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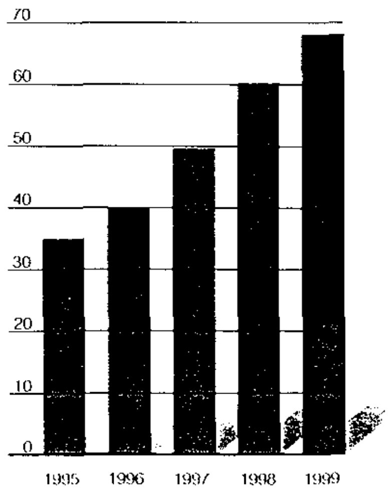
MAJESTIC WINE PLC

ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 29 MARCH 1999

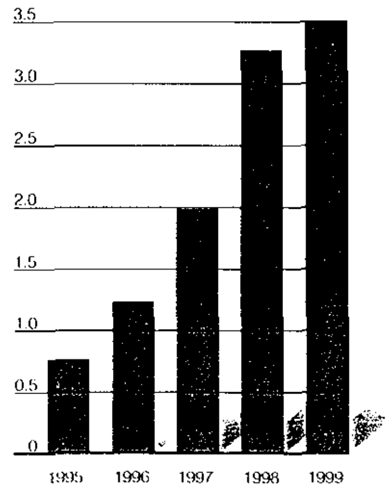
Majestic operates the largest wine warehouse chain in Britain, specialising in the sale of wine by the case direct to the public. Majestic differentiates itself by the high quality of its customer service, the diversity and quantity of stock available to purchase at each store, its dedicated on-site customer parking, the ability of customers to taste wine in its stores every day and the availability of free delivery.

Financial
HIGHLIGHTS

Turnover £m



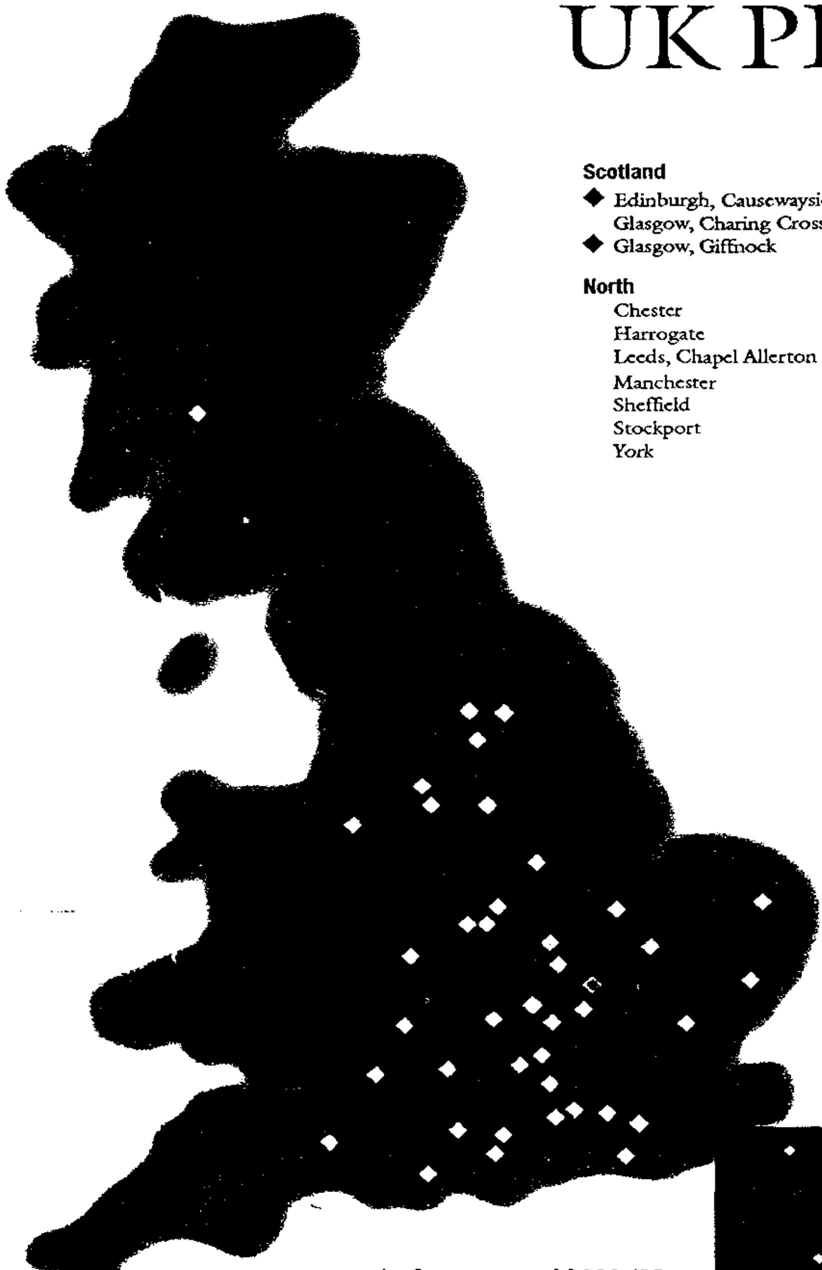
Profit before tax £m



(Excludes exceptional items in 1997 and 1999)

"We opened a record 12 new stores during the year, with 10 new locations."

