

MAJESTIC WINE PLC
ANNUAL REPORT AND ACCOUNTS 2007



majestic.co.uk



CONGRATULATIONS

WE ARE DELIGHTED THAT FIVE OF OUR STAFF WERE AWARDED WINE AND SPIRIT EDUCATION TRUST AWARDS OF EXCELLENCE AT ADVANCED CERTIFICATE AND DIPLOMA LEVEL.

PARTICULAR CONGRATULATIONS GO TO CLAIRE DAWSON ON BEING THE TOP DIPLOMA GRADUATE.



AWARDS

CLAIRE DAWSON (ABOVE)

STORE MANAGER

Won the highest accolade – The Vintner's Cup awarded annually to the top graduate in the two-year Diploma exam. Claire was also awarded the Vintners' Scholarship for a bourse de voyage to visit New Zealand's wine regions.

CHRIS BURGESS (LEFT)

ASSISTANT STORE MANAGER BERKHAMSTED

Won a Codorniu Scholarship for a study tour to Spain.

ADAM PORTER (ABOVE RIGHT)

ASSISTANT STORE MANAGER VAUXHALL

Won the David Burroughs Scholarship for a place on a WSET study tour to Spain's wine regions.

LIAM TAIT (CENTRE RIGHT)

STORE MANAGER STOCKPORT

Won the Rafael Balao Lustau Memorial Trophy in his Diploma for a study visit to Jerez as a guest of Emilio Lustau SA.

RUSSELL DENT (BELOW RIGHT)

SENIOR ASSISTANT STORE MANAGER

AMERSHAM

Won a Codorniu Scholarship for a study tour to Spain.

INTRODUCTION

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 IN STORE OR VIA ITS WEBSITE AND THE AVAILABILITY OF FREE DELIVERY THROUGHOUT MAINLAND UK.



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DIRECTORS ADVISERS

COMPANY SECRETARY

NIGEL ALLDRITT ACMA

REGISTERED OFFICE

MAJESTIC HOUSE
OTTERSPOOL WAY
WATFORD
HERTS WD25 8WW

AUDITORS

ERNST & YOUNG LLP
400 CAPABILITY GREEN
LUTON LU1 3LU

TAX ADVISERS

PRICEWATERHOUSECOOPERS LLP
10 BRICKET ROAD
ST ALBANS
HERTS AL1 3JX

BANKERS

BARCLAYS BANK PLC
FLOOR 27
1 CHURCHILL PLACE
LONDON E14 5HP

THE ROYAL BANK OF SCOTLAND
9TH FLOOR
280 BISHOPSGATE
LONDON EC2N 4RB

NOMINATED ADVISER AND BROKER

TEATHER & GREENWOOD LIMITED
BEAUFORT HOUSE
15 ST. BOTOLPH STREET
LONDON EC3A 7QR

FINANCIAL ADVISER

CLOSE BROTHERS
CORPORATE FINANCE
10 CROWN PLACE
LONDON EC2A 4FT

SOLICITORS

OSBORNE CLARKE
ONE LONDON WALL
LONDON EC2Y 5EB

ROCHMAN LANDAU
45 MORTIMER STREET
LONDON W1W 8HJ

REGISTRARS

CAPITA REGISTRARS
THE REGISTRY
BOURNE HOUSE
34 BECKENHAM ROAD
BECKENHAM
KENT BR3 4TU

SIMON BURKE

Aged 48, is non-executive Chairman and was appointed to the Board in 2000. He is Chairman of Irish supermarket chain Superquinn.

TIM HOW

Aged 56, is Chief Executive and was appointed to the Board in 1989. He is non-executive Chairman of Framlington AIM VCT plc.

NIGEL ALLDRITT

Aged 43, is Finance Director and Company Secretary and was appointed to the Board in 2002. He is a Chartered Management Accountant and responsible for the finance and IT functions.

STEVE LEWIS

Aged 43, is Chief Operating Officer with responsibility for the Group's trading operations. He was appointed to the Board in 1998.

PAUL DERMODY

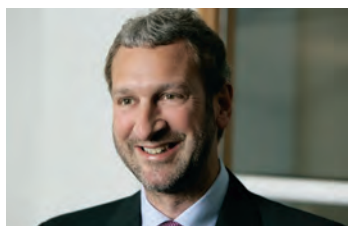
Aged 61, is a non-executive Director and was appointed to the Board in 2003. He is the former Chief Executive of De Vere Group PLC. He is a non-executive Director of Aga Foodservice Group PLC. He chairs the audit committee.

JUSTIN APTHORP

Aged 45, is Buying Director. He was appointed to the Board in January 2006.

HELEN KEAYS

Aged 43, is a non-executive Director and was appointed to the Board in November 2005. She is a non-executive Director of Chrysalis PLC. She chairs the remuneration committee.



CHAIRMAN'S STATEMENT

I AM VERY PLEASED TO ANNOUNCE THAT THE GROUP HAS ACHIEVED ITS FOURTEENTH CONSECUTIVE YEAR OF PROFIT GROWTH.

PROFIT BEFORE TAX (£M)



03 £8.0 04 £10.7 05 £12.9 06 £14.2 07 £16.2
2006 AND 2007 UNDER IFRS AND 2003 TO 2005 UNDER UK GAAP



AWARDS

This year we were delighted to win a number of awards including (left to right)

Retail Industry Awards 2006 – Multiple Off-Licence of the Year.
International Wine Challenge 2006 – High Street Merchant of the Year.
Decanter Retailer Awards – Best High Street Chain.

I am very pleased to announce that the Group has achieved its fourteenth consecutive year of profit growth.

Profit before tax increased by 14.1% to £16.2m and total Group sales were up 11.0% to £191.2m with like for like UK sales growing 4.9%.

DIVIDEND

We are recommending for approval by shareholders at the Annual General Meeting a final dividend of 6.2 pence net per share payable on 10 August 2007 to shareholders on the register on 13 July 2007. This brings the total dividend to 8.5 pence net per share, an increase of 21.4% on 2006, in line with our progressive dividend policy.

SHARE BUY-BACK PROGRAMME

In our interim statement we announced our intention to commence an open market programme to buy back Ordinary Shares up to a maximum value of £20m. To date we have made purchases of 1.66m Ordinary Shares for an aggregate consideration of £5.4m. The Board intends to continue the programme to the same maximum, but only on the basis that any buy-backs are enhancing to shareholder value. We will therefore be seeking to renew the existing authority for the Company to purchase up to 10% of its issued share capital at the forthcoming Annual General Meeting.

PEOPLE

We know that outstanding customer service is at the heart of Majestic's continuing success. This service is built from the professionalism and expertise of the people in Majestic, in both the stores and the support areas. I would like to thank all of our team for creating these excellent results.

CURRENT TRADING

We have had a good start to the new financial year, with UK like for like sales growth in the first eleven weeks, from 3 April to 18 June 2007, at 4.9%.



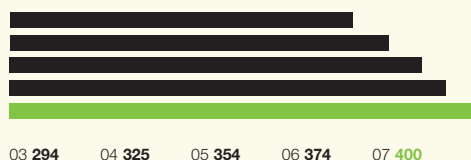
Simon Burke

SIMON BURKE
CHAIRMAN

REVIEW OF OPERATIONS

WE HAVE SEEN A GOOD INCREASE IN OUR CUSTOMER BASE. THE NUMBER OF CUSTOMERS, WHO HAVE MADE PURCHASES IN THE LAST TWELVE MONTHS, IS UP BY 7% TO OVER 400,000. THE AVERAGE BOTTLE PRICE OF STILL WINE PURCHASED AT MAJESTIC HAS INCREASED TO £5.75 FROM £5.59 AND THE AVERAGE SPEND PER TRANSACTION HAS RISEN TO £123 FROM £118 LAST YEAR.

NUMBER OF CUSTOMERS WHO MADE PURCHASES ('000)



INTERNET

Web based transactions now represent 7.2% of UK retail sales.

We have seen a good increase in our customer base. The number of customers, who have made purchases in the last twelve months, is up by 7% to over 400,000. The average bottle price of still wine purchased at Majestic has increased to £5.75 from £5.59 and the average spend per transaction has risen to £123 from £118 last year.

Sales growth was particularly strong in wines from Bordeaux, Loire, Spain, New Zealand, Chile and Argentina. Sales of Champagne and rosé wine also continued to show very good growth.

Sales of fine wine (still wine priced at £20 and above) grew well increasing 25% and now accounting for 3.6% of UK retail sales. Currently 28 stores have dedicated fine wine sales areas and by Christmas we expect to have extended this to 40.

We continue to operate a combination of long term promotions backed up by shorter run deep cut offers and this strategy has again proven very successful. Each campaign is supported by customer communication and during the year, four full price lists and three promotional leaflets were mailed. We recognise the importance of regular contact with our customers and already this year we have mailed an additional leaflet to support our May Champagne offer.

CUSTOMER SERVICE

We differentiate our business from the competition in a variety of ways. At each of our stores we hold a wide range of stock in depth and customers can always taste a selection of wines at our in-store tasting counters. We have dedicated customer car parking on site at all our stores (except four stores in central London) and we offer a carry-to-car service. We operate free delivery seven days a week arranged at a time to suit. However the most important differentiator is the quality of the customer service provided by our staff.

We recruit motivated people, primarily at graduate level, who have an interest in learning about wine and customer service. We place great emphasis on employee development and have designed a comprehensive internal training programme, which is recognised as being one of the best in the wine industry.

All our retail staff take the Wine and Spirit Education Trust's (WSET) Advanced Certificate after about six months in the Company. We encourage them to further their wine knowledge and 140 either hold or are studying for the WSET Diploma in 2007. We were delighted that five of our team received WSET "Awards of Excellence" in February 2007 for outstanding papers in their Advanced Certificate and Diploma examinations. Particular congratulations go to Claire Dawson, one of our store managers, who won the highest accolade – the Vintner's Cup, awarded annually to the top graduate who achieved the highest aggregate mark in the two-year Diploma exam.

NEW STORES

We are pleased with the progress made in increasing the rate of our store-opening programme. We opened in eight new locations during the financial year in East Molesey, Bicester, Cheam, Leamington Spa, Lincoln, Huddersfield, Dulwich and Colchester. In addition, we have re-sited our stores in Cardiff, Tunbridge Wells and Sheffield.

Since the year end we have opened in Sonning, giving us 136 stores in the UK. In addition we have re-sited our units in Chester and St. Albans and relocated from Acocks Green to Shirley in Birmingham. We also have a number of other locations in advanced stages of negotiation, including sites in Aberdeen, Brentford Lock, Hereford, Macclesfield and Sevenoaks. We now own 30 freehold sites.

ECOMMERCE

The number of orders placed over our website, www.majestic.co.uk, continues to show significant growth increasing by 35% in the year and now representing 7.2% of UK retail sales. We have successfully increased our database of email addresses for customers and we now have more than 150,000, up by 50%.

FINE WINE

28 stores now have dedicated fine wine sales areas. Pictured right is the climate-controlled unit in our Richmond store.

SUMMER PRICE LIST

Over 385,000 customers were mailed our Summer price list containing details of all our new lines and promotions.



Later in 2007 we will be launching a new website on a more flexible and secure platform designed to support future growth. The new site will improve the customer experience with better search and navigation options, as well as featuring more content to emphasise our wine expertise. We will also be able to achieve greater levels of personalisation and targeted marketing.

CORPORATE SALES

The year has seen another successful period with sales to corporate customers now representing 26% of UK sales. We have increased our regional sales team to fourteen and see considerable opportunities for further sales growth. Their responsibility is to source new restaurant, hotel and business accounts with all subsequent logistics handled by the nearest Majestic store.

Additionally in London we have a sales team of ten. They operate from a dedicated depot and office near King's Cross and sell to larger corporate customers in the City and West End.

WINE AND BEER WORLD

We have experienced challenging trading conditions in our French business as the market continues to suffer from a decline in day-trip traffic. Like for like sales, on a same currency basis, declined 5.2% on last year. However in the second half, sales declined by only 1.8% and since the financial year end we have seen a modest sales increase. The business generated profit before tax of £1.8m compared with £1.9m last year. The pre-ordering of wines before travelling to France for collection from our stores continues to grow in importance. Customers may order via our website, www.wineandbeer.co.uk, or over the telephone and together these account for 34% of sales.

FUTURE PROSPECTS

We are encouraged by our ability to attract new customers and see a continuing trend towards purchasing higher quality wines. We believe that prospects for the future growth of Majestic are good.



