

MAJESTIC WINE PLC
INTERIM REPORT AND ACCOUNTS 2007



majestic.co.uk



INTRODUCTION

MAJESTIC OPERATES THE LARGEST WINE WAREHOUSE CHAIN IN BRITAIN, SPECIALISING IN THE SALE OF WINE BY THE MIXED CASE DIRECT TO THE PUBLIC.

MAJESTIC DIFFERENTIATES ITSELF BY THE HIGH QUALITY OF ITS CUSTOMER SERVICE AND ADVICE, THE DIVERSITY AND QUANTITY OF STOCK AVAILABLE TO PURCHASE AT EACH STORE, ITS DEDICATED ON-SITE CUSTOMER PARKING, WINES TO TASTE EVERY DAY, THE ABILITY TO ORDER IN STORE OR VIA ITS WEBSITE AND THE AVAILABILITY OF FREE DELIVERY THROUGHOUT MAINLAND UK.

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CHAIRMAN'S STATEMENT

I am pleased to announce a 16.7% increase in profit before tax to £7.5m for the first half of the 2007/2008 financial year.

Total sales were up 3.0% to £91.0m with UK like for like sales up 2.4%. We experienced an unusual sales pattern during the first half. Sales were good until mid-June but then slowed until the end of July as we endured a prolonged period of unseasonably cold and wet weather. Trading strengthened from the beginning of August as customers responded to additional promotional activity. UK like for like sales for the eight weeks from 31 July to the end of the half grew 6.4%.

We saw good growth in sales of wine from Bordeaux, Beaujolais, Italy, Spain, New Zealand and Argentina. Sales of Champagne and rosé also grew well. The average bottle price of still wine purchased at Majestic is now £5.85, up from £5.66 last year. The average spend per transaction has increased to £128 from £121.

Sales of fine wine continued to show good growth, with sales of wines priced at £20 and above increasing by 17.5% on last year. We will have dedicated fine wine display areas in 38 stores by Christmas.

ECOMMERCE

We have seen strong growth in the value of orders placed via our website, www.majestic.co.uk, up 22% on last year. In October we re-launched our website and are pleased with the initial customer response. The new site delivers an improved customer experience, with better search and navigation options, and features more content to emphasise our wine expertise.

NEW STORES

During the period we opened in Sonning, re-sited our stores in Chester and St. Albans and relocated from Acocks Green to Shirley in Birmingham. In October we opened in Aberdeen, Macclesfield, Brentford Lock and Sevenoaks. We will be opening in Stratford-upon-Avon before Christmas bringing the total number of stores in the UK to 141. In early 2008 we plan to open new stores in Hereford and Bangor and will be re-siting our store in Kingston. We have several more stores at advanced stages of negotiation.

INTERNATIONAL WINE CHALLENGE

We are delighted to have been awarded both the "High Street Chain of the Year" and the overall "UK Merchant of the Year" at the International Wine Challenge 2007. The judges commended Majestic for "competitive prices, excellent customer service and impressive range".

FRANCE

We saw a like for like sales decline of 1.0% at our stores in France. However profit before interest and tax for the period increased 2.4% to £894k as a result of improved gross margins and good cost control. During the period we upgraded our EPOS system in France, which will allow us to build an improved customer database.

DIVIDEND

We are declaring an increased interim dividend of 2.8p net per share, up by 22% on last year. The dividend will be paid on 4 January 2008 to shareholders on the register at the close of business on 7 December 2007.

SHARE BUY-BACK PROGRAMME

Last year we announced our intention to buy back Ordinary Shares up to a maximum value of £20m. To date we have made purchases of 3.01m Ordinary Shares for an aggregate consideration of £10.6m. When appropriate, the Board intends to continue to buy back shares, up to the same overall maximum.

FUTURE PROSPECTS

Like for like UK sales for the four weeks from 2 October to 29 October 2007 were up 2.2%. Whilst we expect the trading environment to continue to be challenging, we are well prepared for the important Christmas trading period.



SIMON BURKE
CHAIRMAN
12 NOVEMBER 2007

GROUP INCOME STATEMENT

FOR THE 26 WEEKS ENDED 1 OCTOBER 2007

	Note	26 weeks ended 01.10.07 £000	26 weeks ended 25.09.06 £000	53 weeks ended 02.04.07 £000
REVENUE		91,005	88,345	191,193
Cost of sales		(71,380)	(70,550)	(150,879)
GROSS PROFIT		19,625	17,795	40,314
Distribution costs		(7,747)	(7,309)	(14,945)
Administrative costs		(4,712)	(4,567)	(10,218)
Other operating income		241	358	534
OPERATING PROFIT		7,407	6,277	15,685
Finance revenue		141	184	474
Finance costs		(6)	-	(1)
PROFIT BEFORE TAXATION		7,542	6,461	16,158
UK income tax	4	(2,154)	(1,905)	(4,675)
Overseas income tax	4	(290)	(298)	(578)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT COMPANY		5,098	4,258	10,905
EARNINGS PER SHARE				
Basic	5	8.0p	6.6p	16.8p
Diluted	5	7.9p	6.5p	16.6p
DIVIDEND PER SHARE	6	2.8p	2.3p	8.5p

