Matthew Clark (Holdings) Limited

Directors' report and financial statements

Registered number 06133835
For the year ended 28 February 2013

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 28 February 2013

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 owns three 100% owned subsidiaries being Matthew Clark Wholesale Ltd, Matthew Clark (Scotland) Ltd and The Wine Studio Ltd During the financial year all trade was moved into the Matthew Clark Wholesale Ltd entity, including new business derived from the Catalyst Brands business

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

The development of the Catalyst Brands business is clear decision to move into the agency business area, leveraging the existing customer and supplier relationships

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 the UK on-trade drinks market, the Directors are pleased with the results, which were in line with expectations

Despite 2012 being very poor in terms of weather, consumer sentiment and the wider economic backdrop, the focus on volumes saw margins rise across the group

During the year the business of Wine Studio was merged with the newly created business unit of Catalyst Brands and all the business was moved into the Matthew Clark Wholesale Ltd entity, to take advantage of operating efficiencies and synergies The Group continued to make further investment into the sales and marketing resource, particularly in the agency arena

In line with the previous two years there was significant capital expenditure in IT to support the logistics and customer service proposition At the end of the year the Group engaged in some restructuring of the sales and logistics teams to create a more efficient organisational structure Costs arising from this one-off exercise totalled £968,000 and have been shown as an exceptional item on the face of the profit and loss account Before exceptional costs operating profits were in line with previous years

Continued control of working capital, combined with the steady profits saw free cashflow rise over the period No dividend was paid during the year

In May 2012 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 £5,747,000 *(2012 £6,286,000)*

Charitable contributions

Charitable contributions of £5,000 were made during the year *(2012 £4,000)*

Directors' report *(continued)*

Directors

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

S Dando
E Bashforth
J Lousada (resigned 5 September 2012)
N Truelove (resigned 17 December 2012)
J Healy
P Schaafsma (appointed 24 September 2012)
A Smith (appointed 17 December 2012, resigned 20 February 2013)

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
29 April 2013

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 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

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 28 February 2013 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 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 group's and of the parent company's affairs as at 28 February 2013 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, 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

29 April 2013

Profit and Loss Account
for the year ended 28 February 2013

	Note	2013 £000	2012 £000
Turnover	2	**731,270**	667,879
Cost of sales		**(647,638)**	(586,147)
Gross profit		**83,632**	81,732
Distribution costs		**(34,573)**	(33,814)
Administration expenses		**(38,328)**	(37,142)
Operating profit before exceptional costs		**10,731**	10,776
Exceptional restructuring costs	3	**(968)**	-
Operating profit after exceptional costs		**9,763**	10,776
Interest payable and similar charges	6	**(1,256)**	(1,413)
Profit on ordinary activities before taxation	3-5	**8,507**	9,363
Tax on profit on ordinary activities	7	**(2,760)**	(3,077)
Profit for the financial year	16	**5,747**	6,286

The notes on pages 12 – 26 form part of these financial statements

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 28 February 2013

	Note	2013		2012	
		£000	**£000**	£000	£000
Fixed assets					
Intangible fixed assets	*8*		**21,332**		22,846
Tangible fixed assets	*9*		**10,234**		8,142
			31,566		30,988
Current assets					
Stocks	*11*	**33,844**		30,172	
Debtors	*12*	**84,886**		71,550	
Cash at bank and in hand		**5,382**		1,955	
		124,112		103,677	
Creditors amounts falling due within one year	*13*	**(102,533)**		(86,679)	
Net current assets			**21,579**		16,998
Total assets less current liabilities			**53,145**		47,986
Provisions for liabilities	*14*		**(5,236)**		(5,824)
Net assets			**47,909**		42,162
Capital and reserves					
Called up share capital	*15*		**-**		-
Share premium account	*16*		**35,007**		35,007
Acquisition reserve	*16*		**441**		441
Profit and loss account	*16*		**12,461**		6,714
Shareholders' funds			**47,909**		42,162

