Matthew Clark (Holdings) Limited

Directors' report and financial statements

Registered number 06133835

For the year ended 29 February 2012

Contents

Directors' report

The Directors present their annual report on the affairs of the Group and Company, together with the financial statements and auditor's report, for the year ended 29 February 2012

Principal activities

The Group's principal activity during the year has been that of wholesale wine and spirits merchants, operating in the UK

Business review

The Group is a leading independent supplier of drinks to the on-premise licensed trade Operating solely in the UK the Group supplies beverages, both alcoholic and non-alcoholic, to a wide variety of customers including pubs, bars, hotels, restaurants and leisure outlets

Focusing on the provision of wine and spirits the Group has established itself as the leading composite drinks supplier to the UK on-trade

Competition

The Group has placed itself in the market as the leading non-brewer owned distributor with scale and reach to supply the whole on-trade market, from small independent outlets to the major national managed retail chains The core specialism is the wine range together with a wide ranging competitive offering across the other major drinks sectors such as spirits, beer and soft drinks

The Group's competitors can be broken down into a number of groups

- *Global brewers* who focus on beer distribution with other drinks as service lines and represent the largest volume operators in the market by virtue of their beer volumes
- *National independent wholesalers* who offer similar product and service offerings to the Group
- *Independent regional wholesalers* who, whilst lacking national scope, have strong local distribution and customer bases

Business structure

The Group conducts its business through three 100% owned subsidiaries being Matthew Clark Wholesale Ltd, Matthew Clark (Scotland) Ltd and The Wine Studio Ltd All the businesses operate within the same market but with different target customers and, to a large extent, differentiated product offerings to suit their respective markets

Legal and regulatory environment

The Group acknowledges that it works in an environment that has both a developing and increasing regulatory agenda. In the areas of health and safety, quality control, environmental obligations and employee welfare the Group seeks to ensure that it works in an appropriate manner with the relevant regulatory bodies and encourages a proactive approach to changes in the legal environment

Aims and objectives

The Group's objectives are to grow profits and cash flow by focusing on core competencies of service and range, whilst leveraging scale with both suppliers and customers

The Group's strategy is centred on the need to grow the business to acquire scale, whilst delivering higher levels of service to the customer base Matthew Clark has taken a leadership position in the on-trade market through a composite offering with a clear wine specialism

Directors' report *(continued)*

Business review *(continued)*

Risk/uncertainty

The Group takes a moderate approach to risk, taking appropriate mitigation over legal, regulatory and financial exposures It uses a consistent documented approach in its treatment of financial risk and debtor exposure

There are well documented uncertainties over both the economic outlook and the impact of any downturn on consumer spend The Group has seen declines in many of its key markets over the course of the last year Regular management review and strategic exercises seek to identify those areas of risk and uncertainty that need to be addressed and put in place appropriate actions to mitigate them

Measurement

The Group has a well established performance measurement system that focuses the business on the key levers of sales volume and profit growth, together with cost control and cash flow Profit growth and cash flow are reported in the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement. This is linked to a detailed annual planning process as part of the strategic planning exercise

This target setting is then directly linked to individual employee's remuneration through a variety of incentive schemes across the businesses that align individual responsibilities with corporate aims and objectives

The annual budget process ensures that targets relating to business growth and development are set in conjunction with the Group's long term strategic goals and objectives

Performance

Set against the backdrop of a market that continues to decline, the results for the year were in line with the Directors' expectations

The continued focus on growing market share saw margin growth across the Group, from both Matthew Clark Wholesale (MCW) and also Wine Studio (WS) There was also investment in sales and marketing resource to take advantage of market opportunities in the Wine Studio business in the coming 12 months

There was continued investment in IT and physical infrastructure of over £2m, to support the customer service proposition This also increased operating costs during the year The Directors consider that this investment is central to maintain Matthew Clark's market position, its relationship with customers and suppliers

Continued control of working capital, combined with the steady profits enabled the group to pay a dividend earlier in the year

