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MAJESTIC WINE PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

29 MARCH 1993

CONTENTS

MAJESTIC WINE PLC

DIRECTORS AND ADVISERS

Directors	J.D.Apthorp (Chairman)
	T.F.How
	A.J.Mason
	J.F.Kelly
Company Secretary	J.F.Kelly FCMA
Registered Office	Odhams Trading Estate, St.Albans Road, Watford,Herts WD2 5RE
Auditors	Coopers & Lybrand Plumtree Court London, EC4A 4HT
Bankers	Barclays Bank PLC 9 Portman Square London, W1A 3AL
Solicitors	Osborne Clarke 6-9 Middle Street London, EC1A 7JA
	Simons, Platman and Rechnic 8 Wimpole Street London, W1M 7AB

MAJESTIC WINE PLC

DIRECTORS' REPORT
for the year ended 29 March 1993

The directors have pleasure in presenting their report and the financial statements for the year to 29 March 1993.

PRINCIPAL ACTIVITY

The principal activity of the Group is the retailing of wines and beers.

RESULTS AND REVIEW OF THE BUSINESS

The Group Profit and Loss Account for the year is set out on page 5.

The financial year to 29 March, 1993, has been one of both progress and disappointment. We invested over £1 million during the year in converting the Wizard Wine stores, refitting twelve Majestic stores, opening four new stores, setting up our new Head Office and Depot and updating our computer equipment and systems. We now have forty-two stores trading as Majestic, but in a very difficult market our trading performance has not met our expectations. Whilst April to July, 1992, saw encouraging sales growth, sales fell below budget in August and remained poor until late December. In addition, our profit margin was badly hit by the devaluation of the pound in September and remained under pressure up to Christmas of last year.

Sales and profit margin after Christmas were more encouraging. From the beginning of January to 29 March, 1993, we achieved a very pleasing sales increase in existing stores of over 13% nearly all resulting from increased customer transactions. Overall, sales in existing stores for the year to 29 March, 1993, showed a 3.7% increase on the previous year.

In planning to achieve profitability in 1993/94, we have actioned cost reductions across the business including the introduction of profit related pay. However, we plan to increase our marketing expenditure to attract new customers and have changed our marketing promotions to focus on particular areas of product. We believe we have the right plans in place for the future growth of our business.

POST BALANCE SHEET EVENTS

To provide further working capital, a Rights Issue was put in place after the year end. All shareholders on the Register at the close of business on 21 April were invited to subscribe for one Ordinary Share at par for every six Ordinary Shares held. The Issue was fully underwritten by the Trustees of the J.D.Apthorp Settlement. All shares have now been fully subscribed for and this has yielded funds of £787,000.

In addition, the Chairman has agreed to leave his loan of £1.5m in the business until 27 March, 1995. It becomes interest bearing from 28 December, 1993.

DIRECTORS' REPORT *(continued)*
for the year ended 29 March 1993

FIXED ASSETS

Freehold and long leasehold properties are included in the accounts at market values determined at the date of their last valuations. (See Note 9). The directors consider these values to be appropriate as they have no present intention of disposing of the properties and do not consider any fall in their values to be permanent.

However, following the cessation of trading at Watson's one property remains for sale. The directors consider that the value shown for this property represents its current market value.

DIVIDEND

The directors recommend that no dividend be paid. If this recommendation is accepted, an after tax loss of £565,000 will be transferred to reserves.

DIRECTORS

The directors who served during the period were:

J.D.Apthorp
T.F.How
A.J.Mason
J.F.Kelly

The directors' interests in the ordinary share capital of the company were:

	29 March 1993		*30 March 1992*	
	Beneficial Number	Non-Beneficial Number	Beneficial Number	Non-Beneficial Number
John Dorrington Apthorp	200,000	2,740,000	200,000	2,873,332
Anthony John Mason	15,000	-	15,000	-
Timothy Francis How	20,000	-	20,000	-
John Francis Kelly	-	-	-	-

Details of directors' options over ordinary shares are disclosed in Note 13.

