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MAJESTIC WINE PLC
ANNUAL REPORT AND ACCOUNTS 2006

CONTENTS

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.

CHAIRMAN'S STATEMENT

I am pleased to announce that profit before the exceptional gain, tax and amortisation of goodwill was £14.5m, an increase of 9.8% over last year. Total Group sales were up 6.0% to £172.2m and like for like UK sales grew 3.8%.

DIVIDEND

The Board is committed to continuing our progressive dividend policy, and so we are recommending for approval by shareholders at the Annual General Meeting a final dividend of 5.1 pence net per share payable on 11 August 2006 to shareholders on the register on 14 July 2006. This brings the total dividend to 7.0 pence net per share, an increase of 27.3% on 2005.

- **PROFIT BEFORE EXCEPTIONAL GAIN, TAX AND AMORTISATION OF GOODWILL INCREASED 9.8% TO £14.5M.**
- **TOTAL GROUP SALES WERE UP 6.0% TO £172.2M AND LIKE FOR LIKE UK SALES GREW 3.8%.**
- **DIVIDEND INCREASED 27.3% TO 7.0 PENCE.**

BOARD CHANGES
During the year we made a number of appointments to strengthen the Board.

We appointed Helen Keays as a non-executive Director on 1 November 2005. Helen, 42, is a marketing professional and brings to the Board a wide experience of several consumer sectors, including travel, retail, financial services and telecoms.

We promoted Steve Lewis on 5 January 2006 to the newly created position of Chief Operating Officer with responsibility for Majestic's trading operations. Steve, 42, was previously our Retail Director. He was first appointed to the Board in 1998.

Justin Apthorp was appointed to the Board as Buying Director on 5 January 2006. Justin, 44, has been a buyer at Majestic since 1992 and has managed the buying department for the past three years.

PEOPLE
Majestic's greatest asset, which does not appear on our balance sheet, is its first class team of retailing and support professionals who, as ever, have worked with energy and commitment to achieve this result. I would like to thank them for making this another very good year for our business.

CURRENT TRADING
Sales growth in the first eleven weeks of the financial year, from 28 March to 12 June, has been encouraging with like for like UK sales up 8.6%.

SIMON BURKE
CHAIRMAN
19 JUNE 2006

REVIEW OF OPERATIONS

The year has seen a pleasing increase in operating profit to £14.0m, up 10.7% from £12.7m last year.

The operating margin percentage has increased to 8.1% from 7.8% last year as a result of a further improvement in gross profit percentage coupled with our tight control over costs.

Diluted earnings per share increased by 2.8p to 16.0p. This strong growth is partly attributable to an unusually low tax charge, which includes a prior year credit worth 0.6p per share arising on the exercise of employee share options.

TRADING

We have seen encouraging growth in our database. There are now 374,000 customers who have made purchases in the last twelve months, up by 20,000 on last year. The average bottle price of still wine purchased at Majestic has increased to £5.59 from £5.51 and the average spend per transaction has risen to £118 from £113 last year.

We saw good sales growth in wines from Burgundy, Spain, South Africa, New Zealand, Chile and Argentina. In addition sales of Champagne, sparkling wine and rosé wine performed well.

Sales of fine wine continue to grow strongly. We have seen an increase of 30% in sales, and still wine priced at £20 and above, now represents just over 3.1% of UK retail sales. We currently see the potential for around 25 of our stores to house small areas dedicated to the sale of fine wine. During the year we installed new fine wine display areas into our stores in Berkhamsted, Richmond, Weybridge, Belgravia and Milton Keynes and have been pleased with their sales performance. Since the year end we have also upgraded Harrogate, Cheltenham, Haslemere, Shepherd's Bush and Sunningdale to include fine wine display areas.

During the year we operated five distinct promotional periods supported by the mailing of our detailed price lists to our customer database. In addition we mailed new style promotional flyers to customers last July and late November. The combination of long-term price offers interspersed with short-term promotions has proven to be successful and we will continue to develop this strategy.

CUSTOMER SERVICE
Our business is most notably differentiated from the competition by the quality of the customer service delivered by our friendly and knowledgeable staff.

We recruit young and energetic individuals primarily at graduate level and place great emphasis on training in wine knowledge, customer service and operational management. We have developed internally a comprehensive 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 staff to further their wine knowledge and currently 32% of our Managers and Assistant Managers either hold or are studying for the WSET Diploma. We were delighted that six members of staff received WSET "Awards of Excellence" in January 2006 for outstanding papers in their Advanced Certificate and Diploma examinations.

We offer free delivery 7 days a week arranged at a time to suit, including Monday to Saturday evenings, and a carry to car service for customers visiting our stores. We stock a wide range in depth at each location and customers can always taste a selection of wines at our store tasting counters.

REVIEW OF OPERATIONS

NEW STORES

We opened six new stores during the financial year in Sanderstead, Tunbridge Wells, Derby, Berkhamsted, Stow-on-the-Wold and Stirling. In addition we re-sited our store in Gloucester. We are pleased with the sales achieved at all these stores.

We expect to increase the rate of new store openings during the coming year. Since the year end we have re-sited Cardiff and Tunbridge Wells and by the end of June will have opened in Bicester and East Molesey, giving us 129 stores in the UK. We also have a number of other locations in advanced stages of negotiation. We now own 30 freehold sites of which two are in development for opening later in the year.

INTERNET

We have seen a further substantial increase in the number of orders placed over our website, www.majestic.co.uk, up 38% on last year. Web based transactions now represent 5.7% of UK retail sales. We recognise the opportunity that the internet gives us to communicate with our customers more frequently. To this end we have worked hard to improve collection of email addresses when customers visit our stores, so that we now have in excess of 100,000, double the number a year ago.

We continue to increase the range of services offered over the internet. Early in the year we switched our "en primeur" service to a fully web based platform backed by real time stock updates. This allowed customers to place "en primeur" orders online in the certain knowledge that their requests would be fulfilled. In addition, we launched "Gift Solutions", a next day gift delivery service, in November 2005. This facility proved successful and we will be promoting the service in time for this year's important festive season.