TIM HOW
CHIEF EXECUTIVE

PROPERTY



SONNING



DULWICH



LEAMINGTON SPA



CHESTER



ST.ALBANS



CHEAM

SCOTLAND

AYR
EDINBURGH CAUSEWAYSIDE
EDINBURGH COMISTON ROAD
GLASGOW BEARSDEN
GLASGOW CHARING CROSS
GLASGOW GIFFNOCK
INVERNESS
PERTH
STIRLING

NORTH

- BEVERLEY
- BIRKDALE SOUTHPORT
- ▲ CHESTER
- DARLINGTON
- HARROGATE
- HUDDERSFIELD
- KENDAL
- LEEDS CENTRAL
- LEEDS CHAPEL ALLERTON
- LINCOLN
- MANCHESTER
- NEWCASTLE
- PRESTON
- ▲ SHEFFIELD
- STOCKPORT
- WARRINGTON
- WILMSLOW
- YORK
- WALES
- ▲ CARDIFF
- SWANSEA

MIDLANDS

- BANBURY
- BICESTER
- BIRMINGHAM HAGLEY ROAD
- ▲ BIRMINGHAM SHIRLEY
- DERBY
- LEAMINGTON SPA
- LEICESTER
- MERE GREEN SUTTON COLDFIELD
- MILTON KEYNES
- NORTHAMPTON
- NOTTINGHAM
- OXFORD
- STOURBRIDGE
- STOW-ON-THE-WOLD
- WOLVERHAMPTON
- WORCESTER
- EAST
- CAMBRIDGE
- COLCHESTER
- IPSWICH
- NORWICH
- PETERBOROUGH

SOUTH AND WEST

BARNSTAPLE
BATH
BRISTOL BATH ROAD
BRISTOL FILTON
CHELTENHAM
CHICHESTER
CHIPPENHAM
CIRENCESTER
DORCHESTER
EXETER
GLOUCESTER
MARLBOROUGH
NEWBURY
POOLE
SALISBURY
SOUTHAMPTON
SWINDON
TAUNTON
WINCHESTER



HUDDERSFIELD



TUNBRIDGE WELLS

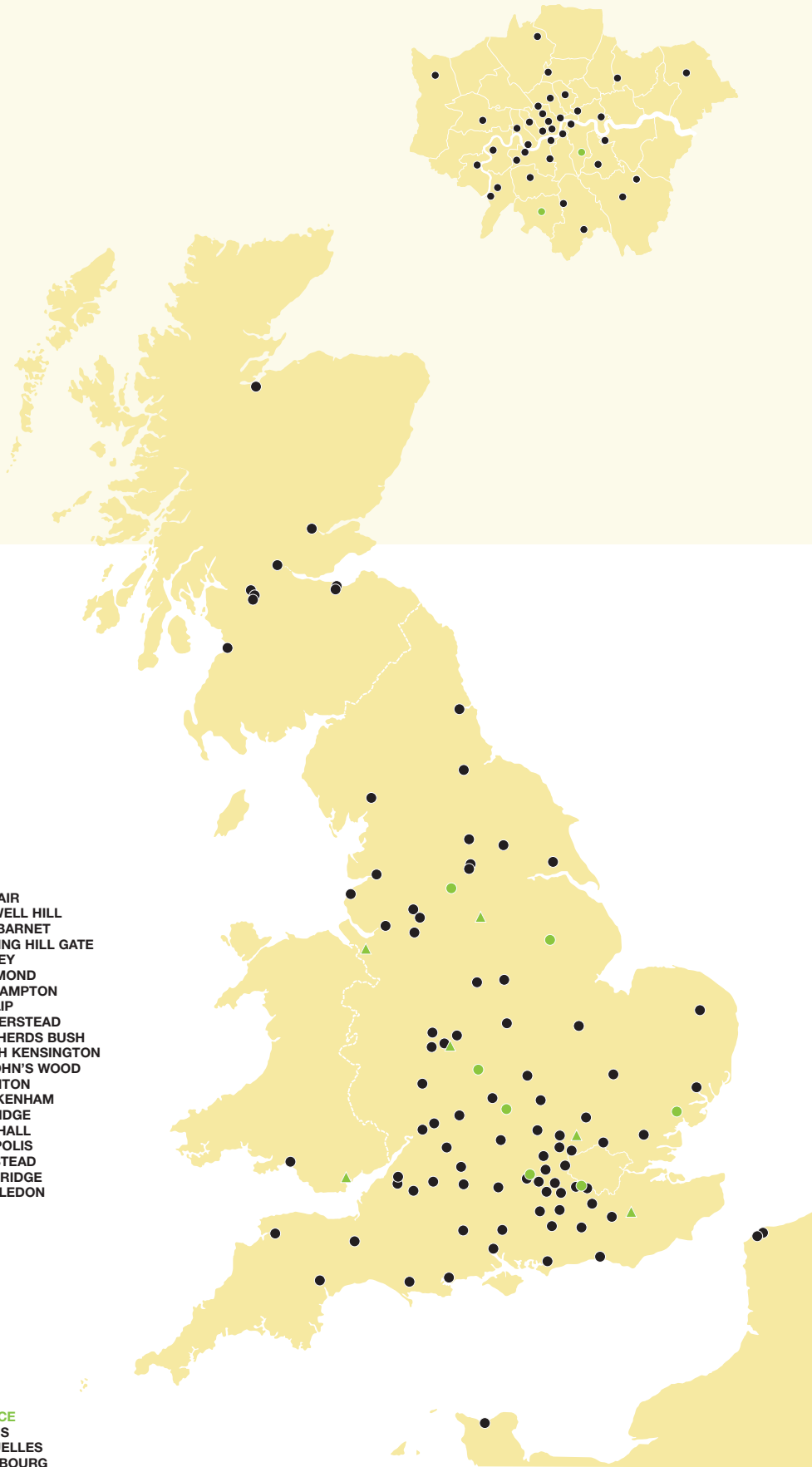
- KEY
- ▲ RELOCATIONS
 - NEW STORES

- SOUTH EAST
- AMERSHAM
 - AYLESBURY
 - BERKHAMSTED
 - BRIGHTON & HOVE
 - CAMBERLEY
 - CHELMSFORD
 - EAST GRINSTEAD
 - FARNHAM
 - GUILDFORD
 - HASLEMERE
 - HIGH WYCOMBE
 - HORSHAM
 - MAIDENHEAD
 - MAIDSTONE
 - READING
 - REIGATE
 - SONNING
 - ▲ ST. ALBANS
 - STEVENAGE
 - SUNNINGDALE
 - ▲ TUNBRIDGE WELLS
 - WOKING
 - WOKINGHAM

- LONDON AND INSIDE M25
- BATTERSEA
 - BELGRAVIA
 - BROMLEY
 - BUSHEY
 - CATFORD
 - CHALK FARM
 - CHEAM
 - CHISLEHURST
 - CITY
 - CLAPHAM
 - CROYDON
 - COVENT GARDEN
 - DOCKLANDS
 - DULWICH
 - EALING
 - EAST MOLESEY
 - ENFIELD
 - EPSOM
 - FULHAM
 - GIDEA PARK
 - GREENWICH
 - ISLINGTON
 - KINGSTON
 - MARYLEBONE

- MAYFAIR
- MUSWELL HILL
- NEW BARNET
- NOTTING HILL GATE
- PUTNEY
- RICHMOND
- ROEHAMPTON
- RUISLIP
- SANDERSTEAD
- SHEPHERDS BUSH
- SOUTH KENSINGTON
- ST. JOHN'S WOOD
- SURBITON
- TWICKENHAM
- UXBRIDGE
- VAUXHALL
- VINOPOLIS
- WANSTEAD
- WEYBRIDGE
- WIMBLEDON

- FRANCE
- CALAIS
 - COQUELLES
 - CHERBOURG



DIRECTORS' REPORT FOR THE YEAR ENDED 2 APRIL 2007

The Directors present their report and Group financial statements for the year ended 2 April 2007.

PRINCIPAL ACTIVITY

The principal activity of the business is the retailing of wines, beers and spirits.

RESULTS AND REVIEW OF THE BUSINESS

The Group Income Statement is set out on page 13.

The Directors' Report should be read in conjunction with the Chairman's Statement on page 3 and the Review of Operations on pages 4 to 5 which include information about the Group's business performance during the year and indication of future prospects.

DIVIDENDS

The Directors propose that a final dividend of 6.2p net per Ordinary Share be paid which, together with an interim dividend of 2.3p paid on 5 January 2007, makes a total of 8.5p (2006: 7.0p) per share for the year. The final dividend amounting to £3,968,000, if approved, will be paid on 10 August 2007 to the shareholders whose names appear on the Register of Members at the close of business on 13 July 2007.

DIRECTORS

The Directors who served during the year and their interests in the Ordinary Share capital of the Company were:

	Number of Ordinary Shares	
	2007	2006
Tim How (note 1)	429,789	420,632
Steve Lewis	47,061	40,091
Nigel Alldritt	58,620	56,356
Justin Apthorp (note 2)	759,639	762,971
Simon Burke	8,000	8,000
Paul Dermody (note 3)	7,000	7,000
Helen Keays	—	—

Notes:

- 1) 218,801 of the Ordinary Shares that Tim How has an interest in are held in his own name, 190,988 are held by his wife and 20,000 are held jointly.
- 2) 35,639 of the Ordinary Shares that Justin Apthorp has an interest in are held in his own name, 24,000 are held by his wife and 700,000 are held by Meespiersen.
- 3) 2,000 of the Ordinary Shares that Paul Dermody has an interest in are held in his own name and 5,000 are held by his wife.

Simon Burke, Paul Dermody and Helen Keays are non-executive Directors.

In accordance with the Company's Articles of Association Steve Lewis and Paul Dermody retire by rotation and, being eligible, offer themselves for re-election.

The Group has provided to all of its Directors limited indemnities in respect of costs of defending claims against them and third party liabilities.

SHARE CAPITAL

The authorised and called-up share capital of the Company, together with details of the Ordinary Shares allotted and purchased during the year are shown in note 22 of the financial statements. The Company is authorised by the shareholders to purchase, in the market, the Company's own shares up to a maximum aggregate nominal value equal to £486,412 representing approximately 10% of the nominal value of the issued ordinary share capital of the Company. This authority is renewable annually and approval will be sought at the Annual General Meeting to renew the authority for a further year. It is the Company's present intention to cancel any shares it buys back, rather than hold them in treasury.

MAJOR SHAREHOLDERS

At 6 June 2007 the following interests of shareholders in excess of 3%, have been notified to the Company.

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
P&L Trust Company Limited	7,978,376	12.45
Fidelity Investments	4,857,583	7.58
Artemis Investment Management	3,625,736	5.66
AXA Framlington Investment Managers	2,798,766	4.37
UBS Global Asset Management	2,554,143	3.98

CORPORATE GOVERNANCE

The Board has established a remuneration committee and an audit committee.

REMUNERATION COMMITTEE

The remuneration committee consists of the Chairman and the two non-executive Directors. It is chaired by Helen Keays and meets as required during the year. The committee determines the remuneration and benefits of the executive Directors. The executive Directors have rolling one year contracts subject to one year's notice on either side. The remuneration of non-executive Directors is determined by the Board within the limits set by the Company's Articles of Association. They have letters of engagement with the Company and their appointments are terminable on three months written notice on either side.

DIRECTORS' REPORT FOR THE YEAR ENDED 2 APRIL 2007

SHARE OPTION SCHEMES

The Group operates executive share option schemes (one of which is a HM Revenue & Customs company approved share option scheme and one which is unapproved for tax purposes) in which the Directors and employees participate. The Group also operates a savings related share option scheme that is available to all Group employees, and conforms to HM Revenue & Customs rules. The executive share option schemes and the savings related share option scheme were renewed in August 2006. The committee determines the allocation of options for the share schemes and the awards made for the co-investment plan and the deferred bonus scheme.

The executive Directors' participation in the Group's executive share option schemes is limited such that they are eligible to receive options over shares in value up to a maximum of two times gross salary at the date of grant which will only become exercisable on the achievement of performance criteria determined by the remuneration committee. During the year Justin Apthorp was granted options over 50,000 shares each at an exercise price of £2.93 per share. The options will vest at the end of a three year holding period, provided fully diluted earnings per share shows a 5% compound growth in excess of the growth in the retail prices index (excluding mortgage interest payments) over the three year period. If the condition is not met the options will lapse.

