**For Immediate Release** **17 June 2013**

# PRELIMINARY RESULTS

Majestic Wine PLC ("Majestic"), the UK's largest wine specialist with 193 stores, today announces its preliminary results for the 52 weeks ended 1 April 2013.

## HIGHLIGHTS

- Group profit before tax increased by **£0.5m** to **£23.7m** (2012: £23.2m).
- Total sales down **2.1%** to **£274.4m** (2012: £280.3m, a 53 week year).
- Managed reduction in wholesale trade, with sales down by **£12.7m** to **£5.8m** (2012: £18.5m).
- Underlying sales excluding wholesale were up **2.6%** to **£268.6m** (2012: £261.8m).
- Like for like sales in UK retail stores up **1.0%**.
- Final dividend of **11.8p** net per share, bringing the total dividend for the year to **15.8p**, an increase of **0.2p** on last year (2012: 15.6p)
- Lay & Wheeler: Profit before interest and tax at **£1.7m** (2012: £1.9m).
- Majestic in Calais: Profit before interest and tax at **£1.6m** (2012: £1.4m).

### Key Metrics

- Increase in the number of customers who have made purchases in the last twelve months, up **56,000** to **624,000**.
- Average spend per transaction is **£128** (2012: £128)
- Average bottle of still wine purchased at Majestic is now **£7.56** (2012: £7.34).
- Online sales increased **14.7%** on last year and now represent **11.1%** of UK retail sales.
- Sales managed by Commercial team grew **13.6%** on last year.
- Sales of fine wine (priced at £20 per bottle and above) increased by **9.4%** on last year, representing **6.5%** of UK store sales.

### New Developments

- Significant increase in sales of English sparkling wine.
- **44,000** customers have attended a guided tasting event in the year (2012: 37,000).
- Minimum threshold for free delivery now **6 bottles**, reduced from 12.

**Stores**

- **Sixteen** openings in the financial year. Northallerton, Esher, Queensferry Road in Edinburgh, Witney, Basingstoke, Falmouth, Stroud, Ludlow, Uttoxeter, Alton, Sudbury, King's Lynn, Lymington, Dorking, Crawley and Gerrards Cross.
- We remain confident of being able to expand Majestic to **330** locations.

**Current Trading**

- Trading is in line with our expectations and Majestic is well prepared for the key Summer trading period.

Commenting on the results Steve Lewis, Chief Executive, said:

*"Majestic is in excellent shape and has made good progress with the four key elements of our future growth strategy: new stores, business customers, ecommerce and fine wine."*

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## Chairman's Statement

I am pleased to announce that the Group has achieved an increase in profit before tax for the year ended 1 April 2013 to £23.7m, up 2.1% on last year.

**Dividend**
The Board is proposing a final dividend of 11.8p per share. This brings the total dividend to 15.8p per share, an increase of 0.2p on last year.

**Board Appointment**
We appointed Ian Harding as a non-executive Director on 1 June 2013. Ian, 48, is a Chartered Accountant and is Group Communications Director for Kingfisher plc, a FTSE 100 company and Europe's largest home improvement retailer. He is responsible for Kingfisher's worldwide investor and media relations programmes.

Ian is a strong addition to the Majestic Board, he brings a wealth of relevant experience and an excellent reputation. I look forward to working with him as our business continues to grow and develop.

**People**
Without doubt our most important differentiator from the competition is our people and the excellent customer service they deliver every day. It is their energy and enthusiasm that have made this another successful year for our business and I would like to thank them all for their contribution.

**Current trading**
Majestic is trading in line with our expectations, though as anticipated the year has started slowly reflecting the timing of Easter and the boost given to last year from the Jubilee celebrations. The business in excellent shape and well placed to maximise sales over the important Summer trading period.

**Phil Wrigley**
Chairman
17 June 2013

# Review of Operations

I am pleased to report that the Group has made solid progress with the four key elements of our future growth strategy: new stores, business customers, ecommerce and fine wine. Group profit before tax was up £0.5m to £23.7m and UK like for like sales grew 1.0%.

During the year we decided to scale back our exposure to the wholesale drinks market in order to focus on our on-trade customers and as a result total Group revenue at £274.4m was £5.9m lower than last year. Underlying sales excluding wholesale activities rose 2.6% to £268.6m from £261.8m last year.

## Majestic Wine

We have seen good progress in the expansion of our customer base. The number of customers who have made purchases in the last twelve months was up by 56,000 on last year to 624,000.

