



Majestic Wine PLC
Interim Report and Accounts 2010

MAJESTIC
wine warehouse
majestic.co.uk

A smiling man with short brown hair and blue eyes, wearing a green polo shirt, is the central focus of the image. He is in a wine cellar, with shelves of wine bottles visible in the background. In the foreground, there are two wine glasses filled with red wine. The man's shirt has a circular logo on the left chest that says "MAJESTIC" around a central emblem.

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Majestic aims to be the nation's favourite wine specialist. We stock wines for every occasion. Our range is innovative, vibrant and diverse whilst representing the best quality and value.

Throughout Majestic we have teams of friendly and knowledgeable individuals. We are committed to training them to the very highest standards and it is this that enables us to deliver exceptional customer service.

Chairman's Statement

Phil Wrigley

I am delighted that, in my first statement as Chairman, I am able to report that the management team has delivered excellent results. The Group has made strong progress in the first half of the 2010/2011 financial year building on the momentum that we have seen since we reduced our minimum purchase requirement to six bottles in September of last year. Profit before tax was £7.3m, an increase of 20.0% over last year and total revenue grew by 10.2% to £117.6m.

Majestic Wine

Sales at £106.5m were £9.4m higher than in the previous first half year underpinned by like for like sales growth of 7.6%. This is particularly encouraging as it is on top of growth of 7.7% in the comparative period.

We have seen a substantial increase in the number of customers on our database who have shopped in the past year, up 14.0% to 496,000. The change to a six bottle minimum purchase has been extremely popular with existing customers and has also made Majestic more accessible to new customers. We have seen strong growth in the number of transactions up 18.7% to 869,000, on a like stores basis. We are pleased that the average spend per transaction has only declined by 7.2% to £122 given the halving of our minimum purchase requirement.

Product

We have seen particularly strong growth in sales of wines from New Zealand, France, Italy and Spain. French wine is very important to Majestic and it is pleasing to note that sales have returned to growth driven by the "classic" regions of Bordeaux, Burgundy, Loire and the Rhône. Sales of sparkling wine grew well and we are encouraged that sales of Champagne also increased.

Fine Wine

Sales of still wine priced at £20 per bottle and above increased by 20.2% and now represent 5.0% of UK retail sales. We now have fine wine display areas installed in 96 of our stores and are in the process of rolling these out to all of our locations.

Online Sales

We continue to see good growth in online sales, up 8.3% on last year representing 9.1% of total UK retail sales. Customer behaviour online and expectations of what a website should deliver are constantly evolving. We work hard to entertain and interact with our customers when they visit the website and have substantially improved the content that we publish online. We are particularly proud of our "Grape to Glass" blog which brings our range to life with extended articles written by our staff.

New Stores

We opened two new stores during the period in Redhill and Windsor. Since the end of the period we have opened in Totnes, Ashbourne, Bracknell, Canterbury, Cobham and a second store in Cardiff. We will open in Newmarket later in the year bringing the total number of stores trading in the UK to 161. We are encouraged by the acceleration in the rate of new store openings and envisage being able to expand Majestic to at least 250 locations in the UK.

Awards

We were delighted that at the International Wine Challenge Awards 2010 we were awarded both the "High Street Chain of the Year" and the overall "Merchant of the Year". The judges commented that we had made "real progress" in terms of our range and that "quality had never been better". We were also very pleased that Decanter magazine awarded us "Wine Merchant of the Year" and its readers voted Majestic as "Best Large Merchant" for 2010.





Lay & Wheeler

Lay & Wheeler is a fine wine specialist with particular expertise in the fields of en primeur sales, cellarage and broking of customer reserves. During the period we enjoyed considerable success selling en primeur wines from the highly regarded 2009 Bordeaux vintage. The sales the campaign generated and the costs of the product are not reported in the income statement until the wines are delivered to customers. Conversely, the costs associated with processing these sales have been reported as they have been incurred. In total cumulative profit of £2.2m on revenues of £13.5m has been deferred to future accounting periods, representing the current 2009 Bordeaux and wines from previous campaigns not yet delivered to customers. These sales and profit will be reported in the 2012 and 2013 financial years.

Profit before interest and tax for the first half, including profit from en primeur sales as orders are received from customers, was £1.4m compared with a loss of £0.1m in the previous year. On a statutory basis profit before interest and tax for the period was £77k, against a loss of £145k recorded last year.

Wine and Beer World (France)

We operate three stores in northern France, two in Calais and one in Cherbourg, catering to UK consumers wishing to take advantage of the much lower rate of alcohol duty in France. The trading environment has become less challenging following the withdrawal of a number of competitors from the marketplace. We strengthened our marketing message in February 2010 by introducing a guarantee that customers will make a saving of at least £2 per bottle on Majestic's UK wine prices. We have been pleased with our customers' response to the guarantee and sales on a constant currency basis grew 22.9% on last year. Profit before interest and tax for the period at £574k was more than three times the £187k achieved last year.