UK PRESENCE



◆ Stores opened 1998/99
◆ Stores opened 1999/00

Scotland
- ◆ Edinburgh, Causewayside
- Glasgow, Charing Cross
- ◆ Glasgow, Giffnock

North
- Chester
- Harrogate
- Leeds, Chapel Allerton
- Manchester
- Sheffield
- Stockport
- York

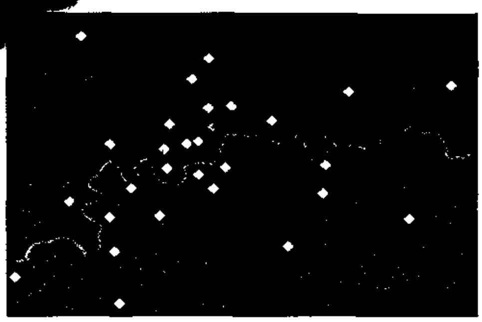
Midlands
- ◆ Banbury
- Birmingham, Acocks Green
- Hagley Rd
- Bletchley
- Northampton
- Nottingham
- Oxford
- Sutton Coldfield
- Worcester

Wales
- ◆ Cardiff

South and West
- Bristol
- ◆ Cheltenham
- ◆ Chichester (re-site)
- ◆ Exeter
- Gloucester
- ◆ Newbury (re-site)
- Poole
- Salisbury
- Southampton
- Swindon
- Taunton
- Winchester

East
- Cambridge
- Ipswich
- Norwich
- Peterborough

South East
- Amersham
- Aylesbury
- Brighton & Hove
- Chelmsford
- East Grinstead
- Farnham
- Guildford
- Maidenhead
- ◆ Maidstone
- Reading
- Reigate
- St Albans
- ◆ Stevenage
- Sunningdale



London and Inside M25
- Battersea
- Bushey
- Catford
- Chalk Farm
- Chislehurst
- City
- Clapham
- Croydon
- ◆ Docklands
- Ealing
- Epsom
- Fulham
- Gidea Park
- Greenwich
- Islington
- Kingston
- ◆ Marylebone
- Mayfair
- Muswell Hill
- New Barnet
- Notting Hill Gate
- ◆ Putney
- Richmond
- Shepherds Bush
- South Kensington
- Surbiton
- ◆ Sutton
- Twickenham
- Vauxhall
- Wanstead
- Weybridge
- Wimbledon

Chairman's STATEMENT

I am pleased to announce an 8% increase on last year's profit before tax up to £3,505,000, excluding the exceptional item, from £3,240,000 last year. Including the exceptional item, this year's profit before tax is £3,955,000. Total sales grew by 13% to £68,386,000 and we opened a record 12 new stores during the year, with 10 new locations and 2 resites. At the year-end Majestic had 80 stores.

In what has been a difficult retailing environment this performance could not have been achieved without the commitment of all our staff. I am very proud of the high levels of customer service they achieve and would like to thank them all for their significant contributions to our success.

Roy Vandermeer retires from the Board at the Annual General Meeting on 6 August 1999. I would like to take this opportunity to thank Roy for his contribution to the Company since he joined the Board at flotation in 1996.

We are recommending for approval by shareholders at the Annual General Meeting a final dividend of 3.7 pence net per share. This will be payable on 6 August 1999 to shareholders on the register on 2 July 1999 and brings the total dividend for the full year to 5.4 pence net per share.

Current Trading

For the 9 weeks to 31 May 1999, total sales have risen by 13.5% with like for like sales up 2.7%. We are well prepared to supply consumers for Millennium celebrations and already have high stocks of Champagne in anticipation of demand.

Since the year end we have opened 2 new stores and have a further 4 stores due to open by the autumn. We remain confident for the future growth of the business.

John Apthorp Chairman

"I am very proud of the high levels of customer service achieved and would like to thank all our staff for their significant contributions to our success"

Review of Operations

Total sales increased by 13% over last year with like for like sales up 2.3%. Majestic now has over 206,000 customers on the mailing list who have made purchases during the last twelve months. The average customer spend per transaction at our stores is now £97.

Trading

Our promotional focus continues to be on specific wine regions and during the year we have seen good growth from red and white Burgundy, Rhone, Spain, Australia and Chile. Total still wine represents just under two thirds of our sales of which over half is from France. The average bottle price of still wine purchased at Majestic now stands at £5.09. We have seen continued good demand for Champagne and are well stocked, particularly with 1990 vintage Champagne, in preparation for Millennium celebration sales.

Free Delivery

We now offer free delivery of a case of wine anywhere in mainland UK. Customers place their orders with their local store by phone or fax and the team then arrange delivery at a convenient time. Where we do not have a store nearby we arrange delivery by Parcelforce.

Internet

Our web site, www.majestic.co.uk carries full details on all our stores and how we operate together with details of graduate career opportunities.

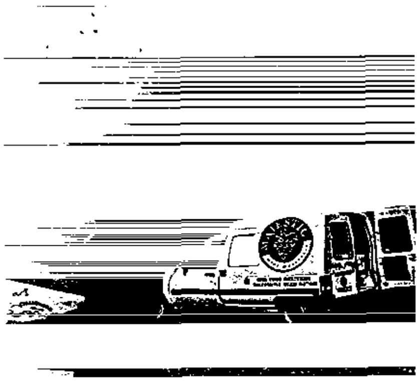
We believe we are well positioned to gain from growing interest in selecting and ordering wine via the Internet and are currently developing an Internet on-line ordering system for launch early in 2000. We have stores throughout the UK and our national coverage will continue to be enhanced by new openings. With the depth of stock held and a delivery van at every store, our aim is to provide delivery of orders placed on the Internet at a time arranged to suit the customer.