Sales through our retail stores were £236.0m, an increase of 3.2% on last year which was a 53 week period. The average bottle price of still wine purchased at Majestic has increased to £7.56, up from £7.34 last year whilst average spend per transaction remained level at £128.

### Product

We have seen particularly good growth in sales of still wine from the Rhône, Argentina, Italy and Spain. Sales of Prosecco and sparkling wine from England have continued to grow strongly.

In each store we stock a broad range of wine in real depth. Purchasing parcels of wine is an important method of keeping the range fresh and interesting while generating value for the customer. These parcels are often in quite small volumes which are perfect for marketing as web exclusives. We were excited to have discovered a large parcel of mature Rioja with vintages all the way back to 1964. We sold this parcel through last Autumn, both as web exclusives and where line volumes were large enough, direct through the store network.

### Customer Service

It is our commitment to delivering an exceptionally high standard of customer service that is the cornerstone of our proposition and this stands us apart from the competition.

We have built a team of personable, articulate and knowledgeable individuals who take great pride in exceeding our customers' high expectations. We recruit primarily at graduate level with over 250 joining us as trainees over the previous year.

We have an extensive training programme designed and delivered in-house that is widely recognised as amongst the best in the industry. All new retail staff are trained extensively in customer service, management skills and product knowledge. They are expected to take the Wine and Spirit Education Trust's (WSET) Level 3 Award in Wines and Spirits within their first year with Majestic. We encourage the most able of our staff to further their knowledge by studying for the WSET Diploma over a two year period.

**Customer Engagement**
At Majestic we believe that the best way for a customer to select wines that are right for their palate and pocket is to taste them. To facilitate this each of our stores has its own dedicated tasting counter where wines are open every day for customers to try before they purchase.

We also have an extensive programme of guided tasting events which are free to attend. These include our popular wine course and seasonal range showcases. We recently launched a new tutorial event where customers are invited to taste wines that should be of interest to them based on their previous purchase history. We are pleased that 44,000 customers attended a tasting event at their Majestic store during the year, up from 37,000 previously.

**New stores**
We are pleased to have been able to maintain the rate of new site openings at sixteen during the financial year bringing the total number of UK stores to 193. We opened in Northallerton, Esher, Queensferry Road in Edinburgh, Witney, Basingstoke, Falmouth, Stroud, Ludlow, Uttoxeter, Alton, Sudbury, King's Lynn, Lymington, Dorking, Crawley and Gerrards Cross. The customer reaction to these new stores has been very encouraging.

We continue to see the scope to increase our footprint to around 330 locations in the UK. This expansion is based on securing prominent locations generally on main roads outside town centres with good car parking. The units are on average around 3,500 square feet which provides, in addition to our retail requirements, sufficient space to hold stock for sales to on-trade customers and for the picking and delivery of orders received over the internet.

**Commercial**
We have a Commercial sales team who source and build relationships with restaurants, hotels and gastro pubs. All subsequent logistics are handled by the customer's nearest Majestic store or our depot in King's Cross. We hold extensive stocks at each of our locations, offer credit facilities and can arrange deliveries seven days a week.

The sales managed by our Commercial team have grown strongly and are up 13.6% on last year. We continue to see the opportunity for considerable growth from on-trade customers and were delighted to be awarded "Great Value Merchant of the Year" at the Sommelier Wine Awards 2013.

**Ecommerce**
We have seen a significant increase in sales received online up 14.7% on last year to now represent 11.1% of total UK retail sales.

In June 2012 we reduced our minimum order for delivery to 6 bottles to broaden the appeal of our online offering. The results have been very positive, with 25% growth in online transactions to 234,000, more than offsetting a 7% dip in average order value to £134. Customers purchasing less than 12 bottles are ordering a higher proportion of Champagne and fine wine than customers placing larger orders.

This Summer we will launch the next generation of our website. We are introducing an enhanced stock system, which will allow customers to order from a broader range of products based on what is available locally, as well as introducing an improved click-and-collect proposition. The new platform will power both web and mobile-optimised versions of our UK website, as well as online pre-ordering for Majestic in Calais.

We recognise that social media is changing the way that consumers interact with business.  All of our stores have their own individual Facebook and Twitter accounts enabling customers to directly connect with local store staff and other consumers in their area. They can sign up to local store events, get wine advice, write and post reviews, as well as keep up to date with offers and new products.  It is very pleasing that our store based social media programme was recognised as the "Customer Service Initiative of the Year" at the Oracle Retail Week Awards 2013.

