

**Majestic Wine PLC**  
Annual Report and Accounts  
Year ended 1 April 2002



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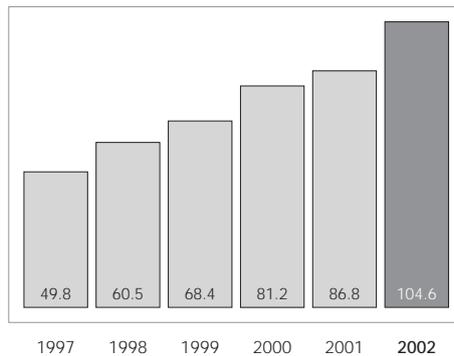
## Corporate Statement

Majestic operates the largest wine warehouse chain in Britain, specialising in the sale of wine by the mixed case direct to the public.

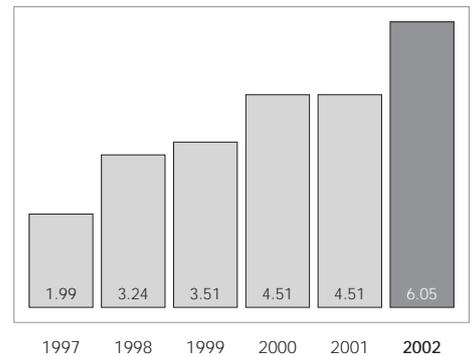
Majestic differentiates itself by; the high quality of its customer service and advice, the diversity and quantity of stock available to purchase at each store, its dedicated on-site customer parking, wines to taste every day, the ability to order instore or via its website and the availability of free delivery throughout mainland UK.

## Highlights

Turnover (£m)



Profit before tax (£m)



(Excludes exceptional items in 1997 and 1999 and goodwill amortisation is excluded in 2002)



Cover and inside front cover images  
Majestic celebrated the opening of its 100th store in Dorchester on 30 May 2002.

This significant event in the Company's history was marked by a special balloon release on behalf of Mencap, Majestic's Charity of the Year 2002.



# Chairman's Statement

On 30 May 2002 we achieved a significant milestone in the Company's growth with the opening in Dorchester of our 100th Majestic store.

**Below left to right:**

We offer to carry every customer's order to their car.

Every year up to 130 graduates join us as trainee managers.

Assistant Manager  
Majestic Ipswich  
Rob Oxley

A placement scheme for students offers a year in industry with real responsibility.

Placement Student  
Majestic Cheltenham  
Richard Johnson

**Above left**

Dorchester 100th Store  
John Apthorp O.B.E.,  
Chairman, at the  
opening of our 100th  
Majestic store.

I am delighted to announce a 34% increase in profit before tax and amortisation of goodwill, up to £6,051,000 from £4,509,000 last year. Total Group sales were £104,603,000 and like for like UK sales up 11.8%.

During the financial year we opened in 5 new locations and also resited 3 stores. On 30 May 2002 we achieved a milestone in the Company's growth with the opening in Dorchester of our 100th store.

Our ninth consecutive year of record profits could not have been achieved without the great commitment of all our staff and I would like to thank them for all their contributions to our success.

**The Wine and Beer Company**

On 15 October 2001, we announced the acquisition of the entire issued share capital of Les Celliers de Calais S.A. Established in May 1993, Les Celliers de Calais S.A. trades under the name of "The Wine and Beer Company" from four wine warehouses in northern France; two in Calais, one in Cherbourg and another in Le Havre. The final consideration has been agreed at £7.18 million payable in loan notes guaranteed by Barclays Bank PLC with whom we have arranged a facility to finance the future redemption of the notes. We are pleased with the sales performance achieved since the acquisition.

**Finance Director**

As I announced in our interim report, John Kelly, who has been our Finance Director since 1991, is retiring and I would like to thank him for his substantial contribution to Majestic over the last 10 years. Nigel Alldritt ACMA joined us in February to replace John as Finance Director.

**Dividend**

We are recommending for approval by shareholders at the Annual General Meeting a final dividend of 5.5 pence net per share. This will be payable on 9 August 2002 to shareholders on the register on 5 July 2002 and brings the total dividend to 8 pence net per share.

**Current Trading**

Following the strong sales growth achieved last year, I am very pleased to announce that for the 11 weeks from 2 April to 17 June 2002, like for like sales were up 12.2%.

We remain confident for the future growth of Majestic.

**John Apthorp**  
Chairman



# Directors and Advisers

## Advisers

**Company Secretary**  
NRE Alldritt ACMA

Registered Office  
Majestic House  
Otterspool Way  
Watford  
Herts WD25 8WW

**Auditors**  
Ernst & Young LLP  
400 Capability Green  
Luton LU1 3LU

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

**Nominated Adviser and Broker**  
Teather & Greenwood Limited  
Beaufort House  
15 Botolph Street  
London EC3A 7QR

**Financial Adviser**  
Close Brothers -  
Corporate Finance  
10 Crown Place  
London EC2A 4FT

**Solicitors**  
Osborne Clarke  
Hillgate House  
26 Old Bailey  
London EC4M 7HS  
SPR Avery Midgen  
277/281 Oxford Street  
London W1R 3LD

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



### Left to right

**John Apthorp**  
aged 67, is Chairman and was appointed to the Board in 1989. He is chairman of the remuneration committee.

**Tim How**  
aged 51, is Chief Executive and was appointed to the Board in 1989. He is also a non-executive director of M&W Mack Limited.

### Centre left to right

**Nigel Alldritt**  
aged 38, is Finance Director and Company Secretary and was appointed to the Board on 25 February 2002 and is responsible for the finance function. He was Chief Accountant of Majestic until November 1993. He joined Technicolor Video and Distribution

Services (a wholly owned subsidiary of Thomson Multimedia S.A.) as Financial Controller of Distribution and progressed to hold a number of senior positions culminating in his appointment as UK Finance Director in July 2000. He is a Chartered Management Accountant.



**Tony Mason**  
aged 56, is Trading Director and was appointed to the Board in 1989. He is responsible for range selection and purchasing.

**Steve Lewis**  
aged 38, is Retail Director and was appointed to the Board in February 1998. He is responsible for retail operations, corporate sales and the Wine and Beer Company.

### Bottom left to right

**Gerald Leahy**  
aged 67, is a non-executive Director and was appointed to the Board in November 1996. He is chairman of the audit committee. He is Chairman of Daiwa Securities Trust & Banking PLC, and a non-executive director of Densitron Technologies plc.