Finally the bank term loan that was put in place in April 2007, was paid down on schedule in February 2012

Subsequent to the year end the Group agreed new banking facilities with Barclays Bank plc to cover working capital, capital investment and other corporate requirements The agreed facilities total £50m and are in place until June 2015

Results and dividends

The Group made a profit after tax for the year of £6,286,000 *(2011 £6,122,000)* The Directors of Matthew Clark (Holdings) Limited have paid an ordinary dividend of £16,000,000 *(2011 £Nil)* within the year

Directors' report *(continued)*

Directors

The following Directors served during the year or were appointed post year end

S Dando
E Bashforth
J Lousada
G Thorley (resigned 31 May 2011)
T Christensen (resigned 31 May 2011)
N Truelove (appointed 31 May 2011)
J Healy (appointed 31 May 2011)

Statement of disclosure to auditor

The Directors who held office at the date of approval of the Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

S Dando
Director

Accolade House,
The Guildway,
Old Portsmouth Road,
Guildford,
GU3 1LR
United Kingdom
21 June 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period In preparing each of the Group and parent Company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Matthew Clark (Holdings) Limited

We have audited the financial statements of Matthew Clark (Holdings) Limited for the year ended 29 February 2012 set out on pages 7 to 26 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc.org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 29 February 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Independent auditor's report to the members of Matthew Clark (Holdings) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, 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

A Campbell

AC Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

21 June 2012

Consolidated Profit and Loss Account

for the year ended 29 February 2012

	Note	2012 £000	2011 £000
Turnover	2	**667,879**	608,752
Cost of sales		**(586,147)**	(530,927)
Gross profit		**81,732**	77,825
Distribution costs		**(33,814)**	(32,162)
Administration expenses		**(37,142)**	(34,288)
Operating profit		**10,776**	11,375
Profit on disposal of discontinued activities		-	114
Interest payable and similar charges	6	**(1,413)**	(1,869)
Profit on ordinary activities before taxation	3-5	**9,363**	9,620
Tax on profit on ordinary activities	7	**(3,077)**	(3,498)
Profit for the financial year		**6,286**	6,122

There are no recognised gains or losses in the current or prior year other than those shown above

No statement of historical cost profits and losses is included here as there is no material difference between the historical cost profit and the reported profit in either the current or prior year

All results in the current year arose from continuing operations

Consolidated Balance Sheet
at 29 February 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Intangible fixed assets	8		22,846		24,361
Tangible fixed assets	9		8,142		7,854
			30,988		32,215
Current assets					
Stocks	11	30,172		28,434	
Debtors	12	71,550		65,395	
Cash at bank and in hand		1,955		15,260	
		103,677		109,089	
Creditors: amounts falling due within one year	13	(86,679)		(87,693)	
Net current assets			16,998		21,396
Total assets less current liabilities			47,986		53,611
Provisions for liabilities	14		(5,824)		(6,735)
Net assets			42,162		46,876
Capital and reserves					
Called up share capital	15		-		-
Share premium account	16		35,007		30,007
Acquisition reserve	16		441		441
Profit and loss account	16		6,714		16,428
Shareholders' funds			42,162		46,876

These financial statements were approved by the board of Directors on 21 June 2012 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Company Balance Sheet
at 29 February 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Investments	*10*		70,908		70,908
Current assets					
Debtors	*12*	41		7	
Cash at bank and in hand		16		-	
		57		7	
Creditors. amounts falling due within one year	*13*	(34,270)		(47,635)	
Net current liabilities			(34,213)		(47,628)
Total assets less current liabilities			36,695		23,280
Net assets			36,695		23,280
Capital and reserves					
Called up share capital	*15*		-		-
Share premium account	*16*		35,007		30,007
Profit and loss account	*16*		1,688		(6,727)
Shareholders' funds			36,695		23,280

These financial statements were approved by the board of Directors on 21 June 2012 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Consolidated Cash Flow Statement
for the year ended 29 February 2012