DIRECTORS' REPORT *(continued)*
for the year ended 29 March 1993

AUDITORS

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By Order of the Board

J.F.Kelly FCMA
Secretary

Odhams Trading Estate
St.Albans Road
Watford, Herts
WD2 5RE

Registered in England and Wales
No.2281640

15 June 1993

MAJESTIC WINE PLC

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 29 March 1993

	Note	Year ended 29/3/93 £000	Year ended 30/3/92 £000
TURNOVER		28,114	19,049
Cost of sales		(23,981)	(16,223)
GROSS PROFIT		4,133	2,826
Distribution costs		(2,845)	(2,142)
Administrative costs		(1,695)	(1,249)
OPERATING LOSS	2	(407)	(565)
Net interest payable	3	(158)	(27)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(565)	(592)
Taxation	4	-	17
RETAINED LOSS FOR THE FINANCIAL YEAR	14	(565)	(575)

MAJESTIC WINE PLC

BALANCE SHEET
as at 29 March 1993

	Note	Group 1993	Group 1992	Company 1993	Company 1992
FIXED ASSETS		£000	£000	£000	£000
Tangible Assets	5	5,193	4,559	-	-
Investments	6	2	-	3,977	3,977
		5,195	4,559	3,977	3,977
CURRENT ASSETS					
Assets held for resale		250	740	-	-
Stocks	7	4,247	5,047	-	-
Debtors	8	612	654	3,225	3,225
Cash at bank and in hand		6	259	-	-
		5,115	6,700	3,225	3,225
CREDITORS: Amounts falling due within one year	9	(6,334)	(6,718)	(2,000)	(2,000)
NET CURRENT ASSETS/(LIABILITIES)		(1,219)	(18)	1,225	1,225
TOTAL ASSETS LESS CURRENT LIABILITIES		3,976	4,541	5,202	5,202
CREDITORS: Amounts falling due after more than one year	10	(1,500)	(1,500)	(1,500)	(1,500)
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	-	-	-
		2,476	3,041	3,702	3,702
CAPITAL AND RESERVES					
Called Up Share Capital	12	4,725	4,725	4,725	4,725
Share Premium Account	14	1,612	1,612	1,612	1,612
Profit and Loss Account	14	(3,861)	(3,296)	(2,635)	(2,635)
		2,476	3,041	3,702	3,702

The financial statements on pages 5 to 19 were approved by the Board on 15 June 1993 and signed on its behalf by

J.D.Apthorp
Chairman

MAJESTIC WINE PLC

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 29 March 1993

	Year ended 29/3/93		*Year ended 30/3/92*	
	£000	£000	£000	£000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		1,354		(2,630)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid		(178)		(27)
Interest received		20		-
INVESTING ACTIVITIES				
Purchase of tangible fixed assets	(1,094)		(353)	
Purchase of fixed asset investments	(2)		-	
Purchase of subsidiary undertakings	-		(5,052)	
Sale of current assets held for resale	490		-	
Sale of fixed assets	131		265	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(475)		(5,140)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		721		(7,797)
FINANCING				
Issue of ordinary share capital	-		3,737	
New secured loan	-		1,500	
NET CASH INFLOW FROM FINANCING		-		5,237
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		721		(2,560)

MAJESTIC WINE PLC

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	1993	*1992*
	£000	£000
Operating loss	(407)	(565)
Depreciation charges	326	326
Other write downs of fixed assets	-	506
Decrease/(increase) in stocks	800	(1,002)
Decrease/(increase) in debtors	42	17
Increase/(decrease) in creditors	593	(1,912)
	------	------
Net cash inflow/(outflow) from operating activities	1,354	(2,630)
	====	====

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1993	*1992*	*Change in year*
	£000	£000	£000
Cash at bank and in hand	6	259	(253)
Bank overdrafts	(1,371)	(2,345)	974
	-------	-------	-------
	(1,365)	(2,086)	721
	====	====	====

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 29 March 1993

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies is set out below.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold and long leasehold land and buildings.

(b) Basis of consolidation

The consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings. The results of subsidiaries acquired during the year are included in the consolidated Profit and Loss Account from the date of their acquisition.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

(d) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures and fittings	10
Computer equipment	20
Vehicles	25

No depreciation is charged on the cost or revalued amount of freehold and long leasehold land and buildings or on related improvements. In the opinion of the directors, the properties are maintained by a programme of repair and refurbishment such that their residual values are at least equal to their book values.

The costs of short leasehold properties and improvements are amortised over the period of the lease.

(e) Stocks

Stocks are stated 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.

(f) Foreign currencies
Assets and liabilities expressed in foreign currencies are converted at the rate of exchange ruling at the balance sheet date or at an appropriate forward contract rate. All profits and losses on exchange, both realised and unrealised, are reflected in the Profit and Loss Account.

(g) Deferred taxation
Provision is made for deferred taxation using the liability method in respect of all material timing differences except those which, in the opinion of the directors, are not likely to reverse in the foreseeable future.