**Fine Wine**

Sales of wine priced at £20 a bottle and above continue to show good growth, up 9.4% on last year and now represent 6.5% of UK store sales.  This area of the business services customers' occasional need to purchase fine wine for celebrations or as a treat.  In each of our locations we stock a range of fine wines with names recognisable to customers and that are affordable and ready to drink.

We now have dedicated fine wine fixtures in over 90% of the estate and anticipate that the rollout to every suitable store will be complete during the current financial year.

## Lay & Wheeler

Lay & Wheeler is our fine wine merchant and has particular expertise in en primeur sales, cellarage and broking of customer reserves. Profit before interest and tax for the year was £1.7m down 8.9% from that recorded in the previous year.  The reason for the decline in profitability is that the year's main en primeur campaign, the Bordeaux 2011 vintage, was much weaker than the previous two vintages.  This led to a reduction in the onward broking of older vintages and other ancillary activities that surround these large campaigns.

The main activity that the business is currently engaged in is the marketing of wines from the Bordeaux 2012 vintage, which we expect to be in line with the 2011 campaign.  We have recently re-launched the Lay & Wheeler Fine Wine Plan marketed directly at customers on the Majestic database.  Members gain access to a range of special offers, some unique to the plan, and are allocated a consultant to provide guidance and advice.  The initial level of customer registration into the plan is encouraging.

## Majestic in Calais

This business caters for UK consumers wishing to take advantage of the much lower rate of alcohol duty in France.  During the year we closed our store in Cherbourg thereby consolidating the business into our two stores located in Calais.  The store in Cherbourg was reliant on customers using ferries that now run much reduced timetables over the winter months and as such only made a marginal contribution to profit.

The business is very well suited to those customers who are organising events. We guarantee that customers will save a minimum of £2 per bottle on the prices that we retail through our UK stores. This is augmented by discounts for large orders. We encourage customers to pre-order either online or over the telephone and together these account for 43% of sales.

We are pleased to report that profit before interest and tax was up 13.5% to £1.6m as we have again been able to improve operating margins from maintaining tight control over cost.

**Future Prospects**
We believe that the prospects for our future growth are good and are encouraged by our ability to attract large numbers of new customers.  Majestic has a clearly defined growth strategy which has four key components; the continuing growth of sales through our core estate coupled with its expansion, growing sales to business customers, increasing ecommerce traffic and developing sales of fine wine.

**Steve Lewis**
Chief Executive
17 June 2013

## Financial Review

### Trading

Profit before tax at £23.7m was up £0.5m on the previous year. As a result of a targeted increase in gross margin and ongoing tight control over cost the Group's profit before tax as a percentage of sales was up to 8.6% from 8.3% last year.

During the year total Group sales declined £5.9m to £274.4m as a result of our decision to reduce our involvement in the wholesale drinks market. Sales through the wholesale channel at £5.8m were £12.7m lower than the previous year. Underlying sales excluding wholesale activities rose 2.6% to £268.6m from £261.8m last year. Last year was a 53 week period and on a comparable 52 week basis, underlying sales growth was 4.2%.

In aggregate, sales to business customers were £50.5m in the financial year and now represent 20.3% of total sales through Majestic Wine Warehouses. This is £10.2m lower than the figure recorded last year as it is stated after the reduction in sales of £12.7m through the wholesale channel.

### Taxation

The effective rate of corporation tax in 2013 was 26.8% (2012: 27.9%) compared with the main rate at 24.0% (2012: 26.0%). Majestic has certain items of expenditure mostly relating to share based payments that are non-deductible for tax purposes. In addition, the Group has an excess of depreciation over capital allowances as certain assets are non-qualifying. The Group also recalculated deferred tax balances to be in line with the new lower corporation tax rate of 23.0% which takes effect from April 2013.

### Earnings per share

Basic earnings per share for the year at 26.9p were 1.5% higher than the previous year (2012: 26.5p). Diluted earnings per share for the year at 26.6p were 1.9% higher than the previous year (2012: 26.1p).

### Dividend

The Board is proposing a final dividend for 2013 of 11.8 pence per share. Together with the interim dividend of 4.0 pence paid to shareholders on 5 January 2013, this would make a total dividend for the financial year of 15.8 pence per share, an increase of 1.3% over the prior year. The total dividend is 1.68 times covered by profit after tax (2012: 1.67 times).

Subject to shareholders' approval at the Annual General Meeting on 8 August 2013, the final dividend will be payable on 16 August 2013, to shareholders on the register on 19 July 2013.

### Cash flow and net debt

Group cash flows from operating activities were £27.9m, up from £25.4m in the previous year.