**John Kelly**  
aged 60, retires on 28 June 2002. He was Finance Director and Company Secretary until February 2002.

**Simon Burke**  
aged 43, is a non-executive Director and was appointed to the Board in March 2000. He is the Chairman of Hamleys plc.





## Review of Operations

The number of customers on the mailing list who have made purchases in the last twelve months shows a substantial increase, up by 10.6% from this time last year.

**Awards**  
We were delighted to have won several awards this year.

**Below left to right**

**Website**  
Jeremy Palmer, E Commerce Director, and Richard Weaver, internet manager with the @chievement 2001 Award, sponsored by Barclays Bank and The Sunday Telegraph, for excellence in e-business, and The Daily Telegraph/Energis Customer Service Award 2001 for e-business.

**Retail Employer of the Year 2002**  
Retail Week Awards.

**Wine Retailer of the Year 2002**  
OLN Drinks Retailing Awards.

**Above left**

Dorchester 100th Store  
Tim How, Chief Executive, chats to a member of the store team at the opening of our 100th Majestic store.

The number of customers on our mailing list who have made purchases in the last twelve months shows a substantial increase, up by 10.6%, to 271,000 from 245,000 this time last year. Wine represents over 80% of our sales and the market continues to show good growth. At Majestic strong sales increases have come from wine from South Africa, Italy, Spain, Loire and Beaujolais and we have seen good growth in Champagne and Rosé wine sales. The average spend per transaction at our stores is £102 and the average bottle price of still wine purchased is £5.35.

### New Stores

We opened five new stores during the financial year at Filton in Bristol, Newcastle, Birkdale, Comiston Road in Edinburgh and Stourbridge. In addition we have resited our Richmond store, our Bletchley store to Milton Keynes and our Sutton Coldfield store to Mere Green. All of these new stores are in prominent main road locations with on-site customer car parking. Newcastle, Birkdale, Comiston Road, Stourbridge and Richmond are all former car showrooms. Filton, Milton Keynes and Mere Green are new developments.

On 30 May 2002, we opened our 100th store in Dorchester and have two further openings planned; Bromley in the summer and Leicester in the autumn. Negotiations are well advanced on several further new stores for this and next financial year.

### Internet

We are continuing to see good growth in the number of orders placed on our website, www.majestic.co.uk. For the first 11 weeks of the current financial year from 2 April to 17 June 2002, internet orders represented 3% of Company sales and the average order value was £123. Over 96% of all orders received via the website are handled by the nearest store. Free delivery in our own vans is arranged at a time to suit the customer and we deliver 7 days a week including Monday to Saturday evenings.

We are continually enhancing the site to make it faster and easier to use. This year we will be launching new software enabling us to offer customers access to their online purchase history, improved navigation around the site and an expanded range of fine wines. We will also be offering online ordering for the Wine and Beer Company.

### Customer Service

We differentiate ourselves from the competition not only by the diversity and quantity of stock available to purchase and the availability of dedicated customer parking, but also most importantly by the high level of our customer service.

We offer free delivery throughout mainland UK, and a carry-to-car service for our store customers. At our dedicated tasting counters, customers are able to taste a selection of wines at any time of every day and we organise three-day themed tasting weekends throughout the year.





We train all our sales staff not only in wine knowledge but also customer service and management skills. We primarily recruit at graduate level and expect new staff to sit the Wine and Spirit Education Trust (WSET) Advanced Certificate after around six months in the Company. Some 30 staff are now furthering their knowledge by studying for the WSET Diploma.

We have been very pleased with both the reduction in staff turnover over the last 12 months and our ability to attract new trainee managers as we expand.

We know from regular customer surveys that the most important reason given for purchasing at Majestic is the quality of service provided by our friendly, helpful and knowledgeable staff.

**Corporate Sales**

We see increased corporate sales as an important part of our future growth. Sales to these customers account for around 25% of our turnover and, as well as our central London team based near King's Cross, we now have five business development managers based at Leeds, Reigate, Banbury, Filton and Twickenham. Their focus is on opening new restaurant, hotel and business accounts with customer service and deliveries handled by the nearest store team.

We have recently doubled the size of our dedicated depot and sales office near King's Cross. This will give us the space to grow our sales to larger corporate customers in the City and West End of London.

**Wine and Beer Company**

Sales growth since the acquisition has been encouraging and the introduction of wines from the Majestic range is well underway. Both wine warehouses in Calais now have Majestic staff working in them to ensure customers receive knowledgeable advice on their purchases.

We anticipate refitting both of the Calais units by the autumn. At the largest wine warehouse situated in the Marcel Doret commercial zone, near the ferry terminal, we have submitted plans for a substantial increase in the retail area, up from 7,000 to some 12,000 square feet. A new car park will more than double the spaces available. We aim to provide greatly improved facilities including a new merchandise layout, an enhanced range, increased stock availability and a new tasting area.

**Future Prospects**

Our strong growth has been achieved by the differentiation of our business from competitors within the growing wine market.

We have been most encouraged by the increase in the number of customers attracted to Majestic and see considerable potential for future growth.