New Stores

We opened a record number of stores during the financial year with new stores in Cheltenham, Causewayside-Edinburgh, Docklands, Giffnock, Cardiff, Maidstone, Putney, Banbury, Sutton and Exeter and resites in Chichester and Newbury. The average size of these stores was 3,300 square feet.

Our expansion is based on being able to take a range of types of store providing we have good prominence and sufficient on-site car parking. Since the end of the financial year we have opened in Stevenage in a new retail warehouse building and in Crawford Street – Marylebone in a converted car showroom and we are currently fitting out a former garage in Wolverhampton to open in the late summer. We have exchanged contracts on a further site in Scotland in Ayr, bringing our number of stores in Scotland to four. We have also secured a further site in Wales in Swansea.

> "We now offer free delivery of a case of wine anywhere in mainland UK."



In July our largest Majestic store is due to open at Vinopolis, City of Wine where we are the sole wine retailer. Vinopolis is London's first visitor attraction dedicated to the world of wine and occupies a site of 2.25 acres on the south bank of the Thames in Southwark. The major feature of Vinopolis will be the Wine Odyssey, an audio-visual tour of the world's wine regions, cultures, history and flavours, which culminates in the tasting halls following which all visitors enter the Majestic store.

We are very pleased with our store opening programme and have several other new stores under negotiation.

Corporate Sales

During the early part of the year we established a new dedicated depot just north of Kings Cross. This has led to improved levels of service for our corporate customers in the City and West End of London. We have seen further encouraging growth in corporate sales during the year and we see continued potential to grow the business.

Battersea Sale

The sale of our lease at Battersea was completed in January 1999 for the sum of £1,000,000. We are currently still trading at the store but on a lease subject to three months' notice of termination pending redevelopment of the site.

Head Office and Depot Relocation

We have exchanged contracts on a new combined head office and depot near our existing one in Watford. At 35,800 square feet this will give us capacity for distribution to around 150 stores. We plan to move to this new facility in January 2000.

The combination of the gain on Battersea and providing for moving from our existing head office and depot produces the exceptional item of £450,000 as set out in note 6.

Future Prospects

We believe that future growth prospects are good with consumers continuing to show interest in a greater choice of better quality wines. With our new head office and depot we have considerable potential to increase the number of our warehouse-style stores nationwide. The depth of stock we carry in each store and the fact that we already offer free delivery place us in a good position to benefit from growing consumer interest in both home delivery and, in the future, ordering via the Internet.

Tim How

Tim How Chief Executive

Directors
AND ADVISERS

Directors *(from left to right)*
John Apthorp, aged 64, is Chairman and was appointed to the Board in 1989. He is chairman of the remuneration committee.

Steve Lewis, aged 35, is Retail Director and was appointed to the Board in February 1998. He is responsible for retail operations and corporate sales.

Tony Mason, aged 53, is Trading Director and was appointed to the Board in 1989. He is responsible for range selection and purchasing.

John Kelly, aged 57, is Finance Director and Company Secretary and was appointed to the Board in 1991. He is a Fellow of the Chartered Institute of Management Accountants and is responsible for the finance function.

Tim How, aged 48, is Chief Executive and was appointed to the Board in 1989. He is also a non-executive director of M & W Mack Limited.

Non-executive Directors *(not shown)*
Gerald Leahy, aged 64, is a non-executive Director and was appointed to the Board in November 1996. He is chairman of the audit committee.

Roy Vandermeer, aged 67, is a non-executive Director and was appointed to the Board in November 1996. He is a Queen's Counsel.

Company Secretary
JF Kelly FCMA

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

Auditors
Ernst & Young
400 Capability Green
Luton LU1 3LU

Bankers
Barclays Bank PLC
50 Pall Mall
PO Box No. 15162
London SW1A 1QB

Adviser/Broker
Williams de Broë Plc
PO Box 515
6 Broadgate
London EC2M 2RP

Solicitors
Osborne Clarke
Hillgate House
26 Old Bailey
London EC4M 7HS

SPR Avery Midgen
277/281 Oxford Street
London W1R 3LD

Registrars
IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

DIRECTORS' REPORT

for the year ended 29 March 1999

REPORT & ACCOUNTS

The Directors present their report and Group accounts for the year ended 29 March 1999.

PRINCIPAL ACTIVITY

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

RESULTS AND REVIEW OF THE BUSINESS

The Profit and Loss Account is set out on page 14.

The Directors' Report should be read in conjunction with the Chairman's Statement and the Review of Operations on pages 3 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 3.7p net per Ordinary Share be paid which together with an interim dividend of 1.7p paid on 8 January 1999 makes a total of 5.4p (1998 5.0p) per share for the year. The final dividend amounting to £514,000, if approved, will be paid on 6 August 1999 to the shareholders whose names appear on the Register of Members at the close of business on 2 July 1999, leaving £2,207,000 to be transferred to reserves.

DIRECTORS

The Directors who served during the period were:

JD Apthorp, TF How, AJ Mason, JF Kelly, SJ Lewis, GW Leahy, AR Vandermeer

Mr GW Leahy and Mr AR Vandermeer are non-executive Directors. All of the Directors served for the whole of the year.

In accordance with the Company's Articles of Association:
Mr AR Vandermeer retires on 6 August 1999. Mr JF Kelly retires by rotation and offers himself for re-election.

