

**Matthew Clark Wholesale Limited**

**Directors' report and financial statements**

30 April 1998

Registered number 2550982



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 April 1998.

### **Principal activity**

The principal activity of the company is the distribution of alcoholic and non-alcoholic beverages.

### **Business review**

The profit for the year attributable to shareholders was £5,030,000 (1997: £2,579,000).

### **Dividend**

No dividend was proposed or paid during the year (1997: £nil).

### **Directors and directors' interests**

The directors who held office during the year were as follows:

KJ Philp	
M Ader	
DC Bones	(resigned 17 July 1998)
HC Etheridge	
PW Huntley	(resigned 19 March 1998)
AT Colquhoun	
J O'Halleran	
AA Ruggeri	

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

The interests of P Aikens, HC Etheridge, PW Huntley and KJ Philp in the shares of Matthew Clark plc, the ultimate parent company are disclosed in the accounts of Matthew Clark plc.

The interests of DC Bones, AT Colquhoun, J O'Halleran and AA Ruggeri in the shares of Matthew Clark plc are disclosed in the directors' report of the immediate parent company, Freetraders Group Limited, of which they are also directors.

According to the register of directors' interests M Ader had 71 shares of Matthew Clark plc at 30 April 1998 (1997: 71).

## Directors' report

M Ader had the following rights to subscribe for shares in Matthew Clark plc:

	No.
At beginning of year	36,176
Granted in year	15,000
	<hr/>
At end of year	51,176
	<hr/>

## Employees

The company endeavours to communicate information speedily and readily to employees on matters of concern to them.

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Every effort is made to continue to employ persons who become disabled while in the company's employment. Disabled persons share equally in opportunities for training, career development and promotions.

## Credit payment policy

The company agrees terms and conditions for its business transactions with suppliers, payment is then made on these terms, subject to the terms and conditions being met by the supplier. The company had creditor days at 30 April 1998 of 62 days (1997: 47 days).

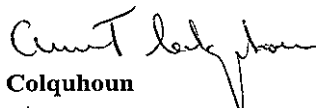
## Year 2000

The company is undertaking a review of the risks associated with its information technology systems in relation to year 2000 users. Resources have been allocated and notification work on the company's own systems is expected to be completed by October 1998.

## Auditors

It is proposed to re-appoint KPMG Audit Plc as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board

  
AT Colquhoun  
Secretary

Whitchurch Lane  
Whitchurch  
Bristol  
BS14 0JZ

4<sup>th</sup> November 1998

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

**Auditor's report to the members of Matthew Clark Wholesale Limited**

We have audited the financial statements on pages 5 to 19.

*Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

*Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

10 November 1998

## Profit and loss account

*for the year ended 30 April 1998*

	<i>Note</i>	<b>1998</b> <b>£000</b>	1997 £000
<b>Turnover</b>	<b>2</b>	<b>225,240</b>	169,088
Cost of sales		<b>(190,572)</b>	(143,969)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>34,668</b>	25,119
Distribution costs		<b>(10,033)</b>	(10,348)
Administrative expenses		<b>(16,261)</b>	(11,979)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>8,374</b>	2,792
Profit on disposal of fixed assets		<b>7</b>	388
		<hr/>	<hr/>
		<b>8,381</b>	3,180
Income from shares in group undertakings		<b>1,845</b>	-
Interest receivable	<b>6</b>	<b>15</b>	19
Amounts written off investments		<b>(2,745)</b>	-
Interest payable and similar charges	<b>7</b>	<b>(23)</b>	(85)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>7,473</b>	3,114
Tax on profit on ordinary activities	<b>8</b>	<b>(2,443)</b>	(535)
		<hr/>	<hr/>
<b>Profit retained for the financial year</b>	<b>17</b>	<b>5,030</b>	2,579
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses in either year other than the profit for the year.


The results above derive from continuing activities.