	Note	2012 £000	2011 £000
Cash flow statement			
Net cash inflow from operating activities	20	**13,721**	24,402
Returns on investments and servicing of finance	21	**(978)**	(1,375)
Taxation		**(2,008)**	(4,269)
Capital expenditure and financial investment	21	**(2,114)**	(1,978)
Cash inflow before management of liquid resources and financing		**8,621**	16,780
Acquisitions and disposals	21	**-**	3,088
Equity dividends paid		**(16,000)**	-
Financing	21	**(5,926)**	(7,552)
(Decrease)/increase in cash in the year		**(13,305)**	12,316

Reconciliation of net cash flow to movement in net debt

	Note	2012 £000	2011 £000
(Decrease)/increase in cash in the year		**(13,305)**	12,316
Cash outflow from debt and lease financing		**5,926**	7,552
Change in net debt resulting from cash flows		**(7,379)**	19,868
Movement in net debt in the year		**(7,379)**	19,868
Movement in non-cash flows		**5,000**	(199)
Net debt at the start of the year		**4,334**	(15,335)
Net debt at the end of the year	22	**1,955**	4,334

Reconciliations of Movements in Shareholders' Funds
for the year ended 29 February 2012

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Profit/(loss) for the financial year	**6,286**	**24,415**	6,122	(1,140)
Dividends paid	**(16,000)**	**(16,000)**	-	-
Net (reduction in)/addition to shareholders' funds	**(9,714)**	**8,415**	6,122	(1,140)
Opening shareholders' funds	**46,876**	**23,280**	40,754	24,420
New share capital subscribed (note 15)	**5,000**	**5,000**	-	-
Closing shareholders' funds	**42,162**	**36,695**	46,876	23,280

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group and parent Company statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Group and Company will be able to meet its liabilities as they fall due, for the foreseeable future

The bank term loan that was put in place in April 2007 was paid down on schedule in February 2012 Subsequent to the year end the Group agreed new banking facilities with Barclays Bank plc to cover working capital, capital investment and other corporate requirements The agreed facilities total £50m and are in place until June 2015 The Directors have prepared cash flow forecasts and while the nature of the Group's business means that there can be unpredictable variation in the timing of cash flows, taking account of reasonably possible changes in the Group's performance, the Directors have concluded that the Group should be able to operate within the level of its current facilities

In preparing those forecasts, the Directors have taken into account various risks and uncertainties The principal areas of risk and uncertainty are the impact of the wider economic climate on the achievement of operating targets, in particular projected revenue and gross margins In addition to these risks and uncertainties, the Group's performance is also impacted by financial and credit risks The Board has a documented policy in relation to manage these risks

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings made up to 29 February 2012 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated Profit and Loss Account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Turnover

Revenue from the sale of goods includes excise and import duties which the Group pays as principal but excludes amounts collected on behalf of third parties, such as value added tax Sales are recognised depending upon individual customer terms at the time of despatch, delivery or other specified point when the risk of loss transfers Provision is made for returns where appropriate Sales are stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar terms

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Freehold buildings	-	between 33 to 50 years
Leasehold land and building	-	length of lease
Machinery, fixtures, fittings and vehicles	-	between 2 to 15 years
Computer equipment	-	between 3 to 5 years

Assets in course of construction are stated at cost, however no depreciation is provided until the asset in brought into use

Stocks

Stocks are valued at the lower of cost (including Customs and Excise Duty where incurred), determined on a first-in-first-out basis, and net realisable value Provision is made, as appropriate, for obsolete and slow moving stock

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

Matthew Clark Wholesale Limited participates in The Matthew Clark Pension Plan which provides benefits based on final salary pensionable pay sponsored by Accolade Wines Limited (formerly Constellation Europe Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees Following the formation of the Company as a joint venture on 17 April 2007, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees (see note 14) The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, these shall be refunded to Matthew Clark (Holdings) Limited by Hertford Cellars Limited (see note 19) Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited to Matthew Clark (Holdings) Limited