DIRECTORS' INTERESTS

The interests of the Directors in the share capital of the Company are:

	Number of Ordinary Shares 1999	*1998*
JD Apthorp *(note 1)*	**7,059,494**	7,057,594
TF How *(note 2)*	**33,166**	30,666
JF Kelly	**nil**	nil
AJ Mason *(note 3)*	**29,998**	29,998
SJ Lewis	**nil**	nil
GW Leahy	**nil**	nil
AR Vandermeer	**nil**	nil

DIRECTORS' REPORT

for the year ended 29 March 1999

Directors' interests continued

Notes:

1) JD Apthorp has a beneficial interest in 401,900 Ordinary Shares. He holds 1,900 in his own name and 400,000 are held by his wife J Apthorp. In addition, JD Apthorp also has a non-beneficial interest in 6,657,594 Ordinary Shares which are held by the P&L Trust Company Limited, Jacques Pierre Labesse and Linda Mary Williams.

2) The Ordinary Shares in which TF How has a beneficial interest are held 30,666 in his own name and 2,500 by his wife EM How.

3) The Ordinary Shares in which AJ Mason has a beneficial interest are held 23,332 in his own name and 6,666 by his wife H Mason.

The Directors' interests in share options are as follows:

	Options at 30.3.98	*Options granted*	*Options exercised*	*Options at 29.3.99*	*Exercise Price*	*Market price at date of exercise*	*Date from which exercisable*	*Expiry date*
TF How	307,000	–	137,500	**169,500**	£0.50	£4.375	15.12.97	14.12.02
	40,000	–	–	**40,000**	£0.50	–	02.02.98	01.02.03
	4,570	–	–	**4,570**	£1.28	–	01.12.99	31.05.00
	1,788	–	–	**1,788**	£2.18	–	01.09.00	28.02.01
JF Kelly	107,000	–	29,600	**77,400**	£0.75	£4.375	10.12.94	10.12.01
	23,000	–	–	**23,000**	£0.75	–	02.11.96	02.11.03
	74,000	–	74,000	**0**	£0.00	£4.375	–	–
	4,570	–	–	**4,570**	£1.28	–	01.12.99	31.05.00
	1,788	–	–	**1,788**	£2.18	–	01.09.00	28.02.01
AJ Mason	307,000	–	155,000	**152,000**	£0.50	£4.375	15.12.97	14.12.02
	40,000	–	–	**40,000**	£0.50	–	02.02.98	01.02.03
	4,570	–	–	**4,570**	£1.28	–	01.12.99	31.05.00
	1,788	–	–	**1,788**	£2.18	–	01.09.00	28.02.01
SJ Lewis	25,000	–	–	**25,000**	£0.75	–	10.12.94	10.12.01
	10,000	–	–	**10,000**	£0.75	–	02.11.96	02.11.03
	25,000	–	25,000	–	£0.00	£4.375	–	–
	25,000	–	25,000	–	£0.50	£4.375	–	–
	–	25,000	–	**25,000**	£3.075	–	22.12.01	22.12.08
	4,570	–	–	**4,570**	£1.28	–	01.12.99	31.05.00
	1,788	–	–	**1,788**	£2.18	–	01.09.00	28.02.01

The market value of the Company's shares at 29 March 1999 was 382.5p. The highest and lowest prices during the year were 515p and 267.5p respectively.

DIRECTORS' REPORT

for the year ended 29 March 1999

MAJOR SHAREHOLDERS

At 3 June 1999 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, Jacques Pierre Labesse and Linda Mary Williams	6,657,594	47.95
NatWest Group	1,324,080	9.53
Taz Bay Investments Limited	462,220	3.33

DONATIONS

Charitable donations made in the year amounted to £13,513 primarily to The Samaritans. There were no political donations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DIRECTORS' REPORT

for the year ended 29 March 1999

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The audit committee consists of the Chairman and the non-executive Directors together with the Chief Executive and Finance Director. It is chaired by one of the non-executive Directors. Its role is to review the interim and final accounts for approval by the Board and to ensure that appropriate financial and operating controls are functioning properly. It meets as required during the year.

Internal Controls

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

The principal operating company Majestic Wine Warehouses Limited is managed by a board of eight executive directors, four of whom are also executive Directors of Majestic Wine PLC. They are responsible for the day to day management of operations.

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 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.

Functional Reporting

The risks facing the business are assessed on an ongoing basis. A number of key areas such as treasury risk management, capital expenditure, insurance, health and safety, and regulatory compliance, come under the direct control of the executive Directors.

REMUNERATION COMMITTEE

The remuneration committee consists of the Chairman and the two non-executive Directors. It 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. Under the terms of the service agreements each of the executive Directors, excluding Mr JD Apthorp, is entitled to participate in the Majestic Wine Warehouses Limited Profit Related Pay Scheme.

The Group operates Executive Share Option Schemes and a Deferred Bonus Scheme in which the Directors and senior managers participate. The Group also operates a Savings Related Share Option Scheme. It is available to all Group employees, and conforms to Inland Revenue rules. The committee determines the allocation of shares for both share schemes.

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 29 March 1999

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 operates a profit related pay scheme and senior staff participate in the Group's share option schemes, and 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 creditors 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 82 days.