CORPORATE SALES

Corporate sales represent over a quarter of UK sales. We continue to see real opportunities to expand this business and have increased our regional sales team to thirteen. Their responsibility is to source new restaurant, hotel and business accounts with all subsequent logistics handled by the nearest Majestic store.

In addition to the regional structure, we have in London a dedicated depot and sales office near King's Cross selling to larger corporate customers in the City and West End.

WINE AND BEER WORLD

We have experienced tough trading conditions and like for like sales declined 7.1% on last year. The market in which we operate has suffered from a decline in day trip traffic. However we continue to see strong growth in the pre-ordering of wines before travelling to France for collection from our stores. Customers may order via our website, wineandbeer.co.uk, or over the telephone and together these account for just over 25% of sales.

FUTURE PROSPECTS

We believe that Majestic is in a strong position to continue to expand market share and has the potential to trade from around 200 locations in the UK. We are encouraged by our ability to attract new customers and continue to see good potential for the future growth of Majestic.

TIM HOW
CHIEF EXECUTIVE
19 JUNE 2006

PROPERTY

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

NORTH
BEVERLEY
BIRKDALE SOUTHPORT
CHESTER
DARLINGTON
HARROGATE
KENDAL
LEEDS CENTRAL
LEEDS CHAPEL ALLERTON
MANCHESTER
NEWCASTLE
PRESTON
SHEFFIELD
STOCKPORT
WARRINGTON
WILMSLOW
YORK

WALES
CARDIFF
SWANSEA

MIDLANDS
BANBURY
BICESTER
BIRMINGHAM ACOCKS GREEN
BIRMINGHAM HAGLEY ROAD
DERBY
LEICESTER
MERE GREEN SUTTON COLDFIELD
MILTON KEYNES
NORTHAMPTON
NOTTINGHAM
OXFORD
STOURBRIDGE
STOW-ON-THE-WOLD
WOLVERHAMPTON
WORCESTER

EAST
CAMBRIDGE
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

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

LONDON AND INSIDE M25
BATTERSEA
BELGRAVIA
BROMLEY
BUSHEY
CATFORD
CHALK FARM
CHISLEHURST
CITY
CLAPHAM
CROYDON
COVENT GARDEN
DOCKLANDS
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
CHERBOURG
COQUELLES

DIRECTORS ADVISERS

COMPANY SECRETARY
NRE ALLDRITT ACMA

REGISTERED OFFICE
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SOLICITORS
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CAPITA REGISTRARS
THE REGISTRY
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SIMON BURKE
Aged 47, was appointed non-executive Chairman in August 2005. He has served on the Board as a non-executive Director since March 2000. He is Chairman of Irish supermarket chain Superquinn.

TIM HOW
Aged 55, is Chief Executive and was appointed to the Board in 1989. He is non-executive Deputy Chairman of Austin Reed Group plc and non-executive Chairman of Framlington AIM VCT plc.

NIGEL ALLDRITT
Aged 42, 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 42, was promoted to Chief Operating Officer in January 2006 with responsibility for the Group's trading operations. He was appointed to the Board in 1998.

PAUL DERMODY
Aged 60, is a non-executive Director and was appointed to the Board in September 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 44, was appointed to the Board as Buying Director in January 2006. He has managed our buying function since 2002.

HELEN KEAYS
Aged 42, was appointed a non-executive Director in November 2005. She is a non-executive Director of Chrysalis PLC and of Britannia Building Society. She chairs the remuneration committee.

DIRECTORS' REPORT
FOR THE YEAR ENDED 27 MARCH 2006

The Directors present their report and Group financial statements for the year ended 27 March 2006.

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

RESULTS AND REVIEW OF THE BUSINESS
The Group Profit and Loss Account is set out on page 16.

The Directors' Report should be read in conjunction with the Chairman's Statement on pages 2 to 3 and the Review of Operations on pages 4 to 7 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 5.1p net per Ordinary Share be paid which, together with an interim dividend of 1.9p paid on 6 January 2006, makes a total of 7.0p (2005: 5.5p) per share for the year. The final dividend amounting to £3,308,000, if approved, will be paid on 11 August 2006 to the shareholders whose names appear on the Register of Members at the close of business on 14 July 2006.

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

	Number of Ordinary Shares	
	2006	2005
TF How (note 1)	**420,632**	418,428
SJ Lewis	**40,091**	38,860
NRE Alldritt	**56,356**	18,680
JJ Apthorp – appointed on 5 January 2006 (note 2)	**762,971**	762,971*
SP Burke	**8,000**	8,000
PB Dermody (note 3)	**7,000**	2,000
H Keays – appointed on 1 November 2005	**–**	–
JD Apthorp – retired on 5 August 2005 (note 4)	**9,636,976**	9,636,976

* As at date of appointment.

Notes:
1) 209,644 of the Ordinary Shares that TF How has an interest in are held in his own name, 190,988 are held by his wife EM How and 20,000 are held jointly.

2) 38,971 of the Ordinary Shares that JJ Apthorp has an interest in are held in his own name, 24,000 are held by his wife S Apthorp and 700,000 are held by Meespiersen.

3) 2,000 of the Ordinary Shares that PB Dermody has an interest in are held in his own name and 5,000 are held by his wife ME Dermody.

4) JD Apthorp has a beneficial interest in 1,658,600 Ordinary Shares. He holds 58,600 in his own name and 1,600,000 are held by his wife J Apthorp. In addition, JD Apthorp also has a non-beneficial interest in 7,978,376 Ordinary Shares that are held by the P&L Trust Company Limited.

SP Burke, PB Dermody and H Keays are non-executive Directors.

A proposal to confirm the appointments of H Keays and JJ Apthorp will be put to the Annual General Meeting.

In accordance with the Company's Articles of Association TF How retires by rotation and, being eligible, offers himself 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.

