53 weeks to 02 04 12 WAEP
Outstanding as at the beginning of the year	a	3,130,883	£2 23	3,638,975	£2 26
Exercised	b	(1,527,685)	£1 98	(894,750)	£2 20
Lapsed		(105,000)	£3 55	(189,250)	£2 64
Granted		463,589	£1 30	575,908	£2 15
Outstanding as at the end of the year		1,961,787	£2 14	3,130,883	£2 23
Exercisable as at the end of the year		483,540	£2 41	639,225	£2 55
Weighted average remaining contractual life in years		6 67		7 07	

#### Notes

- a) Included within the prior year figure were options over 12,220 shares that were granted on or before 7 November 2002. The Group elected to take advantage of the transitional provisions of IFRS 2 and applied the fair value model to all grants of equity instruments after 7 November 2002 that had not vested as at 28 March 2005.
- b) Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £4.55 (2012: £4.75).

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

	01 04 13	02 04 12
1996 Approved scheme	64,190	141,760
1996 Unapproved scheme	3,050	119,465
2006 Approved scheme	681,620	1,201,770
2006 Unapproved scheme	457,680	1,113,230
Co-investment plan	127,500	255,000
Long term incentive plan	627,747	299,658
Total charged to the income statement	1,961,787	3,130,883

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.

	Long term Incentive Plan 2013	Executive Option Schemes 2013	Long term Incentive Plan 2012	Executive Option Schemes 2012
Weighted average share price at grant	£4.35	£4.35	£4.35	£4.55
Weighted average exercise price	£0.00	£4.45	£0.00	£4.49
Expected life of options (years)	3	4.1-4.3	3	4.1-4.4
Contractual life (years)	7	10	7	10
Volatility (%)	30%	30%	39%	34.39%
Dividend yield (%)	3.59%	3.59%	2.99%	2.68-3.67%
Risk free interest rate (%)	0.63%	0.63%	1.60%	1.08-1.96%
Weighted average fair value of options granted during the year	£3.83	£0.66	£3.98	£1.12

There were no grants made during the year under the co-investment plan. 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.

## Notes to the Financial Statements

### 25 Share-based payments continued

#### b) Deferred bonus scheme

The Group operates a deferred bonus scheme for senior managers, which excludes the executive Directors. The scheme involves the award of bonus shares to participants subject to meeting performance criteria. Participants may defer the award of the bonus shares for two years and so long as they are in continuous employment throughout this period, the Company will award an equivalent number of matching shares. The cost of the scheme is charged to the income statement over a three-year period. The bonus shares are expensed in the initial year of operation and the matching loyalty shares over the initial year and the two-year deferral period.

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
2010 Scheme	1	73
2011 Scheme	69	98
2012 Scheme	57	323
<b>Total charged to the income statement</b>	<b>127</b>	<b>494</b>

Note that there was no award under the scheme for the 2013 financial year

### 26 Commitments

#### a) 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.

	01 04 13 £000	02 04 12 £000
<b>Future minimum rentals payable under non-cancellable operating leases</b>		
Within one year	9,520	9,370
Between one and five years	30,584	29,663
In over five years	36,465	36,780
	<b>76,569</b>	<b>75,813</b>

The total of future minimum payments expected to be received under non-cancellable subleases amounts to £3,449,000 (2012: £4,055,000)

#### b) 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.

	01 04 13 £000	02 04 12 £000
<b>Future minimum rentals receivable under non-cancellable operating leases</b>		
Within one year	801	864
Between one and five years	2,172	2,498
In over five years	1,396	1,743
	<b>4,369</b>	<b>5,105</b>

