Matthew Clark Wholesale Limited

Annual report and financial statements

Registered number 02550982

For the year ended 28 February 2015

Contents

Strategic report

Principal activities

The Company's principal activity during the year has been that of a wholesale and agency drinks distributor, operating in the UK.

Business review

The Company has established itself as the leading independent composite drinks supplier, operating throughout the UK with the scale and reach to supply beverages to both the on and off trade. The Company supplies pubs, bars, hotels, restaurants and leisure outlets, both independent and major national managed chains. The business also increasingly supplies brands and major national grocery customers as well as cash and carry and convenience customers.

The Company's core specialism is the wine category but it also delivers a wide ranging competitive offer across the other major drinks sectors such as spirits, beer and soft drinks.

Business structure

The Company owns 100% of three dormant subsidiaries, being Matthew Clark Wholesale Bond Limited, Matthew Clark & Sons Limited and Matthew Clark Limited. During the year 51% of the ordinary share capital of Elastic Productions Limited was purchased with the remaining 49% to be acquired in 2017 based upon contingent consideration (see note 9). Elastic Productions Limited are an experiential marketing agency operating within the drinks industry and specialising in brand awareness through events and social media.

Aims and objectives

The Company's ultimate objective is to grow profits and cash flows via a strategy centred on enhancing the customer offer and acquiring scale. To achieve this, the Company has taken a leadership position in the on-trade market through delivering higher levels of service to the customer base whilst providing a fully composite offering, with a clear wine specialism.

The continued growth and development of the Catalyst Brands agency business along with the addition of Elastic Productions Limited further strengthens the Company's offering across the drinks market.

Principal risks and uncertainties

Competition

The Company's competitors can be broken down into a number of sectors:

- *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 Company.
- *Independent regional wholesalers* who, whilst lacking national scope, have strong local distribution and customer bases.

Legal and regulatory environment

The Company acknowledges that it operates 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 Company seeks to ensure that it works in an appropriate manner with the relevant regulatory bodies, obtains recognised accreditations and encourages a proactive approach to changes in the legal environment.

Risk/uncertainty

The Company uses a consistent documented approach in its treatment of risk, ensuring appropriate mitigation over legal, regulatory and financial exposures.

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 moderate them.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Measurement

The Company 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 generation. Detailed financial information can be found on pages 7 to 19 of these financial statements.

A detailed annual planning process ensures that targets relating to business growth and development are set in conjunction with the Company's long term strategy. This target setting is then directly linked to employee's remuneration through a variety of incentive schemes, to ensure individual responsibilities align with corporate aims and objectives.

Trends and developments

The pattern of the last few years has continued in the on-trade with an overall decline in drink volumes, with outlet numbers remaining in line. Although improving, the general economic and tax environment continues to put pressure on consumer spend in this sector, with no visible signs of an improvement in the pricing differential between the on and off-trade.

Despite these factors, casual dining and the more premium operators are faring better than wet-led and value-oriented sectors.

Performance

Given the continued competitive nature of the industry, the Company focused on the growing and more profitable sectors as well as leveraging existing scale to improve buying terms, product portfolio and operational efficiencies. This has led to an improvement in operating profit margins to 2.3% *(2014: 1.7%)*, which taken with the volume gains achieved drives an increase in operating profit to £18.4m *(2014: £14.1m)*.

During the year the Company continued to focus on controlling its capital expenditure and working capital, driving improved cash flow generation, leading to lower ongoing debt utilisation and enabling the payment of a £12m dividend to Matthew Clark (Holdings) Limited *(2014: £10m)*.

Set against the backdrop of the UK on-trade drinks market, the Directors are pleased with these results, which are in line with their expectations.

By order of the board

S Dando
Director

Whitchurch Lane
Bristol
BS14 0JZ

24/06/ 2015

Directors' report

The Directors present their report, together with the financial statements and auditor's report, for the year ended 28 February 2015.

Results and dividends

The Company made a profit after tax for the year of £13,760,000 *(2014: £10,006,000)* and paid a dividend to Matthew Clark (Holdings) Limited of £12,000,000 *(2014: £10,000,000).*

Directors

The following Directors served during the year:

S Thomson
M G Grisman
E Bashforth
S Dando
P Schaafsma

Political donations

The Company made no political donations nor incurred any political expenditure during the year *(2014: £Nil).*

Disabled employees

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitude 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 promotion.

Employee consultation

The Company ensures that all employees are kept up to date with major developments and changes within the organisation via notice boards, departmental briefings and online webcasts.

Health and safety

The Company promotes all aspects of safety throughout the Company in the interests of employees and users of premises.