**Tim How**  
Chief Executive

**Below left to right**

**Corporate**  
Targeted communication to our business customers has assisted sales growth this year.

**Summer Wines**  
Over 270,000 customers received our 36 page 'Summer Wines' list in May this year.

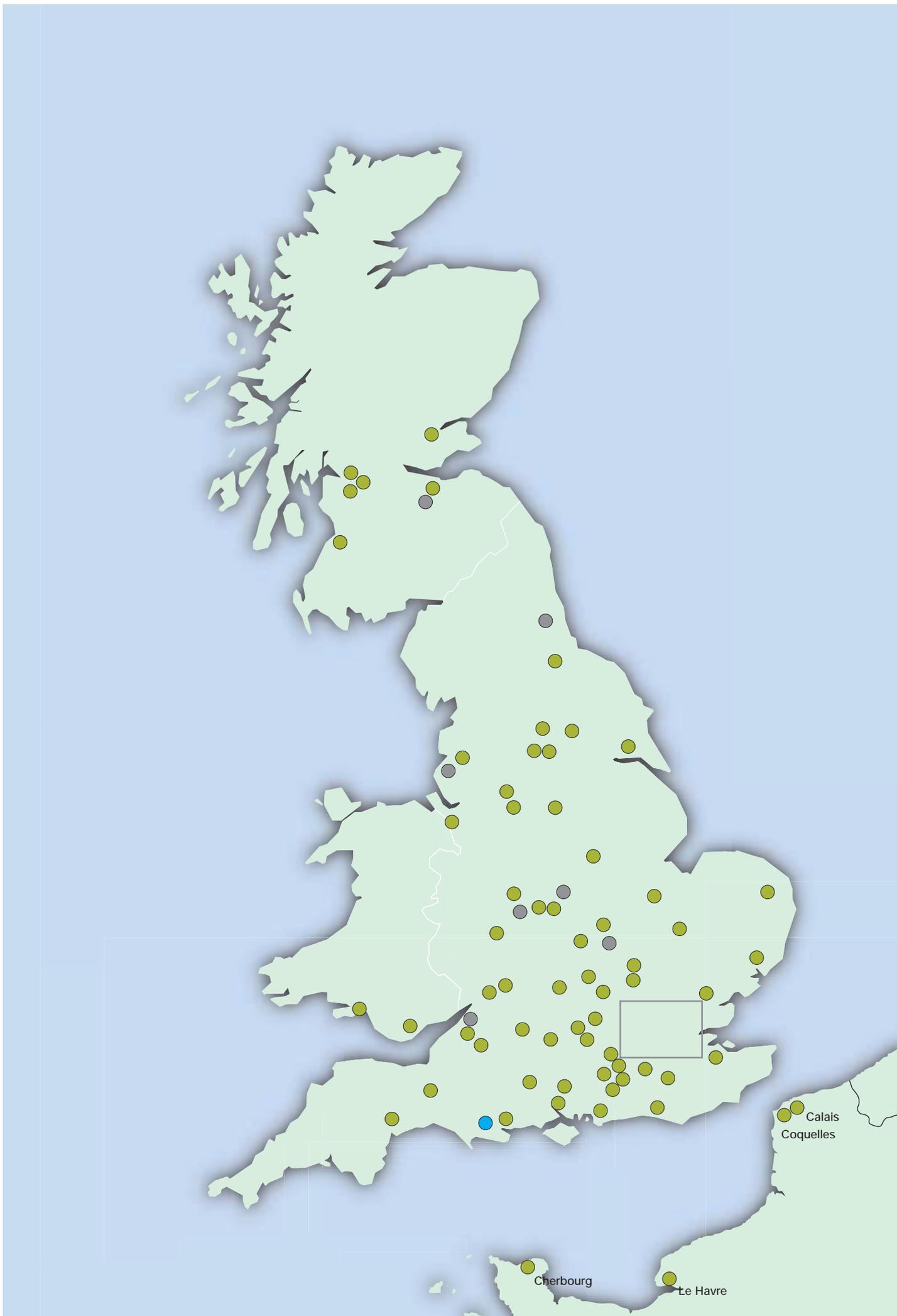
**Above left to right**

**Majestic Online**  
[www.majestic.co.uk](http://www.majestic.co.uk)  
We are continually enhancing our online ordering website to make it faster and easier to use. Richard Weaver, internet manager, and Louise Moore, assistant internet manager, review website developments before going 'live'.

**Telephone Ordering**  
Customers purchase by phone with confidence. Our helpful, knowledgeable staff are able to recommend wines to enjoy that will suit any occasion.

**Team Culture**  
Graduates are attracted to our youthful, vibrant culture. Amita Patel, manager of Majestic Croydon, ensures that store display standards are maintained.





## UK and French Presence

The opening of our store in Dorchester gives 100 Majestic stores in the UK.

In addition we have 4 Wine & Beer Company stores in Northern France.

Key:  
 • Store openings 01/02  
 • Store openings 02/03

### Scotland

Ayr  
 Edinburgh, Causewayside  
 • Edinburgh, Comiston Rd  
 Glasgow, Bearsden  
 Glasgow, Charing Cross  
 Glasgow, Giffnock  
 Perth

### North

Beverley  
 • Birkdale, Southport  
 Chester  
 Darlington  
 Harrogate  
 Leeds, Central  
 Leeds, Chapel Allerton  
 • Newcastle  
 Manchester  
 Preston  
 Sheffield  
 Stockport  
 York

### Midlands

Banbury  
 Birmingham,  
 Acocks Green  
 Hagley Road  
 • Mere Green, (resite)  
 • Milton Keynes (resite)  
 Northampton  
 Nottingham  
 Oxford  
 • Stourbridge  
 Wolverhampton  
 Worcester

### Wales

Cardiff  
 Swansea

### South and West

Bath  
 Bristol, Bath Road  
 • Bristol, Filton  
 Cheltenham  
 Chichester  
 • Dorchester  
 Exeter  
 Gloucester  
 Newbury  
 Poole  
 Salisbury  
 Southampton  
 Swindon  
 Taunton  
 Winchester

### East

Cambridge  
 Ipswich  
 Norwich  
 Peterborough

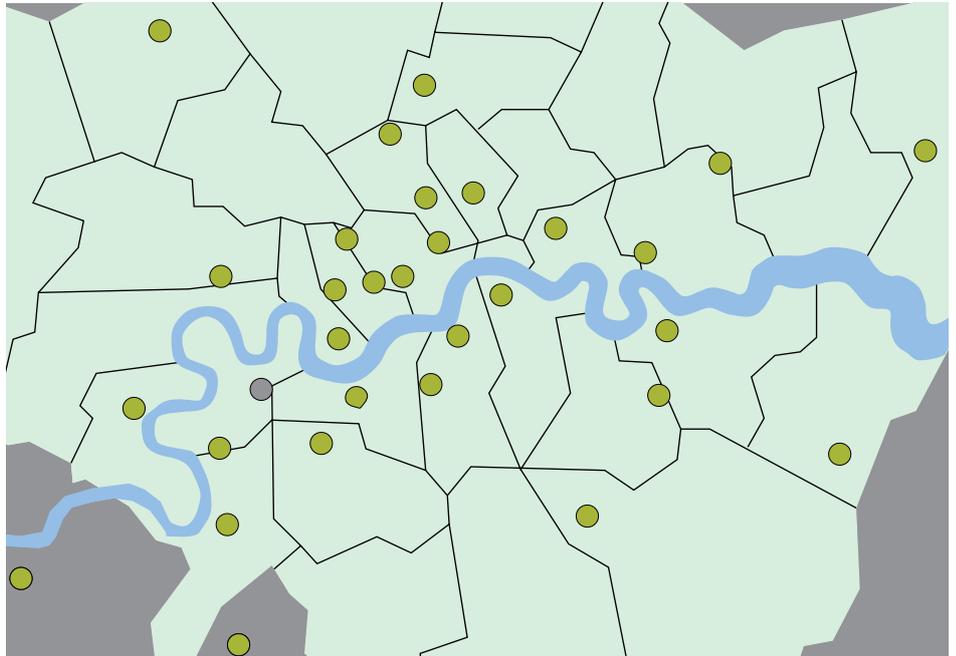
### South East

Amersham  
 Aylesbury  
 Brighton & Hove  
 Chelmsford  
 East Grinstead  
 Farnham  
 Guildford  
 Haslemere  
 Maidenhead  
 Maidstone  
 Reading  
 Reigate  
 St Albans  
 Stevenage  
 Sunningdale  
 Woking  
 Wokingham