These financial statements were approved by the board of Directors on 29 April 2013 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Company Balance Sheet
at 28 February 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Investments	*10*		70,908		70,908
Current assets					
Debtors	*12*	1		41	
Cash at bank and in hand		1		16	
		2		57	
Creditors: amounts falling due within one year	*13*	(28,184)		(34,270)	
Net current liabilities			(28,182)		(34,213)
Total assets less current liabilities			42,726		36,695
Net assets			42,726		36,695
Capital and reserves					
Called up share capital	*15*		-		-
Share premium account	*16*		35,007		35,007
Profit and loss account	*16*		7,719		1,688
Shareholders' funds			42,726		36,695

These financial statements were approved by the board of Directors on 29 April 2013 and were signed on its behalf by

S Dando
Director

Registered number 06133835

Consolidated Cash Flow Statement
for the year ended 28 February 2013

	Note	2013 £000	2012 £000
Cash flow statement			
Net cash inflow from operating activities	20	11,679	13,721
Returns on investments and servicing of finance	21	(887)	(978)
Taxation		(3,064)	(2,008)
Capital expenditure and financial investment	21	(4,301)	(2,114)
Cash inflow before management of liquid resources and financing		3,427	8,621
Equity dividends paid		-	(16,000)
Financing	21	-	(5,926)
Increase/(decrease) in cash in the year		3,427	(13,305)

Reconciliation of net cash flow to movement in net debt

	Note	2013 £000	2012 £000
Increase/(decrease) in cash in the year		3,427	(13,305)
Cash outflow from debt and lease financing		-	5,926
Change in net debt resulting from cash flows		3,427	(7,379)
Movement in net debt in the year		-	(7,379)
Movement in non-cash flows		-	5,000
Net cash at the start of the year		1,955	4,334
Net cash at the end of the year	22	5,382	1,955

Reconciliations of Movements in Shareholders' Funds
for the year ended 28 February 2013

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Profit for the financial year	5,747	6,031	6,286	24,415
Dividends paid	-	-	(16,000)	(16,000)
Net addition in/(reduction to) shareholders' funds	5,747	6,031	(9,714)	8,415
Opening shareholders' funds	42,162	36,695	46,876	23,280
New share capital subscribed	-	-	5,000	5,000
Closing shareholders' funds	47,909	42,726	42,162	36,695

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

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 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 managing 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 28 February 2013 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

	2013	2012
	£000	£000
Depreciation and other amounts written off tangible fixed assets	**2,065**	1,824
Goodwill amortisation	**1,514**	1,515
Operating lease charges		
- Plant and machinery	**562**	432
- Vehicles	**2,669**	2,152
- Land and buildings	**3,134**	2,964
Loss on disposal of fixed assets	**144**	2

Exceptional costs of £968,000 were incurred during the year as a result of restructuring.

Notes *(continued)*

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

Auditor's remuneration.	**2013**	2012
	£000	£000
Audit of these financial statements	**26**	23
Audit of the financial statements of subsidiaries pursuant to legislation	**53**	57
	79	80

4 Remuneration of directors

Group

The remuneration of the Directors was as follows

	2013	2012
	£000	£000
Directors' emoluments	**640**	507
Pension payments	**34**	32
	674	539

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £373,000 *(2012 £306,000)* and Company pension contributions of £19,000 *(2012 £19,000)* were made to a money purchase scheme on his behalf

The number of Directors who

	Number of directors	
	2013	2012
Are members of defined contribution pension schemes	**2**	2

Company

Directors' emoluments were £Nil *(2012 £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

	2013 No.	2012 No
Selling and distribution	889	855
Administration	411	358
	1,300	1,213

The aggregate payroll costs of these persons were as follows

	2013 £000	2012 £000
Wages and salaries	34,126	32,175
Social security costs	3,382	3,376
Other pension costs (see note 19)	1,006	934
	38,514	36,485

Company

The Company had no employees during the current or prior year

6 Interest payable and similar charges

	2013 £000	2012 £000
On bank loans and overdrafts	887	978
Unwinding of discount (note 14)	369	435
	1,256	1,413