CO-INVESTMENT PLAN

The Company operates an annual cash bonus and co-investment plan for the executive Directors. Four executive Directors, Tim How, Nigel Alldritt, Steve Lewis and Justin Apthorp are entitled to a combined cash award of £205,000 under the terms of the annual bonus scheme for the year ended 2 April 2007. The remuneration committee has determined that they will be required to invest a minimum of 25% of their net annual bonus to acquire shares, which must be held in the co-investment plan. Participants may also invest additional amounts in the form of cash or shares in the plan such that the total value invested is not more than 60% of gross salary this year. Shares invested must be held in the plan for three years. At the end of the period, provided participants are still employed within the Group and dependent upon the achievement of specified performance targets related to total shareholder return, they may be awarded free shares up to a maximum award of one and a half free shares for every share invested. The total amount payable under the scheme is capped at one and a half times gross salary in any one year.

The Directors' interests in share options are as follows:

	Options at 27.03.06	Options granted	Options exercised	Options at 02.04.07	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date	Scheme name
Tim How	200,000	–	100,000	100,000	£1.145	£3.30	09.07.05	08.07.09	Unapproved
	4,396	–	4,396	–	£1.2625	£3.165	01.09.06	28.02.07	SAYE
	1,904	–	–	1,904	£1.99	–	01.03.08	31.08.08	SAYE
	11,380	–	–	11,380	£2.635	–	25.07.08	25.07.15	Approved
	38,620	–	–	38,620	£2.635	–	25.07.08	24.07.15	Unapproved
	73,275	–	–	73,275	nil	–	25.07.08	24.07.15	Co-investment
	–	1,982	–	1,982	£2.86	–	01.03.10	31.08.10	SAYE
Nigel Alldritt	65,000	–	30,000	35,000	£1.145	£3.30	09.07.05	08.07.09	Unapproved
	11,380	–	–	11,380	£2.635	–	25.07.08	25.07.15	Approved
	38,620	–	–	38,620	£2.635	–	25.07.08	24.07.15	Unapproved
	34,482	–	–	34,482	nil	–	25.07.08	24.07.15	Co-investment
	4,192	–	–	4,192	£2.23	–	01.03.09	31.08.09	SAYE
Steve Lewis	4,840	–	–	4,840	£0.76875	–	22.12.01	22.12.08	Approved
	78,750	–	–	78,750	£1.145	–	09.07.05	08.07.09	Unapproved
	4,396	–	4,396	–	£1.2625	£3.165	01.09.06	28.02.07	SAYE
	1,904	–	–	1,904	£1.99	–	01.03.08	31.08.08	SAYE
	9,970	–	–	9,970	£2.635	–	25.07.08	25.07.15	Approved
	40,030	–	–	40,030	£2.635	–	25.07.08	24.07.15	Unapproved
	37,930	–	–	37,930	nil	–	25.07.08	24.07.15	Co-investment
	–	1,321	–	1,321	£2.86	–	01.03.10	31.08.10	SAYE
Justin Apthorp	4,761	–	–	4,761	£1.99	–	01.03.08	31.08.08	SAYE
	–	10,235	–	10,235	£2.93	–	10.07.09	10.07.16	Approved
	–	39,765	–	39,765	£2.93	–	10.07.09	09.07.16	Unapproved

The market value of the Company's shares at 2 April 2007 was 386.0p. The highest and lowest prices during the year were 402.25p and 274.0p respectively.

DEFERRED BONUS SCHEME

The Group operates a deferred bonus scheme for senior managers, which excludes the executive Directors.

It involves the award of bonus shares to participants subject to meeting performance criteria that are set annually by the remuneration committee. Any bonus shares awarded in this manner are held on behalf of participants by the trustee of the Company's employee share ownership trust for a two year deferral period. At the end of that period, participants have a right to receive loyalty shares of equivalent number provided that they are still in employment.

Under the terms of the scheme for the financial year ended 2 April 2007, participants are entitled to an award of bonus shares equal to £131,000.

The best estimate for the cost of bonus and loyalty shares including employer national insurance is £284,000. The cost of the scheme is spread over the current year and the two-year deferral period with £178,000 recognised in the income statement for the year ended 2 April 2007 in accordance with IFRS 2.

DIRECTORS' REPORT FOR THE YEAR ENDED 2 APRIL 2007

AUDIT COMMITTEE

The audit committee consists of the Chairman and the two non-executive Directors. It is chaired by Paul Dermody. The other Directors attend by invitation. It meets as required during the year, at least once with the Group's external auditors. Its role is to review the interim and final financial statements for approval by the Board, to ensure that appropriate financial and operating controls are functioning properly and to provide the forum through which the Group's external auditors report to the Board.

INTERNAL CONTROLS

The Directors are responsible for the Group's internal controls, and have established a framework intended to provide reasonable, but not absolute, assurance against material financial misstatement or loss.

FINANCIAL REPORTING

The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The budget is reviewed and approved by the Board. The key trading aspects of the business are monitored weekly and internal management and financial accounts are prepared quarterly. The results are compared to budget and prior year performance.

STORE CONTROL ENVIRONMENT

Operating procedures for control of store operations are clearly documented and set out in operation manuals. Senior operational managers are responsible for the implementation of these procedures and compliance is monitored.

RISK MANAGEMENT

The risks facing the business are assessed on an ongoing basis. The executive Directors have direct responsibility for a number of key risk areas. They evaluate the likelihood and potential impact of risks and ensure appropriate action is taken to mitigate them. The key risks and mitigating factors are set out below.

- The retail industry is very competitive. The Group competes with a number of retailers of varying size on areas including price, range, quality and service. Failure to compete effectively could have an adverse impact on the financial results. Apart from regularly monitoring performance against competitors in these areas the Group mitigates its exposure by ensuring that the business is differentiated from the competition by the diversity and quantity of stock at each location, provision of dedicated car parking and wine expertise.
- The Group recognises that it is essential to its success to attract, retain and motivate staff at all levels in the organisation. The Group considers its employment policies regularly and provides a comprehensive package of salary and benefits, including bonuses and participation in the Group's share option schemes. Great emphasis is placed on training in order to help people achieve their full potential.
- The business is dependent on information technology systems and a significant failure may impact the Group's ability to trade. The Group has extensive controls in place to ensure integrity and reliability of its systems. Recovery plans are in place to ensure that any disruption from a failure can be kept to a minimum and they are regularly tested.
- As a drinks retailer the Group operates in a market that is regulated most notably by way of licences to sell alcohol. The Group monitors compliance with licensing requirements ensuring that all relevant staff hold the appropriate qualifications. Changes in the regulatory environment could occur at any time and may have a detrimental effect on the business.
- The Group imports product direct from suppliers located abroad and is therefore exposed to risk from fluctuations in foreign currency exchange rates. Forward currency contracts are purchased to mitigate foreign currency exposures.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are discussed in note 26 to the financial statements.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made in the year amounted to £24,000. The largest beneficiary was the Motor Neurone Disease Association at £20,000. The Group made no political donations during the year.

KEY PERFORMANCE INDICATORS

The Company monitors a number of performance indicators both financial and non-financial.

	53 weeks to 02.04.07	52 weeks to 27.03.06
Total % increase in Group turnover (%)*	11.0%	6.0%
UK retail like for like sales increase (%)	4.9%	3.8%
Profit before tax £m*	£16.2m	£14.2m
Profit before tax as a % of total turnover (%)	8.5%	8.2%
Number of stores trading in the UK	135	127
Number of active customers	400,000	374,000
Average transaction value (£)	£123	£118

* Note that these indicators are partly influenced by the change in reporting period to 53 weeks as against 52 weeks in the comparative.

These indicators are discussed in the Chairman's Statement and the Review of Operations.

DIRECTORS' REPORT FOR THE YEAR ENDED 2 APRIL 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable United Kingdom Law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare Group and Company financial statements for each financial year which present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group and Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 8. Having made enquiries of fellow Directors and of the Company's auditors each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

EMPLOYEES

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's aims and objectives are communicated in an open and regular manner. Employees are kept informed of the Group's performance and activities by regular briefings. Directors and senior managers visit stores frequently to brief staff and discuss matters of concern or interest. The Group's senior staff participate in the Group's share option schemes, and the deferred bonus scheme. Recruitment and training development policies give equal opportunity to all employees regardless of sex, colour, race, religion or ethnic origin. The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. The Group uses its best endeavours to continue to employ persons who become disabled during their employment. Training programmes are held for all levels of staff. These are aimed at increasing skills and contribution with particular emphasis placed on product knowledge and customer service skills.

PAYMENT OF SUPPLIERS

The Group does not follow any formal code of practice for payment of its suppliers. The Group's current policy concerning the payment of the majority of its trade and other payables is to:

- (a) agree the terms of payment with suppliers when agreeing the terms of business;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms on purchase orders; and
- (c) pay in accordance with the terms agreed.

The average credit period taken during the year by the Group was 79 days (2006: 81 days). The Company has no trade payables.

GOING CONCERN

The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

AUDITORS

A resolution to reappoint Ernst & Young LLP will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditor's remuneration.

By Order of the Board

Nigel Alldritt ACMA
Secretary

Majestic House
Otterspool Way
Watford
WD25 8WW

25 June 2007

Registered in England Wales
No. 2281640

AUDIT REPORT FOR THE YEAR ENDED 2 APRIL 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the Group and parent company (the "Company") financial statements (the "financial statements") of Majestic Wine PLC for the year ended 2 April 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Equity and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and Review of Operations. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of the Group's affairs as at 2 April 2007 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 2 April 2007;
- the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor
Luton

25 June 2007

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 2 APRIL 2007

	Note	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
REVENUE		191,193	172,195
Cost of sales		(150,879)	(135,925)
GROSS PROFIT		40,314	36,270
Distribution costs		(14,945)	(13,834)
Administrative costs		(10,218)	(8,827)
Other operating income		534	469
OPERATING PROFIT	6	15,685	14,078
Finance revenue	8	474	155
Finance costs	8	(1)	(74)
PROFIT BEFORE TAXATION		16,158	14,159
UK income tax	9	(4,675)	(3,885)
Overseas income tax	9	(578)	(644)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT COMPANY		10,905	9,630
EARNINGS PER SHARE			
Basic	10	16.8p	15.0p
Diluted	10	16.6p	14.7p
TOTAL DIVIDEND PER SHARE FOR THE YEAR	11	8.5p	7.0p

GROUP AND COMPANY BALANCE SHEETS AS AT 2 APRIL 2007

	Note	Group 02.04.07 £000	Group 27.03.06 £000	Company 02.04.07 £000	Company 27.03.06 £000
NON CURRENT ASSETS					
Goodwill and intangible fixed assets	12	6,426	6,708	–	–
Property, plant and equipment	13	36,723	33,732	–	–
Prepaid operating lease costs	14	1,251	1,203	–	–
Deferred tax asset	9	1,271	2,125	–	–
Investments in subsidiaries	15	–	–	12,021	12,021
		45,671	43,768	12,021	12,021
CURRENT ASSETS					
Inventories	16	30,335	28,698	–	–
Trade and other receivables	17	6,731	6,116	21,386	8,896
Financial instruments at fair value	26	69	129	–	–
Cash and cash equivalents	26	4,484	5,916	–	–
		41,619	40,859	21,386	8,896
Non current assets held for sale	18	588	–	–	–
TOTAL ASSETS		87,878	84,627	33,407	20,917
CURRENT LIABILITIES					
Trade and other payables	19	(33,648)	(33,725)	–	–
Provisions	20	(318)	(229)	–	–
Deferred lease inducements	21	(95)	(93)	–	–
Financial instruments at fair value	26	(4)	(49)	–	–
Current tax liabilities		(1,321)	(770)	–	–
		(35,386)	(34,866)	–	–
NON CURRENT LIABILITIES					
Trade and other payables	19	–	–	(2,000)	(2,000)
Provisions	20	(60)	(57)	–	–
Deferred lease inducements	21	(703)	(728)	–	–
Deferred tax liabilities	9	(404)	(331)	–	–
TOTAL LIABILITIES		(36,553)	(35,982)	(2,000)	(2,000)
NET ASSETS		51,325	48,645	31,407	18,917
SHAREHOLDERS' EQUITY					
Called up share capital	22	4,803	4,864	4,803	4,864
Share premium account	22	9,518	8,371	9,518	8,371
Capital reserve – own shares	22	(120)	(391)	–	–
Capital redemption reserve	22	125	–	125	–
Currency translation reserve	22	(119)	107	–	–
Retained earnings		37,118	35,694	16,961	5,682
EQUITY SHAREHOLDERS' FUNDS		51,325	48,645	31,407	18,917