YEAR 2000 COMPLIANCE

The programme designed to address the impact of the Year 2000 on our business has continued through the year. A risk analysis has been performed to determine the impact of the issue on our activities. From this, prioritised plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business. Priority has been given to those systems which could cause a significant financial or legal impact on the Company's business if they were to fail.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness. The Board do not consider the cost of preparation to be significant and costs have been charged to the profit and loss account as incurred.

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 accounts.

AUDITORS

A resolution to reappoint Ernst & Young will be proposed at the Annual General Meeting.

By Order of the Board

JF Kelly FCMA
Secretary

Registered in England and Wales No. 2281640

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

21 June 1999

AUDIT REPORT

for the year ended 29 March 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the accounts on pages 14 to 27, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on page 18.

Respective responsibilities of Directors and Auditors

As described on page 10 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 29 March 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young.

ERNST & YOUNG
Registered Auditor
Luton

21 June 1999

GROUP PROFIT & LOSS ACCOUNT

for the year ended 29 March 1999

	Note	*Year to 29.3.99 £000*	*Year to 30.3.98 £000*
Turnover		68,386	60,457
Cost of sales		(55,748)	(48,884)
Gross profit		12,638	11,573
Distribution costs		(6,096)	(5,230)
Administrative costs including exceptional item		(3,000)	(3,574)
Rental income		298	249
Operating profit before exceptional item		3,390	3,018
Exceptional administration income	6	450	–
Operating profit	2	3,840	3,018
Net interest receivable	4	115	222
Profit on ordinary activities before taxation		3,955	3,240
Taxation	5	(998)	(1,057)
Profit on ordinary activities after taxation		2,957	2,183
Dividend			
Interim – paid		(236)	(204)
Final – proposed		(514)	(448)
Retained profit for the year	15	2,207	1,531
Earnings per share	7		
Basic		21.61p	17.02p
Diluted		20.40p	15.31p
Adjusted earnings per share			
Basic		17.72p	17.02p
Diluted		16.73p	15.31p

There are no recognised gains and losses other than the profit for the financial year.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

BALANCE SHEET

as at 29 March 1999

	Note	Group 29.3.99 £000	Group 30.3.98 £000	Company 29.3.99 £000	Company 30.3.98 £000
Fixed assets					
Tangible assets	8	11,582	8,607	–	–
Investments	9	–	–	4,653	4,653
		11,582	8,607	4,653	4,653
Current assets					
Stocks	10	12,760	9,622	–	–
Debtors	11	2,653	2,156	8,275	6,799
Cash at bank and in hand		1,404	2,156	–	–
		16,817	13,934	8,275	6,799
Creditors:					
Amounts falling due within one year	12	(16,213)	(12,826)	(573)	(611)
Net current assets		604	1,108	7,702	6,188
Total assets less current liabilities		12,186	9,715	12,355	10,841
Creditors:					
Amounts falling due					
after more than one year	13	–	–	(2,000)	(2,000)
Net assets		12,186	9,715	10,355	8,841
Capital and reserves					
Called up share capital	16	4,165	3,942	4,165	3,942
Shares to be issued	18	14	80	14	80
Share premium account	18	2,892	2,763	2,892	2,763
Revaluation reserve	18	42	42	–	–
Profit and loss account	18	5,073	2,888	3,284	2,056
Equity shareholders' funds		12,186	9,715	10,355	8,841

The accounts on pages 14 to 27 were approved by the Board on 21 June 1999 and signed on its behalf by:

JD Apthorp
Chairman

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 29 March 1999

	Year to 29.3.99 £000	*Year to 30.3.98 £000*
Net cash inflow from operating activities	**4,567**	4,292
Returns on investments and servicing of finance		
Interest paid	**(27)**	(4)
Interest received	**142**	226
	115	222
Taxation		
UK corporation tax paid (including ACT)	**(1,058)**	(770)
Capital expenditure		
Purchase of tangible fixed assets	**(3,956)**	(2,797)
Acquisitions and disposals		
Acquisition of minority interest in subsidiary undertaking	–	(22)
Equity dividends paid	**(706)**	(650)
Net cash inflow before financing	**(1,038)**	275
Financing		
Issue of Ordinary Share capital	**286**	201
(Decrease)/Increase in cash for the year	**(752)**	476

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 29 March 1999

Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow from operating activities.

	Year to 29.3.99 £000	*Year to 30.3.98 £000*
Operating profit	**3,840**	3,018
Depreciation charges	**953**	822
Loss on disposal of tangible fixed assets	**28**	–
Cost of shares to be issued	**–**	80
Increase in stocks	**(3,138)**	(1,013)
Increase in debtors	**(609)**	(445)
Increase in creditors	**3,493**	1,830
Net cash inflow from operating activities	**4,567**	4,292

(b) Analysis of cash balances shown in the Balance Sheet.

	30.3.98 £000	*Cash Flow £000*	*29.3.99 £000*
Cash at bank and in hand	2,156	(752)	**1,404**

NOTES TO THE ACCOUNTS

1. Accounting policies

The accounts have been prepared in accordance with applicable financial reporting and accounting standards in the United Kingdom. A summary of the more important policies is set out below:

(a) Basis of accounting

The accounts 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 accounts incorporate the results and net assets of the Company and its subsidiary undertakings.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates prior to 31 December 1997 was written off immediately against reserves. This has not been reinstated on the implementation of FRS 10.

(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:

	%
Freehold buildings	2
Long leasehold buildings	2
Fixtures and fittings	10
Computer equipment	20
Vehicles	20

Freehold land is not depreciated.

