



Majestic Wine PLC
Interim Report and Accounts 2009





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The Majestic way

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

Our differentiators

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

Chairman's Statement

I am pleased to announce a 9.0% increase in profit before tax to £6.1m for the six months ended 28 September 2009. This is a most encouraging result having been achieved against the backdrop of a very challenging economic environment. Total revenue at £106.7m was £12.6m higher than last year after the inclusion of £6.0m from Lay & Wheeler.

Majestic Wine

Sales in the period were £97.1m, an increase of £8.3m on the previous first half, with like for like sales growth of 5.4%. Sales to private customers continue to show strong growth, up 8.9% in the period. In contrast, economic conditions continue to affect businesses adversely and sales to these customers have declined 6.9%. The average bottle price of still wine sold in Majestic is now £6.41 up from £6.19 last year. We have seen a slight reduction in the average spend per transaction from £135 to £133 as a result of the decline in sales to business customers.

Online Sales

We continue to see strong growth in online sales, up 24.6% on last year. They now represent 9.2% of retail sales. We have enhanced our website with a significant increase in content, including the introduction of "manager's choice" videos. We have launched a completely redesigned blog, which brings the personality of Majestic online and enables customers to more fully engage with us. Additionally customers are invited to write their own reviews of our wines and currently we have over 500 published online. We have increased promotional activity, including the offer of special parcels of wine exclusively to online customers, which we have often sold out on the day of release.

Product

We have seen good growth in still wine sales from South Africa, New Zealand and Spain. Sales of sparkling wine also grew well. An important part of our success is the acquisition of one-off parcels of wine which enhance the diversity of the range and can be offered at compelling prices. During the Summer, we stocked large parcels of wine from South Africa, Australia, California and Spain.

Fine Wine

Sales of still wine priced at £20 per bottle and above increased by 14.4% on last year and now represent 4.4% of retail sales. We currently have dedicated fine wine display areas in 66 stores and by the end of the financial year will have extended this to over 70.

Customer Service

The most important point of differentiation between ourselves and the competition is the great customer service delivered by our friendly, well trained and knowledgeable staff. We recruit primarily at graduate level and offer a comprehensive training programme incorporating wine knowledge, customer service and operational management. We have rolled out initiatives which showcase to customers our employees' enthusiasm and extensive wine knowledge. These include the introduction of "Grape to Glass", a seasonal guide to wine featuring articles written by our staff. We have also developed "The Wine Course", a two hour informal introduction to wine which is free to attend and held in our stores. Customer feedback to these initiatives has been extremely positive.

Awards

We are delighted to have been recognised again as the "High Street Chain of the Year" at the International Wine Challenge Awards 2009. Decanter magazine have also awarded us "Wine Chain of the Year" for 2009 and its readers voted Majestic as "Best Large Merchant".

Six Bottle Minimum Purchase

On 1 September 2009, following a year long trial, we reduced the minimum purchase in-store to six bottles from twelve. Initial indications following the full rollout are encouraging. Since the launch we have seen a small reduction in average spend that has been more than compensated by an increase in transaction volume. We have also seen an increase in the number of new customers registering on our database.

New Stores

We have made good progress in our store opening programme. During the period, we opened in Southend-on-Sea, Shrewsbury, Edinburgh and Market Harborough. Since the end of the period we have opened in Abingdon and Sale, and re-sited our store in central Glasgow. We now operate from 153 stores in the UK and see the potential to enlarge Majestic to at least 250 locations. We are in the process of developing three freehold sites which will open in 2010 and several more new stores are at advanced stages of negotiation.

Wine and Beer World (France)

Trading conditions in France continue to be difficult due principally to the ongoing strength of the Euro. In the period sales declined 31.9% to £3.6m. We continue to reduce the cost base of the business and it remains profitable. We are well positioned to take advantage of any improvement in the trading environment.