The financial statements were approved by the Board on 25 June 2007 and signed on its behalf by:

Simon Burke
Chairman

GROUP AND COMPANY CASH FLOW STATEMENTS FOR THE YEAR ENDED 2 APRIL 2007

	Group 53 weeks 02.04.07 £000	Group 52 weeks 27.03.06 £000	Company 53 weeks 02.04.07 £000	Company 52 weeks 27.03.06 £000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit for the year	10,905	9,630	–	–
Income tax expense	5,253	4,529	–	–
Net finance revenue	(473)	(81)	–	–
Amortisation and depreciation	2,733	2,519	–	–
Profit on disposal of non current assets	(410)	(133)	–	–
Increase in inventories	(1,637)	(791)	–	–
Increase in trade and other receivables	(615)	(2,230)	(12,236)	(1,310)
Decrease in trade and other payables	(67)	(8)	–	–
Decrease in deferred income	(23)	(63)	–	–
Change in fair value of derivative instruments	15	(93)	–	–
Increase in provisions	92	64	–	–
Share based payments	577	483	–	–
CASH GENERATED/(UTILISED) BY OPERATIONS	16,350	13,826	(12,236)	(1,310)
UK income tax paid	(2,595)	(3,948)	–	–
Overseas income tax paid	(618)	(699)	–	–
NET CASH GENERATED/(UTILISED) BY OPERATING ACTIVITIES	13,137	9,179	(12,236)	(1,310)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	464	170	–	–
Dividends received	–	–	21,278	3,787
UK income tax paid	(78)	(34)	–	–
Overseas income tax paid	(18)	(16)	–	–
Purchase of non current assets	(8,109)	(8,971)	–	–
Receipts from sales of non current assets	1,560	54	–	–
Receipts from sales of non current assets held for sale	697	465	–	–
NET CASH (UTILISED)/GENERATED BY INVESTING ACTIVITIES	(5,484)	(8,332)	21,278	3,787
CASH INFLOW BEFORE FINANCING	7,653	847	9,042	2,477
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(1)	(74)	–	–
Issue of Ordinary Share capital	1,211	877	1,211	877
Receipt for exercise of share options satisfied by QUEST	–	199	–	199
Receipt for shares issued to ESOT	–	–	–	232
Shares re-purchased	(5,445)	–	(5,445)	–
Equity dividends paid	(4,808)	(3,785)	(4,808)	(3,785)
NET CASH USED BY FINANCING ACTIVITIES	(9,043)	(2,783)	(9,042)	(2,477)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,390)	(1,936)	–	–
Cash and cash equivalents at beginning of year	5,916	7,840	–	–
Effect of foreign exchange differences	(42)	12	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,484	5,916	–	–

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2 APRIL 2007

	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 shareholders' funds £000
GROUP							
At 28 March 2005 as previously stated	4,776	6,750	(407)	–	–	28,213	39,332
Prior year effect of adoption of IFRS	–	–	–	–	–	1,268	1,268
At 28 March 2005 as restated	4,776	6,750	(407)	–	–	29,481	40,600
Share issue	64	813	–	–	–	–	877
ESOT share issue	7	225	(116)	–	–	(116)	–
QUEST share issue	17	583	–	–	–	(600)	–
Options satisfied from QUEST	–	–	–	–	–	199	199
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	–	–	–	–	–	483	483
Shares vesting under deferred bonus scheme	–	–	132	–	–	(132)	–
Profit for the year	–	–	–	–	–	9,630	9,630
Currency translation differences on foreign currency net investments	–	–	–	–	107	–	107
Tax credit on employee share options	–	–	–	–	–	534	534
Total income and expense for the year	–	–	–	–	107	10,164	10,271
Equity dividends paid	–	–	–	–	–	(3,785)	(3,785)
At 27 March 2006	4,864	8,371	(391)	–	107	35,694	48,645
Share issue	64	1,147	–	–	–	–	1,211
Shares vesting under deferred bonus scheme	–	–	271	–	–	(271)	–
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	–	–	–	–	–	577	577
Profit for the year	–	–	–	–	–	10,905	10,905
Currency translation differences on foreign currency net investments	–	–	–	–	(226)	–	(226)
Tax credit on employee share options	–	–	–	–	–	466	466
Total income and expense for the year	–	–	–	–	(226)	11,371	11,145
Purchase and cancellation of share capital	(125)	–	–	125	–	(5,445)	(5,445)
Equity dividends paid	–	–	–	–	–	(4,808)	(4,808)
AT 2 APRIL 2007	4,803	9,518	(120)	125	(119)	37,118	51,325
COMPANY							
At 28 March 2005	4,776	6,750	–	–	–	6,081	17,607
Share issue	64	813	–	–	–	–	877
ESOT share issue	7	225	–	–	–	–	232
QUEST share issue	17	583	–	–	–	(600)	–
Options satisfied from QUEST	–	–	–	–	–	199	199
Profit for the year	–	–	–	–	–	3,787	3,787
Total income and expense for the year	–	–	–	–	–	3,787	3,787
Equity dividends paid	–	–	–	–	–	(3,785)	(3,785)
At 27 March 2006	4,864	8,371	–	–	–	5,682	18,917
Share issue	64	1,147	–	–	–	–	1,211
Profit for the year	–	–	–	–	–	21,532	21,532
Total income and expense for the year	–	–	–	–	–	21,532	21,532
Purchase and cancellation of share capital	(125)	–	–	125	–	(5,445)	(5,445)
Equity dividends paid	–	–	–	–	–	(4,808)	(4,808)
AT 2 APRIL 2007	4,803	9,518	–	125	–	16,961	31,407

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 1985 (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. The Company's principal activity is to act as a holding company for its subsidiaries.

2. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Group's and Company's financial statements for the year ended 2 April 2007 were authorised for issue by the Board of Directors on 25 June 2007 and the balance sheets were signed on the Board's behalf by Simon Burke.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company's financial statements have been prepared on the same basis and as permitted by Section 230(3) of the Companies Act 1985, no income statement is presented for the Company.

3. BASIS OF PREPARATION

These are the Group's and Company's first financial statements prepared under IFRS and IFRS 1 "First Time Adoption of International Financial Reporting Standards" has been applied. The last financial statements under UK Generally Accepted Accounting Principles ("UK GAAP") were for the 52 weeks to 27 March 2006 and the comparatives have been restated to comply with IFRS. The transition from UK GAAP to IFRS is explained in note 28.

The financial year represents the 53 weeks to 2 April 2007 and the prior financial year, 52 weeks to 27 March 2006. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening balance sheet at 28 March 2005 for the purposes of transition to IFRS.

4. ACCOUNTING POLICIES

Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up to the nearest Monday to 31 March each year. The interim results are prepared for the first 26 weeks of the relevant full period.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

Company investment in subsidiaries

In its separate financial statements the Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post acquisition profits.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue consists of:

- sales through retail outlets in the UK and France and trade sales through both head office and our dedicated depot in King's Cross measured at the fair value of consideration, net of returns, rebates and value-added taxes and recognised when the significant risks and rewards of ownership have been transferred to the buyer,
- finance revenue is interest receivable from bank deposits, interest receivable from lessees under the terms of their leases and interest receivable from HM Revenue & Customs on corporation tax paid on account and is recognised on an effective interest rate basis,
- other operating income comprises rental income receivable from sub-let premises and is recognised on an accruals basis; and
- dividend receivable by the Company are from subsidiary undertakings and are recognised when the Company has the right to receive them.

Finance costs

Finance costs comprise interest payable on bank overdrafts, interest payable to lessors under the terms of the leases and interest payable to HM Revenue & Customs on corporation tax paid on account and are recognised on an accruals basis.

Intangible assets

Computer software

Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring in to use the specific software. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES CONTINUED

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is not amortised and is tested for impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash generating units on which it arose. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Goodwill arising on acquisitions after 31 December 1997 and before 28 March 2005 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 was written off immediately against reserves. This has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:

- Freehold buildings and leasehold properties – 50 years, or the lease term if shorter.
- Equipment, fittings and vehicles – at rates varying from 10% to 33%.
- Freehold land is not depreciated.

Land and buildings under construction and non current assets held for sale are not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For tangible and intangible assets excluding goodwill, the cash-generating unit is considered to be each trading store. For goodwill, the cash-generating unit is considered to be the business on which the goodwill arose.

An impairment charge is recognised in the income statement in the year in which it occurs. Where an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in its original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes carriage and duty costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Trade and other receivables

Trade receivables, which are generally received on end of month following terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

Non current assets held for sale

Non current assets are classified as held for sale if their carrying amount will be recovered through sales rather than continuing use. This condition is regarded as met if management are committed to the sale and the asset is available for immediate disposal in its present condition. Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Foreign currencies – Group

Foreign operations

The consolidated financial statements are presented in sterling which is the Group's functional and presentational currency. Each entity in the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency. The income and expenses of overseas subsidiaries are translated at the average rate of exchange ruling during the year. The balance sheet of the overseas subsidiary undertaking is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included within equity and transferred to the Group's currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the period.

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES CONTINUED

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably measured.

Leased assets

Group as lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Pensions

The Group contributes to the personal pension plans of certain staff. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

Share-based payments

The Group provides benefits to employees (including Directors) in the form of share based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions"). The cost of the equity-settled transactions with employees and Directors are measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value of employee share option plans is calculated using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Director's best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or in the case of an instrument subject to a market condition, be treated as vested as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with the corresponding increase in equity.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 28 March 2005.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred income tax liability from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Group has a legally enforceable right to do so.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations arising from operational activities. These instruments are primarily foreign exchange forward contracts. The Group does not hold or issue derivative financial instruments for speculative purposes. However if derivatives do not qualify for hedge accounting they are accounted for as such.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For derivative financial instruments not designated as a hedge, any change in fair value is immediately recognised in the income statement.

There were no derivatives accounted for using hedge accounting during the period.

NOTES TO THE FINANCIAL STATEMENTS

4. ACCOUNTING POLICIES CONTINUED

Own shares

Majestic Wine PLC shares held by the Company and the Group are classified in shareholders' equity as 'Capital Reserve-Own Shares' and are recognised at cost. No gain or loss is recognised in the Income Statement on the purchase or sale of such shares.

Use of assumptions and estimates

The Group makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation and amortisation periods for the Group, and the estimates in relation to future cash flows and discount rates utilised in impairment testing.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group

The following standards and interpretations have been issued by the IASB. They become effective after the current year and have not been early adopted by the Group and Company:

				To be adopted by the Group and Company during years commencing
International Financial Reporting Standards (IFRS)		Note	Effective date	
IFRS 7	Financial instruments: Disclosures	a	01.01.2007	03.04.2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	b	01.01.2007	03.04.2007
IFRS 8	Operating Segments	b	01.01.2009	31.03.2009
IAS 23	Amendment – Borrowing Costs	b	01.01.2009	31.03.2009
International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 8	Scope of IFRS 2	b	01.05.2006	03.04.2007
IFRIC 9	Reassessment of Embedded Derivatives	b	01.06.2006	03.04.2007
IFRIC 10	Interim Financial Reporting and Impairment	b	01.11.2006	03.04.2007
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	b	01.03.2007	03.04.2007
IFRIC 12	Service Concession Arrangements	b	01.01.2008	01.04.2008

- a) This standard requires additional disclosures to be made for financial instruments. There will be no impact on the reported amounts of financial instruments as a result of adopting this financial standard.
- b) The impact on the Group's and Company's financial statements is not expected to be material.

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT REPORTING

The Group's primary segmental reporting format is geographical, based on the Group's management and internal reporting structure. Secondary information is reported by a single business segment, retailing.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are taxation related assets and liabilities. Inter-segment transactions are conducted on an arm's length basis in a manner similar to transactions with third parties. Segment results include transfers between business segments. Those transfers are eliminated on consolidation. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period including items held for resale and prepaid operating lease costs.