MAJOR SHAREHOLDERS
At 5 June 2006 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	12.29
Fidelity Investments	5,729,599	8.83
Artemis Investment Management	3,609,933	5.56
AXA Framlington Investment Managers	2,807,016	4.32
F&C Asset Management	2,387,798	3.68
Standard Life Investments	2,028,916	3.13

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 H 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 27 MARCH 2006

SHARE OPTION SCHEMES

The Group operates executive share option schemes (one of which is an Inland Revenue Company Approved Share Option Scheme and one which is unapproved for tax purposes) in which the Directors and managers participate. The Group also operates a savings related share option scheme that is available to all Group employees, and conforms to Inland Revenue rules. The committee determines the allocation of options for both 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 TF How, NRE Alldritt and SJ Lewis were granted options over 50,000 shares each at an exercise price of £2.635 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.

The executive share option schemes and the savings related share option scheme expire in October 2006. The Directors believe in a policy of offering all employees an equity participation in the Company. This policy has proven to be an effective means of motivating and retaining staff. Accordingly a resolution will be put to the Annual General Meeting, which seeks approval to renew the current schemes which have been updated to take into account certain institutional guidelines, tax and regulatory requirements.

CO-INVESTMENT PLAN

The Company operates an annual cash bonus and co-investment plan for the executive Directors. The performance criteria set by the remuneration committee for the annual bonus scheme for the year ended 27 March 2006 were not achieved. The remuneration committee has determined that as an annual cash bonus was not earned this year, participants will not be invited to invest in the co-investment plan.

Three executive Directors, TF How, NRE Alldritt and SJ Lewis, were entitled to a combined cash award of £238,000 under the terms of the annual bonus scheme for the year ended 28 March 2005. The remuneration committee determined that they 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. The participants also invested additional bonuses in shares on a voluntary basis such that the total value invested was 60% of their respective gross salaries. The shares invested are to 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 performance of the Group in terms of total shareholder return as measured against a basket of comparator companies, 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 participants were issued with nil cost options in proportion to the number of shares that they invested in the plan and equal to the maximum possible matching award under the terms of the plan.

The Directors' interests in share options are as follows:

	Options at 28.03.05	Options granted	Options exercised	**Options at 27.03.06**	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
TF How	200,000	–	–	**200,000**	£1.145	–	09.07.05	08.07.09
	4,396	–	–	**4,396**	£1.2625	–	01.09.06	28.02.07
	1,904	–	–	**1,904**	£1.99	–	01.03.08	31.08.08
	–	11,380	–	**11,380**	£2.635	–	25.07.08	25.07.15
	–	38,620	–	**38,620**	£2.635	–	25.07.08	24.07.15
	–	73,275	–	**73,275**	nil	–	25.07.08	24.07.15
NRE Alldritt	26,200	–	26,200	**–**	£1.145	£2.56	09.07.05	09.07.12
	93,800	–	28,800	**65,000**	£1.145	£2.56	09.07.05	08.07.09
	10,380	–	10,380	**–**	£0.915	£2.655	26.07.05	25.01.06
	–	11,380	–	**11,380**	£2.635	–	25.07.08	25.07.15
	–	38,620	–	**38,620**	£2.635	–	25.07.08	24.07.15
	–	34,482	–	**34,482**	nil	–	25.07.08	24.07.15
	–	4,192	–	**4,192**	£2.23	–	01.03.09	31.08.09
SJ Lewis	4,840	–	–	**4,840**	£0.76875	–	22.12.01	22.12.08
	7,000	–	7,000	**–**	£0.60625	£2.56	24.11.03	24.11.10
	100,000	–	21,250	**78,750**	£1.145	£2.56	09.07.05	08.07.09
	4,396	–	–	**4,396**	£1.2625	–	01.09.06	28.02.07
	1,904	–	–	**1,904**	£1.99	–	01.03.08	31.08.08
	–	9,970	–	**9,970**	£2.635	–	25.07.08	25.07.15
	–	40,030	–	**40,030**	£2.635	–	25.07.08	24.07.15
	–	37,930	–	**37,930**	nil	–	25.07.08	24.07.15
JJ Apthorp	4,761*	–	–	**4,761**	£1.99	–	01.03.08	31.08.08

* At date of appointment

The market value of the Company's shares at 27 March 2006 was 330.5p. The highest and lowest prices during the year were 330.5p and 220.0p respectively.

DIRECTORS' REPORT
FOR THE YEAR ENDED 27 MARCH 2006

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 2 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. Some or all of the bonus shares may be paid in cash if participants request, but this is only at the discretion of the trustee. Participants who are paid cash in this manner forfeit their entitlement to loyalty shares.

The performance criteria set by the remuneration committee for the financial year ended 27 March 2006 were not met and therefore participants are not entitled to an award of bonus shares.

AUDIT COMMITTEE
The audit committee consists of the Chairman and the two non-executive Directors. It is chaired by PB 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.

The principal operating company Majestic Wine Warehouses Limited is managed by a board of twelve 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 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 evaluate the likelihood and potential impact of each risk and ensure appropriate action is taken to mitigate them. A number of key risk areas such as treasury management including the use of forward currency contracts to mitigate foreign currency exposures, capital expenditure, insurance, health and safety, and regulatory compliance, come under the direct control of the executive Directors. Further information relating to interest rate and foreign currency risk is given in note 23 of the accounts.

CHARITABLE AND POLITICAL DONATIONS
Charitable donations made in the year amounted to £29,000. The largest beneficiaries were Leukaemia Research at £21,000 and Comic Relief Wine Relief at £7,000. The Company made no political donations during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice. In preparing those financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT FOR THE YEAR ENDED 27 MARCH 2006

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 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 81 days (2005: 81 days). The Company has no trade creditors.

