

**Majestic Wine PLC**  
Interim Report 2005

# Majestic





## Corporate Statement

**Majestic operates the largest wine warehouse chain in Britain**, specialising in the sale of wine by the mixed case direct to the public.

Majestic differentiates itself by the high quality of its customer service and advice, the diversity and quantity of stock available to purchase at each store, its dedicated on-site customer parking, wines to taste every day, the ability to order instore or via its website and the availability of free delivery throughout mainland UK.

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## Chairman's Statement

**I am very pleased to announce a further increase in profit for the first half of the 2005/2006 financial year. Profit before tax, amortisation of goodwill, and excluding exceptional items, rose 18.0% to £5.9m.**

Total sales were £80.8m against £74.6m last year. Like for like UK sales were up 5.5%.

The average bottle price of still wine purchased at Majestic is now £5.54 compared with £5.46 last year and the average spend per transaction is now £115, up from £110 last year.

We saw strong sales growth in wines from Spain, California, Chile, Argentina and New Zealand. Champagne and rosé wine sales grew well and during August we brought in a parcel of mature Burgundy, which also sold well. Sales of fine wine generally continue to show good growth, with sales of wines priced at £20 and above increasing by 43% on last year. We have recently installed new fine wine display areas in our stores in Richmond, Weybridge and Belgravia.

During the period we employed several new shorter promotions supported by more frequent customer communication. These were successful and will be repeated in the future.

### **New Stores**

During the period we opened two new stores in Sanderstead and Tunbridge Wells. Derby opened in early November and by Christmas we will have opened in Berkhamsted. This will bring the number of stores trading in the UK to 125. Tunbridge Wells, Derby and Berkhamsted are all freehold acquisitions. In addition we have two freeholds in Cheam and Stow-on-the-Wold due to open in 2006 and now own 29 freeholds.

### **Wine and Beer World**

The cross-channel market has been difficult with the number of UK shoppers visiting the French channel ports continuing to decline. Sales in our stores in Northern France have been disappointing, with a like for like decline of 4.3%. Pre-ordering before travelling for collection from our stores is increasingly popular and represented just over 25% of sales during the period.

### **Dividend**

We are declaring an increased interim dividend of 1.9p net per share, up by 26.7% on last year, in line with our progressive dividend policy. The dividend will be paid on 6 January 2006 to shareholders on the register at the close of business on 2 December 2005.

### **Board Appointment**

We are pleased to welcome Helen Keays to the Board as non-executive Director.

Helen is 41 and is a marketing professional with wide experience of several consumer sectors, including travel, retail, financial services and telecoms. She is a non-executive Director of Chrysalis Group PLC and of the Britannia Building Society.

### **Current Trading**

Sales growth has continued to be robust in a challenging retail market. Like for like UK sales for the six weeks from 27 September to 7 November 2005 were up 5.0%.



### **Simon Burke**

Chairman

14 November 2005

## Group Profit & Loss Account

For the 26 weeks ended 26 September 2005

	Note	26 weeks ended <b>26.09.05</b> (unaudited) £000	26 weeks ended 27.09.04 (unaudited) £000	Year ended 28.03.05 (audited) £000
<b>Turnover</b>		<b>80,766</b>	74,642	162,517
Cost of sales		<b>(64,124)</b>	(59,369)	(128,436)
<b>Gross profit</b>		<b>16,642</b>	15,273	34,081
Distribution costs		<b>(6,876)</b>	(6,473)	(13,103)
Administrative costs		<b>(4,297)</b>	(4,215)	(8,760)
Other operating income		<b>264</b>	216	440
<b>Operating profit</b>		<b>5,733</b>	4,801	12,658
Profit on disposal of fixed assets	2	<b>37</b>	-	88
<b>Profit on ordinary activities before interest and taxation</b>		<b>5,770</b>	4,801	12,746
Net interest (payable)/receivable		<b>(3)</b>	28	144
<b>Profit on ordinary activities before taxation</b>		<b>5,767</b>	4,829	12,890
Taxation	3	<b>(1,953)</b>	(1,630)	(4,347)
<b>Retained profit for the period</b>		<b>3,814</b>	3,199	8,543
<b>Dividend paid in period</b>	4	<b>2,554</b>	1,892	2,846
<b>Earnings per share</b>	6			
Basic		<b>6.0p</b>	5.1p	13.6p
Diluted		<b>5.8p</b>	4.9p	13.2p
<b>Underlying earnings per share</b>				
Basic		<b>6.2p</b>	5.4p	14.0p
Diluted		<b>6.1p</b>	5.2p	13.6p