Lay & Wheeler

We are pleased with the progress made in integrating Lay & Wheeler into the Majestic Group, resulting in cost savings and a refocused sales proposition. We have introduced the brand to selected Majestic customers and will be developing this relationship in the coming months. Trading at Lay & Wheeler has been in line with our expectations.

Dividend

We are maintaining our interim dividend at 2.8p net per share. The dividend will be paid on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009.

Future Prospects

Like for like sales through Majestic stores for the five weeks from 29 September to 2 November 2009 were up 6.0%. Whilst we are pleased with the trading performance so far this year we remain cautious about the economic climate. We are well positioned for the very important Christmas trading period.



Simon Burke
Chairman
16 November 2009

Group Income Statement For the 26 weeks ended 28 September 2009

	Note	26 weeks ended 28.09.09 £000	26 weeks ended 29.09.08 £000	52 weeks ended 30.03.09 £000
Revenue	3	106,696	94,117	201,794
Cost of sales		(84,238)	(74,567)	(160,148)
Gross profit		22,458	19,550	41,646
Distribution costs		(9,647)	(8,872)	(18,398)
Administrative costs		(6,825)	(5,260)	(16,337)
Other operating income		381	282	631
Operating profit		6,367	5,700	7,542
Finance revenue		2	1	55
Finance costs		(247)	(85)	(218)
Profit before taxation	3	6,122	5,616	7,379
Analysed as:				
Underlying profit before tax		6,122	5,616	12,710
Exceptional item – goodwill impairment included in administrative costs		–	–	(5,331)
		6,122	5,616	7,379
UK income tax	4	(1,726)	(1,556)	(3,973)
Overseas income tax	4	(73)	(147)	(144)
Profit for the period		4,323	3,913	3,262
Earnings per share				
Basic	5	7.0p	6.4p	5.3p
Diluted	5	7.0p	6.3p	5.3p
Underlying basic	5	7.0p	6.4p	14.0p
Underlying diluted	5	7.0p	6.3p	14.0p
Dividend per share	6	2.8p	2.8p	9.8p

Group Statement of Comprehensive Income For the 26 weeks ended 28 September 2009

	26 weeks ended 28.09.09 £000	26 weeks ended 29.09.08 £000	52 weeks ended 30.03.09 £000
Profit for the period	4,323	3,913	3,262
Other comprehensive income:			
Currency translation difference on foreign currency net investments	(27)	(9)	1,406
Tax credit/(debit) on employee share options	54	(44)	(69)
Other comprehensive income for the period, net of tax	27	(53)	1,337
Total comprehensive income for the period	4,350	3,860	4,599

Group Statement of Changes in Equity For the 26 weeks ended 28 September 2009

	Share Capital £000	Share Premium Account £000	Capital Reserve Own Shares held in ESOT £000	Capital Redemption Reserve £000	Currency Translation Reserve £000	Retained Earnings £000	Total Share- holders' Funds £000
At 31 March 2008	4,628	10,359	(105)	333	1,217	32,987	49,419
Profit for the period	-	-	-	-	-	3,913	3,913
Other comprehensive income:							
Foreign exchange differences	-	-	-	-	(9)	-	(9)
Tax debit on employee share options	-	-	-	-	-	(44)	(44)
Total comprehensive income for the period	-	-	-	-	(9)	3,869	3,860
Share issue	11	159	-	-	-	-	170
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	167	167
Purchase and cancellation of share capital	(30)	-	-	30	-	(828)	(828)
Equity dividends paid	-	-	-	-	-	(4,293)	(4,293)
At 29 September 2008	4,609	10,518	(105)	363	1,208	31,902	48,495
Loss for the period	-	-	-	-	-	(651)	(651)
Other comprehensive income:							
Foreign exchange differences	-	-	-	-	1,415	-	1,415
Tax debit on employee share options	-	-	-	-	-	(25)	(25)
Total comprehensive income for the period	-	-	-	-	1,415	(676)	739
Shares vesting under deferred bonus scheme	-	-	2	-	-	(2)	-
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	99	99
Equity dividends paid	-	-	-	-	-	(1,717)	(1,717)
At 30 March 2009	4,609	10,518	(103)	363	2,623	29,606	47,616
Profit for the period	-	-	-	-	-	4,323	4,323
Other comprehensive income:							
Foreign exchange differences	-	-	-	-	(27)	-	(27)
Tax credit on employee share options	-	-	-	-	-	54	54
Total comprehensive income for the period	-	-	-	-	(27)	4,377	4,350
Share issue	1	4	-	-	-	-	5
Shares vesting under deferred bonus scheme	-	-	96	-	-	(96)	-
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	140	140
Equity dividends paid	-	-	-	-	-	(4,302)	(4,302)
At 28 September 2009	4,610	10,522	(7)	363	2,596	29,725	47,809