Capital expenditure in the year increased to £12.5m from £11.0m after incurring £2.1m in the acquisition of a long leasehold interest in a new head office. This facility is in Watford close to our existing offices and is currently being refurbished with a view to occupation early in 2014.

The level of dividend paid by the Group to shareholders increased significantly to £10.2m compared with £8.4m in the previous year.

Group tax payments totalling £6.4m were made during the year down from £6.6m previously.

The Group received £3.0m on the exercise of share options up from £2.0m last year.

The Group had net funds of £2.9m at 1 April 2013 compared with £1.1m at the end of the previous financial year.

**Liquidity and funding**

The Group maintains liquidity by arranging facilities to finance its seasonal working capital requirements and new store opening programme. The amount available under these uncommitted facilities varies though the year from £5.0m to £17.5m matching the Group's funding requirements. They are reviewed annually and have no expiry date. At 1 April 2013 the Group had undrawn short term borrowing facilities of £4.6m.

**Financial Position**

The Group is in good financial health and remains strongly cash generative allowing the expansion of the business from its own resources.

**Nigel Alldritt**
Finance Director
17 June 2013

## Group Income Statement
For the year ended 1 April 2013

| | Note | 52 weeks to 01.04.13 £000 | 53 weeks to 02.04.12 £000 |
|---|---|---|---|
| **Revenue** | 3 | **274,424** | 280,304 |
| Cost of sales | | **(211,973)** | (218,636) |
| **Gross profit** | | **62,451** | 61,668 |
| Distribution costs | | **(24,344)** | (23,063) |
| Administrative costs | | **(15,082)** | (15,993) |
| Other operating income | | **786** | 809 |
| **Profit before finance costs and taxation** | 3 | **23,811** | 23,421 |
| Finance revenue | | **13** | 25 |
| Finance costs | | **(144)** | (245) |
| **Profit before taxation** | | **23,680** | 23,201 |
| UK income tax | 4 | **(5,832)** | (6,025) |
| Overseas income tax | 4 | **(519)** | (458) |
| **Profit for the year** | | **17,329** | 16,718 |
| **Earnings per share** | | | |
| Basic | 5 | **26.9p** | 26.5p |
| Diluted | 5 | **26.6p** | 26.1p |
| **Total dividend per share for the year** | 6 | **15.8p** | 15.6p |

## Group Statement of Comprehensive Income
For the year ended 1 April 2013

| | 52 weeks to 01.04.13 £000 | 53 weeks to 02.04.12 £000 |
|---|---|---|
| **Profit for the year** | **17,329** | 16,718 |
| **Other comprehensive income:** | | |
| Currency translation differences on foreign currency net investments | **65** | (240) |
| **Other comprehensive income for the year, net of tax** | **65** | (240) |
| **Total comprehensive income for the year** | **17,394** | 16,478 |

# Group Statement of Changes in Equity

For the year ended 1 April 2013

| | 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 28 March 2011 | 4,686 | 12,842 | (236) | 363 | 2,383 | 44,822 | 64,860 |
| Profit for the year | - | - | - | - | - | 16,718 | 16,718 |
| Other comprehensive income: | | | | | | | |
| Foreign exchange differences | - | - | - | - | (240) | - | (240) |
| Total comprehensive income for the year | - | - | - | - | (240) | 16,718 | 16,478 |
| Share issue | 67 | 1,901 | - | - | - | - | 1,968 |
| ESOT share issue | 11 | 660 | (339) | - | - | (332) | - |
| Shares vesting under deferred bonus scheme | - | - | 3 | - | - | (3) | - |
| Transfer to shareholders' funds – employee costs expected to be satisfied in shares | - | - | - | - | - | 1,246 | 1,246 |
| Tax credit on employee share options | - | - | - | - | - | 361 | 361 |
| Equity dividends paid | - | - | - | - | - | (8,448) | (8,448) |
| At 2 April 2012 | 4,764 | 15,403 | (572) | 363 | 2,143 | 54,364 | 76,465 |
| Profit for the year | - | - | - | - | - | 17,329 | 17,329 |
| Other comprehensive income: | | | | | | | |
| Foreign exchange differences | - | - | - | - | 65 | - | 65 |
| Total comprehensive income for the year | - | - | - | - | 65 | 17,329 | 17,394 |
| Share issue | 114 | 2,927 | - | - | - | - | 3,041 |
| ESOT share issue | 8 | 413 | (233) | - | - | (188) | - |
| Shares vesting under deferred bonus scheme | - | - | 288 | - | - | (288) | - |
| Transfer to shareholders' funds – employee costs expected to be satisfied in shares | - | - | - | - | - | 713 | 713 |
| Tax credit on employee share options | - | - | - | - | - | 374 | 374 |
| Equity dividends paid | - | - | - | - | - | (10,175) | (10,175) |
| **At 1 April 2013** | **4,886** | **18,743** | **(517)** | **363** | **2,208** | **62,129** | **87,812** |