#### c) Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £1,309,000 for the Group (2012: £1,537,000)

## Notes to the Financial Statements

### 27 Notes to the cash flow statements

#### a) Reconciliation of profit to cash generated/(utilised) by operations

	Group 52 weeks to 01 04 13 £000	Group 53 weeks to 02 04 12 £000	Company 52 weeks to 01 04 13 £000	Company 53 weeks to 02 04 12 £000
<b>Cash flows from operating activities</b>				
Profit for the year	17,329	16,718	10,787	5,600
<b>Adjustments to reconcile profit for the year to cash generated/(utilised) by operations</b>				
Income tax expense	6,351	6,483	-	-
Dividends received	-	-	(10,787)	(5,600)
Net finance cost	131	220	-	-
Amortisation and depreciation	4,909	4,526	-	-
Loss/(profit) on disposal of non current assets	16	(29)	-	-
Decrease/(increase) in inventories	150	(4,894)	-	-
(Increase)/decrease in trade and other receivables	(1,660)	260	(4,074)	209
Increase in trade and other payables	1,122	57	-	-
Movement in en primeur balances	(998)	(423)	-	-
Increase in deferred lease inducements	357	75	-	-
Change in fair value of derivative instruments	(318)	952	-	-
(Decrease)/increase in provisions	(234)	225	-	-
Share based payments	713	1,246	-	-
<b>Cash generated/(utilised) by operations</b>	<b>27,868</b>	<b>25,416</b>	<b>(4,074)</b>	<b>209</b>

#### b) Cash and cash equivalents

For the purposes of the Group cash flow statement, cash and cash equivalents comprise the following

Group	01 04 13 £000	02 04 12 £000
Cash and cash equivalents per Group balance sheet	4,947	2,953
Bank overdraft per Group balance sheet	(2,059)	(1,822)
<b>Cash and cash equivalents per cash flow statements</b>	<b>2,888</b>	<b>1,131</b>

#### c) Reconciliation of net cash flow to movement in net funds

Group	01 04 13 £000	02 04 12 £000
Net increase/(decrease) in cash and cash equivalents	1,739	(4,414)
Term loan repayment	-	5,600
Amortisation of arrangement fees	-	(24)
Effect of foreign exchange differences	18	(82)
<b>Movement in net funds</b>	<b>1,757</b>	<b>1,080</b>
Net funds at beginning of year	1,131	51
<b>Net funds at end of year</b>	<b>2,888</b>	<b>1,131</b>

## Notes to the Financial Statements

### 28 Financial instruments

The Group's financial instruments, other than derivatives, comprise cash, bank borrowings and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions in the form of forward 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 trading purposes. The Group's treasury function is under the direct control of the Finance Director and does not engage in speculative trading.

The principal financial risks to which the Group is exposed relate to liquidity/funding, credit risk, interest rates and foreign exchange rates.

#### Liquidity/funding

Liquidity risk is managed by short-term and medium-term cash flow forecasts. The Group has short-term seasonal borrowing requirements that are backed by an uncommitted facility agreed with Barclays Bank PLC. The facility is reviewed annually and has no expiry date. The facility consists of an overdraft and access to the uncommitted money markets for short-term funding requirements. The amount available to draw against varies throughout the year from £5,000,000 to £15,000,000 matching the Group's working capital requirements. The aggregate of the overdraft and money market facilities available at 1 April 2013 was £10,000,000 (2012: £5,000,000). Subsequent to year end the facilities were renewed and the maximum amount available under the uncommitted facility was increased to £17,500,000. The facilities incur arrangement fees at market rates and interest is charged on the overdraft at a commercial rate over base and on the money market facility at a commercial rate over LIBOR.

The facilities arranged with Barclays are secured by a fixed and floating charge on the Group's assets.

The table below summarises the maturity profile of the Group's financial liabilities at 1 April 2013 and 2 April 2012 based on contractual undiscounted payments.

#### Group

##### As at 1 April 2013

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 3 years £000	Total £000
Bank overdraft	2,059	-	-	2,059
Trade and other payables	44,256	-	-	44,256
Derivative financial instruments				
Gross settled payments	20,483	-	-	20,483
Gross settled receipts	(20,381)	-	-	(20,381)
	46,417	-	-	46,417

##### As at 2 April 2012

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 3 years £000	Total £000
Bank overdraft	1,822	-	-	1,822
Trade and other payables	43,105	-	-	43,105
Derivative financial instruments				
Gross settled payments	23,952	-	-	23,952
Gross settled receipts	(23,572)	-	-	(23,572)
	45,307	-	-	45,307

#### Company

The Company's only financial liability is in relation to intercompany balances that have no fixed repayment terms, are interest free and are not expected to be settled within one year.