### London and inside M25

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 (resite)  
 Shepherds Bush  
 South Kensington  
 Surbiton  
 Twickenham  
 Vauxhall  
 Vinopolis  
 Wanstead  
 Weybridge  
 Wimbledon



# Directors' Report

## For the year ended 1 April 2002

### REPORT & ACCOUNTS

The Directors present their report and Group accounts for the 52 weeks ended 1 April 2002.

### 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 on page 2 and the Review of Operations on pages 4 to 5 which include information about the Group's business performance during the year and indication of future prospects.

### DIVIDENDS

The Directors propose that a final dividend of 5.5p net per Ordinary Share be paid which together with an interim dividend of 2.5p paid on 7 January 2002 makes a total of 8.0p (2001 6.6p) per share for the year. The final dividend amounting to £827,000, if approved, will be paid on 9 August 2002 to the shareholders whose names appear on the Register of Members at the close of business on 5 July 2002, leaving £2,694,000 to be transferred to reserves.

### DIRECTORS

The Directors who served during the year were:

JD Apthorp, TF How, AJ Mason, JF Kelly, SJ Lewis, NRE Alldritt, GW Leahy, SP Burke

All of the Directors served for the whole of the year except NRE Alldritt who was appointed on 25 February 2002.

GW Leahy and SP Burke are non-executive Directors.

A proposal to confirm the appointment of NRE Alldritt as a Director will be put to the Annual General Meeting.

JF Kelly retires on 28 June 2002.

In accordance with the Company's Articles of Association:  
JD Apthorp retires by rotation and offers himself for re-election

### 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 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 eleven executive directors, five 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. The Group operates Executive Share Option Schemes 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 shares for both share schemes and the awards made for the Deferred Bonus Scheme.

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.

### Deferred Bonus Scheme

The Group operates a Deferred Bonus Scheme for senior managers, which includes 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.

Under the terms of the scheme for the financial year ended 1 April 2002 the participants will be entitled to an award of bonus shares equal to 12% of their basic salary. The total of the equivalent cash option is £135,000. The Directors' portion of this is included in Directors' Emoluments. (See note 2).

The best estimate for the cost of bonus and loyalty shares including national insurance is £301,000 and this has been provided in the accounts for the year ended 1 April 2002.

# Directors' Report

## For the year ended 1 April 2002

### DIRECTORS' INTERESTS

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

|                     | Number of Ordinary Shares |           |
|---------------------|---------------------------|-----------|
|                     | 2002                      | 2001      |
| JD Apthorp (note 1) | 7,078,244                 | 7,078,244 |
| TF How (note 2)     | 156,591                   | 65,126    |
| JF Kelly            | 64,892                    | 70,820    |
| AJ Mason (note 3)   | 147,248                   | 191,176   |
| SJ Lewis            | 2,820                     | 2,820     |
| GW Leahy            | nil                       | nil       |
| SP Burke            | 2,000                     | 2,000     |
| NRE Alldritt        | nil                       | nil       |

Notes:

1) JD Apthorp has a beneficial interest in 420,650 Ordinary Shares. He holds 14,650 in his own name and 406,000 are held by his wife J Apthorp. In addition, JD Apthorp also has a non-beneficial interest in 6,657,594 Ordinary Shares that are held by the P&L Trust Company Limited, Linda Mary Williams, and Graham Radford Boxall.

2) The Ordinary Shares that TF How has an interest in are held 77,091 in his own name, 74,500 by his wife EM How and 5,000 are held jointly.

3) The Ordinary Shares that AJ Mason has an interest in are held 132,248 in his own name and 15,000 by his wife H Mason.

The Directors' interests in share options are as follows:

|          | Options at<br>02.04.01 | Options<br>granted | Options<br>exercised | Options<br>at 01.04.02 | Exercise<br>Price | Market<br>price at date<br>of exercise | Date from<br>which<br>exercisable | Expiry<br>date |
|----------|------------------------|--------------------|----------------------|------------------------|-------------------|--|-----------------------------------|----------------|
| TF How   | 114,500                | -                  | 114,500              | -                      | £0.50             | £3.060                                 | -                                 | -              |
|          | 40,000                 | -                  | 40,000               | -                      | £0.50             | £4.485                                 | -                                 | -              |
|          | 2,152                  | -                  | -                    | 2,152                  | £2.70             | -                                      | 01.02.03                          | 31.07.03       |
|          | 1,997                  | -                  | -                    | 1,997                  | £1.94             | -                                      | 01.02.04                          | 31.07.04       |
|          | 12,630                 | -                  | -                    | 12,630                 | £2.425            | -                                      | 24.11.03                          | 23.11.07       |
|          | 12,370                 | -                  | -                    | 12,370                 | £2.425            | -                                      | 24.11.03                          | 24.11.10       |
| JF Kelly | 2,152                  | -                  | -                    | 2,152                  | £2.70             | -                                      | 01.02.03                          | 31.07.03       |
| AJ Mason | 40,000                 | -                  | 40,000               | -                      | £0.50             | £4.485                                 | -                                 | -              |
|          | 2,152                  | -                  | -                    | 2,152                  | £2.70             | -                                      | 01.02.03                          | 31.07.03       |
|          | 1,997                  | -                  | -                    | 1,997                  | £1.94             | -                                      | 01.02.04                          | 31.07.04       |
|          | 12,630                 | -                  | -                    | 12,630                 | £2.425            | -                                      | 24.11.03                          | 23.11.07       |
|          | 12,370                 | -                  | -                    | 12,370                 | £2.425            | -                                      | 24.11.03                          | 24.11.10       |
| SJ Lewis | 23,790                 | -                  | -                    | 23,790                 | £3.075            | -                                      | 22.12.01                          | 21.12.05       |
|          | 1,210                  | -                  | -                    | 1,210                  | £3.075            | -                                      | 22.12.01                          | 22.12.08       |
|          | 2,152                  | -                  | -                    | 2,152                  | £2.70             | -                                      | 01.02.03                          | 31.07.03       |
|          | 1,997                  | -                  | -                    | 1,997                  | £1.94             | -                                      | 01.02.04                          | 31.07.04       |
|          | 14,200                 | -                  | -                    | 14,200                 | £2.425            | -                                      | 24.11.03                          | 23.11.07       |
|          | 10,800                 | -                  | -                    | 10,800                 | £2.425            | -                                      | 24.11.03                          | 24.11.10       |

The market value of the Company's shares at 1 April 2002 was 446.5p. The highest and lowest prices during the year were 467.5p and 222.5p respectively.