For money purchase schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for permanent diminution value

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years

Goodwill is stated at cost less any impairment losses The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment Goodwill is considered for impairment testing if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows If any such indication exists, the recoverable amount of goodwill is estimated An impairment loss is recognised whenever the carrying amount of goodwill exceeds its recoverable amount Impairment losses are recognised in the profit and loss account The recoverable amount of goodwill is the greater of their fair value less costs to sell and value-in-use In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post tax discount rate

2 Turnover

Turnover consists of sales in the United Kingdom arising from the Group's principal activity

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2012	2011
	£000	£000
Depreciation and other amounts written off tangible fixed assets	**1,824**	1,706
Goodwill amortisation	**1,515**	1,516
Operating lease charges		
- Plant and machinery	**432**	411
- Vehicles	**2,152**	2,169
- Land and buildings	**2,964**	2,989
Loss on disposal of fixed assets	**2**	81

Notes *(continued)*

3 Profit on ordinary activities before taxation *(continued)*

Auditor's remuneration

	2012	2011
	£000	£000
Audit of these financial statements	23	26
Audit of the financial statements of subsidiaries pursuant to legislation	57	59
	80	85

4 Remuneration of directors

Group

The remuneration of the Directors was as follows

	2012	2011
	£000	£000
Directors' emoluments	507	545
Pension payments	32	31
	539	576

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £306,000 *(2011 £317,000)* and Company pension contributions of £19,000 *(2011 £17,000)* were made to a money purchase scheme on his behalf

The number of Directors who

	Number of directors	
	2012	2011
Are members of defined contribution pension schemes	2	2

Company

Directors' emoluments were £Nil *(2011 £Nil)* in the year The Directors' remuneration was borne by a fellow Group Company in both years

Notes *(continued)*

5 Staff numbers and costs

Group

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows

	2012 No.	2011 No
Selling and distribution	**855**	846
Administration	**358**	350
	1,213	1,196

The aggregate payroll costs of these persons were as follows

	Group 2012 £000	Group 2011 £000
Wages and salaries	**32,175**	30,769
Social security costs	**3,376**	3,225
Other pension costs (see note 19)	**934**	922
	36,485	34,916

Company

The Company had no employees during the current or prior year

6 Interest payable and similar charges

	2012 £000	2011 £000
On bank loans and overdrafts	**978**	1,375
Unwinding of discount (note 14)	**435**	494
	1,413	1,869

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2012	2011
	£000	£000
UK corporation tax		
Current tax on income for the year	2,961	3,262
Adjustments in respect of prior years	(154)	(41)
Total current tax	2,807	3,221
Deferred tax (see note 12)		
Origination and reversal of timing differences	189	221
Effect of changes in tax rates	79	(10)
Adjustments in respect of prior periods	2	66
Total deferred tax	270	277
Tax on profit on ordinary activities	3,077	3,498

On 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 25% with effect from 1 April 2012 This tax change became substantively enacted on 5 July 2011

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012 This change became substantively enacted on 26 March 2012

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, is as follows

	2012	2011
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	9,363	9,620
Current tax at the standard rate of corporation tax in the UK 26 17% *(2011 28%)*	2,450	2,694
Effects of		
Expenses not deductible for tax purposes	685	580
Profit on disposal of property	-	(111)
Capital allowances in excess of depreciation	39	35
Origination and reversal of timing differences	(213)	16
Adjustments in respect of prior periods	(154)	(41)
Post cessation expenses carried forward	-	11
Chargeable gains	-	37
Total current tax charge (see above)	2,807	3,221

8 Intangible fixed assets

Group	**Goodwill £000**
Cost	
At beginning and end of year	62,978
Amortisation	
At beginning of year	38,617
Charged in year	1,515
At end of year	40,132
Net book value	
At 29 February 2012	**22,846**
At 28 February 2011	24,361