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

NRE Alldritt ACMA
Secretary

Majestic House
Otterspool Way
Watford
WD25 8WW

19 June 2006

Registered in England and Wales
No. 2281640

AUDIT REPORT
FOR THE YEAR ENDED 27 MARCH 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the Group and parent Company financial statements (the "financial statements") of Majestic Wine PLC for the year ended 27 March 2006 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets, the Group Cash Flow Statement and associated notes, Accounting Policies and the related notes 1 to 23. 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 auditors' 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, 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 financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 27 March 2006 and of the Group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Luton

19 June 2006

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 27 MARCH 2006

	Note	**Year to 27.03.06 £000**	Year to 28.03.05 £000
TURNOVER		**172,195**	162,517
Cost of sales		**(135,689)**	(128,436)
GROSS PROFIT		**36,506**	34,081
Distribution costs		**(14,004)**	(13,103)
Administrative costs		**(8,959)**	(8,760)
Other operating income		**469**	440
OPERATING PROFIT	1	**14,012**	12,658
Profit on disposal of fixed assets	3	**115**	88
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		**14,127**	12,746
Net interest receivable	4	**81**	144
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**14,208**	12,890
Taxation	5	**(3,727)**	(4,347)
PROFIT FOR THE YEAR	21	**10,481**	8,543
EARNINGS PER SHARE			
Basic	6	**16.3p**	13.6p
Diluted	6	**16.0p**	13.2p
UNDERLYING EARNINGS PER SHARE			
Basic	6	**16.7p**	14.0p
Diluted	6	**16.4p**	13.6p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 27 MARCH 2006

	Year to 27.03.06 £000	Year to 28.03.05 £000
PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**10,481**	8,543
Currency translation differences on foreign currency net investments	**19**	71
TOTAL GAINS AND LOSSES RELATING TO THE YEAR	**10,500**	8,614

BALANCE SHEETS
AS AT 27 MARCH 2006

	Note	Group 27.03.06 £000	Group 28.03.05 £000	Company 27.03.06 £000	Company 28.03.05 £000
FIXED ASSETS					
Intangible fixed assets	8	**5,765**	6,135	**–**	–
Tangible fixed assets	9	**35,420**	29,347	**–**	–
Investments	10	**–**	–	**12,021**	12,021
Total fixed assets		**41,185**	35,482	**12,021**	12,021
CURRENT ASSETS					
Stocks	11	**28,722**	27,798	**–**	–
Debtors	12	**6,116**	3,926	**8,896**	7,586
Cash at bank and in hand		**5,916**	7,840	**–**	–
Total current assets		**40,754**	39,564	**8,896**	7,586
CREDITORS:					
Amounts falling due within one year	13	**(34,385)**	(35,417)	**–**	–
NET CURRENT ASSETS		**6,369**	4,147	**8,896**	7,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,554**	39,629	**20,917**	19,607
CREDITORS:					
Amounts falling due after more than one year	14	**–**	–	**(2,000)**	(2,000)
Provision for liabilities and charges	15	**(395)**	(297)	**–**	–
NET ASSETS		**47,159**	39,332	**18,917**	17,607
CAPITAL AND RESERVES					
Called up share capital	16	**4,864**	4,776	**4,864**	4,776
Share premium account	21	**8,371**	6,750	**8,371**	6,750
Revaluation reserve	21	**22**	22	**–**	–
Capital reserve – own shares	21	**(391)**	(407)	**–**	–
Profit and loss account	21	**34,293**	28,191	**5,682**	6,081
EQUITY SHAREHOLDERS' FUNDS		**47,159**	39,332	**18,917**	17,607

The financial statements were approved by the Board on 19 June 2006 and signed on its behalf by:

SP Burke
Chairman

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 27 MARCH 2006

	Year to 27.03.06 £000	Year to 28.03.05 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**13,826**	16,896
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	**(74)**	(12)
Interest received	**170**	145
	96	133
TAXATION		
UK corporation tax paid	**(3,982)**	(3,416)
Overseas corporation tax paid	**(715)**	(927)
	(4,697)	(4,343)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	**(8,971)**	(7,709)
Receipts from sales of tangible fixed assets	**519**	764
Net cash outflow from capital expenditure	**(8,452)**	(6,945)
Equity dividends paid	**(3,785)**	(2,846)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	**(3,012)**	2,895
FINANCING		
Issue of Ordinary Share capital	**877**	516
Receipt for exercise of share options satisfied by QUEST	**199**	9
(DECREASE)/INCREASE IN CASH FOR THE YEAR	**(1,936)**	3,420

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 27 MARCH 2006

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year to 27.03.06 £000	Year to 28.03.05 £000
OPERATING PROFIT	**14,012**	12,658
Depreciation charges	**2,519**	2,183
Amortisation charge	**370**	370
(Profit)/loss on disposal of tangible fixed assets	**(18)**	58
Increase in stocks	**(924)**	(4,221)
(Increase)/decrease in debtors	**(2,230)**	2,042
(Decrease)/increase in creditors	**(37)**	3,537
Increase/(decrease) in provisions	**98**	(45)
Deferred bonus payable in shares	**(15)**	314
Co-investment plan payable in shares	**51**	–
NET CASH INFLOW FROM OPERATING ACTIVITIES	**13,826**	16,896

ANALYSIS OF NET FUNDS

	Total
As at 29 March 2004	**4,376**
Cash inflow	**3,420**
Exchange differences	**44**
At 28 March 2005	**7,840**
Cash outflow	**(1,936)**
Exchange differences	**12**
Net funds at 27 March 2006	**5,916**

RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Year to 27.03.06 £000	Year to 28.03.05 £000
(Decrease)/increase in cash	**(1,936)**	3,420
Exchange differences	**12**	44
Movement in net funds	**(1,924)**	3,464
Net funds at 28 March 2005	**7,840**	4,376
NET FUNDS AT 27 MARCH 2006	**5,916**	7,840

ACCOUNTING POLICIES

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

The transitional arrangements under FRS 15 in respect of revaluation have been adopted, and the valuation has not been updated.

Changes in accounting policy
The accounting policies applied are the same as in the previous financial year except that the Group has adopted FRS 21 – Events after the balance sheet date, FRS 22 – Earnings per share, the presentation requirements of FRS 25 – Financial instruments: disclosure and presentation and FRS 28 – Corresponding amounts.

FRS 21 – Events after the balance sheet date requires that dividends, which are proposed after the balance sheet date to be disclosed and not recognised as a liability. As a result of the adoption of this accounting standard, retained earnings have been increased by £2,550,000 as at 28 March 2005, and increased by £1,896,000 as at 29 March 2004. Liabilities have been decreased by £2,550,000 as at 28 March 2005. There has been no effect on reported profit after tax for either year.

The adoption of FRS 22 – Earnings per share, the presentation requirements of FRS 25 – Financial instruments: disclosure and presentation and FRS 28 – Corresponding amounts have not resulted in a restatement of retained earnings and have had no impact on the results or net assets for the current or prior year.

