

Matthew Clark Wholesale Limited
(formerly Freetraders Limited)

Directors' report and financial statements

30 April 1996

Registered number 2550982



Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Directors' report and financial statements

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Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 1996.

Principal activity and business review

The principal activity of the company is the distribution of alcoholic and non-alcoholic beverages. The company acquired the businesses and net assets of Liddingtons and Dunn & Moore on 15 September 1995 and 2 February 1996 respectively.

The operating profit for the financial year prior to exceptional items was £1,331,000. Exceptional items of £7,745,000 relate to a reorganisation of the company's business following acquisitions made during the year.

In February 1997 additional ordinary shares in the company were issued to the ultimate parent company (see note 25).

Dividend

A dividend of £2,260,000 was paid during the year (1995: £nil).

Market value of land and buildings

The directors are of the opinion that the market value of freehold land and buildings is not materially different from their book value.

Directors and directors' interests

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

K Philp	(Appointed 1 April 1996)
DC Bones	(Appointed 1 December 1995)
HC Etheridge	(Appointed 1 December 1995)
PW Huntley	(Appointed 1 December 1995)
AT Colquhoun	(Appointed 1 December 1995)
J O'Halloran	(Appointed 1 September 1995)
A Ruggeri	(Appointed 1 September 1995)
DM Fisher	(Resigned 30 September 1995)
CM Crane	(Resigned 30 September 1995)
DN Gregory	(Resigned 1 December 1995)
RB Hoyle	(Resigned 31 August 1996)

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

Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Directors' report

The interests of DC Bones, RB Hoyle and K Philp in the shares of Matthew Clark plc, the ultimate holding company, are disclosed in the directors' report of the immediate holding company, Freetraders Group Limited, of which they are also directors. AT Colquhoun held no interest in the ordinary shares of the ultimate parent company, Matthew Clark plc at 1 May 1995 and 30 April 1996 but held 33,456 options to acquire ordinary shares of Matthew Clark plc at 30 April 1996.

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Employees

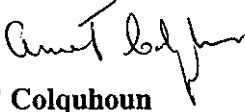
The company endeavours to communicate information speedily and readily to employees on matters of concern to them.

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.

By order of the board


AT Colquhoun
Secretary

Whitchurch Lane
Whitchurch
Bristol
BS14 0JZ

27 February 1997

Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period 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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Matthew Clark Wholesale Limited

We have audited the financial statements on pages 5 to 21.

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

27 February 1997

Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Profit and loss account for the year ended 30 April 1996

		Continuing operations 30 April 1996			Continuing operations 30 April 1995	
	Note	Existing operations £000	Acquisitions £000	Exceptional items (note 3) £000	Total £000	
					£000	
Turnover	2	100,817	6,649	-	107,466	48,347
Cost of sales		(85,643)	(5,639)	(949)	(92,231)	(40,212)
Gross profit		15,174	1,010	(949)	15,235	8,135
Distribution costs		(8,351)	(367)	(2,264)	(10,982)	(2,868)
Administrative expenses		(5,420)	(715)	(3,912)	(10,047)	(4,182)
Operating (loss)/profit		1,403	(72)	(7,125)	(5,794)	1,085
Provision for loss on disposal of fixed assets		-	-	(620)	(620)	-
		1,403	(72)	(7,745)	(6,414)	1,085
Income from shares in group undertakings					1,920	-
Interest receivable	7				21	196
Interest payable and similar charges	8				(700)	(61)
(Loss)/profit on ordinary activities before taxation	4				(5,173)	1,220
Tax on (loss)/profit on ordinary activities	9				1,833	(424)
(Loss)/profit for the financial year					(3,340)	796
Dividends paid					(2,260)	-
(Loss)/profit retained for the financial year					(5,600)	796

The company has no recognised gains or losses other than the (loss)/profit for the period.