Dividend

We are declaring an increase of 17.9% in our interim dividend to 3.3p net per share. The dividend will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

Future Prospects

In the six weeks from 28 September to 8 November 2010 like for like sales through our UK stores were up 7.4%. This is a very encouraging start to the second half as we have now passed the anniversary of the reduction in our minimum purchase requirement. Although the consumer environment remains challenging we see good potential for the future growth of Majestic. We are well prepared for the important Christmas trading period.

To conclude, I would like to say that I have been very impressed with the enthusiasm and professionalism of the Majestic management team. I would like to thank them and all of their colleagues for their hard work, without which we would not have achieved this very strong performance.

Phil Wrigley
Chairman
15 November 2010

Group Income Statement

For the 26 weeks ended 27 September 2010

	Note	26 weeks ended 27.09.10 £000	26 weeks ended 28.09.09 £000	52 weeks ended 29.03.10 £000
Revenue	3	117,597	106,696	233,220
Cost of sales		(93,257)	(84,238)	(183,528)
Gross profit		24,340	22,458	49,692
Distribution costs		(10,225)	(9,647)	(20,165)
Administrative costs		(6,977)	(6,825)	(13,838)
Other operating income		391	381	777
Operating profit		7,529	6,367	16,466
Finance revenue		10	2	7
Finance costs		(192)	(247)	(462)
Profit before taxation	3	7,347	6,122	16,011
UK income tax	4	(2,046)	(1,726)	(4,591)
Overseas income tax	4	(202)	(73)	(140)
Profit for the period		5,099	4,323	11,280
Earnings per share				
Basic	5	8.3p	7.0p	18.4p
Diluted	5	8.2p	7.0p	18.3p
Dividend per share	6	3.3p	2.8p	10.3p

Group Statement of Comprehensive Income

For the 26 weeks ended 27 September 2010

	26 weeks ended 27.09.10 £000	26 weeks ended 28.09.09 £000	52 weeks ended 29.03.10 £000
Profit for the period	5,099	4,323	11,280
Other comprehensive income:			
Currency translation differences on foreign currency net investments	(229)	(27)	(144)
Other comprehensive income for the period, net of tax	(229)	(27)	(144)
Total comprehensive income for the period	4,870	4,296	11,136

Group Statement of Changes in Equity

For the 26 weeks ended 27 September 2010

	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 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)
Total comprehensive income for the period	-	-	-	-	(27)	4,323	4,296
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
Tax credit on employee share options	-	-	-	-	-	54	54
Equity dividends paid	-	-	-	-	-	(4,302)	(4,302)
At 28 September 2009	4,610	10,522	(7)	363	2,596	29,725	47,809
Profit for the period	-	-	-	-	-	6,957	6,957
Other comprehensive income:							
Foreign exchange differences	-	-	-	-	(117)	-	(117)
Total comprehensive income for the period	-	-	-	-	(117)	6,957	6,840
Share issue	1	25	-	-	-	-	26
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	566	566
Tax credit on employee share options	-	-	-	-	-	128	128
Equity dividends paid	-	-	-	-	-	(1,721)	(1,721)
At 29 March 2010	4,611	10,547	(7)	363	2,479	35,655	53,648
Profit for the period	-	-	-	-	-	5,099	5,099
Other comprehensive income:							
Foreign exchange differences	-	-	-	-	(229)	-	(229)
Total comprehensive income for the period	-	-	-	-	(229)	5,099	4,870
Share issue	14	341	-	-	-	-	355
ESOT share issue	12	455	(229)	-	-	(238)	-
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	197	197
Tax credit on employee share options	-	-	-	-	-	375	375
Equity dividends paid	-	-	-	-	-	(4,619)	(4,619)
At 27 September 2010	4,637	11,343	(236)	363	2,250	36,469	54,826