### MAJOR SHAREHOLDERS

At 10 June 2002 the following interests of shareholders in excess of 3%, have been notified to the Company.

|  | Number of<br>Ordinary Shares held | Ordinary Shares as %<br>of issued share capital |
|--|-----------------------------------|---|
| P&L Trust Company Limited, Linda Mary Williams and Graham Radford Boxall | 6,657,594                         | 43.96   |
| ABN Amro   | 921,738                           | 6.09  |
| Gartmore   | 805,327                           | 5.32  |
| Jupiter  | 472,366                           | 3.12  |
| Taz Bay Investments Limited  | 462,220                           | 3.05  |

# Directors' Report

## For the year ended 1 April 2002

### DONATIONS

Charitable donations made in the year amounted to £16,311 primarily to Barnardos. 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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.

### 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 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 (2001: 85 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 accounts.

### AUDITORS

A resolution to reappoint Ernst & Young LLP will be put to the Annual General Meeting.

By Order of the Board

NRE Alldritt ACMA  
Secretary

Majestic House  
Otterspool Way  
Watford  
Herts WD25 8WW

24 June 2002

Registered in England and Wales  
No. 2281640

# Audit Report

## For the year ended 1 April 2002

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the Group's financial statements for the year ended 1 April 2002 which comprise the Group Profit and Loss Account, Group and Company Balance Sheets, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Accounting Policies and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

#### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the Group 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 United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 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 of the state of affairs of the Company and of the Group as at 1 April 2002 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 LLP**  
Registered Auditor  
Luton

24 June 2002

# Accounting Policies

## 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.

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

### (b) Basis of consolidation

The consolidated accounts 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.

Les Celliers de Calais S.A. has been included in the Group accounts using the acquisition method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include the results and cash flows of Les Celliers de Calais S.A. for the 24 week period from its acquisition on 15 October 2001. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

### (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 accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

# Accounting Policies

## (g) Deferred taxation

The Group has adopted the new Accounting Standard on Deferred Taxation FRS 19. Comparative tax charge figures have been restated following the adoption of this Standard.

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 representing the sales of wines, beers, spirits and other related retail items arises 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.

# Group Profit & Loss Account

## For the year ended 1 April 2002

|  | Note | Year to<br>01.04.02<br>£000 | Restated<br>53 weeks to<br>02.04.01<br>£000 |
|--|------|-----------------------------|---|
| <b>Turnover</b>                                      |      |                             |   |
| Continuing operations                                |      | 99,013                      | 86,764                                      |
| Acquisitions   |      | 5,590                       | -   |
|  |      | <b>104,603</b>              | <b>86,764</b>                               |
| <b>Cost of sales</b>                                 |      | <b>(83,373)</b>             | <b>(69,929)</b>                             |
| <b>Gross profit</b>                                  |      | <b>21,230</b>               | <b>16,835</b>                               |
| Distribution costs                                   |      | (9,653)                     | (8,025)                                     |
| Administrative costs                                 |      | (5,994)                     | (4,709)                                     |
| Rental income  |      | 382                         | 342   |
| <b>Operating profit</b>                              | 1    | <b>5,607</b>                | <b>4,443</b>                                |
| Continuing operations                                |      | 358                         | -   |
| Acquisitions   |      |                             |   |
|  |      | <b>5,965</b>                | <b>4,443</b>                                |
| <b>Net interest (payable)/receivable</b>             | 3    | <b>(84)</b>                 | <b>66</b>                                   |
| <b>Profit on ordinary activities before taxation</b> |      | <b>5,881</b>                | <b>4,509</b>                                |
| Taxation   | 4    | (1,982)                     | (1,448)                                     |
| <b>Profit on ordinary activities after taxation</b>  |      | <b>3,899</b>                | <b>3,061</b>                                |
| Dividend   |      |                             |   |
| Interim - paid                                       |      | (378)                       | (310)                                       |
| Final - proposed                                     |      | (827)                       | (661)                                       |
| <b>Retained profit for the year</b>                  | 14   | <b>2,694</b>                | <b>2,090</b>                                |
| <b>Earnings per share</b>                            | 5    |                             |   |
| Basic  |      | 26.42p                      | 21.24p                                      |
| Diluted  |      | 25.68p                      | 20.65p                                      |
| <b>Adjusted earnings per share</b>                   |      |                             |   |
| Basic  |      | 27.57p                      | 21.24p                                      |
| Diluted  |      | 26.80p                      | 20.65p                                      |

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.

Prior year figures have been restated upon adoption of FRS19 on deferred taxation. The effect is to increase the 2001 tax charge by £27,000.

# Group Statement of Total Recognised Gains and Losses

## For the year ended 1 April 2002

|  | Note | Year to<br>01.04.02<br>£000 | Restated<br>53 weeks to<br>02.04.01<br>£000 |
|--|------|-----------------------------|---|
| <b>Profit attributable to the financial year</b>                       |      | <b>2,694</b>                | <b>2,090</b>                                |
| Currency translation differences on foreign currency net investments   |      | (10)                        |   |
| <b>Total gains and losses relating to the financial year</b>           |      | <b>2,684</b>                |   |
| Prior period adjustment in relation to full provision for deferred tax | 13   | (310)                       |   |
| <b>Total gains and losses recognised since the last annual report</b>  |      | <b>2,374</b>                |   |