Geographical segments

	Retailing UK £000	Retailing France £000	Unallocated £000	Group £000
Segment analysis 2007				
Segment revenue	178,512	12,681	–	191,193
Segment result	13,971	1,714	–	15,685
Finance revenue	414	60	–	474
Finance costs	(1)	–	–	(1)
Profit before tax	14,384	1,774	–	16,158
Income tax expense	(4,675)	(578)	–	(5,253)
Profit for the year	9,709	1,196	–	10,905
Segment assets	76,577	10,030	1,271	87,878
Segment liabilities	(33,561)	(2,588)	(404)	(36,553)
Other segment items:				
Purchase of non current assets	8,088	21	–	8,109
Depreciation and amortisation	2,588	145	–	2,733
Share based payments	577	–	–	577
	Retailing UK £000	Retailing France £000	Unallocated £000	Group £000
Segment analysis 2006				
Segment revenue	158,982	13,213	–	172,195
Segment result	12,242	1,836	–	14,078
Finance revenue	108	47	–	155
Finance costs	(74)	–	–	(74)
Profit before tax	12,276	1,883	–	14,159
Income tax expense	(3,885)	(644)	–	(4,529)
Profit for the year	8,391	1,239	–	9,630
Segment assets	72,200	10,302	2,125	84,627
Segment liabilities	(32,967)	(2,684)	(331)	(35,982)
Other segment items:				
Purchase of non current assets	8,945	26	–	8,971
Depreciation and amortisation	2,360	159	–	2,519
Share based payments	483	–	–	483

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING PROFIT

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Operating profit is stated after charging/(crediting) the following items:		
Depreciation	2,357	2,119
Amortisation	376	400
Operating lease rentals – land and buildings	5,707	5,241
– other leases	634	603
– sublease payments received	(530)	(461)
Profit on sale of property, plant and equipment	(248)	(18)
Profit on sale of non current assets held for sale	(162)	(115)
Bad debt expense	69	60
Net foreign currency exchange loss	18	27
Auditor's remuneration:		
Audit of the Group financial statements	10	10
Local statutory audits for subsidiaries	54	53
Other assurance services	43	–
Taxation services	23	22

No audit fee has been charged in Majestic Wine PLC.

7. EMPLOYEE INFORMATION

The average monthly number of employees (including Directors) during the year was as follows:

	2007	2006
Head office, including distribution	112	103
Store staff	628	612
	740	715

Staff costs for the above employees during the year amounted to:

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Wages and salaries	16,657	14,700
Social security costs	1,841	1,721
Pension costs	322	220
Share based payments expense (note 24)	577	483
	19,397	17,124

Directors' emoluments

	2007 £000	2006 £000
Salary and benefits	792	663
Bonus – current year	205	–
Deferred bonus in respect of the 2004 financial year	209	95
Aggregate emolument	1,206	758
Gain made on exercise of share options	297	140
Company pension contributions to money purchase schemes for four Directors (2006: 4)	156	79
Highest paid Director		
Salary and benefits	292	281
Bonus – current year	88	–
Deferred bonus in respect of the 2004 financial year	98	46
Aggregate emolument	478	327
Gain made on exercise of share options	224	–
Company pension contributions to money purchase scheme	83	32

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE REVENUE AND COSTS

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Interest on bank overdrafts and other loans repayable within five years, not by instalments	(1)	(74)
Bank interest receivable	381	155
Other interest receivable	93	–
	473	81

9. TAXATION

a) Taxation charge

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Current income tax expense:		
UK income tax	4,570	3,908
Adjustment in respect of the previous year	(792)	(393)
Overseas income tax on subsidiary undertaking	578	644
Total current income tax expense	4,356	4,159

UK deferred tax expense:

Origination and reversal of temporary differences	26	(42)
Adjustment in respect of prior years	871	412
Total deferred tax expense	897	370
Total income tax expense charged in the income statement	5,253	4,529

b) Taxation reconciliation

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Profit before tax	16,158	14,159
Taxation at the standard UK corporation tax rate of 30% (2006: 30%)	4,847	4,248
Adjustments in respect of prior years	79	19
Overseas income tax at higher rates	59	63
Non-deductible expenses	289	199
Income not taxable	(21)	–
Total income tax expense charged in the income statement	5,253	4,529
Effective tax rate	32.5%	32.0%

c) Tax on items credited to equity

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Current tax credit on share based payments	(496)	(484)
Deferred tax charge/(credit) on share based payments	30	(50)
Total tax on items credited to equity	(466)	(534)

NOTES TO THE FINANCIAL STATEMENTS

9. TAXATION CONTINUED

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 2005	(138)	449	2,134	2,445	(331)	2,114
(Charged)/credited to the income statement	(14)	25	(381)	(370)	–	(370)
Credited/(charged) to equity	–	98	(48)	50	–	50
At 27 March 2006	(152)	572	1,705	2,125	(331)	1,794
Charged to the income statement	(33)	(13)	(778)	(824)	(73)	(897)
Credited/(charged) to equity	–	31	(61)	(30)	–	(30)
At 2 April 2007	(185)	590	866	1,271	(404)	867

The deferred tax liabilities relate solely to held-over capital gains arising on the disposal of freehold properties.

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 32.6% (2006: 34.3%).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief. The temporary difference unrecognised at the year end amounted to £541,000 (2006: £539,000).

10. EARNINGS PER SHARE

The calculations of earnings per Ordinary Share are based upon profits after taxation of £10,905,000 (2006: £9,630,000).

The number of Ordinary Shares used in the diluted earnings per share is calculated as follows:

	2007	2006
Basic weighted average number of shares	64,771,571	64,210,980
Dilutive potential Ordinary Shares:		
Employee share options	830,790	1,166,275
	65,602,361	65,377,255

Reconciliation of earnings per Ordinary Share to diluted earnings per Ordinary Share:

	2007	2006
Earnings per Ordinary Share	16.8p	15.0p
Dilutive effect of employee share options	(0.2)p	(0.3)p
Diluted earnings per Ordinary Share	16.6p	14.7p

11. DIVIDENDS PAID AND PROPOSED

	2007 £000	2006 £000
Equity dividends on Ordinary Shares declared and paid during the year:		
Final dividend for 2006: 5.1p (2005 – 4.0p)	3,327	2,554
Interim for 2007: 2.3p (2006 – 1.9p)	1,481	1,231
Equity dividends paid	4,808	3,785
Proposed for approval by shareholders at the AGM:		
Final dividend for 2007: 6.2p (2006 – 5.1p)	3,968	3,327

NOTES TO THE FINANCIAL STATEMENTS

12. GOODWILL AND INTANGIBLE FIXED ASSETS GROUP

	Software £000	Goodwill £000	Total £000
Cost:			
At 27 March 2006	1,229	6,223	7,452
Additions	101	–	101
Foreign currency adjustment	–	(169)	(169)
At 2 April 2007	1,330	6,054	7,384
Amortisation:			
At 27 March 2006	744	–	744
Amortisation during the year	214	–	214
At 2 April 2007	958	–	958
Net carrying value: At 2 April 2007	372	6,054	6,426
At 27 March 2006	485	6,223	6,708
Cost:			
At 28 March 2005	1,556	6,135	7,691
Additions	164	–	164
Foreign currency adjustment	–	88	88
Disposals	(491)	–	(491)
At 27 March 2006	1,229	6,223	7,452
Amortisation:			
At 28 March 2005	980	–	980
Amortisation during the year	255	–	255
Disposals	(491)	–	(491)
At 27 March 2006	744	–	744
Net carrying value: At 27 March 2006	485	6,223	6,708
At 28 March 2005	576	6,135	6,711

The goodwill, which arose on the acquisition of Les Celliers de Calais S.A.S. whose principal activity is the retailing of wines, beers and spirits in France, is not amortised but tested annually for impairment. The recoverable amount of the French retailing business has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and changes in income and costs.

The Group prepares discounted cash flow projections based on financial budgets approved by the Board covering a one year period. Cash flows beyond the budget are extrapolated using a growth rate of 3%, which does not exceed the long term average growth rate of the business. The discount rate is estimated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the French business. A pre-tax discount rate of 10.0% has been used.

The value in use calculation is sensitive to a change in the growth rate, which could cause the carrying value of the unit to exceed its recoverable amount. The French business has recently seen challenging trading conditions in the cross-channel market. The most recent figures show that the sales decline in the business is stabilising, however if the decline were to continue then this could have an adverse impact on the growth rate. A 5% reduction in the growth rate would give a value in use equal to the carrying amount of the French business.

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT GROUP

	Land and buildings			Equipment fittings & vehicles	Total
	Freehold £000	Long leasehold £000	Leasehold improvements £000	£000	£000
Cost or valuation:					
At 27 March 2006	22,450	439	6,987	11,769	41,645
Additions	4,047	–	1,260	2,491	7,798
Foreign currency adjustment	–	–	(17)	(13)	(30)
Transferred to assets held for sale	(1,123)	–	–	–	(1,123)
Disposals	(1,276)	–	(362)	(382)	(2,020)
At 2 April 2007	24,098	439	7,868	13,865	46,270
Depreciation:					
At 27 March 2006	768	25	1,947	5,173	7,913
Charge for year	213	4	522	1,618	2,357
Foreign currency adjustment	–	–	(6)	(9)	(15)
Disposals	(10)	–	(362)	(336)	(708)
At 2 April 2007	971	29	2,101	6,446	9,547
Net book value:					
At 2 April 2007	23,127	410	5,767	7,419	36,723
At 27 March 2006	21,682	414	5,040	6,596	33,732
Cost or valuation:					
At 28 March 2005	16,999	439	6,463	10,654	34,555
Additions	5,451	–	651	2,513	8,615
Foreign currency adjustment	–	–	6	6	12
Disposals	–	–	(133)	(1,404)	(1,537)
At 27 March 2006	22,450	439	6,987	11,769	41,645
Depreciation:					
At 28 March 2005	585	21	1,629	5,055	7,290
Charge for year	183	4	449	1,483	2,119
Foreign currency adjustment	–	–	2	3	5
Disposals	–	–	(133)	(1,368)	(1,501)
At 27 March 2006	768	25	1,947	5,173	7,913
Net book value:					
At 27 March 2006	21,682	414	5,040	6,596	33,732
At 28 March 2005	16,414	418	4,834	5,599	27,265

Freehold land and buildings includes £12,144,000 (2006: £11,294,000) in respect of land that is not depreciated. During the year the freehold of a property in Tunbridge Wells was sold for £1,539,000 resulting in a profit on disposal of £245,000.

NOTES TO THE FINANCIAL STATEMENTS

14. PREPAID OPERATING LEASE COSTS GROUP

	Prepaid total £000
Cost:	
At 27 March 2006	2,235
Additions	210
Disposals	(37)
At 2 April 2007	2,408
Amortisation:	
At 27 March 2006	1,032
Amortisation during the year	162
Disposals	(37)
At 2 April 2007	1,157
Net Book Value:	
At 2 April 2007	1,251
At 27 March 2006	1,203
Cost:	
At 28 March 2005	2,119
Additions	192
Disposals	(76)
At 27 March 2006	2,235
Amortisation:	
At 28 March 2005	963
Amortisation during the year	145
Disposals	(76)
At 27 March 2006	1,032
Net Book Value:	
At 27 March 2006	1,203
At 28 March 2005	1,156

15. INVESTMENTS IN SUBSIDIARIES COMPANY

	02.04.07 £000	27.03.06 £000
Shares in Group undertakings at cost	12,021	12,021

The Company owns the following:

- i) 100% of the ordinary share capital of Majestic Wine Warehouses Limited, a company registered in England and Wales, whose principal activity is the retailing of wines, beers and spirits.
- ii) 100% of the ordinary share capital of Les Celliers de Calais S.A.S., a company registered in France, whose principal activity is the retailing of wines, beers and spirits.
- iii) 100% of the ordinary share capital of Majestic Wine Employee Share Ownership Trust Limited, a company registered in England and Wales, whose principal activity is acting as a discretionary trust for the benefit of the Group's employees.
- iv) 100% of the ordinary share capital of Majestic Wine Card Services Limited, a dormant company registered in England and Wales.
- v) 100% of the share capital of Wharfside Wine PLC, an investment company, registered in England and Wales, which is no longer trading.
- vi) 100% of the ordinary share capital of Wine and Beer World Limited, a dormant company registered in England and Wales.
- vii) 100% of the ordinary share capital of Majestic Wine QUEST Trustees Limited, a company registered in England and Wales, whose principal activity is acting as a discretionary trust for the benefit of the Group's employees.
- viii) Through Wharfside Wine PLC:
 - (a) 100% of the ordinary share capital of Marnlev Limited, a company registered in England and Wales, which is no longer trading.
 - (b) 100% of the ordinary share capital of Wizard Wine Limited, a dormant company registered in England and Wales, which owns all of the share capital of Merlin Wine Limited, a dormant company registered in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS

16. INVENTORIES

	Group 02.04.07 £000	Group 27.03.06 £000	Company 02.04.07 £000	Company 27.03.06 £000
Goods for resale	30,335	28,698	–	–

The amount of inventories recognised as an expense and charged to the income statement was £135,689,000 (2006: £122,215,000).