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(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. Stock includes consignment stock which is paid for when sold.

(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 and all arises within the United Kingdom.

(j) Leases

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

NOTES TO THE ACCOUNTS

2. Operating profit

	Year to 29.3.99 £000	Year to 30.3.98 £000
Operating profit is stated after charging:		
Depreciation	953	822
Operating lease rentals	2,782	2,573
Auditors' remuneration:		
in respect of audit		
– Company	5	5
– Group	21	22
for non-audit services	12	23

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. Employee information

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

	1999	1998
Head office, including distribution	50	48
Store staff	340	296
	390	344

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

	Year to 29.3.99 £000	Year to 30.3.98 £000
Wages and salaries	6,223	5,514
Social security costs	608	537
Pension costs	78	66
	6,909	6,117

DIRECTORS' EMOLUMENTS

	1999 £000	1998 £000
Directors		
Aggregate emoluments	419	325
Gain made on exercise of share options	1,771	–
Company pension contributions to money purchase schemes for four Directors	49	37
Highest paid Director		
Aggregate emoluments	132	117
Gain made on exercise of share options	533	–
Company pension contributions to money purchase scheme	18	17

NOTES TO THE ACCOUNTS

4. Net interest receivable

	Year to 29.3.99 £000	*Year to 30.3.98 £000*
Interest on bank overdrafts and other loans repayable within five years, not by instalments	(27)	(4)
Bank interest receivable	142	226
	115	222

5. Taxation

	Year to 29.3.99 £000	*Year to 30.3.98 £000*
Taxation on profit on ordinary activities		
UK corporation tax	998	1,057

The effective tax rate for the year is reduced as a result of rolling over the capital gain on the Battersea sale.

6. Exceptional item

	Year to 29.3.99 £000	*Year to 30.3.98 £000*
Net proceeds on sale of Battersea lease	850	–
Provision for relocation of depot and head office	(400)	–
	450	–

NOTES TO THE ACCOUNTS

7. Earnings per share

Reconciliation of adjusted earnings

	1999	*1998*
Profit on ordinary activities after taxation	**£2,957,000**	£2,183,000
Exceptional item	**£(450,000)**	–
Tax effect of exceptional item	**£(82,000)**	–
Adjusted earnings	**£2,425,000**	£2,183,000

Earnings per Ordinary Share is calculated as follows:

Basic		
Profit attributable to Ordinary shareholders	**£2,957,000**	£2,183,000
Weighted average number of Ordinary Shares in issue	**13,684,094**	12,826,966
Earnings per Ordinary Share	**21.61p**	17.02p
Diluted		
Profit attributable to Ordinary shareholders	**£2,957,000**	£2,183,000
Weighted average number of Ordinary Shares in issue	**14,495,104**	14,261,582
Earnings per Ordinary Share	**20.40p**	15.31p
Adjusted earnings per Ordinary Share		
Adjusted earnings	**£2,425,000**	£2,183,000
Weighted average number of Ordinary Shares in issue	**13,684,094**	12,826,966
Adjusted earnings per Ordinary Share	**17.72p**	17.02p
Adjusted diluted		
Adjusted earnings	**£2,425,000**	£2,183,000
Weighted average number of Ordinary Shares in issue	**14,495,104**	14,261,582
Adjusted diluted earnings per Ordinary Share	**16.73p**	15.31p

Adjusted earnings per Ordinary Share is based on earnings before the impact of the exceptional item. It is included as it provides a better understanding of the underlying trading performance of the Group.

The comparatives have been restated in accordance with FRS 14.

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

	1999	*1998*
Basic weighted average number of shares	**13,684,094**	12,826,966
Dilutive potential Ordinary Shares:		
Employee share options	**811,010**	1,434,616
	14,495,104	14,261,582

NOTES TO THE ACCOUNTS

8. Tangible fixed assets (Group)

	Land and Buildings *Freehold* *£000*	*Long Leasehold* *£000*	*Short Leasehold* *£000*	*Equipment Fittings & Vehicles* *£000*	*Total* *£000*
Cost or valuation:					
At 30 March 1998	3,190	287	3,045	4,683	11,205
Additions	1,773	–	840	1,343	3,956
Disposals	–	–	(121)	(243)	(364)
At 29 March 1999	**4,963**	**287**	**3,764**	**5,783**	**14,797**
Depreciation:					
At 30 March 1998	41	2	1,068	1,487	2,598
Charge for period	31	2	202	718	953
Disposals	–	–	(109)	(227)	(336)
At 29 March 1999	**72**	**4**	**1,161**	**1,978**	**3,215**
Net Book Value					
at 29 March 1999	**4,891**	**283**	**2,603**	**3,805**	**11,582**
at 30 March 1998	3,149	285	1,977	3,196	8,607

The freehold and long lease properties, which the Group occupied at 31 July 1996, were valued independently at £1,830,000 on the basis of existing use value. Subsequent additions are included at acquisition cost. Freehold land and buildings includes £2,365,000 (1998 £1,590,000) in respect of land which is not depreciated.

	£000
The historical costs of the assets revalued are as follows:	
Freehold properties	1,300
Long leasehold properties	213
	1,513

NOTES TO THE ACCOUNTS

9. Investments

	29.3.99 £000	30.3.98 £000
Company:		
Shares in Group undertakings at cost	**4,653**	4,653

The Company owns:

i) 100% of the share capital of Wharfside Wine PLC, an investment company, registered in England and Wales, which is no longer trading.