# Balance Sheets

## As at 1 April 2002

|   | Note | Group            |                              | Company          |                  |
|---|------|------------------|------------------------------|------------------|------------------|
|   |      | 01.04.02<br>£000 | Restated<br>02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| <b>Fixed assets</b>                             |      |                  |                              |                  |                  |
| Intangible fixed assets                         | 6    | 7,245            | -                            | -                | -                |
| Tangible fixed assets                           | 7    | 17,864           | 15,479                       | -                | -                |
| Investments                                     | 8    | -                | -                            | 12,021           | 4,653            |
|   |      | <b>25,109</b>    | 15,479                       | <b>12,021</b>    | 4,653            |
| <b>Current assets</b>                           |      |                  |                              |                  |                  |
| Stocks  | 9    | 18,486           | 15,699                       | -                | -                |
| Debtors   | 10   | 3,803            | 3,109                        | 12,232           | 11,160           |
| Cash at bank and in hand                        |      | 4,897            | 2,420                        | -                | -                |
|   |      | <b>27,186</b>    | 21,228                       | <b>12,232</b>    | 11,160           |
| <b>Creditors:</b>                               |      |                  |                              |                  |                  |
| Amounts falling due within one year             | 11   | (25,874)         | (19,191)                     | (2,296)          | (661)            |
| <b>Net current assets</b>                       |      | <b>1,312</b>     | 2,037                        | <b>9,936</b>     | 10,499           |
| <b>Total assets less current liabilities</b>    |      | <b>26,421</b>    | 17,516                       | <b>21,957</b>    | 15,152           |
| <b>Creditors:</b>                               |      |                  |                              |                  |                  |
| Amounts falling due<br>after more than one year | 12   | (5,715)          | -                            | (7,715)          | (2,000)          |
| Provisions for liabilities and charges          | 13   | (263)            | (648)                        | -                | -                |
| <b>Net assets</b>                               |      | <b>20,443</b>    | 16,868                       | <b>14,242</b>    | 13,152           |
| <b>Capital and reserves</b>                     |      |                  |                              |                  |                  |
| Called up share capital                         | 15   | 4,513            | 4,398                        | 4,513            | 4,398            |
| Shares to be issued                             | 18   | -                | 10                           | -                | 10               |
| Share premium account                           | 18   | 3,868            | 3,537                        | 3,868            | 3,537            |
| Revaluation reserve                             | 18   | 22               | 22                           | -                | -                |
| Profit and loss account                         | 18   | 12,040           | 8,901                        | 5,861            | 5,207            |
| <b>Equity shareholders' funds</b>               |      | <b>20,443</b>    | 16,868                       | <b>14,242</b>    | 13,152           |

The accounts were approved by the Board on 24 June 2002 and signed on its behalf by:

JD Apthorp  
Chairman

# Group Cash Flow Statement

## For the year ended 1 April 2002

|  | Note | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|--|------|-----------------------------|---------------------------------|
| Net cash inflow from operating activities              | 19a  | 8,847                       | 4,973                           |
| <b>Returns on investments and servicing of finance</b> |      |                             |                                 |
| Interest paid  |      | (30)                        | (60)                            |
| Loan note interest and guarantee fees                  |      | (72)                        | -                               |
| Interest received                                      |      | 87                          | 126                             |
|  |      | (15)                        | 66                              |
| <b>Taxation</b>  |      |                             |                                 |
| UK corporation tax paid                                |      | (1,654)                     | (1,441)                         |
| Overseas corporation tax paid                          |      | (282)                       | -                               |
|  |      | (1,936)                     | (1,441)                         |
| <b>Capital expenditure</b>                             |      |                             |                                 |
| Payments to acquire tangible fixed assets              |      | (4,294)                     | (3,854)                         |
| Receipts from sales of tangible fixed assets           |      | 34                          | 9                               |
| Net cash outflow from capital expenditure              |      | (4,260)                     | (3,845)                         |
| <b>Acquisitions</b>                                    | 8    |                             |                                 |
| Purchase of subsidiary undertaking                     |      | (184)                       | -                               |
| Cash acquired with subsidiary undertaking              |      | 691                         | -                               |
|  |      | 507                         | -                               |
| Equity dividends paid                                  |      | (1,039)                     | (925)                           |
| Net cash inflow/(outflow) before financing             |      | 2,104                       | (1,172)                         |
| <b>Financing</b>                                       |      |                             |                                 |
| Issue of Ordinary Share capital                        |      | 373                         | 274                             |
| Increase/(decrease) in cash for the year               |      | 2,477                       | (898)                           |

### Analysis of net debt

|  | 02.04.01<br>£000 | Cash Flow<br>£000 | Acquisition<br>£000 | 01.04.02<br>£000 |
|--|------------------|-------------------|---------------------|------------------|
| Cash at bank and in hand                               | 2,420            | 2,477             | -                   | 4,897            |
| Loan notes issued and issuable to acquire new business | -                | -                 | (7,115)             | (7,115)          |
| At 1 April 2002  | 2,420            | 2,477             | (7,115)             | (2,218)          |

### Reconciliation of net cash flow to net debt

|  | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|--|-----------------------------|---------------------------------|
| Increase/(decrease) in cash                            | 2,477                       | (898)                           |
| Loan notes issued and issuable to acquire new business | (7,115)                     | -                               |
| Movement in net debt                                   | (4,638)                     | (898)                           |
| Net cash at 2 April 2001                               | 2,420                       | 3,318                           |
| Net debt at 1 April 2002                               | (2,218)                     | 2,420                           |

# Notes to the Accounts

## 1. OPERATING PROFIT

|  | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|--|-----------------------------|---------------------------------|
| Operating profit is stated after charging:     |                             |                                 |
| Depreciation                                   | 1,984                       | 1,458                           |
| Amortisation                                   | 170                         | -                               |
| Operating lease rentals – plant and machinery  | 390                         | 327                             |
| – other  | 3,632                       | 3,290                           |
| Profit on disposal of fixed assets             | (26)                        | -                               |
| Auditors' remuneration:<br>in respect of audit |                             |                                 |
| – Company                                      | 5                           | 5                               |
| – Group  | 37                          | 25                              |
| for non-audit services                         | 18                          | 36                              |

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. In addition to the fees charged above, £85,000 of costs relating to due diligence work on the acquisition of Les Celliers de Calais has been capitalised.

Expenses of £260,000 have been reclassified from distribution costs to administration costs in the period ended 2 April 2001.