## Balance sheet

at 30 April 1998

	Note	1998	1997
		£000	(as restated)(note 1) £000
<b>Fixed assets</b>			
Tangible assets	9	5,014	3,084
Investments	10	-	2,745
		<hr/> 5,014	<hr/> 5,829
<b>Current assets</b>			
Stocks	11	18,214	17,708
Debtors	12	97,604	75,434
Cash at bank and in hand		5,150	17,643
		<hr/> 120,968	<hr/> 110,785
<b>Creditors: amounts falling due within one year</b>	13	(104,608)	(98,546)
		<hr/>	<hr/>
<b>Net current assets</b>		16,360	12,239
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		21,374	18,068
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	14	(409)	(166)
<b>Provisions for liabilities and charges</b>	15	(2,370)	(4,337)
		<hr/>	<hr/>
<b>Net assets</b>		18,595	13,565
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	3,000	3,000
Share premium	17	27,000	27,000
Profit and loss account	17	(11,405)	(16,435)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	17	18,595	13,565
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 4<sup>th</sup> November 1998 and were signed on its behalf by:

  
**HC Etheridge**  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently, except as noted below under 'Goodwill', in dealing with items which are considered material to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 10 and under the historical cost accounting rules.

#### *Consolidated financial statements*

Consolidated financial statements have not been prepared because the company is itself a wholly owned subsidiary of a company incorporated in Great Britain, namely Matthew Clark plc.

#### *Turnover*

Turnover consists of the value of goods and services supplied to customers outside the group, excluding VAT.

#### *Depreciation*

Depreciation of fixed assets is provided to write off the cost or valuation less the estimated residual value by equal instalments over the expected economic lives of the assets. The principal rates are:

Freehold buildings	-	over 50 years straight line
Leasehold land and building	-	length of lease
Plant, machinery and other equipment	-	over 2-15 years straight line
Computer equipment	-	over 3-5 years straight line
Motor vehicles	-	over 2-8 years straight line

Freehold land is not depreciated.

#### *Stocks*

Stocks have been valued at the lower of cost (including Customs and Excise Duty where incurred) and net realisable value.

#### *Deferred tax*

Deferred tax is provided using the liability method in respect of the tax effect of all timing differences only to the extent that it is probable that liabilities will crystallise in the foreseeable future.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Goodwill*

During the year, Financial Reporting Standard 10 'Goodwill and intangible assets' was issued and is mandatory for periods ending on or after 23 December 1998. The company has chosen to adopt the requirements of this standard early. The company's policy for acquisitions which occurred prior to the issue of the standard is that purchased goodwill, being the excess of the fair value of consideration paid or payable over the fair value of the identifiable net assets acquired, has been taken directly to reserves. On subsequent disposal, goodwill previously taken direct to reserves is included in determining the profit or loss on disposal. Previously, such goodwill was presented separately within reserves as a 'goodwill write off reserve'. This is not permitted by the Standard and, accordingly, goodwill of £12,754,000 has been taken to the profit and loss account reserve. The comparatives have been restated accordingly.

Such goodwill is recognised as a realised loss over a period of 20 years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of that business.

#### *Finance leases and hire purchase agreements*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

#### *Operating leases*

Rentals relating to assets held under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Cash flow statement*

The company is a wholly owned subsidiary of Matthew Clark plc and the cash flows of the company are included in the consolidated group cash flow statement of Matthew Clark plc. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

#### *Pensions*

Pension costs for the group's defined benefit pension scheme are charged against profits so as to spread the cost of pensions over the employees expected working lives within the group.

#### *Related Party Disclosures*

As 100% of the company's voting rights are controlled within the group headed by Matthew Clark plc, the company has taken advantage of the exemption contained in Financial Reporting Standard No.8 and has therefore not disclosed transactions or balances with entities which form part of the group or investees in the group qualifying as related parties.

**Notes (continued)**

**2 Turnover**

Turnover consists entirely of sales in the United Kingdom arising from the company's principal activity.

**3 Profit on ordinary activities before tax**

	1998 £000	1997 £000
<i>Profit on ordinary activities before tax is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	95	100
Depreciation and other amounts written off tangible fixed assets	689	764
Operating lease charges		
- plant and machinery	355	292
- other	927	815
Release of amounts charged as exceptional costs in prior years no longer required	(540)	(211)
Profit on disposal of fixed assets	(7)	(388)

**Notes (continued)**

**4 Remuneration of directors**

	30 April 1998 £000	30 April 1997 £000
Directors' emoluments	422	518
Company contribution to money purchase pension schemes	16	13
Compensation for loss of office	36	-
	<hr/> 474 <hr/>	<hr/> 531 <hr/>

The emoluments of the highest paid director were £70,713 (1997: £175,151).