17. TRADE AND OTHER RECEIVABLES

	Group 02.04.07 £000	Group 27.03.06 £000	Company 02.04.07 £000	Company 27.03.06 £000
Trade receivables	3,215	3,627	–	–
Amounts due from Group undertakings	–	–	21,386	8,896
Other debtors	181	333	–	–
Prepayments and accrued income	3,335	2,156	–	–
	6,731	6,116	21,386	8,896

18. NON CURRENT ASSETS HELD FOR SALE

	Group 02.04.07 £000	Group 27.03.06 £000	Company 02.04.07 £000	Company 27.03.06 £000
Balance at the beginning of the year	–	350	–	–
Transferred from property, plant and equipment	1,123	–	–	–
Disposals	(535)	(350)	–	–
Balance at the end of the year	588	–	–	–

During the year the Group developed seven residential flats above a freehold property in Cheam at a cost of £1,123,000. Leaseholds to three of the residential flats were sold for £697,000 realising a profit on disposal of £162,000. In the prior year the leaseholds to three residential flats above freehold properties in Roehampton and Wilmslow were sold for £465,000 realising a profit on disposal of £115,000.

19. TRADE AND OTHER PAYABLES

	Group 02.04.07 £000	Group 27.03.06 £000	Company 02.04.07 £000	Company 27.03.06 £000
Current:				
Trade payables	25,383	26,937	–	–
Other taxes and social security	3,053	2,237	–	–
Accruals and other payables	5,212	4,551	–	–
Non current:				
Amounts due to Group undertakings	–	–	2,000	2,000
	33,648	33,725	2,000	2,000

The amounts due to Group undertakings have no fixed repayment terms, are interest free and are not expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

20. PROVISION FOR LIABILITIES AND CHARGES GROUP

	Provision for lease exit £000	Deferred bonus £000	National insurance £000	Total £000
At 27 March 2006	–	94	192	286
Provided in the year	125	37	53	215
Utilised in year	–	(76)	(47)	(123)
At 2 April 2007	125	55	198	378

Analysis of total provisions:

		02.04.07 £000	27.03.06 £000
Current		318	229
Non current		60	57
		378	286

a) Provision for lease exit:

During the year the Company re-sited a number of stores, some of which were rented under non-cancellable operating leases. The provision is the Directors' best estimate of the costs associated with surrendering or assigning the leases including legal costs, empty property costs and surrender premiums payable.

b) Deferred bonus:

Deferred bonuses amounting to £284,000, inclusive of employer's national insurance liabilities, were awarded for the financial year. The £37,000 provided in the year represents the Director's best estimate of the amount of employer national insurance contributions expected to be settled in cash. Amounts of deferred bonus and loyalty bonus expected to be settled in newly issued shares are recognised in shareholders' equity. All liabilities are expected to be settled within two years. Details of the deferred bonus scheme are set out on page 9.

c) National insurance:

National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 10 January 2017. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the options has been calculated on the share price at the balance sheet date of 386p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 12.8%.

21. DEFERRED LEASE INDUCEMENTS GROUP

	02.04.07 £000	27.03.06 £000
Current	95	93
Non current	703	728
	798	821

Deferred income comprises rent free periods and premiums received from lessors in respect of operating leases. These lease incentives are recognised in the income statement on a straight-line basis over the full term of each relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

22. SHARE CAPITAL AND RESERVES

Called up share capital

	2007		2006	
	Number	Value £000	Number	Value £000
Authorised				
Ordinary Shares of 7.5p each	140,000,000	10,500	140,000,000	10,500
Issued				
Ordinary Shares of 7.5p each	64,041,800	4,803	64,854,869	4,864

Issue of new shares:

During the year 846,931 (2006:1,178,009) Ordinary Shares of 7.5p each were allotted for a consideration of £1,211,000 (2006: 1,709,000). The shares were allotted during the year under the terms of the Company's share option schemes which are described in note 24.

Purchase of own shares:

During the year 1,660,000 (2006:nil) Ordinary Shares representing 2.5% of the issued share capital of the Company and having a nominal value of £125,000 were purchased by the Company for an aggregate consideration of £5,445,000. The reason for the purchase was to return cash to shareholders. The shares purchased were then cancelled and the nominal value transferred to the capital redemption reserve.

Share premium account

The share premium account represents the amounts received by the Company on the issue of Ordinary Shares that are in excess of the nominal value of the issued shares.

Capital reserve – own shares

The Group holds shares in an employee share ownership trust (see note 23). The reserve represents the cost of acquired shares that have not as yet fully vested with employees.

Capital redemption reserve

The Company when cancelling its Ordinary Shares transfers amounts equivalent to the nominal value of the cancelled shares into the capital redemption reserve so as to maintain the level of non-distributable reserves in shareholders' equity.

Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

23. EMPLOYEE SHARE OWNERSHIP TRUST

The trust is used to acquire shares in Majestic Wine PLC to satisfy awards under the deferred bonus scheme. The shares are distributed to participants of the scheme at the end of a two-year deferral period.

At the year end the trust held 47,353 (2006: 161,857) shares with a nominal value of 7.5p each, which are not yet fully vested with the participants. The total acquisition cost of these shares was £120,000 (2006: £391,000). At the year end the market value of these shares was £183,000 (2006: £535,000).

The shares held by the trust are due to be settled in June 2007 and represent the maximum due to employees under the deferred bonus scheme after the two year deferral period for the 2005 award.

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS

The total charge recognised in the Income Statement in respect of share-based payments is £577,000 (2006: £483,000) which is made up of share option schemes and share bonus payments under the Company's deferred bonus scheme.

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
Share option schemes	380	353
Deferred bonus scheme	197	130
Total charged to income statement	577	483

a) Share option schemes

The Company operated seven share option schemes during the year, all of which are equity-settled.

Savings related share option schemes

These schemes permit the grants to employees in respect of Ordinary Shares linked to a building society/bank save-as-you-earn contract for a term of three or five years with contributions from employees limited to a maximum amount of £250 per month. Options granted under the schemes are exercisable at the end of the three or five-year period, provided that the employee has been in continuous employment in a Group company throughout, at a subscription price not less than 80% of the average of the middle-market quotations of an Ordinary Share over the three dealing days immediately preceding the offer date.

The Company operated the following savings related option schemes during the year.

- The Majestic Wine PLC 1996 Savings Related Share Option Scheme was adopted on 9 September 1996 and the authority to grant options under the scheme expired in September 2007. There were no discounted options granted during the year under this scheme.
- The Majestic Wine PLC 2006 Savings Related Share Option Scheme was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first offer of discounted options under the rules of this scheme was made in January 2007.

Approved and unapproved executive share option schemes

These schemes permit the grant of options in respect of Ordinary Shares to selected employees. Options are normally exercisable between three and ten years from the date of grant for consideration not less than market value at grant date. Apart from grants of options to executive Directors, the exercise of options is normally not subject to any conditions other than continuous employment. The exercise of options granted to executive Directors is conditional on the achievement of specified performance targets related to growth in earnings per share over a three-year period. The executive Director's participation in these schemes is limited in value to a maximum of two times gross salary at date of grant.

The Company operated the following approved and unapproved executive share option schemes.

- The Majestic Wine PLC Approved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.
- The Majestic Wine PLC Approved Executive Share Option Scheme (2006) was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first grant of options under the rules of this scheme was made in January 2007.
- The Majestic Wine PLC Unapproved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.
- The Majestic Wine PLC Unapproved Executive Share Option Scheme (2006) was adopted on 4 August 2006. The first grant of options under the rules of this scheme was made in January 2007.

Co-investment plan

The Majestic Wine PLC Co-Investment Plan was adopted on 6 August 2004. This scheme permits the grant of options in respect of Ordinary Shares to selected executives. Participants are required to hold shares in the plan and options are granted in proportion to the number of shares invested. Options are normally exercisable between three and ten years from date of grant for nil consideration. The exercise of options will normally be conditional on the achievement of specified performance targets related to total shareholder return over a three-year period.

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS CONTINUED

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP):

	Note	53 weeks to 02.04.07 Options	53 weeks to 02.04.07 WAEP	52 weeks to 27.03.06 Options	52 weeks to 27.03.06 WAEP
Outstanding as at the beginning of the year	a	3,197,633	£1.84	3,576,130	£1.50
Exercised	b	(846,931)	£1.43	(1,106,131)	£0.97
Lapsed		(218,089)	£2.42	(204,327)	£2.05
Granted		768,962	£3.14	931,961	£2.16
Outstanding as at the end of the year		2,901,575	£2.26	3,197,633	£1.84
Exercisable as at the end of the year		495,790	£1.09	731,130	£1.02
Weighted average remaining contractual life in years		6.67		6.26	

Notes:

- a) Included within this figure were options over 423,292 (2006: 680,882) shares that were granted on or before 7 November 2002. The Group has elected to take advantage of the transitional provisions of IFRS 2 and has only applied the fair value model to all grants of equity instruments after 7 November 2002 that had not vested as at 28 March 2005.
- b) Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £3.15 (2006: £2.67).

The fair value of equity-settled share options is estimated as at the date of grant using the Black-Scholes option pricing model. The following table lists the range of assumptions applied to the options granted in the respective periods shown.

	Savings related option schemes 2007	Executive option schemes 2007	Co- investment plan 2007	Savings related option schemes 2006	Executive option schemes 2006	Co- investment plan 2006
Weighted average share price at grant	£3.70	£3.27	nil	£2.80	£2.66	£2.69
Weighted average exercise price	£2.86	£3.22	nil	£2.23	£2.63	£0.00
Expected life of options (years)	3 or 5	3.6 – 4	nil	3 or 5	3.6 – 4	3
Contractual life (years)	3 or 5	10	nil	3 or 5	10	10
Volatility (%)	20%	19 – 20%	nil	18%	18 – 19%	19%
Dividend yield (%)	2.00%	2.05 – 2.34%	nil	2.11%	2.05 – 2.36%	2.05%
Risk free interest rate (%)	5.18%	4.77 – 4.96%	nil	4.32 – 4.35%	4.12 – 4.41%	4.10%
Weighted average fair value of options granted during the year	£1.07	£0.57	nil	£0.69	£0.42	£1.51

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS CONTINUED

b) Deferred bonus scheme

The Group operates a deferred bonus scheme for senior managers, which excludes the executive Directors. The scheme involves the award of bonus shares to participants subject to meeting performance criteria. Participants may defer the award of the bonus shares for two years and so long as they are in continuous employment throughout this period, the Company will award an equivalent number of matching shares. The cost of the scheme is charged to the income statement over a three-year period. The bonus shares are expensed in the initial year of operation and the matching loyalty shares over the initial year and the two-year deferral period.

	53 weeks to 02.04.07 £000	52 weeks to 27.03.06 £000
2004 Scheme	–	91
2005 Scheme	39	39
2007 Scheme	158	–
Total charged to the income statement	197	130

Note there was no award under the scheme for the 2006 financial year.

25. COMMITMENTS

a) Operating lease agreements where Group is lessee:

The Group leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	02.04.07 £000	27.03.06 £000
Future minimum rentals payable under non-cancellable operating leases expiring:		
Within one year	6,183	5,356
Between one and five years	19,967	17,971
In over five years	25,916	22,120
	52,066	45,447

b) Operating lease commitments where Group is lessor:

The Group leases surplus space in various owner-occupied stores, offices, and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	02.04.07 £000	27.03.06 £000
Future minimum rentals receivable under non-cancellable operating leases expiring:		
Within one year	422	409
Between one and five years	1,199	1,395
In over five years	515	722
	2,136	2,526

c) Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £367,000 for the Group (2006: £736,000).

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS

The Group's financial instruments, other than derivatives, comprise cash and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions in the form of forward currency contracts. The purpose of these transactions is to manage the currency risk arising from the Group's operations. The Group does not hold or issue financial instruments for trading purposes. The Group's treasury function is under the direct control of the Finance Director and does not engage in speculative trading.

The principal financial risks to which the Group is exposed relate to liquidity/funding, credit risk, interest rates and foreign exchange rates.