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2013	2012
	£000	£000
UK corporation tax		
Current tax on income for the year	**2,559**	2,961
Adjustments in respect of prior years	**(85)**	(154)
Total current tax	**2,474**	2,807
Deferred tax (see note 12)		
Origination and reversal of timing differences	**143**	189
Effect of changes in tax rates	**72**	79
Adjustments in respect of prior periods	**71**	2
Total deferred tax	**286**	270
Tax on profit on ordinary activities	**2,760**	3,077

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax liability at 28 February 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge

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

	2013 £000	2012 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**8,507**	9,363
Current tax at the standard rate of corporation tax in the UK 24 17 % *(2012 26 17%)*	**2,056**	2,450
Effects of		
Expenses not deductible for tax purposes	**645**	685
Capital allowances in excess of depreciation	**67**	39
Origination and reversal of timing differences	**(209)**	(213)
Adjustments in respect of prior periods	**(85)**	(154)
Total current tax charge (see above)	**2,474**	2,807

8 Intangible fixed assets

Group	**Goodwill £000**
Cost	
At beginning and end of year	62,978
Amortisation	
At beginning of year	40,132
Charged in year	1,514
At end of year	41,646
Net book value	
At 28 February 2013	**21,332**
At 29 February 2012	22,846

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	2,067	2,621	748	9,512	14,948
Additions	532	1,771	109	1,889	4,301
Disposals	(166)	-	(113)	-	(279)
At end of year	2,433	4,392	744	11,401	18,970
Depreciation					
At beginning of year	814	-	220	5,772	6,806
Charge for year	184	-	116	1,765	2,065
Disposals	(51)	-	(84)	-	(135)
At end of year	947	-	252	7,537	8,736
Net book value					
At 28 February 2013	**1,486**	**4,392**	**492**	**3,864**	**10,234**
At 29 February 2012	1,253	2,621	528	3,740	8,142

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

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
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	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

11 Stocks

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Finished goods and goods for resale	33,844	-	30,172	-

Notes *(continued)*

12 Debtors

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Trade debtors	75,587	-	64,015	-
Amounts owed by controlling parties	541	-	597	-
Deferred tax assets	810	-	1,096	-
Other debtors	6,253	1	4,645	1
Prepayments and accrued income	1,695	-	1,197	40
	84,886	1	71,550	41

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

	£000
At the start of the year	1,096
Charged to the profit and loss account for the year (note 7)	(286)
At end of the year	**810**

The elements which make up the deferred tax asset are	2013 £000	2012 £000
Differences between accumulated depreciation and amortisation and capital allowances	(261)	(344)
Other timing differences	1,071	1,440
	810	1,096

13 Creditors: amounts falling due within one year

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Trade creditors	68,114	-	61,114	-
Amounts owed to Group undertakings	-	28,162	-	34,259
Amounts owed to controlling parties	3,825	-	3,427	-
Other creditors including taxation and social security	22,071	-	19,437	-
Corporation tax	459	-	1,049	-
Accruals and deferred income	8,064	22	1,652	11
	102,533	28,184	86,679	34,270

Notes *(contmued)*

14 Provisions for lıabilities

	Pensions	Long Term Incentive	Property	Total
	£000	£000	£000	£000
Group				
At begınnıng of year	5,274	-	550	**5,824**
Utılised durıng year	(1,250)	-	(99)	**(1,349)**
Charged/(credıted) to the profit and loss for the year	-	400	(8)	**392**
Unwındıng of dıscounted amount (note 6)	369	-	-	**369**
At end of year	**4,393**	**400**	**443**	**5,236**

Pension provisions relate to the agreement made by the Group ın relatıon to the Matthew Clark Pensıon Plan (see note 19)
Durıng the year a long term ıncentıve scheme has been agreed that entıtles senıor management to receıve benefits based on cash generatıon agaınst pre-agreed targets over a 3 year perıod