Group Balance Sheet

As at 27 September 2010

	As at 27.09.10 £000	As at 28.09.09 (restated) £000	As at 29.03.10 (restated) £000
Non current assets			
Goodwill and intangible assets	8,790	9,325	9,085
Property, plant and equipment	51,644	49,653	50,512
En primeur purchases	7,509	2,135	2,627
Prepaid operating lease costs	1,785	1,595	1,578
Deferred tax assets	1,423	851	942
	71,151	63,559	64,744
Current assets			
Inventories	43,626	40,301	38,511
Trade and other receivables	9,230	7,629	6,894
En primeur purchases	3,814	2,032	2,073
Financial instruments at fair value	106	864	233
Cash and cash equivalents	5,041	1,736	4,774
	61,817	52,562	52,485
Total assets	132,968	116,121	117,229
Current liabilities			
Trade and other payables	(53,058)	(46,968)	(44,202)
En primeur deferred income	(4,522)	(2,551)	(2,538)
Term loan	(673)	(670)	(672)
Bank overdraft	(693)	(5,407)	(2,453)
Provisions	(382)	(113)	(296)
Deferred lease inducements	(114)	(105)	(106)
Financial instruments at fair value	(93)	–	(5)
Current tax liabilities	(2,185)	(1,868)	(2,461)
	(61,720)	(57,682)	(52,733)
Non current liabilities			
Term loan	(5,239)	(5,911)	(5,575)
En primeur deferred income	(9,024)	(2,496)	(3,038)
Provisions	(80)	–	(87)
Deferred lease inducements	(764)	(774)	(747)
Deferred tax liabilities	(1,315)	(1,449)	(1,401)
	(78,142)	(68,312)	(63,581)
Net assets	54,826	47,809	53,648
Shareholders' equity			
Called up share capital	4,637	4,610	4,611
Share premium account	11,343	10,522	10,547
Capital reserve – own shares	(236)	(7)	(7)
Capital redemption reserve	363	363	363
Currency translation reserve	2,250	2,596	2,479
Retained earnings	36,469	29,725	35,655
Equity shareholders' funds	54,826	47,809	53,648

Group Cash Flow Statement

For the 26 weeks ended 27 September 2010

	Note	26 weeks ended 27.09.10 £000	26 weeks ended 28.09.09 £000	52 weeks ended 29.03.10 £000
Cash flows from operating activities				
Cash generated by operations	8	12,913	7,886	21,208
UK income tax paid		(2,676)	(2,046)	(4,309)
Overseas income tax (paid)/received		(38)	243	164
Net cash generated/(utilised) by operating activities		10,199	6,083	17,063
Cash flows from investing activities				
Interest received		10	2	7
UK income tax paid		(2)	-	(8)
Purchase of non current assets		(3,285)	(3,464)	(6,173)
Receipts from sales of non current assets		19	16	23
Net cash utilised by investing activities		(3,258)	(3,446)	(6,151)
Cash inflow before financing		6,941	2,637	10,912
Cash flows from financing activities				
Interest paid		(234)	(276)	(486)
Issue of Ordinary Share capital		355	5	31
Repayment of term loan		(350)	(350)	(700)
Equity dividends paid		(4,619)	(4,302)	(6,023)
Net cash used by financing activities		(4,848)	(4,923)	(7,178)
Net increase/(decrease) in cash and cash equivalents		2,093	(2,286)	3,734
Cash and cash equivalents at beginning of period		2,321	(1,378)	(1,378)
Effect of foreign exchange differences		(66)	(7)	(35)
Cash and cash equivalents at end of period		4,348	(3,671)	2,321
Reconciliation of cash and cash equivalents				
Cash and cash equivalents per Group balance sheet		5,041	1,736	4,774
Bank overdraft per Group balance sheet		(693)	(5,407)	(2,453)
Cash and cash equivalents at end of period		4,348	(3,671)	2,321

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 27 September 2010, 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 29 March 2010, except that the Group has adopted the following revised IFRS during the period.

IFRS 2 Share-Based Payment – Group cash-settled share-based payment transactions

This standard has been amended and it clarifies the accounting for Group cash-settled share-based payment transactions. The amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position 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 29 March 2010. 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 498(2) or (3) of the Companies Act 2006. 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.

Notes to the Group Interim Financial Statements

3. Segment reporting

The Group's operations are 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 Wine and Beer World operated 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 businesses 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 utilised in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised on delivery 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. Comparative information has been restated to reflect this change in the basis of measurement. This restatement has had no impact on reported revenue and profit in the current or comparative periods.

Financing including associated revenues and costs and taxation are managed at a Group level 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.

	26 weeks ended 27.09.10 £000	26 weeks ended 28.09.09 £000	52 weeks ended 29.03.10 £000
Third party revenue			
Majestic Wine Warehouses	106,471	97,068	213,540
Lay & Wheeler	14,790	6,478	13,432
Wine and Beer World	4,306	3,639	7,266
Total operating segment revenue	125,567	107,185	234,238
En primeur sales deferred to future periods (see note 7)	(7,970)	(489)	(1,018)
Total revenue	117,597	106,696	233,220
Segment result			
Majestic Wine Warehouses	6,878	6,325	16,027
Lay & Wheeler	1,424	(143)	21
Wine and Beer World	574	187	416
Total operating segment results	8,876	6,369	16,464
En primeur profit deferred to future periods (see note 7)	(1,347)	(2)	2
Finance revenue less finance costs	(182)	(245)	(455)
Profit before tax	7,347	6,122	16,011
Inter-segment sales eliminated from revenue:			
Lay & Wheeler	1,054	520	906
Segment assets			
Majestic Wine Warehouses	100,659	96,690	95,948
Lay & Wheeler	26,575	16,566	16,684
Wine and Beer World	7,311	6,588	6,330
Unallocated	1,423	851	942
Eliminated	(3,000)	(4,574)	(2,675)
Total group assets	132,968	116,121	117,229