GROUP BALANCE SHEET

AS AT 1 OCTOBER 2007

	As at 01.10.07 £000	As at 25.09.06 £000	As at 02.04.07 £000
NON CURRENT ASSETS			
Goodwill and intangible fixed assets	6,808	6,563	6,426
Property, plant and equipment	36,982	34,731	36,723
Prepaid operating lease costs	1,460	1,244	1,251
Deferred tax asset	952	1,768	1,271
	46,202	44,306	45,671
CURRENT ASSETS			
Inventories	33,951	30,221	30,335
Trade and other receivables	9,303	7,251	6,731
Financial instruments at fair value	486	–	69
Cash and cash equivalents	1,141	7,042	4,484
	44,881	44,514	41,619
Non current assets held for sale	1,351	–	588
TOTAL ASSETS	92,434	88,820	87,878
CURRENT LIABILITIES			
Trade and other payables	(40,022)	(36,014)	(33,648)
Bank overdraft	(1,214)	–	–
Provisions	(112)	(132)	(318)
Deferred lease inducements	(116)	(95)	(95)
Financial instruments at fair value	–	(263)	(4)
Current tax liabilities	(2,119)	(969)	(1,321)
	(43,583)	(37,473)	(35,386)
NON CURRENT LIABILITIES			
Provisions	(65)	(33)	(60)
Deferred lease inducements	(709)	(680)	(703)
Deferred tax liabilities	(377)	(404)	(404)
TOTAL LIABILITIES	(44,734)	(38,590)	(36,553)
NET ASSETS	47,700	50,230	51,325
SHAREHOLDERS' EQUITY			
Called up share capital	4,717	4,905	4,803
Share premium account	9,852	9,034	9,518
Capital reserve – own shares	(107)	(120)	(120)
Capital redemption reserve	226	–	125
Currency translation reserve	122	(64)	(119)
Retained earnings	32,890	36,475	37,118
EQUITY SHAREHOLDERS' FUNDS	47,700	50,230	51,325

GROUP CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 1 OCTOBER 2007

	26 weeks ended 01.10.07 £000	26 weeks ended 25.09.06 £000	53 weeks ended 02.04.07 £000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period	5,098	4,258	10,905
Income tax expenses	2,444	2,203	5,253
Net finance revenue	(135)	(184)	(473)
Amortisation and depreciation	1,345	1,269	2,733
Profit on disposal of non current assets	(96)	(239)	(410)
Increase in inventories	(3,616)	(1,523)	(1,637)
Increase in trade and other receivables	(2,572)	(1,135)	(615)
Increase/(decrease) in trade and other payables	6,362	2,306	(67)
Increase/(decrease) in deferred income	27	(46)	(23)
Change in fair value of derivative instruments	(421)	343	15
(Decrease)/increase in provisions	(201)	(121)	92
Share based payments	233	199	577
CASH GENERATED FROM OPERATIONS	8,468	7,330	16,350
UK income tax paid	(1,330)	(1,324)	(2,595)
Overseas income tax paid	(169)	(304)	(618)
NET CASH GENERATED BY OPERATING ACTIVITIES	6,969	5,702	13,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	147	167	464
UK income tax paid	(62)	(16)	(78)
Overseas income tax paid	(10)	(8)	(18)
Purchase of non current assets	(3,250)	(3,571)	(8,109)
Receipts from sales of non current assets	28	1,539	1,560
Receipts from sales of non current assets held for sale	526	5	697
NET CASH USED BY INVESTING ACTIVITIES	(2,621)	(1,884)	(5,484)
CASH INFLOW BEFORE FINANCING	4,348	3,818	7,653
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	-	-	(1)
Issue of Ordinary Share capital	149	704	1,211
Shares re-purchased	(5,168)	-	(5,445)
Equity dividends paid	(3,961)	(3,327)	(4,808)
NET CASH USED BY FINANCING ACTIVITIES	(8,980)	(2,623)	(9,043)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,632)	1,195	(1,390)
Cash and cash equivalents at beginning of period	4,484	5,916	5,916
Effect of foreign exchange differences	75	(69)	(42)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(73)	7,042	4,484
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per Group balance sheet	1,141	7,042	4,484
Bank overdraft per Group balance sheet	(1,214)	-	-
CASH AND CASH EQUIVALENTS PER GROUP CASH FLOW	(73)	7,042	4,484

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE 26 WEEKS ENDED 1 OCTOBER 2007