## Group Statement of Total Recognised Gains & Losses

For the 26 weeks ended 26 September 2005

	26 weeks ended <b>26.09.05</b> (unaudited) £000	26 weeks ended 27.09.04 (unaudited) £000	Year ended 28.03.05 (audited) £000
<b>Profit attributable to the members of the parent company</b>	<b>3,814</b>	3,199	8,543
Currency translation differences on foreign currency net investments	<b>(30)</b>	40	71
<b>Total gains and losses recognised</b>	<b>3,784</b>	3,239	8,614

## Group Balance Sheet

As at 26 September 2005

	Note	As at <b>26.09.05</b> <b>(unaudited)</b> <b>£000</b>	As at 27.09.04 (unaudited) £000	As at 28.03.05 (audited) £000
<b>Fixed assets</b>				
Intangible fixed assets		<b>5,950</b>	6,320	6,135
Tangible fixed assets		<b>34,388</b>	26,138	29,347
		<b>40,338</b>	32,458	35,482
<b>Current assets</b>				
Stocks		<b>30,192</b>	27,044	27,798
Debtors		<b>6,401</b>	5,399	6,199
Cash at bank and in hand		<b>1,238</b>	5,040	7,840
		<b>37,831</b>	37,483	41,837
<b>Creditors:</b>				
Amounts falling due within one year		<b>(36,538)</b>	(35,065)	(37,686)
		<b>1,293</b>	2,418	4,151
<b>Net current assets</b>				
		<b>41,631</b>	34,876	39,633
<b>Total assets less current liabilities</b>				
Creditors:				
Provision for liabilities and charges		<b>(293)</b>	(469)	(297)
		<b>41,338</b>	34,407	39,336
<b>Net assets</b>				
<b>Capital and reserves</b>				
Called up share capital	5	<b>4,839</b>	4,748	4,776
Share premium account	5	<b>7,961</b>	6,534	6,750
Revaluation reserve	5	<b>22</b>	22	22
Capital reserve – own shares	5	<b>(391)</b>	(407)	(407)
Profit and loss account	5	<b>28,907</b>	23,510	28,195
		<b>41,338</b>	34,407	39,336
<b>Equity shareholders' funds</b>				
	5	<b>41,338</b>	34,407	39,336

## Group Cash Flow Statement

For the 26 weeks ended 26 September 2005

	<b>26 weeks ended 26.09.05 (unaudited) £'000</b>	26 weeks ended 27.09.04 (unaudited) £'000	Year ended 28.03.05 (audited) £'000
<b>Net cash inflow from operating activities</b>	<b>3,632</b>	7,117	16,896
<b>Returns on investments and servicing of finance</b>			
Interest paid	<b>(21)</b>	(7)	(12)
Interest received	<b>45</b>	36	145
	<b>24</b>	29	133
<b>Taxation</b>			
UK corporation tax paid	<b>(1,897)</b>	(1,654)	(3,416)
Overseas corporation tax paid	<b>(377)</b>	(585)	(927)
	<b>(2,274)</b>	(2,239)	(4,343)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	<b>(6,334)</b>	(2,855)	(7,709)
Receipts from sales of tangible fixed assets	<b>185</b>	209	764
Net cash outflow from capital expenditure	<b>(6,149)</b>	(2,646)	(6,945)
Equity dividends paid	<b>(2,554)</b>	(1,892)	(2,846)
<b>Net cash (outflow)/inflow before financing</b>	<b>(7,321)</b>	369	2,895
<b>Financing</b>			
Issue of Ordinary Share capital	<b>575</b>	272	516
Receipt for exercise of share options satisfied by QUEST	<b>174</b>	-	9
<b>(Decrease)/increase in cash for the period</b>	<b>(6,572)</b>	641	3,420



## Notes to the Group Cash Flow Statement

For the 26 weeks ended 26 September 2005

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	<b>26 weeks ended 26.09.05 (unaudited) £000</b>	26 weeks ended 27.09.04 (unaudited) £000	Year ended 28.03.05 (audited) £000
<b>Operating profit</b>	<b>5,733</b>	4,801	12,658
Depreciation charges	<b>1,155</b>	1,059	2,183
Amortisation charge	<b>185</b>	185	370
(Profit)/loss on disposal of tangible fixed assets	<b>(10)</b>	(6)	58
Increase in stocks	<b>(2,394)</b>	(3,467)	(4,221)
(Increase)/decrease in debtors	<b>(202)</b>	659	(231)
(Decrease)/increase in creditors	<b>(854)</b>	3,692	5,810
(Decrease)/increase in provisions	<b>(4)</b>	127	(45)
Deferred bonus payable by shares	<b>23</b>	67	314
<b>Net cash inflow from operating activities</b>	<b>3,632</b>	7,117	16,896