(b) Basis of consolidation
The 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. No profit and loss account is presented for Majestic Wine PLC as permitted by Section 230 of the Companies Act 1985.

(c) Goodwill
Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful economic life up to 20 years. It is reviewed for impairment at the end of the first financial year following acquisition, and if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

If a subsidiary business is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

(d) Depreciation
Depreciation is calculated to write off the cost or valuation 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 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.

(f) Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

The profit and loss accounts of overseas subsidiary undertakings are translated at the average rate of exchange ruling during the year. The balance sheets of the overseas subsidiary undertakings are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences between the profit and loss accounts translated at average rates and at balance sheet rates and differences arising on the retranslation of opening net assets of overseas subsidiaries are shown as a movement in reserves and in the statement of total recognised gains and losses. All other translation differences are taken to the profit and loss account.

ACCOUNTING POLICIES

(g) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains from the revaluation (and similar fair value adjustments) of fixed assets, or gains on the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Provision is made for the tax that would arise on remittances on retained earnings of overseas subsidiaries only to the extent that, at balance sheet date, dividends have been accrued as receivable.

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(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, less returns, net of value added tax. Turnover is attributable to one continuing activity and represents the sales of wines, beers, spirits and other related retail items arising within the United Kingdom and France.

No segmental analysis is provided within these accounts as in the opinion of the Directors any of the required disclosure would be prejudicial to the interests of the Group.

(j) Leases
Rent paid in respect of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

(k) Derivative instruments
The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

The criteria for forward foreign currency contracts are:
- The instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified;
- It must involve the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed, or probable future transaction, are deferred until the transaction occurs.

(l) SAYE scheme
The Company has applied the exemptions contained within UITF 17, Employee Share Schemes, not to recognise a charge in respect of grants of options under the SAYE scheme.

(m) Employee Share Ownership Trust
Dividends on the shares held by the trust, the purchase of which was funded by a contribution to the trust from Majestic Wine Warehouses Limited, are not waived. The shares are issued to the trust by Majestic Wine PLC. All expenses incurred by the trust are settled directly by Majestic Wine Warehouses Limited and charged in the accounts as incurred.

(n) QUEST
Dividends on the shares held by the trust, the purchase of which was funded by a contribution to the trust from Majestic Wine Warehouses Limited, are waived. The shares are issued to the trust by Majestic Wine PLC. All expenses incurred by the trust are settled directly by Majestic Wine Warehouses Limited and charged in the accounts as incurred.

(o) Co-investment plan
The Company has applied UITF 17, Employee Share Schemes to recognise a charge in respect of the nil cost options granted under the co-investment plan. The charge recognised in the profit and loss is the difference between the market price at the date of the grant and the grant price of the number of options expected to vest amortised over the three year holding period.

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATING PROFIT

	Year to 27.03.06 £000	Year to 28.03.05 £000
Operating profit is stated after charging/(crediting):		
Depreciation	**2,519**	2,183
Amortisation	**370**	370
Operating lease rentals – plant and machinery	**603**	581
– other	**5,241**	4,961
(Profit)/loss on disposal of fixed assets	**(18)**	58
Auditors' remuneration:		
in respect of audit		
– Company	**5**	5
– Group	**58**	49
for non-audit services	**22**	20

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

2. EMPLOYEE INFORMATION

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

	2006	2005
Head office, including distribution	**103**	97
Store staff	**612**	586
	715	683

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

	Year to 27.03.06 £000	Year to 28.03.05 £000
Wages and salaries	**14,751**	14,330
Social security costs	**1,736**	1,647
Pension costs	**220**	230
	16,707	16,207

Directors' emoluments

	2006 £000	2005 £000
Salary and benefits	**663**	661
Bonus – current year	**–**	238
Deferred bonus in respect of the 2003 financial year	**95**	114
Aggregate emoluments	**758**	1,013
Gain made on exercise of share options	**140**	465
Company pension contributions to money purchase schemes for four Directors	**79**	95
Highest paid Director		
Salary and benefits	**281**	228
Bonus – current year	**–**	106
Deferred bonus in respect of the 2003 financial year	**46**	52
Aggregate emoluments	**327**	386
Gain made on exercise of share options	**–**	174
Company pension contributions to money purchase scheme	**32**	31

NOTES TO THE FINANCIAL STATEMENTS

3. PROFIT ON DISPOSAL OF FIXED ASSETS

During the year the leaseholds to three residential flats above freehold properties in Roehampton and Bromley were sold for £465,000 realising an exceptional gain of £115,000. In the prior year the leaseholds to five residential flats above freehold properties in Roehampton and Wilmslow were sold for £738,000 realising an exceptional gain of £88,000.

4. NET INTEREST RECEIVABLE/(PAYABLE)

	Year to 27.03.06 £000	Year to 28.03.05 £000
Interest on bank overdrafts and other loans repayable within five years, not by instalments	**(74)**	(19)
Bank interest receivable	**155**	163
	81	144

5. TAXATION

a) Analysis of the tax charge in the year.
The charge based on the profit for the year comprises:

	Year to 27.03.06 £000	Year to 28.03.05 £000
Taxation on profit on ordinary activities		
UK corporation tax	**3,424**	3,557
Adjustment in respect of the previous year	**(393)**	12
Overseas corporation tax on subsidiary undertaking	**644**	688
Total current tax	**3,675**	4,257
UK deferred tax:		
Origination and reversal of timing differences	**52**	90
Total deferred tax	**52**	90
Tax on profit on ordinary activities	**3,727**	4,347

b) Factors affecting the tax charge for the year based on profit on ordinary activities pre tax of £14,208,000 (2005: £12,890,000).