Group Balance Sheet As at 28 September 2009

	As at 28.09.09	As at 29.09.08	As at 30.03.09 (restated)
	£000	£000	£000
Non current assets			
Goodwill and intangible assets	9,106	7,800	9,258
Property, plant and equipment	49,653	44,889	47,978
Prepaid operating lease costs	1,595	1,626	1,583
Deferred tax assets	851	351	736
	61,205	54,666	59,555
Current assets			
Inventories	40,301	35,165	37,752
Trade and other receivables	11,796	8,835	11,531
Financial instruments at fair value	864	288	834
Cash and cash equivalents	1,736	747	2,572
	54,697	45,035	52,689
Total assets	115,902	99,701	112,244
Current liabilities			
Trade and other payables	(52,015)	(38,362)	(49,724)
Term loan	(670)	–	(669)
Bank overdraft	(5,407)	(9,931)	(3,950)
Provisions	(113)	(145)	(121)
Deferred lease inducements	(105)	(83)	(109)
Financial instruments at fair value	–	(90)	–
Current tax liabilities	(1,868)	(1,386)	(1,779)
	(60,178)	(49,997)	(56,352)
Non current liabilities			
Term loan	(5,911)	–	(6,245)
Deferred lease inducements	(774)	(783)	(769)
Deferred tax liabilities	(1,230)	(426)	(1,262)
	(68,093)	(51,206)	(64,628)
Net assets	47,809	48,495	47,616
Shareholders' equity			
Called up share capital	4,610	4,609	4,609
Share premium account	10,522	10,518	10,518
Capital reserve – own shares	(7)	(105)	(103)
Capital redemption reserve	363	363	363
Currency translation reserve	2,596	1,208	2,623
Retained earnings	29,725	31,902	29,606
Equity shareholders' funds	47,809	48,495	47,616

Group Cash Flow Statement For the 26 weeks ended 28 September 2009

	Note	26 weeks ended 28.09.09 £000	26 weeks ended 29.09.08 £000	52 weeks ended 30.03.09 £000
Cash flows from operating activities				
Cash generated by operations	8	7,886	2,004	15,493
UK income tax paid		(2,046)	(2,215)	(3,918)
Overseas income tax received/(paid)		243	(198)	(369)
Net cash generated/(utilised) by operating activities		6,083	(409)	11,206
Cash flows from investing activities				
Interest received		2	1	55
UK income tax paid		-	(28)	(34)
Overseas income tax paid		-	(14)	(11)
Purchase of non current assets		(3,464)	(3,680)	(7,152)
Acquisition of subsidiaries including cash and cash equivalents acquired		-	-	(5,538)
Receipts from sales of non current assets		16	34	78
Net cash utilised by investing activities		(3,446)	(3,687)	(12,602)
Cash inflow/(outflow) before financing		2,637	(4,096)	(1,396)
Cash flows from financing activities				
Interest paid		(276)	(31)	(288)
Issue of Ordinary Share capital		5	170	170
New term loan		-	-	7,000
Repayment of term loan		(350)	-	-
Arrangement fee on term loan		-	-	(88)
Shares re-purchased		-	(828)	(828)
Equity dividends paid		(4,302)	(4,293)	(6,010)
Net cash used by financing activities		(4,923)	(4,982)	(44)
Net decrease in cash and cash equivalents		(2,286)	(9,078)	(1,440)
Cash and cash equivalents at beginning of period		(1,378)	(109)	(109)
Effect of foreign exchange differences		(7)	3	171
Cash and cash equivalents at end of period		(3,671)	(9,184)	(1,378)
Reconciliation of cash and cash equivalents				
Cash and cash equivalents per Group balance sheet		1,736	747	2,572
Bank overdraft per Group balance sheet		(5,407)	(9,931)	(3,950)
Cash and cash equivalents at end of period		(3,671)	(9,184)	(1,378)