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) 100% of the ordinary share capital of Majestic Wine Employee Share Ownership Trust Limited, a company registered in England and Wales, which is dormant.

iv) 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.

10. Stocks

	Group		Company	
	29.3.99 £000	30.3.98 £000	29.3.99 £000	30.3.98 £000
Goods for resale	**12,760**	9,622	**–**	–

11. Debtors

	Group		Company	
	29.3.99 £000	30.3.98 £000	29.3.99 £000	30.3.98 £000
Trade debtors	**1,341**	986	**–**	–
Amounts due from Group undertakings	**–**	–	**8,275**	6,687
Other debtors	**466**	555	**–**	112
Prepayments and accrued income	**846**	615	**–**	–
	2,653	2,156	**8,275**	6,799

The amounts due from Group undertakings have no fixed repayment terms and are interest free. The Company does not intend to seek repayments of the intercompany debts within one year.

Included in other Group and Company debtors above is £nil (1998 £112,000) which is due after more than one year.

NOTES TO THE ACCOUNTS

12. Creditors

	Group		Company	
	29.3.99	*30.3.98*	*29.3.99*	*30.3.98*
	£000	*£000*	*£000*	*£000*
Amounts falling due within one year:				
Trade creditors	12,252	8,947	–	–
Other taxes and social security	786	699	–	–
Accruals and other creditors	1,773	1,672	–	–
Corporation tax	888	1,060	59	163
Dividends	514	448	514	448
	16,213	12,826	573	611

Included in accruals and other creditors is £400,000 which has been provided for the relocation of the depot and head office.

13. Creditors

	Group		Company	
	29.3.99	*30.3.98*	*29.3.99*	*30.3.98*
	£000	*£000*	*£000*	*£000*
Amounts falling due after more than one year:				
Amounts due to Group undertakings	–	–	2,000	2,000
	–	–	2,000	2,000

14. Deferred taxation

No deferred taxation has been provided in the accounts. The amounts not provided are as follows:

	Group		Company	
	29.3.99	*30.3.98*	*29.3.99*	*30.3.98*
	£000	*£000*	*£000*	*£000*
Excess of tax allowances over depreciation	306	269	–	–
Other timing differences	(52)	(24)	–	–
Capital gain rolled over	310	–	–	–
	564	245	–	–

15. Reconciliation of movements in shareholders' funds

	29.3.99	*30.3.98*
	£000	*£000*
Opening equity shareholders' funds	9,715	7,925
New share capital issued	286	201
Retained profit for the period	2,207	1,531
Goodwill written off on acquisition of minority interest	–	(22)
Shares to be issued	–	80
Adjustment to 1998 dividend	(22)	–
Closing shareholders' funds	12,186	9,715

NOTES TO THE ACCOUNTS

16. Share capital

	1999 Number	1999 Value £000	1998 Number	1998 Value £000
Authorised				
Ordinary Shares of 30p each	**35,000,000**	**10,500**	35,000,000	10,500
Issued				
Ordinary Shares of 30p each	**13,883,640**	**4,165**	13,141,140	3,942

During the year 522,500 Ordinary Shares of 30p each were allotted for a consideration of £286,000. In addition 220,000 Ordinary Shares of 30p each were allotted from shares to be issued. All of the shares were allotted to satisfy the exercise of options.

17. Share options

The following options are outstanding for Ordinary Shares.

Number of shares	*Period in which exercisable*			*Price per share*
134,900	10 December 1994	–	10 December 2001	£0.75
1,000	14 December 1995	–	14 December 2002	£0.75
70,000	2 November 1996	–	2 November 2003	£0.75
42,040	15 December 1997	–	15 December 2004	£0.75
44,000	15 December 1997	–	14 December 2002	£0.00
321,500	15 December 1997	–	14 December 2002	£0.50
154,700	2 February 1998	–	1 February 2003	£0.50
65,000	1 November 1999	–	30 October 2006	£1.60
125,461	1 December 1999	–	31 May 2000	£1.28
3,234	1 December 2001	–	31 May 2002	£1.28
46,000	4 July 2000	–	4 July 2007	£2.73
36,764	1 September 2000	–	28 February 2001	£2.18
179,000	22 December 2001	–	22 December 2008	£3.075
47,221	1 February 2002	–	31 July 2002	£2.46
1,371	1 February 2004	–	31 July 2004	£2.46

The interests of the Directors in the above options are disclosed in the Directors' Report.

NOTES TO THE ACCOUNTS

18. Reserves

	Revaluation Reserve £000	Shares to be issued £000	Share Premium Account £000	Profit & Loss Account £000
Group:				
Balance at 30 March 1998	42	80	2,763	2,888
Share issue	–	(66)	129	–
Retained profit for the period	–	–	–	2,207
Adjustment to 1998 dividend	–	–	–	(22)
At 29 March 1999	**42**	**14**	**2,892**	**5,073**
Company:				
Balance at 30 March 1998		80	2,763	2,056
Share issue		(66)	129	–
Retained profit for the period		–	–	1,250
Adjustment to 1998 dividend		–	–	(22)
At 29 March 1999		**14**	**2,892**	**3,284**

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.

The cumulative amount of goodwill written off at 29 March 1999 is £1,595,000 (1998 £1,595,000).

19. Financial instruments

	29.3.99 £000	30.3.98 £000
Forward foreign currency purchases	9,262	7,856

The Group's policy is to cover its exposure on foreign currency purchases by entering into forward exchange contracts. The majority of these contracts are in Euros.