A note on historical cost profits and losses has not been included as part of these financial statements as there is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Matthew Clark Wholesale Limited


(formerly Freetraders Limited)

Balance sheet

at 30 April 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		4,021		3,264
Investments	11		2,745		2,745
			<u>6,766</u>		<u>6,009</u>
Current assets					
Stocks	12	10,030		6,099	
Debtors	13	28,462		20,277	
		<u>38,492</u>		<u>26,376</u>	
Creditors: amounts falling due within one year	14	(45,680)		(26,491)	
Net current (liabilities)/assets			<u>(7,188)</u>		<u>(115)</u>
Total assets less current liabilities			(422)		5,894
Creditors: amounts falling due after more than one year	15		(16,161)		(13,777)
Provisions for liabilities and charges	16		(2,325)		(1,027)
Net liabilities			<u>(18,908)</u>		<u>(8,910)</u>
Capital and reserves					
Called up share capital	18		-		-
Goodwill write-off reserve	20		(13,148)		(9,250)
Profit and loss account	20		(5,760)		340
	19		<u>(18,908)</u>		<u>(8,910)</u>

These financial statements were approved by the board of directors on 27 February 1997 and were signed on its behalf by:


DC Bones
 Director

Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

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 to the company's financial statements.

Basis of preparation

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

Consolidated accounts

Consolidated accounts have not been prepared because the company is itself a wholly owned subsidiary of a company incorporated in Great Britain, namely Freetraders Group Limited.

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.

Matthew Clark Wholesale Limited

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Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill is taken directly to reserves in the year of acquisition and transferred to the profit and loss account in equal instalments over a period of 20 years.

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.

2 Turnover

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

Matthew Clark Wholesale Limited

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Notes (continued)

3 Exceptional items

	1996 £000	1995 £000
Reorganisation costs		
Employee severance and relocation costs	2,563	-
Stock write downs	401	-
Plant relocation, property and other costs	4,161	-
	<hr/>	<hr/>
	7,125	-
Provision for loss on disposal of fixed assets	620	-
	<hr/>	<hr/>
	7,745	-
	<hr/>	<hr/>

The exceptional items relate to a reorganisation of the company's business following acquisitions made during the year.

4 Profit on ordinary activities before tax

	30 April 1996 £000	30 April 1995 £000
<i>(Loss)/profit on ordinary activities before tax is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	83	33
Other	8	-
Depreciation and other amounts written off tangible fixed assets	470	296
Hire of plant and machinery - rentals payable under operating leases	89	134

Matthew Clark Wholesale Limited

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Notes (continued)

5 Remuneration of directors

	30 April 1996 £000	30 April 1995 £000
Directors' emoluments:		
Remuneration as executives	<u>194</u>	<u>277</u>

The emoluments of the chairman were £39,738 (1995: £85,000) and highest paid director were £68,789 (1995: £85,000).

The emoluments of the directors (including the chairman and highest paid director) were within the following ranges:

		Number of directors	
		30 April 1996	30 April 1995
£5,001	- £10,000	1	-
£20,001	- £25,000	2	-
£30,001	- £35,000	1	-
£35,001	- £40,000	1	-
£50,001	- £55,000	-	2
£60,001	- £65,000	-	1
£65,001	- £70,000	1	-
£80,001	- £85,000	-	1
		<u> </u>	<u> </u>

In addition compensation for loss of office payments totalling £34,000 were made during the year to a director in connection with the termination of his service agreement.

Matthew Clark Wholesale Limited

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Notes *(continued)*

6 Staff numbers and costs

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

	30 April 1996	30 April 1995
Selling and distribution	365	215
Administrative	101	80
	<hr/>	<hr/>
	466	295
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	30 April 1996 £000	30 April 1995 £000
Wages and salaries	7,187	3,633
Social security costs	682	362
Other pension costs	128	67
	<hr/>	<hr/>
	7,997	4,062
	<hr/>	<hr/>

Matthew Clark Wholesale Limited

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Notes (continued)