(h) Pensions
The Group contributes to the personal pension plans of certain staff. Amounts paid into the plan are charged to the Profit and Loss Account in the period in which they arise.

(i) Turnover
Turnover represents goods sold to customers outside of the group, less returns, net of value added tax.

(j) Leases
Rent paid in respect of operating leases is charged against revenue on a straight line basis.

Assets acquired under finance leases are included in fixed assets and depreciated over the lease terms on a straight line basis or held in current assets for resale, as appropriate. The capital element of the leases is included in creditors. The interest element is charged against profit in proportion to the capital amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 29 March 1993

2. OPERATING LOSS	*Year ended 29/3/93*	*Year ended 30/3/92*
	£000	£000
Operating loss is stated after charging:		
Depreciation	326	326
Operating lease rentals	1,658	964
Auditors' remuneration		
- in respect of audit	29	42
- for non-audit services	15	-

No audit fee has been charged in the books of Majestic Wine PLC. The charge has been borne in the books of a subsidiary company.

3. NET INTEREST PAYABLE	*Year ended 29/3/93*	*Year ended 30/3/92*
	£000	£000
Interest on bank overdraft and other loans repayable within five years, not by instalments	178	63
Bank interest receivable	(20)	(36)
	158	27

4. TAXATION	*1993*	*1992*
	£000	£000
Transferred from deferred taxation	-	17

5. TANGIBLE FIXED ASSETS - GROUP

	Land and Buildings			Equipment,	
		Long	Short	Fittings &	
	Freehold	Leasehold	Leasehold	Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation:					
At 31 March 1992	2,007	255	1,812	2,447	6,521
Additions	48	5	191	850	1,094
Disposals	-	-	(116)	(637)	(753)
At 29 March 1993	2,055	260	1,887	2,660	6,862
Depreciation:					
At 31 March 1992	-	-	339	1,623	1,962
Charge for period	-	-	97	229	326
Disposals		-	(16)	(603)	(619)
At 29 March 1993	-	-	420	1,249	1,669
Net Book Value					
29 March 1993	2,055	260	1,467	1,411	5,193
30 March 1992	2,007	255	1,473	824	4,559
Cost or valuation at 29 March 1993 is represented by:					
Valuation	2,055	260	-		2,315
Cost	-	-	1,887	2,660	4,547
	2,055	260	1,887	2,660	6,862

The last professional valuation of the properties was made in 1989 and incorporated in the accounts.

6. INVESTMENTS

Group:

The fixed asset investment consists of an index linked treasury stock.

Company:

Shares in Group undertakings	£000
Cost	4,631
Provisions for permanent diminution in value	(654)
Net book value at 29 March 1993 and 30 March 1992	3,977

The Company owns:

i) 99.9% of the share capital of Wharfside Wine PLC, an investment company, registered in England and Wales.

ii) 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 and beers.

iii) Through Wharfside Wines PLC:

(a) 100% of the ordinary share capital of Watson's Wines and Spirits Limited, a company registered in England and Wales, whose principal activity was the retailing of wines and spirits.

(b) 100% of the ordinary share capital of Wizard Wine Limited, a company registered in England and Wales, which owns all of the share capital of Liberty Wines Limited, a dormant company registered in England and Wales.

MAJESTIC WINE PLC

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 29 March 1993

7. STOCKS

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Goods for resale	4,247	5,047	-	-

8. DEBTORS

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Trade debtors	77	107	-	-
Amounts due from group undertakings	-	-	3,225	3,225
Other debtors	23	129	-	-
Prepayments and accrued income	357	263	-	-
Lease deposit	155	155	-	-
	612	654	3,225	3,225

The amounts due from group undertakings have no fixed repayment terms and are interest free.

9. CREDITORS: Amounts falling due within one year

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Bank loans and overdrafts	1,371	2,345	-	-
Trade creditors	3,913	3,180	-	-
Other taxes and social security	469	386	-	-
Accruals and other creditors	581	770	-	-
Obligations under finance leases	-	37	-	-
Amounts due to group undertaking	-	-	2,000	2,000
	6,334	6,718	2,000	2,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 29 March 1993

10. CREDITORS: Amounts falling due after more than one year

	Group		*Company*	
	1993	*1992*	*1993*	*1992*
	£000	£000	£000	£000
Loan from Chairman (Note 19)	1,500	1,500	1,500	1,500

11. PROVISION FOR LIABILITIES AND CHARGES-DEFERRED TAXATION

	Provided		*Potential*	
	1993	*1992*	*1993*	*1992*
	£000	£000	£000	£000
Accelerated capital allowances	-	-		
Liability acquired with subsidiary	-	17	-	-
Transfer to profit and loss account	-	(17)	-	-
Other timing differences	-	-	-	-
	-	-	-	-

12. SHARE CAPITAL

	Number	£000
Authorised:		
Ordinary shares of £1 each	7,500,000	7,500
	=======	=======
Issued and fully paid:		
Ordinary shares of £1 each	4,725,127	4,725
	=======	=======

There has been no change in the Company's authorised or issued share capital during the year to 29 March 1993.