Of the amounts shown above, Matthew Clark plc bore £154,000 (1997: £68,000) of the directors' emoluments and the cost of all the company contributions to money purchase pension schemes. Matthew Clark Brands Limited bore £22,119 (1997: £14,576) of the emoluments.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 1998	1997
Defined benefit schemes	6	8
Money purchase schemes	2	2
	<hr/>	<hr/>
 The number of directors who exercised share options in the ultimate parent company	 <hr/> - <hr/>	 <hr/> 2 <hr/>

**Notes (continued)**

**5 Staff numbers and costs**

The average number of persons employed by the company during the period, analysed by category, was as follows:

	<b>30 April 1998</b>	<b>30 April 1997</b>
Selling and distribution	<b>647</b>	545
Administrative	<b>140</b>	123
	<hr/> <b>787</b> <hr/>	<hr/> <b>668</b> <hr/>

The aggregate payroll costs of these persons were as follows:

	<b>30 April 1998 £000</b>	<b>30 April 1997 £000</b>
Wages and salaries	<b>13,010</b>	10,969
Social security costs	<b>1,065</b>	963
Other pension costs	<b>602</b>	394
	<hr/> <b>14,677</b> <hr/>	<hr/> <b>12,326</b> <hr/>

**Notes (continued)**

**6 Interest receivable**

	30 April 1998 £000	30 April 1997 £000
Bank interest receivable	15	19
	<u>          </u>	<u>          </u>

**7 Interest payable and similar charges**

	30 April 1998 £000	30 April 1997 £000
On bank loans, overdrafts and other loans wholly repayable within five years	23	85
	<u>          </u>	<u>          </u>

**8 Tax on profit on ordinary activities**

	30 April 1998 £000	30 April 1997 £000
UK corporation tax at 31% (1997:33%) on the profit for the period on ordinary activities	1,726	(170)
Adjustments in respect of prior years	(169)	-
Deferred tax - effect of change in rate from 33% to 30%	79	-
- other	807	705
	<u>          </u>	<u>          </u>
	2,443	535
	<u>          </u>	<u>          </u>

**Notes (continued)**

**9 Tangible fixed assets**

	<b>Freehold</b>	<b>Long leasehold</b>	<b>Short leasehold</b>	<b>Fixtures and fittings</b>	<b>Plant, machinery and vehicles</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<i>Cost</i>						
At beginning of year	361	53	706	2,964	1,921	6,005
Additions	1	674	355	1,535	212	2,777
Reclassification	-	(48)	48	-	-	-
Disposals	-	-	-	(104)	(673)	(777)
At end of year	362	679	1,109	4,395	1,460	8,005
<i>Depreciation and diminution in value</i>						
At beginning of year	53	3	124	1,828	913	2,921
Charge for year	13	-	74	474	128	689
On disposals	-	-	-	(38)	(581)	(619)
Reclassification	-	(3)	3	(521)	521	-
At end of year	66	-	201	1,743	981	2,991
<i>Net book value</i>						
At 30 April 1998	296	679	908	2,652	479	5,014
At 30 April 1997	308	50	582	1,136	1,008	3,084

Notes (continued)

10 Fixed asset investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At beginning of year	2,745
Transfer to fellow group company	(2,745)
	<hr/>
Cost at end of year	-
	<hr/>
<b>Provision</b>	
At beginning of year	-
Profit and loss account	2,745
Transfer to group company	(2,745)
	<hr/>
Provision at end of year	-
	<hr/>

	Country of registration or incorporation	Class and percentage of shares transferred
Scotgrange Limited	England	Ordinary 100%
FW Francis (Freetraders) Limited	England	Ordinary 100%
Shares in Scotgrange Limited and FW Francis (Freetraders) Limited were transferred to Matthew Clark Brands Limited, another group company, during the year for £nil consideration.		