# Group Balance Sheet

As at 1 April 2013

| | Note | 01.04.13 £000 | 02.04.12 £000 |
|---|---|---|---|
| **Non current assets** | | | |
| Goodwill and intangible assets | | **9,101** | 8,357 |
| Property, plant and equipment | | **67,642** | 60,775 |
| En primeur purchases | 7 | **1,529** | 5,006 |
| Prepaid operating lease costs | | **1,998** | 2,036 |
| Deferred tax assets | | **1,249** | 1,855 |
| | | **81,519** | 78,029 |
| **Current assets** | | | |
| Inventories | | **51,306** | 51,456 |
| Trade and other receivables | | **8,515** | 6,855 |
| En primeur purchases | 7 | **2,894** | 4,155 |
| Financial instruments at fair value | | **38** | 11 |
| Cash and cash equivalents | | **4,947** | 2,953 |
| | | **67,700** | 65,430 |
| **Total assets** | | **149,219** | 143,459 |
| **Current liabilities** | | | |
| Trade and other payables | | **(48,469)** | (47,347) |
| En primeur deferred income | 7 | **(3,686)** | (5,266) |
| Bank overdraft | | **(2,059)** | (1,822) |
| Provisions | | **(322)** | (723) |
| Deferred lease inducements | | **(216)** | (188) |
| Financial instruments at fair value | | **(161)** | (452) |
| Current tax liabilities | | **(2,092)** | (3,019) |
| | | **(57,005)** | (58,817) |
| **Non current liabilities** | | | |
| En primeur deferred income | 7 | **(1,757)** | (5,913) |
| Provisions | | **(323)** | (156) |
| Deferred lease inducements | | **(1,373)** | (1,044) |
| Deferred tax liabilities | | **(949)** | (1,064) |
| **Total liabilities** | | **(61,407)** | (66,994) |
| **Net assets** | | **87,812** | 76,465 |
| **Shareholders' equity** | | | |
| Called up share capital | | **4,886** | 4,764 |
| Share premium account | | **18,743** | 15,403 |
| Capital reserve – own shares | | **(517)** | (572) |
| Capital redemption reserve | | **363** | 363 |
| Currency translation reserve | | **2,208** | 2,143 |
| Retained earnings | | **62,129** | 54,364 |
| **Equity shareholders' funds** | | **87,812** | 76,465 |

# Group Cash Flow Statement
For the year ended 1 April 2013

| | Notes | 52 weeks 01.04.13 £000 | 53 weeks 02.04.12 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated by operations | 8a | **27,868** | 25,416 |
| UK income tax paid | | **(5,843)** | (6,000) |
| Overseas income tax paid | | **(570)** | (611) |
| **Net cash generated by operating activities** | | **21,455** | 18,805 |
| **Cash flows from investing activities** | | | |
| Interest received | | **13** | 25 |
| Purchase of non current assets | | **(12,496)** | (10,964) |
| Receipts from sales of non current assets | | **45** | 77 |
| **Net cash utilised by investing activities** | | **(12,438)** | (10,862) |
| **Cash inflow before financing** | | **9,017** | 7,943 |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(144)** | (277) |
| Issue of Ordinary Share capital | | **3,041** | 1,968 |
| Term loan repayment | | **-** | (5,600) |
| Equity dividends paid | | **(10,175)** | (8,448) |
| **Net cash used by financing activities** | | **(7,278)** | (12,357) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,739** | (4,414) |
| Cash and cash equivalents at beginning of year | | **1,131** | 5,627 |
| Effect of foreign exchange differences | | **18** | (82) |
| **Cash and cash equivalents at end of year** | 8b | **2,888** | 1,131 |

# Notes to the 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").

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

## 2. Basis of preparation

The preliminary results for the year ended 1 April 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and are in line with the accounting policies set out in the financial statements for the year ended 2 April 2012. The financial year represents the 52 weeks to 1 April 2013 and the prior financial year, 53 weeks to 2 April 2012. The Group has adopted the following new and amended standards and interpretations which came into effect for accounting periods commencing on or after 1 April 2012. Insofar as they are relevant to the Group's operations, adoption of these revised standards and interpretations did not have any material effect on the financial statements of the Group:

- IAS 12 - Income taxes (Amendment)
- IFRS 7 Financial Instruments: Disclosures (Amendment).