### (b) Reconciliation of net cash flow to net funds/(debt)

	<b>26 weeks ended 26.09.05 (unaudited) £000</b>	26 weeks ended 27.09.04 (unaudited) £000	Year ended 28.03.05 (audited) £000
(Decrease)/increase in cash	<b>(6,572)</b>		
Exchange differences	<b>(30)</b>	23	44
Movement in net debt	<b>(6,602)</b>	664	3,464
Net funds at 28 March 2005	<b>7,840</b>	4,376	4,376
<b>Net funds at 26 September 2005</b>	<b>1,238</b>	5,040	7,840

## Notes to the Interim Report

### 1. Basis of preparation

The accounts of the Group for the 26 weeks ended 26 September 2005, which are unaudited, were approved by the Board on 14 November 2005. They have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts 2005 except that during the period the company adopted FRS 21, Events After the Balance Sheet Date. Under FRS 21 interim dividends are no longer accrued and final dividends are accrued once they are approved at the AGM. As a result retained earnings are higher by £1,230,000 in this period (2004: £946,000).

The results contained in this statement do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the year ended 28 March 2005. Those accounts, upon which the auditors, Ernst & Young LLP, issued an unqualified opinion, have been delivered to the Registrar of Companies.

### 2. Profit on disposal of fixed assets

During the period a residential flat above the freehold property in Roehampton was sold for £157,000 realising an exceptional gain of £37,000. During the previous year, five residential flats above freehold properties in Roehampton and Wilmslow were sold for £738,000 realising an exceptional gain of £88,000.

### 3. Taxation

Taxation for the 26 weeks ended 26 September 2005 is provided at 33.9% on profit on ordinary activities being the anticipated rate of taxation for the period.

### 4. Dividend

A dividend of 4.0p net per share was paid to shareholders on 5 August 2005. An interim dividend of 1.9p net per share will be paid on 6 January 2006 to shareholders on the register at the close of business on 2 December 2005.

### 5. Reconciliation of movements in reserves and shareholders' funds

	Capital				Profit & Loss Account	Total Shareholders' Funds
	Share Capital £000	Share Premium £000	Revaluation Reserve £000	Reserve – own shares held in ESOT £000	£000	£000
At 28 March 2005	4,776	6,750	22	(407)	28,195	39,336
Share issue	43	532	-	-	-	575
ESOT share issue	7	225	-	(116)	(116)	-
QUEST share issue	13	454	-	-	(467)	-
Options satisfied from QUEST	-	-	-	-	174	174
Retained profit for the period	-	-	-	-	3,814	3,814
Transfer to shareholders funds - deferred bonus expected to be satisfied in shares	-	-	-	-	23	23
Dividend paid in period	-	-	-	-	(2,554)	(2,554)
Shares vesting under deferred bonus scheme	-	-	-	132	(132)	-
Currency translation differences on foreign currency net investments	-	-	-	-	(30)	(30)
<b>At 26 September 2005</b>	<b>4,839</b>	<b>7,961</b>	<b>22</b>	<b>(391)</b>	<b>28,907</b>	<b>41,338</b>

### 6. Earnings per share

Basic earnings per share is calculated on profit on ordinary activities after tax of £3,814,000 (2004: £3,199,000) apportioned over the weighted Ordinary Shares that were in issue for the period: 63,657,591 (2004: 62,659,997). The calculation of the diluted earnings per share is in accordance with FRS 14. The weighted average number of Ordinary Shares in issue during the period has been adjusted to take account of the effect of all dilutive potential Ordinary Shares. The number of shares used in the calculation was 65,399,352 (2004: 64,724,441).

Underlying earnings per share is calculated on earnings, before charging amortisation of goodwill arising on the acquisition of Les Celliers de Calais S.A.S. and excluding the exceptional gain made on the disposal of residential flats, of £3,962,000 (2004: £3,384,000). This alternative measure has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group.

### 7. Interim report

Copies of the Interim Report are being sent to shareholders. Further copies of the Interim and Annual Report and Accounts may be obtained from the Company's Registered Office, Majestic House, Otterspool Way, Watford, Hertfordshire, WD25 8WW. The Interim Report should be read in conjunction with the Annual Report and Accounts 2005.

**Design and production**

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**Photography**

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**Print**

Spin Offset

This report is printed on Mega matt paper, which is produced from pulp which is 50% chlorine free and 50% recycled fibre, from a sustainable and renewable forest source, and is therefore an ecologically sound use of raw and recycled resources.

**[drinkaware.co.uk](http://drinkaware.co.uk)**

Majestic Wine PLC

Majestic Wine support the work of the Portman Group to promote responsible drinking. The [drinkaware.co.uk](http://drinkaware.co.uk) website gives UK consumers the chance to see how their own drinking patterns and levels compare to the UK government's guidelines on responsible drinking.



[majestic.co.uk](http://majestic.co.uk)

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