Notes to the Group Interim Financial Statements

1. General information

Majestic Wine PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 2281640). The Company is domiciled in the United Kingdom and its registered address is Majestic House, Otterspool Way, Watford, WD25 8WW. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"). Copies of the Interim Report are being sent to shareholders. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

The Group's principal activity is the retailing of wines, beers and spirits.

2. Basis of preparation

The interim financial statements of the Group for the 26 weeks ended 28 September 2009, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and accounts for the 52 weeks ended 30 March 2009, except that the Group has adopted the following new and revised IFRS during the period.

IFRS 8 Operating Segments

This standard requires operating segments to be reported in a manner consistent with that used for internal reporting purposes. The standard is concerned with the presentation and disclosure of segment information in the Group's financial statements and therefore does not affect the financial performance or position of the Group in this or prior periods. Adoption of this standard has not resulted in any additional segments being presented.

IAS 1 (Revised) Presentation of Financial Statements

This revised standard separates owner and non-owner changes in equity. It prohibits the presentation of items of income and expenses in the Statement of Changes in Equity and requires that these non-owner changes in equity be presented in a performance statement. The Group has elected to present two statements: an Income Statement and a Statement of Comprehensive Income.

Amendment to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations

This amendment to IFRS 2 clarifies that only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target) are vesting conditions. All other conditions are non-vesting conditions which have to be taken into account to determine the fair value of the equity instruments granted. Where an award fails to vest as a result of a failure to meet a non-vesting condition then the award must be treated as a cancellation. Cancellations are treated as accelerated vestings with all remaining future charges recognised immediately in the Group Income Statement with the corresponding credit recognised directly in equity. This amendment to the standard has no significant impact on the financial statements of the Group.

The financial information contained in the interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the 52 weeks ended 30 March 2009. The report of the auditors, Ernst & Young LLP, on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985. These accounts have been delivered to the Registrar of Companies.

As permitted, this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 "Interim Financial Reporting" – therefore it is not fully in compliance with IFRS.

The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

3. Segment reporting

The Group's operations are organised into three distinct business units with their results monitored separately by management for the purposes of performance assessment and for determining resource allocation. The performance measure is operating profit or loss. Group financing including associated revenues and costs and taxation are managed at a Group level and are not allocated to operating segments.

	26 weeks ended 28.09.09 £000	26 weeks ended 29.09.08 £000	52 weeks ended 30.03.09 £000
Revenue			
Majestic Wine Warehouses	97,068	88,772	191,597
Lay & Wheeler	5,989	–	785
Wine and Beer World	3,639	5,345	9,412
Total revenue	106,696	94,117	201,794
Segment result			
Majestic Wine Warehouses	6,213	5,286	12,591
Lay & Wheeler	(33)	–	(123)
Wine and Beer World	187	414	(4,926)
Finance revenue less finance costs	(245)	(84)	(163)
Profit before tax	6,122	5,616	7,379

4. Taxation

Taxation for the 26 weeks to 28 September 2009 has been calculated by applying the estimated tax rate for the current financial year ending 29 March 2010.

5. Earnings per share

Basic earnings per share is calculated on profit for the period attributable to equity shareholders of £4,323,000 (2008: £3,913,000) apportioned over the weighted average number of Ordinary Shares that were in issue for the period: 61,431,568 (2008: 61,527,904). The calculation of diluted earnings per share is in accordance with IAS 33 – Earnings Per Share. The weighted average number of Ordinary Shares in issue has been adjusted to take account of the effect of all dilutive potential Ordinary Shares. The number of shares used in the calculation was 61,565,798 (2008: 61,690,751).