The financial information in the preliminary statement of results does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the year ended 1 April 2013 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 1 April 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial statements, and this preliminary statement, of Majestic Wine PLC for the year ended 1 April 2013 were authorised for issue by the Board of Directors on 17 June 2013 and the balance sheet was signed on behalf of the Board by Phil Wrigley.

The statutory accounts have been delivered to the Registrar of Companies in respect of the year ended 2 April 2012 and the Auditors of the Company made a report thereon under Section 495 of the Companies Act 2006. That report was an unqualified report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

## 3. Segment reporting

For management purposes, the Group is organised into three distinct business units each operating in a separate segment of the overall wine market. Majestic Wine Warehouses is a UK based wine retailer, Lay & Wheeler is a specialist in the fine wine market and Majestic in France operates retail units in northern France servicing the UK cross-channel market.

No operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of the business separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on both sales growth and profit before interest.

In the information provided to the chief operating decision maker, the underlying performance of the Lay & Wheeler operating segment is evaluated and measured based on revenue and profit being recognised on orders, cash receipts and payments from en primeur campaigns. Management reviews the business on this alternative basis as resources in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised when product is available to the customer which may be up to two years later. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

Financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments. Inter-segment transactions are conducted on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments for the years ended 1 April 2013 and 2 April 2012. All activities are continuing.

**Segment analysis 2013**

| | Majestic Wine Warehouses | Lay & Wheeler | Majestic In France | Unallocated | Eliminated | Group |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Third party revenue | 248,541 | 11,568 | 8,579 | - | - | 268,688 |
| Inter-segment revenue | - | 405 | - | - | (405) | - |
| Segment revenue | 248,541 | 11,973 | 8,579 | - | (405) | 268,688 |
| Movement in en primeur sales deferred to future periods | - | 5,736 | - | - | - | 5,736 |
| Reported third party revenue | 248,541 | 17,709 | 8,579 | - | (405) | 274,424 |
| Segment result | 20,560 | 694 | 1,559 | - | - | 22,813 |
| Movement in en primeur profit deferred to future periods | - | 998 | - | - | - | 998 |
| Reported operating result | 20,560 | 1,692 | 1,559 | - | - | 23,811 |
| Finance revenue | - | - | - | 13 | - | 13 |
| Finance costs | - | - | - | (144) | - | (144) |
| Profit/(loss) before tax | 20,560 | 1,692 | 1,559 | (131) | - | 23,680 |
| Income tax expense | - | - | - | (6,351) | - | (6,351) |
| Profit/(loss) for the year | 20,560 | 1,692 | 1,559 | (6,482) | - | 17,329 |
| Segment assets | 125,229 | 18,652 | 6,489 | 1,249 | (2,400) | 149,219 |
| Segment liabilities | (76,048) | (9,849) | (1,902) | (3,041) | 29,433 | (61,407) |
| Other segment items: | | | | | | |
| Purchase of non current assets | 12,446 | 39 | 11 | - | - | 12,496 |
| Depreciation, amortisation and impairment | 4,496 | 366 | 47 | - | - | 4,909 |
| Share based payments | 692 | 21 | - | - | - | 713 |

**Segment analysis 2012**

| | Majestic Wine Warehouses | Lay & Wheeler | Majestic In France | Unallocated | Eliminated | Group |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Third party revenue | 252,964 | 15,205 | 9,469 | - | - | 277,638 |
| Inter-segment revenue | 252 | 246 | - | - | (498) | - |
| Segment revenue | 253,216 | 15,451 | 9,469 | - | (498) | 277,638 |
| Movement in en primeur sales deferred to future periods | - | 2,666 | - | - | - | 2,666 |
| Reported third party revenue | 253,216 | 18,117 | 9,469 | - | (498) | 280,304 |
| Segment result | 20,189 | 1,435 | 1,374 | - | - | 22,998 |
| Movement in en primeur profit deferred to future periods | - | 423 | - | - | - | 423 |
| Reported operating result | 20,189 | 1,858 | 1,374 | - | - | 23,421 |
| Finance revenue | - | - | - | 25 | - | 25 |
| Finance costs | - | - | - | (245) | - | (245) |
| Profit/(loss) before tax | 20,189 | 1,858 | 1,374 | (220) | - | 23,201 |
| Income tax expense | - | - | - | (6,483) | - | (6,483) |
| Profit/(loss) for the year | 20,189 | 1,858 | 1,374 | (6,703) | - | 16,718 |
| Segment assets | 115,060 | 22,495 | 6,452 | 1,855 | (2,403) | 143,459 |
| Segment liabilities | (71,361) | (14,792) | (2,138) | (4,083) | 25,380 | (66,994) |
| Other segment items: | | | | | | |
| Purchase of non current assets | 10,897 | 26 | 41 | - | - | 10,964 |
| Depreciation, amortisation and impairment | 4,017 | 423 | 86 | - | - | 4,526 |
| Share based payments | 1,240 | 6 | - | - | - | 1,246 |