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 they 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

Whitchurch Lane
Bristol
BS14 0JZ

S Dando
Director

24/06/ 2015

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Strategic report, 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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

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

We have audited the financial statements of Matthew Clark Wholesale Limited for the year ended 28 February 2015 set out on pages 7 to 19. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2015 and of its 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report to the members of Matthew Clark Wholesale 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A Campbell

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
22 June 2015

Profit and Loss Account
for the year ended 28 February 2015

	Note	**2015 £000**	2014 £000
Turnover	*2*	**810,726**	805,465
Cost of sales		**(710,675)**	(711,043)
Gross profit		**100,051**	94,422
Distribution costs		**(37,917)**	(37,399)
Administration expenses		**(43,763)**	(42,973)
Operating profit		**18,371**	14,050
Interest payable and similar charges	*6*	**(742)**	(775)
Profit on ordinary activities before taxation	*3-5*	**17,629**	13,275
Tax on profit on ordinary activities	*7*	**(3,869)**	(3,269)
Profit for the financial year	*15, 16*	**13,760**	10,006

The notes on pages 9 to 19 form part of these financial statements.

There were 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 as there is no material difference between the historical cost profit and the reported profit in either the current or the prior year.

These results derive from continuing operations.

Balance Sheet
at 28 February 2015

	Note	**2015**		2014	
		£000	**£000**	£000	£000
Fixed assets					
Tangible fixed assets	*8*		**7,598**		9,344
Investments	*9*		**288**		-
			7,886		9,344
Current assets					
Stocks	*10*	**44,316**		38,703	
Debtors	*11*	**118,448**		120,644	
Cash at bank and in hand		**8,866**		7,260	
		171,630		166,607	
Creditors: amounts falling due within one year	*12*	**(117,374)**		(113,492)	
Net current assets			**54,256**		53,115
Total assets less current liabilities			**62,142**		62,459
Provisions for liabilities and charges	*13*		**(2,605)**		(4,682)
Net assets			**59,537**		57,777
Capital and reserves					
Called up share capital	*14*		**3,000**		3,000
Share premium account	*15*		**27,000**		27,000
Capital contribution	*15*		**1,293**		1,293
Profit and loss account	*15*		**28,244**		26,484
Shareholders' funds	*16*		**59,537**		57,777

These financial statements were approved by the board of Directors on 24/06/2015 and were signed on its behalf by:

S Dando
Director

Registered number 02550982

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

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

The Company is exempt by virtue of Section 400 subject to the small companies regime of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published financial statements.

As the Company is a wholly owned subsidiary of Matthew Clark (Holdings) Limited, the Company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group. The consolidated financial statements of Matthew Clark (Holdings) Limited can be obtained from the address given in note 21.

Going concern

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

Banking facilities are in place 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 2016. The Directors have prepared cash flow forecasts and while the nature of the Company's business means that there can be unpredictable variation in the timing of cash flows, taking account of possible changes in the Company's performance, the Directors have concluded that the Company 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 Company's performance is also impacted by financial and credit risks. The Directors have a documented policy in relation to managing these risks.

After making enquiries, the Directors have a reasonable expectation that the Company has 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.

Turnover

Revenue from the sale of goods includes excise and import duties which the Company 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 some 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 buildings and improvements	-	length of lease
Fixtures and fittings	-	between 5 to 15 years
Computer equipment	-	between 3 to 5 years
Plant, machinery and vehicles	-	between 2 to 15 years

No depreciation is provided on assets in the course of construction until the asset is brought into use.

Investments

Investments in subsidiaries are carried at cost less impairment.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. 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.

Post-retirement benefits

The Company participates in a Group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. See note 19 for further information on the treatment of this scheme.

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

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. 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.

2 Turnover

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

Notes *(continued)*

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015	2014
	£000	£000
Depreciation	**2,638**	2,850
Operating lease charges:		
- plant and machinery	**655**	642
- vehicles	**3,131**	2,687
- land and buildings	**3,182**	3,196

Auditor's remuneration:	**£000**	£000
Audit of these financial statements	**48**	45

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Matthew Clark (Holdings) Limited.

4 Staff numbers and costs

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

	Number of employees	
	2015	2014
Selling and distribution	**971**	932
Administration	**422**	412
	1,393	1,344

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**40,824**	40,084
Social security costs	**4,103**	3,921
Other pension costs (see note 19)	**2,543**	2,412
	47,470	46,417

Notes *(continued)*

5 Directors' remuneration

The remuneration of the Directors was as follows:

	2015	2014
	£000	£000
Directors' emoluments	**658**	539
Long term incentive plan	**685**	1,240
Pension payments	**42**	34
	1,385	1,813

The aggregate of emoluments and amounts accrued under long term incentive schemes of the highest paid Director was £822,000 *(2014: £1,095,000)* and Company pension contributions of £25,000 (*2014: £19,000)* were made to a money purchase scheme on his behalf.