The Company has no intangible fixed assets

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings	Assets in course of construction	Machinery, fixtures, fittings and vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000
Group					
Cost					
At beginning of year	1,871	1,762	652	8,563	12,848
Additions	196	859	110	949	2,114
Disposals	-	-	(14)	-	(14)
At end of year	2,067	2,621	748	9,512	14,948
Depreciation					
At beginning of year	627	-	133	4,234	4,994
Charge for year	187	-	99	1,538	1,824
Disposals	-	-	(12)	-	(12)
At end of year	814	-	220	5,772	6,806
Net book value					
At 29 February 2012	**1,253**	**2,621**	**528**	**3,740**	**8,142**
At 28 February 2011	1,244	1,762	519	4,329	7,854

The Company has no tangible fixed assets

Notes *(continued)*

10 Fixed asset investments

Company

	Shares in Group Undertakings £000
Cost and net book value	
At beginning and end of year	**70,908**

The undertakings in which the Company's interest at the year end is more than 20% are as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Matthew Clark Wholesale Limited	UK	Wholesale wine and spirits merchant	100% ordinary share capital
Wine Studio Limited	UK	Wholesale wine merchant	100% ordinary share capital
Matthew Clark (Scotland) Limited	UK	Dormant	100% ordinary share capital
Matthew Clark Wholesale Bond Limited (formerly Valleytide Limited)	UK	Dormant	100% ordinary share capital
Matthew Clark & Sons Limited (formerly Steelwhistle Limited)	UK	Dormant	100% ordinary share capital
Matthew Clark Limited (formerly Tigersilk Limited)	UK	Dormant	100% ordinary share capital

11 Stocks

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Finished goods and goods for resale	30,172	-	28,434	-

Notes *(continued)*

12 Debtors

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Trade debtors	64,015	-	57,121	-
Amounts owed by controlling parties	597	-	1,402	-
Deferred tax assets	1,096	-	1,366	-
Other debtors	4,645	1	3,088	-
Prepayments and accrued income	1,197	40	2,418	7
	71,550	41	65,395	7

The movement on the deferred tax account during the year has been as follows

	£000
At the start of the year	1,366
Charged to the profit and loss account for the year (note 7)	(270)
At end of the year	1,096

The elements which make up the deferred tax asset are	2012 £000	2011 £000
Differences between accumulated depreciation and amortisation and capital allowances	(344)	(402)
Other timing differences	1,440	1,768
	1,096	1,366

13 Creditors: amounts falling due within one year

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Trade creditors	61,114	-	53,810	-
Amounts owed to Group undertakings	-	34,259	-	36,782
Amounts owed to controlling parties	3,427	-	4,942	-
Other creditors including taxation and social security	19,437	-	9,569	(73)
Corporation tax	1,049	-	250	-
Accruals and deferred income	1,652	11	8,196	-
Bank loans	-	-	5,926	5,926
Other loans	-	-	5,000	5,000
	86,679	34,270	87,693	47,635

Notes *(continued)*

13 Creditors: amounts falling due within one year *(continued)*

During the year the outstanding term loan was fully repaid The other loans balance, which comprised a loan note with a nominal value of £5,000,000 issued to Punch Taverns (PGE) Limited on 17 April 2007, was also settled during the year via a transfer of equity The controlling parties (as described in note 24) subscribed to an additional 1 ordinary share each for the combined consideration of £5,000,000 02

14 Provisions for liabilities

	Pensions £000	Property £000	Total £000
Group			
At beginning of year	6,089	646	**6,735**
Utilised during year	(1,250)	(260)	**(1,510)**
Charged to the profit and loss for the year	-	164	**164**
Unwinding of discounted amount (note 6)	435	-	**435**
At end of year	**5,274**	**550**	**5,824**

Pension provisions relate to the agreement made by the Group in relation to the Matthew Clark Pension Plan (see note 19)

Property provisions relate to a number of properties used in the Group's business They include amounts in respect of onerous rental expenses and dilapidations, for leases expiring between the balance sheet date and 2026