13. SHARE OPTIONS

The following options have been granted for ordinary shares.

Number of Shares	Period in which exercisable	Price per share
125,000	12 October 1992 - 12 October 1996	£1.00
142,500	18 October 1992 - 18 October 1999	£1.50
24,500	7 November 1993 - 7 November 2000	£1.50
214,500	10 December 1994 - 10 December 2001	£1.50
58,000	14 December 1995 - 14 December 2002	£1.50

The above figures include the following options granted to directors.

	Options at 31 March 1992	Options Granted	Options Exercised	Options at 29 March 1993
J.D.Apthorp	-	-	-	-
T.F.How	125,000	-	-	125,000
A.J.Mason	125,000	-	-	125,000
J.F.Kelly	62,500	-	-	62,500
	---------	---------	---------	---------
	312,500	-	-	312,500
	======	======	======	======

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 29 March 1993

14. RESERVES

Company:	Share Premium Account £000	Profit & Loss Account £000
At 31 March 1992	1,612	(2,635)
Retained loss for year	-	-
At 29 March 1993	1,612	(2,635)
Group:		
At 31 March 1992	1,612	(3,296)
Retained loss for year	-	(565)
At 29 March 1993	1,612	(3,861)

A separate profit and loss account dealing with the results of the Company only has not been presented as permitted under Section 230 of the Companies Act 1985.

15. DIRECTORS' EMOLUMENTS

	1993 £000	*1992* £000
Remuneration	219	150

Remuneration disclosed above (excluding pension contributions) includes amounts paid to:

Chairman	40	22
Highest paid director	83	62

The number of directors whose emoluments (excluding pension contributions) were within the following ranges were:

	Number	*Number*
£20,001-£25,000	-	2
£35,001-£40,000	1	-
£40,001-£45,000	1	1
£45,001-£50,000	1	-
£60,001-£65,000	-	1
£80,001-£85,000	1	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 29 March 1993

16. EMPLOYEE INFORMATION

The average weekly number of employees (excluding directors) during the period was 217 (1992: 247)

Staff costs (excluding directors' emoluments) during the period amounted to:

	1993	*1992*
	£000	£000
Wages and salaries	2,683	1,741
Social security costs	271	170
Other pension costs	4	3
	2,958	1,914

17. COMMITMENTS

	1993	*1992*
	£000	£000
Capital expenditure:		
Contracted but not provided for	-	-
Authorised but not contracted for	-	40
	-	40

Other commitments:	*1993*	*1992*
	£000	£000
Forward foreign currency purchases	1,864	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 29 March 1993

18. OPERATING LEASES

At 29 March 1993 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1993	*1992*	*1993*	*1992*
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	-	13	-
Between two and five years	25	26	294	56
In over five years	1,311	1,288	5	244
	1,336	1,314	312	300

The majority of the Group's leases of land and buildings are subject to rent reviews of between three and five years.

19. RELATED PARTY TRANSACTIONS

During the year the following related party transactions took place.

Sale of wine to Mr.J.D.Apthorp	£9,891
Consultancy fee paid to SK Rep PLC	£40,000

Mr.J.D.Apthorp is a director of SK Rep PLC. All transactions were on a normal commercial basis.

Mr.J.D.Apthorp has loaned the Company £1,500,000 until 27 March 1995. The loan is interest free until 27 December 1993, after which it becomes interest bearing. The loan is secured by a charge over the assets of the group. The charge ranks behind the security given to the Group's bankers.

20. CONTINGENCIES

The Company is party to unlimited composite guarantees in respect of Group bank borrowings. At 29 March 1993 these borrowings amounted to £1,371,000 (1992 : £2,345,000).

The Group has no contingent liabilities

21. CHARGES OVER ASSETS

The assets of the Group are subject to fixed and floating charges in favour of the Group's bankers.

REPORT OF THE AUDITORS TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the financial statements on pages 5 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 29 March 1993 and of the result and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
Plumtree Court
London, EC4A 4HT

15 June, 1993