Two (*2014: Two*) Directors are members of defined contribution pension schemes.

6 Interest payable and similar charges

	2015	2014
	£000	£000
On bank loans and overdrafts	**742**	775

Notes *(continued)*

7 Tax on profit on ordinary activities

The tax charge comprises:

	2015	2014
	£000	£000
UK corporation tax		
Current tax on income for the year	**4,012**	3,414
Adjustments in respect of prior years	**(267)**	99
Total current tax	**3,745**	3,513
Deferred tax		
Origination and reversal of timing differences	**(6)**	(44)
Adjustment in respect of prior years	**130**	(201)
Effect of changes in tax rates	**-**	1
Total deferred tax (note 13)	**124**	(244)
Tax on profit on ordinary activities	**3,869**	3,269

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 of 21.17% *(2014: 23.09%)* to the profit before tax, is as follows:

	2015	2014
	£000	£000
Profit on ordinary activities before taxation	**17,629**	13,275
Tax on profit on ordinary activities at standard UK corporation tax rate of 21.17% *(2014: 23.09%)*	**3,732**	3,064
Effects of:		
Group relief not paid for	**(149)**	(159)
Income not taxable	**(19)**	-
Expenses not deductible for tax purposes	**293**	317
Transfer pricing adjustments	**130**	141
Capital allowances in excess of depreciation	**113**	96
Movement in short term timing differences	**(88)**	(45)
Adjustments to tax charge in respect of previous periods	**(267)**	99
Current tax charge for the year	**3,745**	3,513

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted in July 2013, and a further reduction to 20% (effective from 1 April 2015) was substantively enacted on the same date. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 28 February 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

8 Tangible fixed assets

	Buildings and building improvements £000	Assets in course of construction £000	Fixtures and Fittings £000	Computer equipment £000	Plant, machinery and vehicles £000	Total £000
Cost						
At beginning of year	3,254	788	863	17,267	816	22,988
Additions	-	892	-	-	-	892
Transfers	-	(1,434)	-	1,337	97	-
At end of year	3,254	246	863	18,604	913	23,880
Depreciation						
At beginning of year	1,712	-	835	10,660	437	13,644
Charge for year	288	-	6	2,209	135	2,638
At end of year	2,000	-	841	12,869	572	16,282
Net book value						
At 28 February 2015	**1,254**	**246**	**22**	**5,735**	**341**	**7,598**
At 28 February 2014	1,542	788	28	6,607	379	9,344

9 Investments

	Shares in Group undertakings £000
Cost and net book value	
At beginning of year	-
Additions	288
At end of year	**288**

On 15 May 2014 the Company acquired 51% of the ordinary share capital of Elastic Productions Limited for consideration of £250,000, and incurred legal fees of £38,000. The remaining 49% is to be acquired during 2017 with a further contingent amount payable at that time dependent on the future performance of Elastic Productions Limited. At this time, it is considered that no future payment will be required, and therefore no contingent liability is recognised. The Company has treated these shares as if they were acquired on 15 May 2014 on the basis that there is an irrevocable commitment to purchase the remaining shareholding, and the Company holds the risk and rewards of future ownership of these shares. The acquisition has been accounted for under the acquisition method, with the results and position of Elastic Productions Limited being consolidated at the Matthew Clark (Holdings) Limited level.

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

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Elastic Productions Limited	**UK**	**Event management**	51% ordinary share capital
Matthew Clark Wholesale Bond Limited	**UK**	**Dormant**	100% ordinary share capital
Matthew Clark & Sons Limited	**UK**	**Dormant**	100% ordinary share capital
Matthew Clark Limited	**UK**	**Dormant**	100% ordinary share capital

Notes *(continued)*

10 Stocks

	2015 £000	2014 £000
Finished goods and goods for resale	**44,316**	38,703

11 Debtors

	2015 £000	2014 £000
Trade debtors	**68,956**	74,095
Amounts owed by Group undertakings	**37,571**	35,336
Amounts owed by controlling parties	**621**	675
Other debtors	**9,087**	8,585
Prepayments and accrued income	**2,213**	1,909
Deferred tax asset (see note 13)	**-**	44
	118,448	120,644

Amounts owed by Group undertakings and amounts owed by controlling parties are receivable on demand.