Notes to the Group Interim Financial Statements

6. Dividend

A dividend of 7.0p net per share was paid to shareholders on 14 August 2009. An interim dividend of 2.8p per share will be paid on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009.

7. Business combinations

On 6 March 2009, the Group acquired the entire issued share capital of Vinotheque Holdings Limited and WBI Holdco Limited (and its subsidiaries WBI Limited and Lay & Wheeler Limited), collectively known as Lay & Wheeler.

The fair values established for the acquisition were provisional as at 30 March 2009 due to the proximity of the year end date. At 30 March 2009 there was potential deferred consideration of £501,000 relating to a deferred tax asset under negotiation with HMRC. These negotiations have been concluded in the 26 weeks to 28 September 2009 resulting in an increase to the fair value of deferred tax asset and cash consideration of £438,000. The finalisation of completion accounts has also led to an increase in consideration of £129,000. The 2009 full year comparative information has been restated to reflect these adjustments.

	Pre-acquisition carrying amounts £000	Recognised values on acquisition (restated) £000
Property, plant and equipment	1,158	1,158
Intangible assets – software	257	257
– facilities and trademark licence	–	2,985
Deferred tax asset/(liability)	10	(168)
Inventories	4,075	3,975
Trade and other receivables	2,054	5,734
Cash and cash equivalents	345	345
Trade and other payables	(5,542)	(10,109)
Corporation tax liability	(114)	(114)
Bank overdraft	(1,413)	(1,413)
Net assets acquired	830	2,650
Goodwill arising on acquisition		2,387
		5,037
Discharged by:		
Cash consideration		4,786
Costs associated with the acquisition		251
Total consideration		5,037

8. Note to the cash flow statement

Reconciliation of profit to cash generated by operations

	26 weeks ended 28.09.09 £000	26 weeks ended 29.09.08 £000	52 weeks ended 30.03.09 £000
Cash flows from operating activities:			
Profit	4,323	3,913	3,262
Adjustments to reconcile profit for the year to cash generated by operations			
Income tax expense	1,799	1,703	4,117
Net finance expense	245	84	163
Amortisation, impairment and depreciation	1,937	1,442	8,391
Loss on disposal of non current assets	–	2	51
(Increase)/decrease in inventories	(2,549)	(564)	824
(Increase)/decrease in trade and other receivables	(265)	(1,861)	1,177
Increase/(decrease) in trade and other payables	2,293	(2,917)	(2,145)
Increase in deferred lease inducements	1	23	35
Change in value of derivative instruments	(30)	99	(537)
Decrease in provisions	(8)	(87)	(111)
Share based payments	140	167	266
Cash generated by operations	7,886	2,004	15,493

Notes to the Group Interim Financial Statements

9. Net debt

a) Analysis of net debt

	28.09.09 £000	29.09.08 £000	30.03.09 £000
Total cash and cash equivalents	(3,671)	(9,184)	(1,378)
Term loan included in current liabilities	(670)	–	(669)
Term loan included in non current liabilities	(5,911)	–	(6,245)
Total net debt	(10,252)	(9,184)	(8,292)

b) Reconciliation of net cash flow to movement in net debt

	28.09.09 £000	29.09.08 £000	30.03.09 £000
Net decrease in cash and cash equivalents	(2,286)	(9,078)	(1,440)
Term loan repayment/(receipt)	350	–	(7,000)
Capitalisation of arrangement fees	–	–	88
Amortisation of arrangement fees	(17)	–	(2)
Effect of foreign exchange differences	(7)	3	171
Movement in net debt	(1,960)	(9,075)	(8,183)
Net debt at beginning of period	(8,292)	(109)	(109)
Total net debt	(10,252)	(9,184)	(8,292)

Notes

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*Cuvée
De Réserve*

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