## Notes to the Financial Statements

### 28 Financial instruments continued

#### Credit risk

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.

Risk of financial loss due to a counterparty's failure to honour its obligations arises principally from deposits of cash, derivative financial assets and sales on deferred terms. The Group's cash deposits are only lodged with and foreign currency contracts entered into with approved institutions that have secure credit ratings, at present the only counterparty is Barclays Bank PLC. The Group uses a credit referencing agency to establish third party's 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.

#### Interest rates

The Group's financial assets, excluding short-term trade and other receivables, include cash and cash equivalents of £2,888,000 (2012: £1,131,000) in addition to derivative foreign exchange contracts shown in the table on page 58. Funds not required immediately for the Group's operations are invested in sterling denominated deposit accounts. The funds are placed on a combination of overnight and call deposits. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average floating interest rate earned in the year on the Group's sterling deposits was 0.45% (2012: 0.45%). The only interest risk is related to the floating rates on the cash balances and is insignificant.

The cash profile at 1 April 2013 was:

	Cash at floating rates	
	01 04 13 £000	02 04 12 £000
Currency		
Sterling	2,557	2,308
Euros	1,743	563
Australian Dollars	261	82
US Dollars	331	–
New Zealand Dollars	55	–
Sub-total	4,947	2,953
Bank overdraft		
Sterling	(2,059)	(1,822)
Total	2,888	1,131

#### Foreign currency exchange rates

Transactional foreign currency exposures arise from the import of goods directly sourced from overseas suppliers. The Group hedges these cash flow exposures by acquiring forward currency contracts sufficient to cover the anticipated foreign currency denominated purchases. Contracts are put in place prior to the setting of retail prices. The exposure may be covered up to a period of one year. The majority of these contracts are in Euros maturing in less than one year. At 1 April 2013 the Group had forward contracts in place to cover all of its foreign currency purchases for which firm commitments had been made.

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the French subsidiary.

## Notes to the Financial Statements

### 28 Financial Instruments continued

#### Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against the Euro exchange rate with all other variables held constant, of the Group's profit before tax, due to changes in the fair value of monetary assets, liabilities and forward currency contracts

The currency sensitivity analysis is based on the following assumptions. Major non-derivative monetary financial instruments (liquid assets receivables, non-interest bearing liabilities) are either denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effect on profit or loss. The Group is therefore only exposed to currency risk from specific currency derivatives. These derivatives are used to hedge planned transactions but are not accounted for using hedge accounting

	Increase/decrease in Sterling against the Euro rate	Effect on profit before tax £000
2013		
Euro	+5%	1,052
	-5%	(828)
2012		
Euro	+5%	1,071
	-5%	(1,050)

#### Derivative financial instruments

Forward foreign currency exchange contracts acquired to hedge the Group's forecast currency requirements are, for accounting purposes, designated as held for trading 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, and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The nominal and fair value of forward currency contracts is shown in the following table. All contracts have maturity dates within one year. The fair value of these instruments was determined using quoted forward exchange rates matching the maturities of the contracts. The Group's measurement of their financial instruments meets the criteria of Level 2 and hence all have been included in this classification

	Fair value		
	Nominal value £000	Assets £000	Liabilities £000
Forward foreign currency contracts as at 1 April 2013	20,483	38	(161)
Forward foreign currency contracts as at 2 April 2012	23,952	11	(452)

#### Fair values of non-derivative financial assets and financial liabilities

As at 1 April 2013 and 2 April 2012 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, term loan 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

## Notes to the Financial Statements

### 29 Related party transactions

#### Group

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected by the end of month following date of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not benefited from any guarantees for any related party receivables or payables. During the year ended 1 April 2013 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2012: nil).

The Group considers its key management personnel to be the Directors of the Company.

The compensation of key management personnel is as follows:

	52 weeks to 01 04 13 £000	53 weeks to 02 04 12 £000
Short-term employee benefits	993	1,360
Post-employment benefits	154	132
Share based payment including long term incentives	300	400
	1,447	1,892

There are no other related party transactions which require disclosure.