## 2. EMPLOYEE INFORMATION

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

|                                     | 2002 | 2001 |
|-------------------------------------|------|------|
| Head office, including distribution | 72   | 57   |
| Store staff                         | 471  | 412  |
|                                     | 543  | 469  |

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

|                       | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|-----------------------|-----------------------------|---------------------------------|
| Wages and salaries    | 10,090                      | 8,176                           |
| Social security costs | 980                         | 732                             |
| Pension costs         | 128                         | 109                             |
|                       | 11,198                      | 9,017                           |

### Directors' Emoluments

|  | 2002<br>£000 | 2001<br>£000 |
|--|--------------|--------------|
| Aggregate emoluments   | 500          | 468          |
| Deferred bonus   | 45           | 16           |
| Gain made on exercise of share options                                     | 612          | 357          |
| Company pension contributions to money purchase schemes for five Directors | 61           | 58           |
|  | 1,218        | 899          |

### Highest paid Director

|  | 2002<br>£000 | 2001<br>£000 |
|--|--------------|--------------|
| Aggregate emoluments                                   | 149          | 144          |
| Deferred bonus   | 16           | 6            |
| Gain made on exercise of share options                 | 453          | 60           |
| Company pension contributions to money purchase scheme | 19           | 18           |
|  | 637          | 228          |

# Notes to the Accounts

## 3. INTEREST AND SIMILAR CHARGES

|   | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|---|-----------------------------|---------------------------------|
| Interest on bank overdrafts and other loans repayable within five years, not by instalments | (30)                        | (60)                            |
| Loan note interest and bank guarantee commission  | (141)                       | -                               |
| Bank interest receivable  | 87                          | 126                             |
|   | <b>(84)</b>                 | <b>66</b>                       |

## 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

### (a) Analysis of the tax charge in the year

The charge based on the profit for the year comprises:

|   | Year to<br>01.04.02<br>£000 | Restated<br>53 weeks to<br>02.04.01<br>£000 |
|---|-----------------------------|---|
| <b>Taxation on profit on ordinary activities</b>  |                             |   |
| <b>UK corporation tax:</b>  |                             |   |
| Profit for the year   | 1,977                       | 1,438                                       |
| Adjustment in respect of the previous year  | (11)                        | (17)  |
| Overseas corporation tax on subsidiary undertaking  | 174                         | -   |
| <b>Total current tax</b>  | <b>2,140</b>                | <b>1,421</b>                                |
| <b>UK deferred tax:</b>   |                             |   |
| Origination and reversal of timing differences in respect of:<br>Profit in the year (excluding exceptional items) | (158)                       | 27  |
| <b>Total deferred tax</b>   | <b>(158)</b>                | <b>27</b>                                   |
| <b>Tax on profit on ordinary activities</b>   | <b>1,982</b>                | <b>1,448</b>                                |

### (b) Factors affecting the tax charge for the year based on profit on ordinary activities pre tax of £5,881,000 (2001: £4,509,000)

|  | 01.04.02<br>% | 02.04.01<br>% |
|--|---------------|---------------|
| Corporation tax at the statutory rate                      | 30.00         | 30.00         |
| <b>Effects of:</b>   |               |               |
| Overseas tax in excess of 30% rate                         | 0.23          | -             |
| Expenses not deductible for tax purposes                   | 0.09          | 0.03          |
| Accounting depreciation not eligible for tax purposes      | 2.79          | 2.48          |
| Goodwill amortised   | 0.87          | -             |
| Accounting depreciation in excess of tax depreciation      | 1.69          | 0.10          |
| Adjustments relating to prior years' corporation tax       | (0.18)        | (0.39)        |
| Originating timing differences                             | 0.90          | (0.71)        |
| <b>Total current tax rate</b>                              | <b>36.39</b>  | <b>31.51</b>  |
| Origination and reversal of deferred tax timing difference | (2.69)        | 0.60          |
| <b>Total tax rate</b>                                      | <b>33.70</b>  | <b>32.11</b>  |

### (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 £266,000 (2001: £266,000) in respect of this. At present, it is not envisaged that any tax will become payable in the foreseeable future.

# Notes to the Accounts

## 5. EARNINGS PER SHARE

|   | 2002              | Restated<br>2001 |
|---|-------------------|------------------|
| <b>Reconciliation of adjusted earnings</b>      |                   |                  |
| Profit on ordinary activities after taxation    | <b>£3,899,000</b> | £3,061,000       |
| Amortisation of goodwill arising on acquisition | <b>£170,000</b>   | -                |
| <b>Adjusted earnings</b>                        | <b>£4,069,000</b> | £3,061,000       |

|  | 2002 | Restated<br>2001 |
|--|------|------------------|
|--|------|------------------|

Earnings per Ordinary Share is calculated as follows:

|   |                   |            |
|---|-------------------|------------|
| <b>Basic</b>  |                   |            |
| Profit attributable to Ordinary shareholders        | <b>£3,899,000</b> | £3,061,000 |
| Weighted average number of Ordinary Shares in issue | <b>14,759,278</b> | 14,414,736 |
| Earnings per Ordinary Share                         | <b>26.42p</b>     | 21.24p     |

|   |                   |            |
|---|-------------------|------------|
| <b>Diluted</b>                                      |                   |            |
| Profit attributable to Ordinary shareholders        | <b>£3,899,000</b> | £3,061,000 |
| Weighted average number of Ordinary Shares in issue | <b>15,182,257</b> | 14,820,576 |
| Earnings per Ordinary Share                         | <b>25.68p</b>     | 20.65p     |

|   |                   |            |
|---|-------------------|------------|
| <b>Adjusted earnings per Ordinary Share</b>         |                   |            |
| Adjusted earnings                                   | <b>£4,069,000</b> | £3,061,000 |
| Weighted average number of Ordinary Shares in issue | <b>14,759,278</b> | 14,414,736 |
| Adjusted earnings per Ordinary Share                | <b>27.57p</b>     | 21.24p     |

|   |                   |            |
|---|-------------------|------------|
| <b>Adjusted diluted</b>                             |                   |            |
| Adjusted earnings                                   | <b>£4,069,000</b> | £3,061,000 |
| Weighted average number of Ordinary Shares in issue | <b>15,182,257</b> | 14,820,576 |
| Adjusted diluted earnings per Ordinary Share        | <b>26.80p</b>     | 20.65p     |

Adjusted earnings per Ordinary Share is based on earnings before charging amortisation on the goodwill arising on the acquisition of Les Celliers de Calais S.A. (see note 6). In the opinion of the Directors the adjusted earnings per Ordinary Share assists in understanding the underlying performance of the Group.