	27.03.06 %	28.03.05 %
Corporation tax at the statutory rate	**30.00**	30.00
Effects of:		
Overseas tax in excess of 30% rate	**0.45**	0.65
Expenses not deductible for tax purposes	**0.22**	(0.04)
Profit on sale of assets not qualifying for capital allowances	**(0.05)**	(0.16)
Accounting depreciation not eligible for tax purposes	**1.53**	1.32
Adjustment relating to market value change in deferred bonus scheme	**(0.26)**	(0.56)
Adjustment relating to the market value of exercised share options	**(3.97)**	-
Capital gains	**-**	0.21
Utilisation of losses	**-**	(0.08)
Goodwill amortisation not deductible for tax purposes	**0.78**	0.86
Accounting depreciation in excess of tax depreciation	**(0.02)**	0.37
Adjustments relating to prior years' corporation tax	**(2.77)**	0.09
Other timing differences	**(0.05)**	0.36
Total current tax rate	**25.86**	33.02
Origination and reversal of deferred tax timing difference	**0.37**	0.70
Total tax rate	**26.23**	33.72

NOTES TO THE FINANCIAL STATEMENTS

c) Factors that may affect future tax charges
No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such gains would become taxable only if the assets were sold without it being possible to claim rollover relief. The amount not provided is £330,000 (2005: £330,000) in respect of this. At present, it is not envisaged that this potential tax liability will become payable in the foreseeable future.

The tax charge recognised in the current year includes a credit of £408,000 relating to a prior year adjustment as a result of the exercise of employee share options.

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 34.3% (2005: 34.4%).

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.

d) Deferred taxation (Group)
Deferred taxation has been provided in the accounts as follows:

	Provided		Unprovided	
	27.03.06 £000	28.03.05 £000	**27.03.06 £000**	28.03.05 £000
Excess of tax allowances over depreciation	**152**	138	**–**	–
Short term timing differences	**(140)**	(178)	**–**	–
Capital gain rolled over	**–**	–	**330**	330
Deferred tax liability/(asset)	**12**	(40)	**330**	330

e) The movement in the deferred tax balance was:

	Deferred tax asset/ (liability) £000
Balance at 28 March 2005	40
Charged to profit and loss during year	(43)
Adjustment in respect of prior years	(9)
Balance at 27 March 2006	**(12)**

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

The calculations of earnings per Ordinary Share are based upon profits after taxation of £10,481,000 (2005: £8,543,000). Underlying earnings per share has been calculated in addition to the earnings per share required by FRS 22 earnings per share to allow shareholders to gain a clearer understanding of the trading performance of the Group. Underlying earnings per share is calculated on earnings, before charging amortisation of goodwill and the exceptional profit on disposal of freehold property, of £10,736,000 (2005: £8,825,000).

	2006	2005
Profit on ordinary activities after taxation	**£10,481,000**	£8,543,000
Amortisation of goodwill arising on acquisition	**£370,000**	£370,000
Exceptional profit on disposal of freehold property	**£(115,000)**	£(88,000)
Underlying earnings	**£10,736,000**	£8,825,000

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

	2006	2005
Basic weighted average number of shares	**64,210,980**	62,893,489
Dilutive potential Ordinary Shares:		
Employee share options	**1,166,275**	2,033,916
	65,377,255	64,927,405

Reconciliation of basic earnings to basic underlying earnings per Ordinary Share:

	2006	2005
Basic earnings per Ordinary Share	**16.3p**	13.6p
Amortisation of goodwill arising on acquisition	**0.6p**	0.6p
Exceptional profit on disposal of freehold property	**(0.2)p**	(0.2)p
Underlying earnings per Ordinary Share	**16.7p**	14.0p

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

	2006	2005
Diluted earnings per Ordinary Share	**16.0p**	13.2p
Amortisation of goodwill arising on acquisition	**0.6p**	0.6p
Exceptional profit on disposal of freehold property	**(0.2)p**	(0.2)p
Underlying earnings per Ordinary Share	**16.4p**	13.6p

7. DIVIDENDS PAID AND PROPOSED

	2006	2005
Equity dividends on Ordinary Shares declared and paid during the year:		
Final dividend for 2005: 4.0p (2004 – 3.0p)	**2,554**	1,892
Interim for 2006: 1.9p (2005 – 1.5p)	**1,231**	954
Equity dividends paid	**3,785**	2,846
Proposed for approval by shareholders at the AGM:		
Final dividend for 2006: 5.1p (2005 – 4.0p)	**3,308**	2,554

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE FIXED ASSETS
GROUP

	Goodwill £000
Cost at 27 March 2006 and 28 March 2005	**7,415**
Amortisation:	
At 28 March 2005	1,280
Amortisation provided during the year	370
At 27 March 2006	**1,650**
Net Book Value:	
At 27 March 2006	**5,765**
At 28 March 2005	6,135

The goodwill arising on the acquisition of Les Celliers de Calais S.A.S. is being amortised on a straight line basis over 20 years, which the Directors believe to be its useful economic life.

9. 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 28 March 2005	17,349	439	8,582	12,210	38,580
Additions	5,451	–	843	2,677	8,971
Retranslation	–	–	6	6	12
Disposals	(350)	–	(209)	(1,895)	(2,454)
At 27 March 2006	**22,450**	**439**	**9,222**	**12,998**	**45,109**
Depreciation:					
At 28 March 2005	585	21	2,592	6,035	9,233
Charge for year	183	4	594	1,738	2,519
Retranslation	–	–	2	3	5
Disposals	–	–	(209)	(1,859)	(2,068)
At 27 March 2006	**768**	**25**	**2,979**	**5,917**	**9,689**
Net book value:					
at 27 March 2006	**21,682**	**414**	**6,243**	**7,081**	**35,420**
at 28 March 2005	16,764	418	5,990	6,175	29,347

The freehold and long lease properties, which the Group occupied at 31 July 1996, were valued independently at £1,430,000 on the basis of existing use value. Subsequent additions are included at acquisition cost. Freehold land and buildings includes £11,294,000 (2005: £8,343,000) in respect of land that is not depreciated.

	27.03.06 £000	28.03.05 £000
The historical costs of the assets revalued are as follows:		
Freehold properties	**1,195**	1,195
Long leasehold properties	**213**	213
	1,408	1,408

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS
COMPANY

	27.03.06 £000	28.03.05 £000
Shares in Group undertakings at cost	**12,021**	12,021

The Company owns the following:

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, 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 ordinary share capital of Les Celliers de Calais S.A.S., a company registered in France, whose principal activity is the retailing of wines and beers.