#### Company

The Company receives dividends from its subsidiary companies. The total dividends received in the year were £10,787,000 (2012: £5,600,000).

## Property

During the period we opened 16 new stores in Northallerton, Esher, Queensferry Road in Edinburgh, Witney, Basingstoke, Falmouth, Stroud, Ludlow, Uttoxeter, Alton, Sudbury, King's Lynn, Lymington, Dorking, Crawley and Gerrards Cross

### London and Inside M25

Battersea  
Belgravia  
Brentford Lock  
Bromley  
Bushey  
Chalk Farm  
Cheam  
Chislehurst  
Chiswick  
City  
Clapham  
Cobham  
Covent Garden  
Docklands  
Dulwich  
Ealing  
East Molesey  
Enfield  
Epsom  
Esher  
Finchley  
Fulham  
Gidea Park  
Greenwich  
Islington  
Kingston  
Marylebone  
Mayfair  
Muswell Hill  
New Barnet  
Notting Hill Gate  
Putney  
Richmond  
Roehampton  
Ruislip  
Sanderstead  
Shepherds Bush  
St John's Wood  
Surbiton  
Twickenham  
Uxbridge  
Vauxhall  
Wanstead  
Weybridge  
Wimbledon

### South East

Alton  
Amersham  
Aylesbury  
Basingstoke  
Berkhamsted  
Bishops Stortford  
Bracknell  
Brighton & Hove  
Broadstairs  
Camberley  
Canterbury  
Chelmsford  
Crawley  
Dorking  
East Grinstead  
Farnham  
Fleet  
Gerrards Cross  
Guildford  
Haslemere  
High Wycombe  
Horsham  
Leatherhead  
Maidstone  
Reading  
Redhill  
Reigate  
Sevenoaks  
Sonning  
St Albans  
Stevenage  
Sunningdale  
Tunbridge Wells  
Windsor  
Woking  
Wokingham  
Worthing

### South and West

Barnstaple  
Bath  
Bristol Bath Road  
Bristol Filton  
Bristol Westbury-on-Trym  
Cheltenham  
Chichester  
Chippenham  
Cirencester  
Dorchester  
Exeter  
Falmouth  
Gloucester  
Isle of Wight  
Lymington  
Marlborough  
Newbury  
Poole  
Salisbury  
Southampton  
Stroud  
Swindon  
Taunton  
Totnes  
Winchester  
Weston-Super-Mare  
Yeovil

### Wales

Bangor  
Cardiff  
Cardiff Bay  
Swansea

### Midlands

Abingdon  
Ashbourne  
Banbury  
Bicester  
Birmingham Mere Green  
Birmingham Hagley Road  
Birmingham Shirley  
Derby  
Evesham  
Hereford  
Leamington Spa  
Leicester  
Ludlow  
Market Harborough  
Milton Keynes  
Northampton  
Nottingham  
Oxford Cowley Road  
Oxford Summertown  
Shrewsbury  
Stourbridge  
Stow-on-the-Wold  
Stratford-upon-Avon  
Uttoxeter  
Witney  
Wolverhampton  
Worcester

### East

Braintree  
Bury St Edmunds  
Cambridge  
Colchester  
Ipswich  
King's Lynn  
Newmarket  
Norwich  
Peterborough  
Southend-on-Sea  
Sudbury

**North**

Berwick-upon-Tweed  
Beverley  
Birkdale  
Carlisle  
Chester  
Chesterfield  
Clitheroe  
Darlington  
Hale Barns  
Harrogate  
Huddersfield  
Kendal  
Leeds Central  
Leeds North  
Lincoln  
Macclesfield  
Newcastle  
Northallerton  
Preston  
Ripon  
Sale  
Sheffield  
Stockport  
Wakefield  
Warrington  
Wilmslow  
Wirral  
York

**Scotland**

Aberdeen  
Ayr  
Dundee  
Edinburgh Causewayside  
Edinburgh Comiston Road  
Edinburgh Leith Walk  
Edinburgh Queensferry Road  
Glasgow Bearsden  
Glasgow West End  
Glasgow Giffnock  
Inverness  
Livingston  
Perth  
Stirling

**France**

Calais  
Coquelles