The segment assets and liabilities that are not allocated represent deferred and current tax balances. The segment assets and liabilities that are eliminated represent parent and subsidiary intercompany receivables and payables.

## 4. Taxation

### a) Taxation charge

| | 52 weeks to 01.04.13 £000 | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Current income tax expense: | | |
| UK income tax | **5,779** | 6,307 |
| Overseas income tax on subsidiary undertaking | **519** | 458 |
| Adjustment in respect of previous year | **(7)** | (40) |
| Total current income tax expense | **6,291** | 6,725 |
| | | |
| UK deferred tax expense: | | |
| Origination and reversal of temporary differences | **74** | (250) |
| Adjustment in respect of prior years | **(5)** | 15 |
| Change in tax rate on prior year balances | **(9)** | (7) |
| Total deferred tax debit/(credit) | **60** | (242) |
| Total income tax expense charged in the income statement | **6,351** | 6,483 |

### b) Taxation reconciliation

| | 52 weeks to 01.04.13 £000 | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Profit before tax | **23,680** | 23,201 |
| Taxation at the standard UK corporation tax rate of 24% (2012: 26%) | **5,683** | 6,032 |
| Adjustments in respect of prior years | **(12)** | (25) |
| Overseas income tax at higher rates | **137** | 106 |
| Non-deductible expenses | **564** | 390 |
| Income not taxable | **(12)** | (18) |
| Change in tax rate on prior year balances | **(9)** | (2) |
| Total income tax expense charged in the income statement | **6,351** | 6,483 |
| | | |
| Effective tax rate | **26.8%** | 27.9% |

### c) Tax on items credited to equity

| | 52 weeks to 01.04.13 £000 | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Current tax credit on share based payments | **(805)** | (436) |
| Deferred tax debit on share based payments | **431** | 83 |
| Change in tax rate on prior year balances | **-** | (8) |
| Total tax on items credited to equity | **(374)** | (361) |

**d) Deferred tax**

| | Accelerated tax depreciation £000 | Short-term temporary differences £000 | Share-based payments £000 | Total deferred tax assets £000 | Deferred tax liabilities £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 28 March 2011 | (76) | 122 | 973 | 1,019 | (395) | 624 |
| Credited to the income statement | 113 | 92 | 7 | 212 | 30 | 242 |
| Credited/(debited) to equity | - | 67 | (142) | (75) | - | (75) |
| At 2 April 2012 | 37 | 281 | 838 | 1,156 | (365) | 791 |
| Credited/(debited) to the income statement | 115 | (47) | (143) | (75) | 15 | (60) |
| Credited/(debited) to equity | - | 30 | (461) | (431) | - | (431) |
| **At 1 April 2013** | **152** | **264** | **234** | **650** | **(350)** | **300** |

The deferred tax liabilities above relate solely to held-over capital gains arising on the disposal of freehold properties. The deferred tax asset and liabilities are net of £599,000 which arose on the acquisition of Lay & Wheeler.

Disclosed in the Group Balance Sheet:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| Deferred tax assets | **1,249** | 1,855 |
| Deferred tax liabilities | **(949)** | (1,064) |
| | **300** | 791 |

**e) Factors that may affect future tax charges**

The Group's overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 33.2% (2012: 34.3%).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as following the enactment of the Finance Act 2009 the Group considers that it would have no liability to additional taxation should such amounts be remitted.

A reduction in the UK corporation tax from 24% to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012. The effect of this rate reduction creates a reduction in the net deferred tax asset which has been included in the figures shown above. The UK Government also proposed changes to further reduce the main rate of corporation tax to 21% in the year commencing 1 April 2014 and 20% in the year commencing 1 April 2015. The overall effect of the further reductions from 23% to 20%, if these applied to the total deferred tax balances at 1 April 2013 would be to reduce the net deferred tax asset by approximately £39,000. These changes will also reduce the Group's current tax charge for future years accordingly.