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.

11. STOCKS

	Group 27.03.06 £000	Group 28.03.05 £000	**Company 27.03.06 £000**	Company 28.03.05 £000
Goods for resale	**28,722**	27,798	**–**	–

12. DEBTORS

	Group 27.03.06 £000	Group 28.03.05 £000	**Company 27.03.06 £000**	Company 28.03.05 £000
Trade debtors	**3,627**	2,852	**–**	–
Amounts due from Group undertakings	**–**	–	**8,896**	7,586
Other debtors	**333**	299	**–**	–
Deferred tax (see note 5d)	**–**	40	**–**	–
Prepayments and accrued income	**2,156**	735	**–**	–
	6,116	3,926	**8,896**	7,586

The prior year other debtors figure has been reduced by £2,273,000 due to reclassification of amounts due from suppliers to trade creditors. The amounts due from Group undertakings have no fixed repayment terms and are interest free.

13. CREDITORS

	Group 27.03.06 £000	Group 28.03.05 £000	**Company 27.03.06 £000**	Company 28.03.05 £000
Amounts falling due within one year:				
Trade creditors	**26,361**	26,946	**–**	–
Corporation tax	**770**	1,792	**–**	–
Other taxes and social security	**2,544**	2,237	**–**	–
Accruals and other creditors	**4,710**	4,442	**–**	–
	34,385	35,417	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

14. CREDITORS

	Group 27.03.06 £000	Group 28.03.05 £000	**Company 27.03.06 £000**	Company 28.03.05 £000
Amounts falling due after more than one year:				
Amounts due to Group undertakings	**–**	–	**2,000**	2,000
	–	–	**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.

15. PROVISION FOR LIABILITIES AND CHARGES
GROUP

	Deferred Bonus £000	Deferred Tax £000	National Insurance £000	Total £000
At 28 March 2005	164	–	133	297
Transferred from debtors	–	(40)	–	(40)
Provided in the year	15	52	174	241
Utilised in year	(65)	–	(38)	(103)
At 27 March 2006	**114**	**12**	**269**	**395**

a) Deferred bonus:
There were no deferred bonuses awarded for the financial year as performance criteria were not achieved. The £15,000 provided in the year represents a reduction in the prior year estimate of the amount 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' funds. All liabilities are expected to be settled within two years. Details of the Deferred Bonus Scheme are set out on page 13.

b) Deferred tax:
The movements in the provision for deferred tax are set out in note 5d.

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 8 December 2015. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision has been calculated based on the share price at the balance sheet date of 330.5p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 12.8%.

16. SHARE CAPITAL

	2006		2005	
	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	**64,854,869**	**4,864**	63,676,860	4,776

During the year 870,310 Ordinary Shares of 7.5p each were allotted for a consideration of £877,000. The shares were allotted to satisfy the exercise of options. The Company issued 220,545 shares to the trustees of the Company's QUEST, to fulfil obligations under the Company's SAYE scheme, for a consideration of £600,000 funded by the Group. In addition 87,154 shares were issued to the trustees of the Company's employee share ownership trust to fulfill the requirements of the Deferred Bonus Scheme.

NOTES TO THE FINANCIAL STATEMENTS

17. 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 2 year deferral period.

At the year end the trust held 161,857 (2005: 201,580) shares with a nominal value of 7.5p each, which are not yet fully vested in the participants. The total acquisition cost of these shares was £391,000 (2005: £407,000). At the year end the market value of these shares was £535,000 (2005: £527,000).

The shares held by the trust represent the maximum due to be settled after the two year deferral period for the 2004 and 2005 awards under the Deferred Bonus Scheme. The balance of the 2004 award due to be settled in June 2006 is 116,392 shares. The balance of the 2005 award due to be settled in June 2007 is 43,577 shares.

18. QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST)

The trust is used to acquire shares in Majestic Wine PLC to satisfy options maturing under the Company's SAYE scheme. The shares are distributed to participants of the scheme upon maturity of their individual savings plans.

The trust did not hold any shares at the year end. At the previous year end the trust held 15,276 shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 and the market value was £40,000.

19. CO-INVESTMENT PLAN

During the year three executive Directors were granted nil cost options over a total of 145,687 shares under the terms of the Group's co-investment plan. The profit and loss has been charged with £58,000 representing the cost of the Directors' best estimate of the extent that the performance criteria will be met, apportioned on a straight-line basis.

20. SHARE OPTIONS

The following options are outstanding for Ordinary Shares.

Options at 29.03.2005	Granted	Exercised	Lapsed	**Options at 27.03.2006**	Date from which exercisable	Expiry Date	Exercise Price
4,840	–	–	–	**4,840**	22.12.2001	22.12.2008	£0.769
101,720	–	59,200	–	**42,520**	27.11.2003	26.11.2007	£0.606
239,160	–	126,100	–	**113,060**	27.11.2003	27.11.2010	£0.606
49,600	–	45,400	–	**4,200**	06.07.2004	05.07.2011	£0.763
82,120	–	53,960	–	**28,160**	26.11.2004	26.11.2011	£0.897
51,488	–	51,488	–	–	01.02.2006	31.07.2006	£0.485
404,700	–	335,200	4,000	**65,500**	09.07.2005	09.07.2012	£1.145
461,300	–	50,050	–	**411,250**	09.07.2005	08.07.2009	£1.145
180,348	–	176,616	3,732	–	26.07.2005	26.01.2006	£0.915
11,352	–	–	–	**11,352**	26.07.2007	26.01.2008	£0.915
195,700	–	130,100	4,000	**61,600**	22.11.2005	22.11.2012	£1.20
70,300	–	70,300	–	–	22.11.2005	21.11.2009	£1.20
322,400	–	–	20,000	**302,400**	08.07.2006	08.07.2013	£1.578
29,600	–	–	–	**29,600**	08.07.2006	07.07.2010	£1.578
171,420	–	4,396	19,320	**147,704**	01.09.2006	28.02.2007	£1.263
41,104	–	–	2,520	**38,584**	01.09.2008	28.02.2009	£1.263
162,000	–	–	28,000	**134,000**	10.12.2006	10.12.2013	£2.228
486,830	–	–	46,000	**440,830**	07.12.2007	07.12.2014	£2.49
224,170	–	–	–	**224,170**	07.12.2007	06.12.2011	£2.49
260,739	–	–	47,940	**212,799**	01.03.2008	31.08.2008	£1.99
25,239	–	3,321	1,660	**20,258**	01.03.2010	31.08.2010	£1.99
–	188,465	–	–	**188,465**	25.07.2008	24.07.2015	£2.635
–	239,535	–	20,000	**219,535**	25.07.2008	25.07.2015	£2.635
–	145,687	–	–	**145,687**	25.07.2008	24.07.2015	£nil
–	164,480	–	6,000	**158,480**	09.12.2008	09.12.2015	£2.62
–	49,520	–	–	**49,520**	09.12.2008	08.12.2015	£2.62
–	130,851	–	–	**130,851**	01.03.2009	31.08.2009	£2.23
–	13,423	–	1,155	**12,268**	01.03.2011	31.08.2011	£2.23
3,576,130	931,961	1,106,131	204,327	**3,197,633**			