11 Stocks

	30 April 1998 £000	30 April 1997 £000
Goods for resale	18,214	17,708
	<hr/>	<hr/>



**Notes (continued)**

**12 Debtors**

	30 April 1998		30 April 1997	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Trade debtors	32,427	-	25,518	-
Amounts owed by group undertakings	57,747	-	43,261	-
Other debtors	5,591	-	4,238	-
Deferred tax	-	275	-	1,161
ACT recoverable	647	-	647	-
Prepayments and accrued income	917	-	609	-
	<u>97,329</u>	<u>275</u>	<u>74,273</u>	<u>1,161</u>
	<u>97,604</u>		<u>75,434</u>	

The balance on the deferred tax asset account represents timing differences in relation to amounts provided or accrued for future restructuring costs. The movement on this account during the year has been as follows:

	£000
At beginning of year	1,161
Profit and loss account	(886)
	<u>275</u>
At end of year	<u>275</u>

**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	30 April 1998		30 April 1997	
	£000	£000	£000	£000
Trade creditors		32,155		17,485
Amounts owed to group undertakings		62,994		70,211
Other creditors including tax and social security:				
Corporation tax	116		1,452	
Other taxes and social security	2,961		2,264	
Tax and social security	3,077		3,716	
Other creditors	4,658		4,221	
		7,735		7,937
Accruals		1,724		2,913
		104,608		98,546

**14 Creditors: amounts falling due after more than one year**

	30 April 1998 £000	30 April 1997 £000
Deferred purchase consideration relating to acquisitions	409	166

## Notes (continued)

### 15 Provisions for liabilities and charges

	£000
<i>Provision for restructuring costs</i>	
1 May 1997	4,337
Reclassification to other creditors	(676)
Utilised during the year	(964)
Released to profit and loss	(327)
	<hr/>
Balance at 30 April 1998	<b>2,370</b>
	<hr/> <hr/>

### 16 Called up share capital

	30 April 1998 £	30 April 1997 £
<i>Authorised</i>		
3,000,100 ordinary shares of £1 each	<b>3,000,100</b>	3,000,100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
3,000,002 ordinary shares of £1 each	<b>3,000,002</b>	3,000,002
	<hr/> <hr/>	<hr/> <hr/>

### 17 Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium £000	Goodwill write-off reserve £000	Profit and loss account £000	Shareholders' funds £000
At beginning of period (as previously stated)	3,000	27,000	(12,754)	(3,681)	13,565
Prior year adjustment (note 1)	-	-	12,754	(12,754)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of year as restated	3,000	27,000	-	(16,435)	13,565
Profit for the year	-	-	-	5,030	5,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	<b>3,000</b>	<b>27,000</b>	-	<b>(11,405)</b>	<b>18,595</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The profit and loss account reserve includes £13,816,000 (1997:£13,816,000) of goodwill arising on the acquisition of businesses taken to reserves. This goodwill is being recognised as a realised loss over a period of 20 years, the estimated useful life. £12,223,000 (1997:£12,754,000) remains unrealised.

**Notes (continued)**

**18 Commitments**

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	30 April 1998 £000	30 April 1997 £000
Contracted	221	66

Annual commitments under non-cancellable operating leases are as follows:

	30 April 1998 Plant and machinery £000	30 April 1997 Plant and machinery £000
Operating leases which expire within one year	109	14
In the second to fifth years inclusive	227	153
After five years	46	260
	<u>382</u>	<u>427</u>

In addition, the company leases certain land and buildings on short term leases. The rents payable in the next year under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the company pays all insurance, maintenance and repairs are as follows:

	30 April 1998 £000	30 April 1997 £000
Date of lease termination:		
Within one year	-	47
In second to fifth years inclusive	86	35
After five years	2,055	1,545
	<u>2,141</u>	<u>1,627</u>

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 £3,821,000 (1997: £5,493,000).

The company had £2,923,000 of commitments under forward currency contracts at 30 April 1998 (1997: £2,600,000).

**Notes (continued)**

**19      Contingent liabilities**

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 30 April 1998 of the company in respect of guarantees given to secure the banking facilities of other group undertakings was £60,000,000 (1997: £64,624,000).

**20      Pension scheme**

Pension costs are disclosed in note 5. The company participates in the Matthew Clark Pension Plan which is a funded defined benefit pension scheme operated by Matthew Clark plc on behalf of its subsidiaries. Particulars of the last actuarial valuation of the scheme, as at 1 January 1996, are given in the financial statements of Matthew Clark plc.

**21      Ultimate parent company and parent undertaking of a larger group of which the company is a member**

The company is a subsidiary undertaking of Freetraders Group Limited which is registered in England and Wales.

The results of the company are consolidated in the accounts of Matthew Clark plc which is the ultimate parent company and is registered in England and Wales.

The consolidated accounts of Matthew Clark plc are available to the public and may be obtained from the Company Secretary of Matthew Clark plc at Whitchurch Lane, Bristol BS14 0JZ.