	Share Capital £000	Share Premium Account £000	Capital Reserve Own Shares held in ESOT £000	Capital Redemption Reserve £000	Currency Translation Reserve £000	Retained Earnings £000	Total Share- holders' Funds £000
At 27 March 2006	4,864	8,371	(391)	-	107	35,694	48,645
Share issue	41	663	-	-	-	-	704
Shares vesting under deferred bonus scheme	-	-	271	-	-	(271)	-
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	199	199
Profit for the period	-	-	-	-	-	4,258	4,258
Currency translation differences on foreign currency net investments	-	-	-	-	(171)	-	(171)
Tax debit on employee share options	-	-	-	-	-	(78)	(78)
Total income and expense for the period	-	-	-	-	(171)	4,180	4,009
Equity dividends paid	-	-	-	-	-	(3,327)	(3,327)
At 25 September 2006	4,905	9,034	(120)	-	(64)	36,475	50,230
Share issue	23	484	-	-	-	-	507
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	378	378
Profit for the period	-	-	-	-	-	6,647	6,647
Currency translation differences on foreign currency net investments	-	-	-	-	(55)	-	(55)
Tax credit on employee share options	-	-	-	-	-	544	544
Total income and expense for the period	-	-	-	-	(55)	7,191	7,136
Purchase and cancellation of share capital	(125)	-	-	125	-	(5,445)	(5,445)
Equity dividends paid	-	-	-	-	-	(1,481)	(1,481)
At 2 April 2007	4,803	9,518	(120)	125	(119)	37,118	51,325
Share issue	11	138	-	-	-	-	149
ESOT share issue	4	196	(100)	-	-	(100)	-
Share vesting under deferred bonus scheme	-	-	113	-	-	(113)	-
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	-	-	-	-	-	233	233
Profit for the period	-	-	-	-	-	5,098	5,098
Currency translation differences on foreign currency net investments	-	-	-	-	241	-	241
Tax debit on employee share options	-	-	-	-	-	(217)	(217)
Total income and expense for the period	-	-	-	-	241	4,881	5,122
Purchase and cancellation of share capital	(101)	-	-	101	-	(5,168)	(5,168)
Equity dividends paid	-	-	-	-	-	(3,961)	(3,961)
AT 1 OCTOBER 2007	4,717	9,852	(107)	226	122	32,890	47,700

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Majestic Wine PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 1985 (registration number 2281640). The Company is domiciled in the United Kingdom and its registered address is Majestic House, Otterspool Way, Watford, WD25 8WW. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"). Copies of the Interim Report are being sent to shareholders. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

The Group's principal activity is the retailing of wines, beers and spirits.

2. BASIS OF PREPARATION

The interim financial statements of the Group for the 26 weeks ended 1 October 2007, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and accounts for the 53 weeks ended 2 April 2007.

The financial information contained in the interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the full preceding year is based on the statutory accounts for the 53 weeks ended 2 April 2007. Those accounts, upon which the auditors, Ernst & Young LLP, issued an unqualified audit opinion, have been delivered to the Registrar of Companies.

As permitted, this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 "Interim Financial Reporting" – therefore it is not fully in compliance with IFRS.

The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

3. SEGMENT REPORTING

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

	26 weeks ended 01.10.07 £000	26 weeks ended 25.09.06 £000	53 weeks ended 02.04.07 £000
REVENUE			
Retailing - UK	84,783	81,932	178,512
Retailing - France	6,222	6,413	12,681
TOTAL REVENUE	91,005	88,345	191,193
SEGMENT RESULT			
Retailing - UK	6,513	5,404	13,971
Retailing - France	894	873	1,714
Finance revenue less finance costs	135	184	473
PROFIT BEFORE TAX	7,542	6,461	16,158

4. TAXATION

Taxation for the 26 weeks to 1 October 2007 has been calculated by applying the estimated tax rate for the current financial year ending 31 March 2008 adjusted by the one-off impact of the prospective reduction in the UK corporation tax rate from 30% to 28% on those deferred tax assets and liabilities that are expected to be deductible or payable post year end.

5. EARNINGS PER SHARE

Basic earnings per share is calculated on profit for the period attributable to equity shareholders of £5,098,000 (2006: £4,258,000) apportioned over the weighted average number of Ordinary Shares that were in issue for the period: 63,590,078 (2006: 64,975,323). The calculation of diluted earnings per share is in accordance with IAS 33 – Earnings Per Share. The weighted average number of Ordinary Shares in issue has been adjusted to take account of the effect of all dilutive potential Ordinary Shares. The number of shares used in the calculation was 64,354,584 (2006: 65,909,946).

6. DIVIDEND

A dividend of 6.2p net per share was paid to shareholders on 10 August 2007. An interim dividend of 2.8p per share will be paid on 4 January 2008 to shareholders on the register at the close of business on 7 December 2007.

DESIGN AND PRODUCTION
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