The Company has no provisions for liabilities

15 Called up share capital

	2012 £	2011 £
Authorised		
5,050 'A' ordinary shares of £0 01 each	**50.5**	50 5
5,050 'B' ordinary shares of £0 01 each	**50.5**	50 5
	101	101
Allotted, called up and fully paid		
5,002 *(2011 5,001)* 'A' ordinary shares of £0 01 each	**50**	50
5,002 *(2011 5,001)* 'B' ordinary shares of £0 01 each	**50**	50
	100	100

The controlling parties (as described in note 24) each subscribed to an additional 1 ordinary share of £0 01 each for a combined consideration of £5,000,000 02 These were settled by way of a debt to equity conversion of the £5,000,000 loan note (see note 13)

Notes *(continued)*

16 Share premium and reserves

Group	Share premium account	Acquisition reserve	Profit and loss account
	£000	£000	£000
At beginning of year	30,007	441	16,428
Profit for the year	-	-	6,286
Premium on share issues, (note 15)	5,000	-	-
Dividends paid to controlling parties	-	-	(16,000)
At end of year	**35,007**	**441**	**6,714**

Company	Share premium account	Profit and loss account
	£000	£000
At beginning of year	30,007	(6,727)
Profit for the year	-	24,415
Premium on share issues, (note 15)	5,000	-
Dividends paid to controlling parties	-	(16,000)
At end of year	**35,007**	**1,688**

The Company's profit for the financial year was £24,415,000 *(2011 £1,140,000 loss)* Included within this is dividend income of £25,000,000 *(2011 £Nil)* received from Matthew Clark (Wholesale) Limited

17 Contingent liabilities

The Company is a member of the Group VAT registration and is therefore jointly liable for the other Group companies' outstanding net VAT liability of £7,214,495 (*2011 £6,652,029*)

The Company and certain other Group undertakings have entered into a Composite Accounting Agreement under which Barclays Bank Plc may offset money standing to the credit of any Company within the agreement against any indebtedness to the bank of a Company within the agreement The contingent liability at 29 February 2012 of the Company in respect of guarantees given to secure the banking facilities of other Group undertakings was £1,939,195 *(2011 £15,253,000)*

Notes *(continued)*

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	2012 Land and Buildings £000	2012 Other £000	2011 Land and Buildings £000	2011 Other £000
Operating leases which expire				
Within one year	321	728	142	127
In the second to fifth years inclusive	715	1,718	921	2,453
Over five years	1,926	-	1,926	-
	2,962	2,446	2,989	2,580

The Company has no annual commitments under non-cancellable operating leases

19 Pension scheme

The Group operates a defined contribution scheme The assets of the scheme are held separately from those of the Group, being invested with insurance companies The pension cost charge represents contributions payable by the Group to the fund and amounted to £934,000 (*2011 £922,000*)

Matthew Clark Wholesale also participates in The Matthew Clark Pension Plan which provides benefits based on final salary pensionable pay sponsored by Accolade Wines Limited (formerly Constellation Europe Limited) on behalf of Matthew Clark (Holdings) Limited and for the benefit of its employees Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, and therefore as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for as if the scheme was a defined contribution scheme

Contributions to the Matthew Clark Pension Plan are assessed in accordance with the advice of Punter Southall & Co , consulting actuaries The plan was closed to future benefit accrual at 31 March 2003, although salary linkage will remain on accrued benefits A defined contribution arrangement was opened to all active members of the plan and for new employees from 1 April 2003 The latest formal actuarial valuation of the scheme was carried out as at 31 December 2010

Following the joint venture on 17 April 2007, the Joint Venture Agreement provided that Matthew Clark (Holdings) Limited will procure that Matthew Clark Wholesale Limited shall pay £1,250,000 per annum for a period of 10 years to the Matthew Clark Group Pension Plan Trustees The amount is fixed at a Group level regardless of what the pension trust might request Should the Trustees request additional amounts, these shall be refunded to Matthew Clark (Holdings) Limited by Hertford Cellars Limited (see note 24) Should the Trustees request a payment less than £1,250,000 then the difference shall be treated as a distribution from Matthew Clark Wholesale Limited to Matthew Clark (Holdings) Limited The Group contribution for the year was £1,250,000 (*2011 £1,250,000*) and was paid entirely by Matthew Clark Wholesale Limited on behalf of the Group