4. Taxation

Taxation for the 26 weeks to 27 September 2010 has been calculated by applying the estimated tax rate for the current financial year ending 29 March 2010, except that deferred tax assets relating to share based payments have been recalculated to reflect an increase in the share price. In addition deferred tax balances have been recalculated to reflect the reduction in the rate of corporation tax to 27% from 28% that is effective from April 2011.

5. Earnings per share

Basic earnings per share is calculated on profit for the period attributable to equity shareholders of £5,099,000 (2009: £4,323,000) apportioned over the weighted average number of Ordinary Shares that were in issue for the period: 61,600,035 (2009: 61,431,568). 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 62,487,027 (2009: 61,565,798).

6. Dividend

A dividend of 7.5p net per share was paid to shareholders on 13 August 2010. An interim dividend of 3.3p per share will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

Notes to the Group Interim Financial Statements

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 delivered to customers. Payments to suppliers are treated as trade receivables and receipts from customers treated as deferred income until the wines are delivered.

In the prior periods, balances related to en primeur purchases and deferred income, have been reported in current assets and liabilities as part of trade receivables and payables. In order to provide users of the financial statements with more detailed and comparable information, management have reclassified en primeur balances to separate lines in the face of the balance sheet. In performing this exercise management have also reviewed the ageing profile of the balances and have re-stated the comparative balance sheets accordingly.

a) Analysis of en primeur balances

	27.09.10 £000	28.09.09 £000	29.03.10 £000
En primeur purchases included in non current assets	7,509	2,135	2,627
En primeur purchases included in current assets	3,814	2,032	2,073
Total en primeur purchases – reclassified from trade receivables	11,323	4,167	4,700
En primeur deferred income included in current liabilities	(4,522)	(2,551)	(2,538)
En primeur deferred income included in non current liabilities	(9,024)	(2,496)	(3,038)
Total en primeur deferred income – reclassified from trade payables	(13,546)	(5,047)	(5,576)
Net en primeur balance	(2,223)	(880)	(876)

b) Movement in en primeur balances

	27.09.10 £000	28.09.09 £000	29.03.10 £000
Net en primeur balance at beginning of period	(876)	(878)	(878)
Movement in en primeur balance	(1,347)	(2)	2
Net en primeur balance at end of period	(2,223)	(880)	(876)

8. Note to the cash flow statement

Reconciliation of profit to cash generated by operations

	26 weeks ended 27.09.10 £000	26 weeks ended 28.09.09 £000	52 weeks ended 29.03.10 £000
Cash flows from operating activities:			
Profit	5,099	4,323	11,280
Adjustments to reconcile profit for the year to cash generated by operations			
Income tax expense	2,248	1,799	4,731
Net finance expense	182	245	455
Amortisation, impairment and depreciation	2,068	1,937	3,934
(Profit)/loss on disposal of non current assets	(9)	–	23
(Increase)/decrease in inventories	(5,115)	(2,549)	(759)
(Increase)/decrease in trade and other receivables	(2,336)	222	957
Increase/(decrease) in trade and other payables	8,913	1,804	(960)
Movement in en primeur balances	1,347	2	(2)
Increase in deferred lease inducements	25	1	(25)
Change in value of derivative instruments	215	(30)	606
Increase/(decrease) in provisions	79	(8)	262
Share based payments	197	140	706
Cash generated by operations	12,913	7,886	21,208

Notes to the Group Interim Financial Statements

9. Net debt

a) Analysis of net debt

	27.09.10 £000	28.09.09 £000	29.03.10 £000
Total cash and cash equivalents	4,348	(3,671)	2,321
Term loan included in current liabilities	(673)	(670)	(672)
Term loan included in non current liabilities	(5,239)	(5,911)	(5,575)
Total net debt	(1,564)	(10,252)	(3,926)

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

	27.09.10 £000	28.09.09 £000	29.03.10 £000
Net increase/(decrease) in cash and cash equivalents	2,093	(2,286)	3,734
Term loan repayment	350	350	700
Amortisation of arrangement fees	(15)	(17)	(33)
Effect of foreign exchange differences	(66)	(7)	(35)
Movement in net debt	2,362	(1,960)	4,366
Net debt at beginning of period	(3,926)	(8,292)	(8,292)
Total net debt	(1,564)	(10,252)	(3,926)

Notes



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