7	Interest receivable	30 April 1996 £000	30 April 1995 £000
	Group undertakings	6	170
	Bank interest receivable	15	26
		<u>21</u>	<u>196</u>
8	Interest payable and similar charges	30 April 1996 £000	30 April 1995 £000
	Payable to group undertakings	641	7
	On bank loans, overdrafts and other loans wholly repayable within five years	59	54
		<u>700</u>	<u>61</u>
9	Tax on (loss)/profit on ordinary activities	30 April 1996 £000	30 April 1995 £000
	UK corporation tax at 33% (1995:33%) on the (loss)/profit for the period on ordinary activities	(763)	424
	Prior year adjustments	187	-
	Deferred tax	(1,257)	-
		<u>(1,833)</u>	<u>424</u>

The tax credit for the year includes a tax credit on exceptional items of £2,450,000.

Matthew Clark Wholesale Limited

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Notes (continued)

10 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	1,836	1,969	2,159	5,964
Additions	486	910	347	1,743
Disposals	(208)	(681)	(395)	(1,284)
Group transfers out	-	-	(848)	(848)
Arising on acquisitions	-	272	311	583
Exceptional write downs	-	(193)	(208)	(401)
At end of year	2,114	2,277	1,366	5,757
<i>Depreciation and diminution in value</i>				
At beginning of year	97	1,182	1,421	2,700
Charge for year	14	161	295	470
Group transfers out	-	-	(499)	(499)
On disposals	(70)	(536)	(329)	(935)
At end of year	41	807	888	1,736
<i>Net book value</i>				
At 30 April 1996	2,073	1,470	478	4,021
At 30 April 1995	1,739	787	738	3,264

Matthew Clark Wholesale Limited

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Notes (continued)

11 Fixed asset investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of year	<u>2,745</u>

	Country of registration or incorporation	Class and percentage of shares held
Scotgrange Limited	England	Ordinary 100%
FW Francis (Freetraders) Limited	England	Ordinary 100%

12 Stocks

	30 April 1996 £000	30 April 1995 £000
Goods for resale	<u>10,030</u>	<u>6,099</u>

Matthew Clark Wholesale Limited

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Notes (continued)

13 Debtors

	30 April 1996		30 April 1995	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Trade debtors	20,762	-	15,007	-
Amounts owed by parent and fellow subsidiary undertakings	-	-	1,970	-
Amounts owed by subsidiary undertakings	1,943	-	1,083	-
Other debtors	3,199	-	1,239	-
Prepayments and accrued income	631	-	473	-
Deferred tax	-	1,762	-	505
ACT recoverable	165	-	-	-
	<u>26,700</u>	<u>1,762</u>	<u>19,772</u>	<u>505</u>
Total	<u>28,462</u>		<u>20,277</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	505
Credit on year's result	1,257
	<u>1,762</u>
At end of year	<u>1,762</u>

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Notes (continued)

14 Creditors: amounts falling due within one year

	30 April 1996		30 April 1995	
	£000	£000	£000	£000
Bank overdraft		6,912		990
Trade creditors		11,783		7,594
Amounts due to parent and fellow subsidiary undertakings		17,375		13,272
Amounts due to subsidiary undertakings		351		495
Other creditors including tax and social security:				
Corporation tax	181		172	
Other taxes and social security	69		1,127	
ACT payable	165		-	
Tax and social security	415		1,299	
Other creditors	839		1,295	
		1,254		2,594
Other loans (interest free)		-		1,000
Accruals		8,005		546
		45,680		26,491

Matthew Clark Wholesale Limited

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Notes (continued)

15 Creditors: amounts falling due after more than one year

	30 April 1996 £000	30 April 1995 £000
Amounts owed to parent and fellow subsidiary undertakings	13,777	13,777
Obligations under finance leases (expiring in two to five years)	34	-
Deferred purchase consideration relating to acquisitions	2,350	-
	<u>16,161</u>	<u>13,777</u>

16 Provision for liabilities and charges

	£000
<i>Provision for restructuring costs</i>	
1 May 1995	1,027
Reclassification from other creditors	331
Transfer in from fellow subsidiary	579
Charge for year	1,892
Utilised during the year	<u>(1,504)</u>
Balance at 30 April 1996	<u>2,325</u>

Matthew Clark Wholesale Limited

(formerly Freetraders Limited)

Notes (continued)

17 Acquisition of businesses

The businesses and net assets of Liddingtons and Dunn & Moore were acquired on 15 September 1995 and 2 February 1996 respectively.