The Group expects to contribute £1,250,000 under the above arrangements in the next financial year

Notes *(continued)*

20 Reconciliation of operating profit to operating cash flows

	2012 £000	2011 £000
Operating profit	**10,776**	11,375
Depreciation, amortisation and other amounts written off fixed assets	**3,339**	3,222
Loss on disposal of fixed assets	**2**	81
Increase in stocks	**(1,738)**	(1,818)
(Increase)/decrease in debtors	**(6,425)**	5,309
Increase in creditors	**9,113**	7,524
Decrease in provisions	**(1,346)**	(1,291)
Net cash inflow from operating activities	**13,721**	24,402

21 Analysis of cash flows

	2012 £000	2012 £000	2011 £000	2011 £000
Returns on investment and servicing of finance				
Interest paid		**(978)**		(1,375)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(2,114)**		(1,978)
Financing				
Increase in short-term borrowing	**-**		18	
Repayment of secured loan	**(5,926)**		(7,570)	
		(5,926)		(7,552)
Acquisitions and disposals				
Sale of trade and assets of Matthew Clark (Scotland) Limited	**-**		3,370	
Costs incurred through sale of trade and assets	**-**		(282)	
		-		3,088

Notes *(continued)*

22 Analysis of net debt

	At beginning of year	Cash flow	Non-cash movement	At end of year
	£000	£000	£000	£000
Cash in hand, at bank	15,260	(13,305)	-	1,955
Debt due within one year	(10,926)	5,926	5,000	-
Total	4,334	(7,379)	5,000	1,955

23 Related party disclosures

During the year the Matthew Clark (Holdings) Limited group entered into transactions with companies in the groups headed by Punch Taverns Plc and CHAMP III Management Pty Limited

a) Transactions with the CHAMP III Management Pty Limited group

- The Group purchased goods of £54,190,017 *(2011 £134,666,000)* and services of £3,828,659 *(2011 £4,681,000)* from CHAMP III Management Pty Limited group,
- The Group made sales of £Nil *(2011 £Nil)* to CHAMP III Management Pty Limited group, and
- The balance owing from the Group to the CHAMP III Management Pty Limited Group at 29 February 2012 was £3,426,751 *(2011 £4,942,000)*
- The balance owing from the CHAMP III Management Pty Limited Group to the Group at 29 February 2012 was £30,096 *(2011 £35,000)*

b) Transactions with the Punch Taverns Plc group

- The Group purchased goods of £Nil *(2011 £Nil)* and services of £Nil *(2011 £Nil)* from Punch Taverns Plc group,
- The Group made sales of £11,998,522 *(2011 £17,628,000)* to Punch Taverns Plc group, and
- The balance owing from the Punch Taverns Plc Group to the Group at 29 February 2012 was £567,171 *(2011 £1,366,000)*

24 Controlling parties

Matthew Clark (Holdings) Limited is jointly owned by Hertford Cellars Limited, a company incorporated in England and Wales, and Punch Taverns (Finco) Limited, a company incorporated in England and Wales

On 29 July 2011 Punch Taverns (PGE) Limited sold its shares in Matthew Clark (Holdings) Limited to Punch Taverns (Finco) Limited Punch Taverns (Finco) Limited's ultimate parent undertaking and controlling party is Punch Taverns plc, a Company incorporated in England and Wales

The ultimate parent undertaking of Hertford Cellars Limited is Accolade Wines Holdings Europe Limited (formerly Vincor UK Limited), a company incorporated in England and Wales 80 1% of the issued share capital of Accolade Wines Holdings Europe Limited is owned by funds managed or advised by CHAMP III Management Pty Limited