Property provısıons relate to a number of propertıes used ın the Group's busıness They ınclude amounts ın respect of onerous rental expenses and dılapıdatıons, for leases expırıng between the balance sheet date and 2022

The Company has no provısıons for lıabılıtıes

15 Called up share capital

	2013	2012
	£	£
Authorısed		
5,050 'A' ordınary shares of £0 01 each	**50 5**	50 5
5,050 'B' ordınary shares of £0 01 each	**50.5**	50 5
	101	101
Allotted, called up and fully paıd		
5,002 'A' ordınary shares of £0 01 each	**50**	50
5,002 'B' ordınary shares of £0 01 each	**50**	50
	100	100

Notes *(continued)*

16 Share premium and reserves

Group	Share premium account	Acquisition reserve	Profit and loss account
	£000	£000	£000
At beginning of year	35,007	441	6,714
Profit for the year	-	-	5,747
At end of year	**35,007**	**441**	**12,461**

In February 2013 a capital reduction process was undertaken to reduce share capital in the 100% subsidiary undertaking Matthew Clark (Scotland) Limited from 2,750,000 ordinary shares of 40p each to one ordinary share of 40p The total reserves available for distribution from Matthew Clark (Scotland) Limited were then transferred into Matthew Clark (Holdings) Limited by way of a £6,172,000 dividend

Company	Share premium account	Profit and loss account
	£000	£000
At beginning of year	35,007	1,688
Profit for the year	-	6,031
At end of year	**35,007**	**7,719**

The Company's profit for the financial year was £6,031,000 *(2012 £24,415,000 profit)* Included within this is dividend income of £6,172,000 received from Matthew Clark (Scotland) Limited *(2012 £25,000,000 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 £8,070,223 (*2012 £7,214,495*)

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

Notes *(continued)*

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	2013 Land and buildings £000	2013 Other £000	2012 Land and buildings £000	2012 Other £000
Operating leases which expire				
Within one year	192	644	321	728
In the second to fifth years inclusive	395	1,357	715	1,718
Over five years	2,547	1,946	1,926	-
	3,134	3,947	2,962	2,446

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 £1,006,000 (*2012 £934,000*)

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 (*2012 £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

	2013 £000	2012 £000
Operating profit	**9,763**	10,776
Depreciation, amortisation and other amounts written off fixed assets	**3,579**	3,339
Loss on disposal of fixed assets	**144**	2
Increase in stocks	**(3,672)**	(1,738)
Increase in debtors	**(13,622)**	(6,425)
Increase in creditors	**16,444**	9,113
Decrease in provisions	**(957)**	(1,346)
Net cash inflow from operating activities	**11,679**	13,721

21 Analysis of cash flows

	2013 £000	2013 £000	2012 £000	2012 £000
Returns on investment and servicing of finance				
Interest paid		**(887)**		(978)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(4,301)**		(2,114)
Financing				
Repayment of secured loan	**-**		(5,926)	
		-		(5,926)

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	1,955	3,427	-	5,382
Debt due within one year	-	-	-	-
Total	1,955	3,427	-	5,382

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 £57,274,497 (*2012 £54,190,017*) and services of £430,373 (*2012 £3,828,659*) from CHAMP III Management Pty Limited group,
- The Group made sales of £Nil (*2012 £Nil*) to CHAMP III Management Pty Limited group, and
- The balance owing from the Group to the CHAMP III Management Pty Limited Group at 28 February 2013 was £3,824,589 (*2012 £3,426,751*)
- The balance owing from the CHAMP III Management Pty Limited Group to the Group at 28 February 2013 was £27,659 (*2012 £30,096*)

b) Transactions with the Punch Taverns Plc group

- The Group purchased goods of £Nil (*2012 £Nil*) and services of £Nil (*2012 £Nil*) from Punch Taverns Plc group,
- The Group made sales of £8,026,363 (*2012 £11,998,522*) to Punch Taverns Plc group, and
- The balance owing from the Punch Taverns Plc Group to the Group at 28 February 2013 was £513,781 (*2012 £567,171*)

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

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.