12 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**63,373**	68,122
Amounts owed to Group undertakings	**9,493**	7,479
Amounts owed to controlling parties	**5,870**	4,244
Corporation tax creditor	**1,433**	1,482
Other taxes and social security	**17,770**	14,131
Other creditors	**8,801**	8,088
Accruals and deferred income	**10,634**	9,946
	117,374	113,492

Amounts owed to Group undertakings and amounts owed to controlling parties are repayable on demand.

Notes *(continued)*

13 Provisions for liabilities and charges

	Deferred tax	Property	Long Term Incentive	Total
	£000	£000	£000	£000
At beginning of year	-	405	4,277	4,682
Charged/(credited) to the profit and loss for the year	80	(20)	2,140	2,200
Utilisation of provision	-	-	(4,277)	(4,277)
At end of year	**80**	**385**	**2,140**	**2,605**

Property provisions relate to a number of properties used in the Company's business. They include amounts in respect of onerous rental expenses and dilapidations for leases expiring between the balance sheet date and 2028.

The long term incentive scheme entitles senior management to receive benefits based on EBIT and cash generation against pre-agreed targets over a four year period.

The elements of deferred taxation are as follows:

	2015	2014
	£000	£000
Difference between accumulated depreciation and capital allowances	**126**	85
Short term timing differences	**(46)**	(129)
Deferred tax liability/(asset)	**80**	(44)

14 Called up share capital

	2015	2014
	£000	£000
Allotted, called up and fully paid		
3,000,002 ordinary shares of £1 each	**3,000**	3,000

Notes *(continued)*

15 Reserves

	Share premium account £000	Capital contribution £000	Profit and loss account £000
At beginning of year	27,000	1,293	26,484
Profit for the year	-	-	13,760
Dividends paid	-	-	(12,000)
At end of year	**27,000**	**1,293**	**28,244**

The profit and loss account reserve has been charged with £13,816,000 *(2014: £13,816,000)* of goodwill arising on the acquisition of businesses written off to reserves. This goodwill has been recognised as a realised loss over a period of 20 years, the estimated useful life. Of the £13,816,000 written off to reserves, £880,000 *(2014: £1,571,000)* remains unrealised.

16 Reconciliation of movements in shareholders' funds

	2015 £000	2014 £000
Profit for the financial year	**13,760**	10,006
Net addition to shareholders' funds	**13,760**	10,006
Opening shareholders' funds	**57,777**	57,771
Dividends paid	**(12,000)**	(10,000)
Closing shareholders' funds	**59,537**	57,777

Notes *(continued)*

17 Commitments

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

	Plant and machinery		Vehicles	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Operating leases which expire:				
- Within one year	**31**	10	**371**	12
- In the second to fifth years	**620**	605	**1,413**	594
- Over five years	**-**	15	**357**	922
	651	630	**2,141**	1,528

In addition, the Company leases certain land and buildings on short term leases. The annual commitments under these non-cancellable operating 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:

	2015	2014
	£000	£000
Operating leases which expire:		
- Within one year	**133**	129
- In second to fifth years	**507**	418
- Over five years	**2,598**	2,691
	3,238	3,238

18 Contingent liabilities

The Company is a member of the Group VAT registration and is therefore jointly liable for the other Group Companies' outstanding VAT liability. The outstanding liability as at 28 February 2015 was £Nil *(2014: £Nil).*

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.

19 Pensions

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,301,000 *(2014: £1,161,000).*

The Company also participates in a larger Group pension scheme. The Matthew Clark Pension Plan provides benefits based on final salary pensionable pay sponsored by Accolade Wines 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.

Notes *(continued)*

19 Pensions *(continued)*

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 2013.

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. 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 *(2014: £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.

20 Related party transactions

During the year the Company 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 Company purchased goods of £55,376,000 *(2014: £52,831,000)* from the CHAMP III Management Pty Limited Group;
- The balance owing from the Company to the CHAMP III Management Pty Limited Group at 28 February 2015 was £5,870,000 *(2014: £4,244,000)*; and
- The balance owing from the CHAMP III Management Pty Limited Group to the Company at 28 February 2015 was £126,000 *(2014: £130,000)*.

b) Transactions with the Punch Taverns plc Group

- The Company made sales of £7,259,000 *(2014: £7,838,000)* to the Punch Taverns plc Group; and
- The balance owing from the Punch Taverns plc Group to the Company at 28 February 2015 was £495,000 *(2014: £545,000)*.

21 Controlling parties

The Company's immediate parent undertaking is Matthew Clark (Holdings) Limited, the consolidated financial statements of which are available from Accolade House, The Guildway, Old Portsmouth Road, Guildford GU3 1LR.

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.

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, 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.