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

NOTES TO THE FINANCIAL STATEMENTS

21. RECONCILIATION OF MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS

	Revaluation Reserve £000	Share Capital £000	Share Premium Account £000	Capital Reserve – own shares held in ESOT £000	Profit & Loss Account £000	Total Shareholders' Funds £000
Group:						
At 29 March 2004 as previously stated	22	4,701	5,764	(242)	20,584	30,829
Prior period effect of adoption of FRS 21	–	–	–	–	1,896	1,896
At 29 March 2004 as restated	22	4,701	5,764	(242)	22,480	32,725
Share Issue	–	58	458	–	–	516
ESOT share issue	–	17	528	(273)	(272)	–
Options satisfied from QUEST	–	–	–	–	9	9
Profit for the year	–	–	–	–	8,543	8,543
Transfer to shareholders funds – deferred bonus expected to be satisfied in shares	–	–	–	–	314	314
Equity dividends paid	–	–	–	–	(2,846)	(2,846)
Shares vesting under deferred bonus scheme	–	–	–	108	(108)	–
Currency translation differences on foreign currency net investments	–	–	–	–	71	71
At 28 March 2005	22	4,776	6,750	(407)	28,191	39,332
Share issue	–	64	813	–	–	877
ESOT share issue	–	7	225	(116)	(116)	–
QUEST share issue	–	17	583	–	(600)	–
Options satisfied from QUEST	–	–	–	–	199	199
Profit for the year	–	–	–	–	10,481	10,481
Transfer from shareholders funds – reduction in deferred bonus expected to be satisfied in shares	–	–	–	–	(15)	(15)
Transfer to shareholders funds – co-investment plan expected to be satisfied in shares	–	–	–	–	51	51
Equity dividends paid	–	–	–	–	(3,785)	(3,785)
Shares vesting under deferred bonus scheme	–	–	–	132	(132)	–
Currency translation differences on foreign currency net investments	–	–	–	–	19	19
At 27 March 2006	**22**	**4,864**	**8,371**	**(391)**	**34,293**	**47,159**
Company:						
At 29 March 2004 as previously reported	–	4,701	5,764	–	6,006	16,471
Prior period effect of adoption of FRS 21	–	–	–	–	(104)	(104)
At 29 March 2004 as restated	–	4,701	5,764	–	5,902	16,367
Share issue	–	58	458	–	–	516
ESOT share issue	–	17	528	–	–	545
Options satisfied from QUEST	–	–	–	–	9	9
Profit for the year	–	–	–	–	3,016	3,016
Equity dividends paid	–	–	–	–	(2,846)	(2,846)
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
Equity dividends paid	–	–	–	–	(3,785)	(3,785)
At 27 March 2006	**–**	**4,864**	**8,371**	**–**	**5,682**	**18,917**

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 profit for the Company after taxation was £3,787,000 (2005: £3,016,000).

The cumulative amount of goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 written off immediately against reserves at 27 March 2006 is £1,595,000 (2005: £1,595,000).

22. COMMITMENTS

a) Operating leases

At 27 March 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	27.03.06 £000	28.03.05 £000	**27.03.06 £000**	28.03.05 £000
Operating leases which expire:				
Within one year	**72**	57	**115**	61
Between two and five years	**876**	572	**344**	406
In over five years	**3,966**	4,125	**–**	–
	4,914	4,754	**459**	467

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

b) Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £736,000 for the Group (2005: £267,000).

23. FINANCIAL INSTRUMENTS

Funds

The disclosures below, excluding foreign currency disclosures, exclude short term debtors and creditors.

The Group's only financial asset was cash at bank and in hand of £5,916,000 (2005: £7,840,000). 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 monthly 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 4.39% (2005: 3.32%). The only interest risk is related to the floating rates on the cash balances and is insignificant.

Currency

The cash profile at 27 March 2006 was:

	Cash at floating rates	
	27.03.06 £000	28.03.05 £000
Sterling	**5,119**	7,028
Euros	**391**	583
Australian Dollars	**406**	229
	5,916	7,840

There were no financial liabilities as at 27 March 2006 or 28 March 2005 requiring disclosure. There is no material difference between the book value and fair value of any financial asset or liability.

Foreign currency

The Group covers the exposure to foreign purchases 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. There was no material exposure, in respect of monetary assets and liabilities, after taking into account foreign currency contracts. The value hedged at any point is always in excess of the outstanding liability. The majority of these contracts are in Euros maturing in less than one year. There is a £81,000 difference between book value and fair value on these forward exchange contracts. Last year the difference was £30,000.

The nominal value of forward currency contracts is shown below.

	27.03.06 £000	28.03.05 £000
Forward foreign currency purchases	**12,454**	16,975

Borrowing facilities

The Group has an overdraft facility with Barclays Bank PLC that is utilised to cover seasonal borrowing requirements. The facility is negotiated annually and was current at 27 March 2006. The undrawn committed overdraft facility available at 27 March 2006 was £6,000,000 (2005: £4,000,000) and expires in July 2006.