20. Operating leases

At 29 March 1999 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	29.3.99 £000	30.3.98 £000	29.3.99 £000	30.3.98 £000
Operating leases which expire:				
Within one year	**40**	–	**31**	38
Between two and five years	**275**	250	**316**	275
In over five years	**2,188**	2,060	–	–
	2,503	2,310	**347**	313

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

NOTES TO THE ACCOUNTS

21. Related party transactions

During the year the following related party transactions took place:

	1999	*1998*
Consultancy fee paid to SK Rep PLC	**£44,000**	£42,000
Rent paid to Mr JD Apthorp who owned the freehold on one short leasehold property rented to the company	**£10,257**	£41,029

Mr JD Apthorp is a director of SK Rep PLC.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Majestic Wine PLC will be held at the Hilton National Hotel, Elton Way, Watford, Hertfordshire, WD2 8HA, at 11.30 am on 6 August 1999, for the following purposes:

Ordinary Business

Adoption of accounts

1. To receive and adopt the Annual Report and Accounts for the year ended 29 March 1999.

Declaration of dividend

2. To declare a final dividend of 3.7p per Ordinary Share.

Re-election of retiring Directors

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

Re-appointment of Auditors

4. To appoint Ernst & Young 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

5. That the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,389,114 to such persons at such times and on such terms as they think proper during the period expiring at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which this authority is revoked save that the Company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after the expiry of this period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this paragraph, so that all previous authorities of the Directors pursuant to Section 80 of the Act be and they are revoked.

Disapplication of pre-emption rights – Special Resolution

6. 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 the previous resolution as if Section 89(1) of the Act did not apply to such allotment and at any time prior to the expiry of the power conferred by this resolution to make any offer or agreement which would or might require equity securities to be allotted after the expiry of such power notwithstanding the expiry of such power provided that such power shall, subject as aforesaid, cease to have effect at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which the said authority is revoked, and provided that the power conferred by this resolution shall be limited to;

(a) the allotment of equity securities in connection with a rights issue in favour of the holders of Ordinary Shares of 30 pence each where the equity securities attributable to the interests of all the holders of Ordinary Shares of 30 pence each are proportionate (as nearly as may be convenient, having regard to the statutory and other regulatory requirements of any foreign territory or the requirements of any regulatory body or stock exchange) to the respective number of Ordinary Shares of 30 pence each held by them but subject to such exclusions and and other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements and any shares held by overseas shareholders; and

(b) the allotment of equity securities otherwise than as mentioned in sub-paragraph (a) up to a maximum aggregate nominal amount of £208,367 representing approximately 5 per cent of the nominal value of the current issued share capital of the Company.

Amendment to Rules of Share Option Schemes – Ordinary Resolution

7. That Rule 3.1 of the Majestic Wine PLC Approved Executive Option Scheme, Rule 2.1 of the Majestic Wine PLC Unapproved Executive Share Option Scheme and Rule 6.5 of the Majestic Wine PLC 1996 Savings Related Share Option Scheme be amended in the manner set out in the draft amended scheme rules produced to the Meeting, and that the Directors be and they are authorised to do all things as may be necessary to carry the same into effect.

Registered office: Odhams Trading Estate, St Albans Road, Watford, Hertfordshire, WD2 5RE.

By order of the Board
John Francis Kelly
Secretary
5 July 1999

Notes:

1. 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.
2. 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.
3. The Company pursuant to regulation 34 of the Uncertified Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company at close of business on 4 August 1999 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.
4. The proposed amended share option schemes will be available for inspection at the registered office of the Company and at the offices of Osborne Clarke, Hillgate House, 26 Old Bailey, London EC4M 7HS on any weekday during normal business hours up to and including the date of the Annual General Meeting, and for a period of 15 minutes prior to the meeting and during the meeting.

Explanatory notes on certain business of the Annual General Meeting

Resolution 5

Directors' power to allot securities

Under Section 80 of the Act, relevant shares may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising directors to issue shares 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 2000. It complies with the Association of British Insurers' guidelines and replaces a similar resolution passed previously.

Resolution 6

Disapplication of pre-emption rights

Section 89 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which in the case of a rights issue may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to the aggregate nominal value of £208,367 which is approximately 5% of the nominal value of the current issued share capital of the Company, in line with the Association of British Insurers' guidelines. It replaces a similar resolution passed previously.

The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied the disapplication will expire on the conclusion of the next Annual General Meeting of the Company.

Resolution 7

Amendment to Rules of Share Option Schemes

Resolution 7 will be put before the Annual General Meeting as an ordinary resolution to amend the rules of the Company's approved and unapproved executive share option schemes and its SAYE scheme.

The Remuneration Committee wishes to have greater flexibility on the rate that it can grant options within the overall 10% limit restricting the level of option grants during the 10 year life of the schemes. Accordingly, the amendments relate to the "rate of flow" limit which restricts the level of option grants so that no more than 3% of the Company's issued share capital can be issued pursuant to options granted in any rolling 3 year period. The amendments will extend this limit so that up to 5% of the issued share capital may be made available for grants of option during any rolling 3 year period. In compliance with the institutional shareholder guidelines the 10% limit restricting the level of option grants during the 10 year life of the schemes will remain unaffected. In applying these limits options granted prior to the flotation of the Company on the Alternative Investment Market of the London Stock Exchange Limited may be ignored under the rules of these schemes.