	Liddingtons £000	Dunn & Moore £000	Total £000
Net assets acquired			
Tangible fixed assets	127	457	583
Current assets	893	1,811	2,705
Current liabilities	(676)	(181)	(857)
	<hr/>	<hr/>	<hr/>
	344	2,087	2,431
Goodwill arising on acquisition	840	3,558	4,398
	<hr/>	<hr/>	<hr/>
	1,184	5,645	6,829
	<hr/>	<hr/>	<hr/>
Cash paid			4,479
Deferred consideration			2,350
			<hr/>
Purchase consideration			6,829
			<hr/>

18 Called up share capital

	30 April 1996 £	30 April 1995 £
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

Matthew Clark Wholesale Limited

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Notes (continued)

19 Reconciliation of movements in shareholders' funds

	30 April 1996 £000	30 April 1995 £000
Retained (loss)/profit for the period	(5,600)	796
Goodwill on purchase of business from group company	(4,398)	(439)
	<hr/>	<hr/>
Net (reduction in)/additions to shareholders' funds	(9,998)	357
Opening shareholders' funds	(8,910)	(9,267)
	<hr/>	<hr/>
Closing shareholders' funds	(18,908)	(8,910)
	<hr/>	<hr/>

20 Reserves

	Goodwill write-off reserve £000	Profit and loss account £000
At beginning of period	(9,250)	340
Transfers	500	(500)
Retained loss for the year	-	(5,600)
Goodwill on purchase of businesses (note 17)	(4,398)	-
	<hr/>	<hr/>
At end of period	(13,148)	(5,760)
	<hr/>	<hr/>

21 Contingent liabilities

The company is party to multilateral guarantees in respect of fellow group undertakings' bank facilities. The total of liabilities guaranteed at 30 April 1996 was £8,307,162.

Matthew Clark Wholesale Limited

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Notes (continued)

22 Commitments

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

	30 April 1996 Plant and machinery £000	30 April 1995 Plant and machinery £000
Operating leases which expire:		
In the second to fifth years inclusive	89	134
	<u>89</u>	<u>134</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 1996 £000	30 April 1995 £000
Date of lease termination:		
Within one year	-	57
In second to fifth years inclusive	51	51
After five years	573	585
	<u>624</u>	<u>693</u>

23 Pension scheme

Pension costs are disclosed in note 6. 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 are given in the financial statements of Matthew Clark plc.

Matthew Clark Wholesale Limited

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Notes (continued)

24 Ultimate parent company and parent undertaking of largest 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.

25 Post balance sheet event

On 14 February 1997:

- (i) the authorised share capital of the company was increased to £3,000,100 from £100 by the creation of 3,000,000 ordinary shares of £1 each with a nominal value of £3,000,000; and on 24 February 1997
- (ii) 3,000,000 ordinary shares of £1 each were allotted and issued at a premium of £9.

If these transactions had taken place at 30 April 1996 the effect on the company's balance sheet would have been as follows:

	At 30 April 1996		
	Actual £000	Adjustments £000	Proforma £000
Fixed assets	6,766	-	6,766
Net current (liabilities)/assets	(7,188)	30,000	22,812
Creditors: amounts falling due after more than one year	(16,161)	-	(16,161)
Provisions for liabilities and charges	(2,325)	-	(2,325)
Net (liabilities)/assets	(18,908)	30,000	11,092
Share capital	-	3,000	3,000
Share premium	-	27,000	27,000
Goodwill	(13,148)	-	(13,148)
Profit and loss account	(5,760)	-	(5,760)
	(18,908)	30,000	11,092