Liquidity/funding

The Group has short-term seasonal borrowing requirements that are backed by an overdraft facility agreed with Barclays Bank PLC. The facility is negotiated annually and was current at 2 April 2007. The undrawn committed overdraft facility available at 2 April 2007 was £6,000,000 (2006: £6,000,000) and expires in July 2007.

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by its carrying value as at the balance sheet date limited to the value of trade and other receivables.

Interest rates

The Group's only financial asset, excluding short-term trade and other receivables, was cash at bank and in hand of £4,484,000 (2006: £5,916,000). Funds not required immediately for the Group's operations are invested in sterling denominated deposit accounts. The funds are placed on a combination of overnight and call deposits. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average floating interest rate earned in the year on the Group's sterling deposits was 4.73% (2006: 4.39%). The only interest risk is related to the floating rates on the cash balances and is insignificant.

The cash profile at 2 April 2007 was:

	Cash at floating rates	
	02.04.07 £000	27.03.06 £000
Currency:		
Sterling	3,871	5,119
Euros	487	391
Australian Dollars	31	406
New Zealand Dollars	94	–
US Dollars	1	–
	4,484	5,916

There were no financial liabilities as at 2 April 2007 or 27 March 2006 apart from short-term trade and other payables. There is no material difference between the book value and fair value of any financial asset or liability.

Foreign currency exchange rates

Transactional foreign currency exposures arise from the import of goods directly sourced from overseas suppliers. The Group hedges these cash flow exposures by acquiring forward currency contracts. Contracts are put in place prior to the setting of retail prices. The exposure may be covered up to a period of one year. The majority of these contracts are in Euros maturing in less than one year.

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the French subsidiary.

Derivative financial instruments

Forward foreign currency exchange contracts acquired to hedge the Group's forecast currency requirements are, for accounting purposes, designated as held for trading with fair value movements being recognised in the income statement.

The nominal and fair value of forward currency contracts is shown in the following table. All contracts have maturity dates within one year.

	Fair value		
	Nominal value £000	Assets £000	Liabilities £000
Forward foreign currency contracts as at 2 April 2007	17,098	69	(4)
Forward foreign currency contracts as at 27 March 2006	12,454	129	(49)

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS

Group

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected by end of month following date of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not benefited from any guarantees for any related party receivables or payables. During the year ended 2 April 2007, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2006: nil).

The Group considers its key management personnel to be the Directors of the Company. Their remuneration is disclosed in note 7.

Company

The Company receives dividends from its subsidiary companies. The total dividends received in the year were £21,278,000 (2006: £3,787,000).

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

This annual report is the first to be prepared under IFRS. The comparative figures have been prepared on the same basis and have therefore been restated from those previously prepared under UK GAAP. The commentary below details the key changes that have arisen due to the transition to reporting under IFRS. The Group's date of transition is 29 March 2005, which is the beginning of the comparative period for the 2005/2006 financial year. Therefore the opening balance sheet for IFRS purposes is that reported at 28 March 2005 as amended for changes due to IFRS.

To explain the impact of the transition, reconciliations are included below that show the changes made to the statements previously reported under UK GAAP. The following reconciliations are included:

1. Reconciliation of Group balance sheet at 28 March 2005 from UK GAAP to IFRS,
2. Reconciliation of Group balance sheet at 27 March 2006 from UK GAAP to IFRS; and
3. Reconciliation of Group income statement for the 52 weeks ended 27 March 2006 from UK GAAP to IFRS.

The transition from UK GAAP to IFRS does not effect the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format than that required under UK GAAP. The reconciling items between the UK GAAP format and the IFRS format have no net impact on the cash flows generated and accordingly reconciliations have not been presented.

The transition from UK GAAP to IFRS does not effect the figures previously reported by the Company and accordingly reconciliations have not been presented.

The accounting policies used for IFRS are set out in note 4.

First time adoption

The Group has applied the provisions of IFRS 1 – First Time Adoption of International Financial Reporting Standards which, generally, requires that IFRS accounting policies be applied retrospectively in determining the opening balance sheet at the date of transition. IFRS 1 contains both mandatory and optional exemptions to the principle of retrospective application. Where the Group has made use of an exemption it is noted below.

Descriptions of the reconciling items between UK GAAP and IFRS are listed below. The amounts of the reconciling items are detailed in tables set out beneath each of the reconciliations.

Share-based payments

The Group operates a number of executive and employee share schemes. For all grants of share options and awards the fair value at the date of grant is calculated using an appropriate pricing model and the corresponding expense is recognised over the vesting period. The Group has elected to take advantage of the transitional provisions of IFRS 2 and has applied the fair value model to all grants of equity instruments after 7 November 2002 that had not vested as at 28 March 2005.

In addition the Group has applied the provisions of IFRS 2 to the Group's senior management bonus scheme. The scheme includes the issue of matching loyalty shares to participants after a two year deferral period. Previously under UK GAAP the cost of issuing these shares was borne in the period in which the initial bonus was earned; under IFRS the cost is spread over the bonus year and the deferral period.

Goodwill and business combinations

The Group has taken the exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to the date of transition to IFRS. Goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 was written off immediately against reserves and this has not been reinstated. Goodwill arising on the acquisition of the French subsidiary in October 2001, Les Celliers de Calais S.A.S., has been retained at its carrying value as at 28 March 2005. The Group under the provisions of IAS 36 only recognises impairment. This results in the reversal of the goodwill amortisation previously charged to the income statement in the 52 weeks to 27 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Assets held for sale

As at 28 March 2005 the Group owned three residential flats above freehold properties in Roehampton and Bromley with a net book value of £350,000 which met the criteria of assets held for sale under IFRS 5. These have been reclassified to a separate line within total assets on the Group balance sheet.

Intangible assets

On transition the Group following the provisions of IAS 36 has reclassified separately identifiable computer software assets from tangible assets to intangible assets.

Prepaid operating lease costs

The Group incurs costs in acquiring property leases. The Group previously treated these costs as additions to tangible fixed assets, however under IAS 17 they are more correctly described as prepaid operating lease expenses. Accordingly on transition these expenses are reclassified from tangible fixed assets to prepaid lease costs. The expenses are amortised over the lives of the operating leases on which they were incurred.

Lease inducements

The Group under UK GAAP recognised rent free periods over the period to the commencement of market rent and premiums paid, over the period to the first market rent review. According to provisions in SIC15 lease incentives are spread over the full term of the lease. As at the date of transition, deferred income reflecting the amount of lease inducements to be taken to the income statement in future periods has been recognised on the balance sheet.

Cumulative translation differences

Under IAS 21, exchange differences arising on consolidation of overseas subsidiaries are required to be recognised as a separate equity reserve. The Group has utilised the exemption available in IFRS 1 whereby cumulative translation differences are deemed to be zero at the date of transition to IFRS.

Previously under UK GAAP purchases covered by forward currency contracts were translated at their contract rate when initially recognised. This is not permitted under IAS 21 as items must be converted at the spot rate on the date of transaction with any impact of the forward currency contract being accounted for under IAS 39 – see derivative financial instruments section below. As a result an adjustment has been made to reverse the effects of using the contract rate.

Employee benefits

The Group in accordance with IAS 19 has recognised untaken holiday pay entitlements as at the date of transition to IFRS.

Derivative financial instruments

The Group makes use of forward currency contracts in order to mitigate exposures to movements in exchange rates that arise from its dealings with foreign suppliers. The Group applied hedge accounting under UK GAAP but has decided not to under IFRS. The Group has applied the provisions of IAS 39 and has re-measured the derivative at fair value at each balance sheet date taking any gain or loss to the income statement.

Deferred taxation

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base.

The Group, on transition to IFRS, has recognised a deferred tax asset arising on the difference between share price and exercise price of unexercised employee share options. These were previously credited to the income statement in the year that the market value adjustment arising on exercised share options was claimed from the relevant tax authorities. In addition the Group has recognised deferred tax liabilities arising on held-over capital gains previously reported by way of note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Group balance sheet at 28 March 2005 from UK GAAP to IFRS

	UK GAAP As at 28.03.05 £000	Effect of transition to IFRS £000	IFRS As at 28.03.05 £000
Non current assets			
Goodwill and intangible fixed assets	6,135	576	6,711
Property, plant and equipment	29,347	(2,082)	27,265
Prepaid operating lease costs	–	1,156	1,156
Deferred tax asset	40	2,405	2,445
	35,522	2,055	37,577
Current assets			
Inventories	27,798	109	27,907
Trade and other receivables	3,886	–	3,886
Financial instruments at fair value	–	18	18
Cash and cash equivalents	7,840	–	7,840
	39,524	127	39,651
Non current assets held for sale	–	350	350
Total assets	75,046	2,532	77,578
Current liabilities			
Trade and other payables	(33,625)	(93)	(33,718)
Provisions	(297)	96	(201)
Deferred lease inducements	–	(90)	(90)
Financial instruments at fair value	–	(31)	(31)
Current tax liabilities	(1,792)	–	(1,792)
	(35,714)	(118)	(35,832)
Non current liabilities			
Provisions	–	(21)	(21)
Deferred lease inducements	–	(794)	(794)
Deferred tax liabilities	–	(331)	(331)
Total liabilities	(35,714)	(1,264)	(36,978)
Net assets	39,332	1,268	40,600
Shareholders' equity			
Called up share capital	4,776	–	4,776
Share premium account	6,750	–	6,750
Capital reserve – own shares	(407)	–	(407)
Currency translation reserve	–	–	–
Retained earnings	28,213	1,268	29,481
Equity shareholders' funds	39,332	1,268	40,600

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Group balance sheet at 28 March 2005 from UK GAAP to IFRS

	Non current assets £000	Current assets £000	Non current assets held for sale £000	Current liabilities £000	Non current liabilities £000	Share- holders' funds £000
Conversion effects comprise:						
IAS38 – reclassification of software from tangible to intangible fixed assets	576	–	–	–	–	–
IAS38 – reclassification of software from tangible to intangible fixed assets	(576)	–	–	–	–	–
IAS17 – reclassification of prepaid operating lease costs from tangible fixed assets	1,156	–	–	–	–	–
IAS17 – reclassification of prepaid operating lease costs from tangible fixed assets	(1,156)	–	–	–	–	–
SIC15 – lease inducements now spread over full lease term	–	–	–	(90)	(794)	(884)
IFRS5 – reclassification of residential flats as assets held for sale	(350)	–	350	–	–	–
IAS19 – recognition of employee benefits: untaken holiday accrual	–	–	–	(123)	–	(123)
IAS39 – recognition of fair value of derivative instruments	–	18	–	(31)	–	(13)
IAS21 – reversal of hedge accounting	–	109	–	38	–	147
IFRS2 – re-phasing of senior managers bonus costs	–	–	–	67	–	67
IAS1 – reclassification of provisions to non current liabilities	–	–	–	21	(21)	–
IFRS2 – recognition of share based payment reserve	–	–	–	–	–	694
IFRS2 – recognition of share based payment reserve	–	–	–	–	–	(694)
IAS12 – recognition of deferred tax asset for share based payments	2,147	–	–	–	–	2,147
IAS12 – recognition of deferred tax liabilities for roll over relief	–	–	–	–	(331)	(331)
IAS12 – tax effects of conversion	258	–	–	–	–	258
Net movement	2,055	127	350	(118)	(1,146)	1,268

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Group balance sheet at 27 March 2006 from UK GAAP to IFRS

	UK GAAP As at 27.03.06 £000	Effect of transition to IFRS £000	IFRS As at 27.03.06 £000
Non current assets			
Goodwill and intangible fixed assets	5,765	943	6,708
Property, plant and equipment	35,420	(1,688)	33,732
Prepaid operating lease costs	–	1,203	1,203
Deferred tax asset	–	2,125	2,125
	41,185	2,583	43,768
Current assets			
Inventories	28,722	(24)	28,698
Trade and other receivables	6,116	–	6,116
Financial instruments at fair value	–	129	129
Cash and cash equivalents	5,916	–	5,916
	40,754	105	40,859
Non current assets held for sale	–	–	–
Total assets	81,939	2,688	84,627
Current liabilities			
Trade and other payables	(33,615)	(110)	(33,725)
Provisions	(383)	154	(229)
Deferred lease inducements	–	(93)	(93)
Financial instruments at fair value	–	(49)	(49)
Current tax liabilities	(770)	–	(770)
	(34,768)	(98)	(34,866)
Non current liabilities			
Provisions	–	(57)	(57)
Deferred lease inducements	–	(728)	(728)
Deferred tax liabilities	(12)	(319)	(331)
Total liabilities	(34,780)	(1,202)	(35,982)
Net assets	47,159	1,486	48,645
Shareholders' equity			
Called up share capital	4,864	–	4,864
Share premium account	8,371	–	8,371
Capital reserve – own shares	(391)	–	(391)
Currency translation reserve	–	107	107
Retained earnings	34,315	1,379	35,694
Equity shareholders' funds	47,159	1,486	48,645