## 5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year, excluding 115,914 (2012: 151,395) held by the Employee Share Ownership Trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potential dilutive Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the year. Share options granted over 46,465 (2012: 580,630) Ordinary Shares have not been included in the dilutive earnings per share calculation because they are anti dilutive at the period end.

Underlying earnings per share is calculated by excluding the effect of last year's impairment of goodwill. This alternative measure of earnings per share is presented to reflect the Group's underlying trading performance.

| | **2013** | 2012 |
|---|---|---|
| Weighted average number of shares | **64,459,974** | 63,042,626 |
| Dilutive potential Ordinary Shares: | | |
| Employee share options | **771,996** | 1,095,110 |
| Total number of shares for calculating diluted earnings per share | **65,231,970** | 64,137,736 |

| | **52 weeks to 01.04.13 £000** | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Profit for the financial year attributable to equity shareholders of the parent | **17,329** | 16,718 |

| | **2013** | 2012 |
|---|---|---|
| Basic earnings | **26.9p** | 26.5p |
| Dilutive earnings | **26.6p** | 26.1p |

## 6. Dividend

A final dividend of 11.8 pence net on each Ordinary Share will be payable on 16 August 2013 to shareholders on the register on 19 July 2013.

## 7. En Primeur

En primeur refers to the process of purchasing wines early before they are bottled and released onto the market. This method of purchasing gives the consumer the opportunity to secure wines that may be in limited quantity and very difficult to acquire after release. Receipts and payments for these wines may be up to two years before the wines are available to customers. Payments to suppliers are treated as prepayments and receipts from customers as deferred income until the wines are available to customers.

**a) Analysis of en primeur balances**

| | **01.04.13 £000** | 02.04.12 £000 |
|---|---|---|
| En primeur purchases included in non current assets | **1,529** | 5,006 |
| En primeur purchases included in current assets | **2,894** | 4,155 |
| Total en primeur purchases | **4,423** | 9,161 |
| | | |
| En primeur deferred income included in current liabilities | **(3,686)** | (5,266) |
| En primeur deferred income included in non current liabilities | **(1,757)** | (5,913) |
| Total en primeur deferred income | **(5,443)** | (11,179) |
| | | |
| **Net en primeur balance** | **(1,020)** | (2,018) |

**b) Movement in en primeur balances**

| | **52 weeks to 01.04.13 £000** | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Net en primeur balance at beginning of period | **(2,018)** | (2,441) |
| Movement in en primeur balance | **998** | 423 |
| **Net en primeur balance at end of period** | **(1,020)** | (2,018) |

## 8. Notes to the Group cash flow statement

a) Reconciliation of profit to cash generated by operations

| | **52 weeks to 01.04.13 £000** | 53 weeks to 02.04.12 £000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit for the year | **17,329** | 16,718 |
| Adjustments to reconcile profit for the year to cash generated by operations: | | |
| Income tax expense | **6,351** | 6,483 |
| Net finance cost | **131** | 220 |
| Amortisation and depreciation | **4,909** | 4,526 |
| Loss/(profit) on disposal on non current assets | **16** | (29) |
| Decrease/(increase) in inventories | **150** | (4,894) |
| (Increase)/decrease in trade and other receivables | **(1,660)** | 260 |
| Increase in trade and other payables | **1,122** | 57 |
| Movement in en primeur balances | **(998)** | (423) |
| Increase in deferred lease inducements | **357** | 75 |
| Change in the fair value of derivative instruments | **(318)** | 952 |
| (Decrease)/increase in provisions | **(234)** | 225 |
| Share based payments | **713** | 1,246 |
| Cash generated by operations | **27,868** | 25,416 |

b) Cash and cash equivalents

For the purposes of the Group cash flow statement cash and cash equivalents comprise the following:

| | **01.04.13 £000** | 02.04.12 £000 |
|---|---|---|
| Cash and cash equivalents per Group balance sheet | **4,947** | 2,953 |
| Bank overdraft per Group balance sheet | **(2,059)** | (1,822) |
| Cash and cash equivalents per cash flow statement | **2,888** | 1,131 |

c) Reconciliation of net cash flow to movement in net funds

| | **01.04.13 £000** | 02.04.12 £000 |
|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | **1,739** | (4,414) |
| Term loan repayment | **-** | 5,600 |
| Amortisation of arrangement fees | **-** | (24) |
| Effect of foreign exchange differences | **18** | (82) |
| Movement in net funds | **1,757** | 1,080 |
| Net funds at beginning of year | **1,131** | 51 |
| Net funds at end of year | **2,888** | 1,131 |