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of Group balance sheet at 27 March 2006 from UK GAAP to IFRS

	Non current assets £000	Current assets £000	Non current assets held for sale £000	Current liabilities £000	Non current liabilities £000	Share- holders' funds £000
Conversion effects comprise:						
IAS38 – reclassification of software from tangible to intangible fixed assets	485	–	–	–	–	–
IAS38 – reclassification of software from tangible to intangible fixed assets	(485)	–	–	–	–	–
IAS38 – goodwill no longer amortised annually	370	–	–	–	–	370
IAS17 – reclassification of prepaid operating lease costs from tangible fixed assets	1,203	–	–	–	–	–
IAS17 – reclassification of prepaid operating lease costs from tangible fixed assets	(1,203)	–	–	–	–	–
SIC15 – lease inducements now spread over full lease term	–	–	–	(93)	(728)	(821)
IAS19 – recognition of employee benefits: untaken holiday accrual	–	–	–	(119)	–	(119)
IAS39 – recognition of fair value of derivative instruments	–	129	–	(49)	–	80
IAS21 – reversal of hedge accounting	–	(24)	–	9	–	(15)
IFRS2 – re-phasing of senior managers bonus costs	–	–	–	97	–	97
IAS1 – reclassification of provisions to non current liabilities	–	–	–	57	(57)	–
IAS21 – recognition of exchange difference arising on retranslation of goodwill	88	–	–	–	–	88
IAS21 – recognition of exchange difference on translation of subsidiary	–	–	–	–	–	19
IAS21 – recognition of exchange difference on translation of subsidiary	–	–	–	–	–	(19)
IFRS2 – recognition of share based payment reserve	–	–	–	–	–	869
IFRS2 – recognition of share based payment reserve	–	–	–	–	–	(869)
IAS12 – recognition of deferred tax asset for share based payments	1,839	–	–	–	–	1,839
IAS12 – recognition of deferred tax liabilities for roll over relief	–	–	–	–	(319)	(319)
IAS12 – tax effects of conversion	286	–	–	–	–	286
Net movement	2,583	105	–	(98)	(1,104)	1,486

NOTES TO THE FINANCIAL STATEMENTS

28. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Reconciliation of income statement for the 52 weeks ended 27 March 2006 from UK GAAP to IFRS

	UK GAAP 52 weeks ended 27.03.06 £000	Effect of transition to IFRS £000	IFRS 52 weeks ended 27.03.06 £000
Revenue	172,195	–	172,195
Cost of sales	(135,689)	(236)	(135,925)
Gross profit	36,506	(236)	36,270
Distribution costs	(13,889)	55	(13,834)
Administrative costs	(8,959)	132	(8,827)
Other operating income	469	–	469
Operating profit	14,127	(49)	14,078
Finance revenue	155	–	155
Finance costs	(74)	–	(74)
Profit before taxation	14,208	(49)	14,159
UK income tax	(3,083)	(802)	(3,885)
Overseas income tax	(644)	–	(644)
Profit for the year attributable to the equity shareholders of the parent company	10,481	(851)	9,630
Earnings per share			
Basic	16.3p	(1.3)p	15.0p
Diluted	16.0p	(1.3)p	14.7p
		£000	Basic EPS (p)
Conversion effects comprise:			
IFRS2 – employee option and bonus schemes		(417)	(0.6)
SIC15 – lease inducements now spread over full lease term		63	0.1
IAS19 – employee benefits untaken holiday pay accrual		4	–
IAS38 – goodwill no longer amortised annually		370	0.6
IAS39 – recognition of fair value of derivative instruments		93	0.1
IAS21 – reversal of hedge accounting		(162)	(0.3)
Profit before taxation		(49)	(0.1)
IAS12 – taxation effects of share based payments under IFRS2		(830)	(1.3)
IAS12 – taxation effect of conversion		28	0.1
Profit for the year		(851)	(1.3)

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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Majestic Wine PLC will be held at Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW at 11.30 a.m. on 3 August 2007, for the following purposes:

ORDINARY BUSINESS

Adoption of accounts

1. To receive and adopt the Annual Report and Accounts for the year ended 2 April 2007.

Declaration of dividend

2. To declare a final dividend of 6.2p per Ordinary Share.

Re-election of retiring Director

3. To re-elect Stephen John Lewis as a Director who retires by rotation in accordance with the Company's Articles of Association.

Re-election of retiring Director

4. To re-elect Paul Dermody as Director who retires by rotation in accordance with the Company's Articles of Association.

Re-appointment of Auditors

5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, to which reference is made in the explanatory notes following this Notice below.

Directors power to allot securities – Ordinary Resolution

6. That the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, as amended ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) to such persons and on such terms as they think proper provided that:
 - (a) this authority shall be in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of this resolution;
 - (b) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £1,601,045 representing approximately 33.3 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 2 April 2007;
 - (c) unless previously revoked, varied or extended, this authority shall expire at the earlier of the date which is fifteen months from the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and
 - (d) in relation to the grant of any right to subscribe for, or convert any security into shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is the maximum amount of shares which may be allotted pursuant to such right.

Disapplication of pre-emption rights – Special Resolution

7. That the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by resolution 6 above and to make sales of shares where such sales constitute an allotment of equity securities by virtue of section 94(3A) of the Act as if Section 89(1) of the Act did not apply to such allotment provided that:
 - (a) the power shall be limited to;
 - (i) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of Ordinary Shares of 7.5 pence each in the capital of the Company ("Ordinary Shares") excluding the Company where it holds shares as treasury shares (as defined in section 162A(3) of the Act) in proportion to their respective holdings of such shares or in accordance with the rights attached to such shares but subject to the exclusions or other such arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in any territory; and
 - (ii) the allotment, otherwise than as mentioned in sub-paragraph (i) above, of equity securities up to a maximum aggregate nominal amount of £240,157 representing approximately 5 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 2 April 2007;
 - (b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer as if this power had not expired; and
 - (c) in this resolution the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right.

NOTICE OF ANNUAL GENERAL MEETING

Authority to purchase Company's own shares – Special Resolution

8. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined in Section 163(4) of the Act) of Ordinary Shares and to hold such shares as treasury shares (as defined in section 162A(3) of the Act ("treasury shares")) provided that;
- this authority shall be limited to the purchase of Ordinary Shares up to a maximum aggregate nominal value equal to £480,314 representing approximately 10 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 2 April 2007;
 - the minimum price which may be paid for such Ordinary Shares is 7.5 pence (exclusive of such expenses);
 - the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent above the average of the middle market quotations for an Ordinary Share on the relevant recognised investment exchange on which the Ordinary Shares are traded for the five business days immediately preceding the date on which the Ordinary Share is purchased; and
 - unless previously revoked, varied or extended, the authority hereby conferred shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and
 - the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered office: Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW

By order of the Board

Nigel Alldritt
Company Secretary

25 June 2007

Notes:

- All members who hold Ordinary Shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A form of proxy is enclosed. If you do not intend being present at the meeting please sign and return it so as to reach the Company's Registrar at least 48 hours before the meeting. The return by a member of a duly completed form of proxy will not preclude any such member from attending in person and voting at the meeting.
- The register of Directors' interests in the shares of the Company and copies of the Directors' service contracts, other than those expiring or determinable without payments of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice until the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
- The Company pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 1 August 2007 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

EXPLANATORY NOTES ON CERTAIN BUSINESS OF THE ANNUAL GENERAL MEETING

Resolution 6: Directors' power to allot securities

Under Section 80 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising directors to issue such securities without further reference to the shareholders. This resolution authorises the issue of part of the unissued share capital for the period to the conclusion of the Annual General Meeting in 2008 or the date falling fifteen months after the date of the passing of the resolution, whichever is earlier. It complies with the Association of British Insurers' guidelines.

Resolution 7: Disapplication of pre-emption rights

Resolution 7 empowers the Directors to allot equity securities (such as Ordinary Shares) for cash and make sales of treasury shares other than in accordance with Section 89 of the Act which requires a company to offer all allotments of equity securities for cash and all sales of treasury shares first to existing shareholders in proportion to their holdings following a statutory pre-emption procedure. In the case of rights issue this may prove both costly and cumbersome. This resolution excludes these rights as far as rights issues are concerned and enables Directors to allot shares up to an aggregate nominal value of £240,157 which is approximately 5 per cent of the current issued share capital of the Company, as shown in the latest audited accounts of the Company. It replaces a similar resolution passed previously.

The Directors believe that the limited powers provided by this resolution will maintain a degree of flexibility. Unless previously revoked or varied the disapplication shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of the resolution.

Resolution 8: Authority to purchase Company's own shares

This resolution grants authority to the Company to make purchases of up to a maximum of 10 per cent of the issued Ordinary Share capital of the Company. In certain circumstances it may be advantageous for the Company to purchase its Ordinary Shares.

The Directors would use the share purchase authority with discretion and purchases would only be made from funds not required for other purposes and in light of the market conditions prevailing at the time. In reaching a decision to purchase the Ordinary Shares, your Directors would take account of the Company's cash resources and capital, the effect of such purchase on the Company's business, any impact on earnings per Ordinary Share or on net tangible assets per Ordinary Share. No announcement will be made by the Company in advance of market purchases but any purchases made by the Company would be announced by 8.30 a.m. on the business day next following the transaction.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Shares Regulations") came into force on 1 December 2003. The Treasury Shares Regulations give flexibility concerning what the Company can do with any of its Ordinary Shares that it may buy back. The Company may now hold such shares "in treasury" and then sell them at a later date for cash rather than simply canceling them. The Treasury Shares Regulations require such sales to be on a pre-emptive, pro-rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary share capital on a non-pre-emptive basis, Resolution 7 will also give the Directors power to sell Ordinary Shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above.

MAJESTIC WINE PLC
FORM OF PROXY

For use at the Annual General Meeting to be held on 3 August 2007

I/We (name(s) in full) _____
of _____ (a)

holder(s) of Ordinary Shares in Majestic Wine PLC hereby appoint the Chairman of the meeting (or see note 4) as my/our proxy and to attend and vote for me/us and on my/our behalf at the Annual General Meeting of Majestic Wine PLC to be held on 3 August 2007 at 11.30 am and at any adjournment thereof.

Please indicate with an X how you wish your votes to be cast in the space below in respect of the resolution to be proposed at the Annual General Meeting. If no specific direction is given the proxy will vote or abstain at his/her discretion.

Resolutions	For	Against	Withheld*
1. Adoption of accounts	☐	☐	☐
2. Declaration of a final dividend	☐	☐	☐
3. Re-election of Stephen John Lewis	☐	☐	☐
4. Re-election of Paul Dermody	☐	☐	☐
5. Appointment of Auditors	☐	☐	☐
6. Directors' authority to allot securities	☐	☐	☐
7. Disapplication of pre-emption rights	☐	☐	☐
8. Authority to purchase own shares	☐	☐	☐

*The "Withheld" option is provided to enable you to instruct your proxy not to vote on any particular resolution. It should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

Signature(s) _____ Date _____

- Notes:
1. In order to be effective this Form of Proxy, duly completed and signed, together with any authority under which it is signed or a notarially certified copy of the authority under which it is signed or a notarially certified copy of the authority, must reach the Company's registrar at Capita Registrars, not less than 48 hours before the time appointed for the meeting or adjourned meeting at which it is to be used.
 2. If the appointer is a corporation this form must be executed as a deed or under hand of an officer or attorney duly authorised on its behalf.
 3. In the cases of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by order in which the names stand in the register of members in respect of the joint holding.
 4. A member may appoint one or more proxies of his own choice in which case he should delete the references to the Chairman of the meeting and insert the name(s) of the person(s).



FOLD 3

BUSINESS REPLY SERVICE
Licence No. MB 122



FOLD 1

CAPITA REGISTRARS (PROXIES)
P.O. BOX 25
BECKENHAM
KENT BR3 4BR

FOLD 2

FOLD 4

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