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

|   | 2002              | 2001       |
|---|-------------------|------------|
| Basic weighted average number of shares | <b>14,759,278</b> | 14,414,736 |
| Dilutive potential Ordinary Shares:     |                   |            |
| Employee share options                  | <b>422,979</b>    | 405,840    |
|   | <b>15,182,257</b> | 14,820,576 |

## 6. INTANGIBLE FIXED ASSETS (GROUP)

|                                       |              |
|---------------------------------------|--------------|
| Goodwill                              | <b>£000</b>  |
| At 2 April 2001                       | -            |
| Arising on acquisition (see note 8)   | <b>7,415</b> |
| Amortisation provided during the year | <b>(170)</b> |
| <b>At 1 April 2002</b>                | <b>7,245</b> |

Goodwill arising on the acquisition of Les Celliers de Calais S.A. is being amortised over the Directors' estimate of its useful economic life of 20 years.

# Notes to the Accounts

## 7. TANGIBLE FIXED ASSETS (GROUP)

|   | Land and Buildings |                           |                            | Equipment<br>Fittings &<br>Vehicles<br>£000 | Total<br>£000 |
|---|--------------------|---------------------------|----------------------------|---|---------------|
|   | Freehold<br>£000   | Long<br>Leasehold<br>£000 | Short<br>Leasehold<br>£000 |   |               |
| <b>Cost or valuation:</b>                 |                    |                           |                            |   |               |
| At 2 April 2001                           | 6,550              | 293                       | 5,004                      | 8,637                                       | 20,484        |
| Additions                                 | 2,345              | 184                       | 705                        | 1,060                                       | 4,294         |
| Arising on acquisition                    | -                  | -                         | 72                         | 11  | 83            |
| Disposals                                 | -                  | -                         | (383)                      | (618)                                       | (1,001)       |
| <b>At 1 April 2002</b>                    | <b>8,895</b>       | <b>477</b>                | <b>5,398</b>               | <b>9,090</b>                                | <b>23,860</b> |
| <b>Depreciation:</b>                      |                    |                           |                            |   |               |
| At 2 April 2001                           | 168                | 6                         | 1,595                      | 3,237                                       | 5,006         |
| Charge for year                           | 80                 | 3                         | 487                        | 1,414                                       | 1,984         |
| Disposals                                 | -                  | -                         | (383)                      | (611)                                       | (994)         |
| <b>At 1 April 2002</b>                    | <b>248</b>         | <b>9</b>                  | <b>1,699</b>               | <b>4,040</b>                                | <b>5,996</b>  |
| <b>Net Book Value<br/>at 1 April 2002</b> | <b>8,647</b>       | <b>468</b>                | <b>3,699</b>               | <b>5,050</b>                                | <b>17,864</b> |
| At 2 April 2001                           | 6,382              | 287                       | 3,409                      | 5,400                                       | 15,478        |

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 £3,817,500 (2001 £2,765,000) in respect of land that is not depreciated.

|  | 01.04.02<br>£000 | 02.04.01<br>£000 |
|--|------------------|------------------|
| <b>The historical costs of the assets revalued are as follows:</b> |                  |                  |
| Freehold properties  | 932              | 932              |
| Long leasehold properties  | 213              | 213              |
|  | <b>1,145</b>     | <b>1,145</b>     |

# Notes to the Accounts

## 8. INVESTMENTS

|  | £000   |
|--|--------|
| <b>Company:</b>                                      |        |
| Shares in Group undertakings at cost at 2 April 2001 | 4,653  |
| Additions during the year (analysis below)           | 7,368  |
| Shares in Group undertakings at cost at 1 April 2002 | 12,021 |

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, whose principal activity is acting as a discretionary trust for the benefit of the group employees.
- iv) 100% of the ordinary share capital of Majestic Wine Card Services Limited, a company registered in England and Wales, whose principal activity is the processing of credit and debit card payments.
- v) 100% of the ordinary share capital of Les Celliers de Calais S.A., a company registered in France, whose principal activity is the retailing of wines and beers.
- vi) 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.

On 15 October 2001, the Company acquired the entire share capital of Les Celliers de Calais S.A. for a consideration of £7,184,000 satisfied by the issue of loan notes. Goodwill arising on the acquisition of the business has been capitalised and is being amortised through the profit and loss account. The investment in Les Celliers de Calais S.A. has been included in the Company's balance sheet at its fair value at the date of acquisition.

### Analysis of the acquisition:

Net assets at date of acquisition:

|                                       | Book<br>Value<br>£000 | Adjustments<br>£000 | Provisional<br>Fair Value<br>To Group<br>£000 |
|---------------------------------------|-----------------------|---------------------|---|
| Tangible Fixed Assets                 | 298                   | (215)               | 83  |
| Stock                                 | 1,778                 | (64)                | 1,714   |
| Debtors                               | 624                   | -                   | 624   |
| Cash at bank and in hand              | 691                   | -                   | 691   |
| Creditors falling due within one year | (3,159)               | -                   | (3,159)                                       |
| Net Assets                            | 232                   | (279)               | (47)  |
| Goodwill arising on acquisition       |                       |                     | 7,415   |
|                                       |                       |                     | 7,368   |

### Discharged by:

|                                       |       |
|---------------------------------------|-------|
| Loan Notes issued and issuable        | 7,184 |
| Costs associated with the acquisition | 184   |
|                                       | 7,368 |

On acquisition book values of Les Celliers de Calais' assets have been adjusted to represent their fair value to the Group. For tangible fixed assets these amounts have been arrived at, following existing business plans, by estimating their depreciated replacement cost. In arriving at the depreciated replacement cost the Directors have considered a number of factors including the market value, condition of the assets, prospective revenues and cash flows from the business. The carrying value of stocks held for resale has been adjusted to reflect their net realisable value.

The acquired business contributed £118,000 to the group's net operating cashflows, paid £282,000 in respect of taxation and utilised £106,000 for capital expenditure and financial investment.

Included within the profit and loss account are costs of sales £4,296,000, distribution costs £307,000 and administration costs £629,000.

The acquired business earned a profit after tax of £680,000 in the fifteen months ended 31 March 2002 (year ended 31 December 2000: £941,000), of which £326,000 arose in the period from 1 January 2001 to 15 October 2001.

# Notes to the Accounts

## 9. STOCKS

|                  | Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 01.04.02<br>£000 | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| Goods for resale | 18,486           | 15,699           | -                | -                |

## 10. DEBTORS

|                                     | Group            |                  | Company          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 01.04.02<br>£000 | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| Trade debtors                       | 1,776            | 1,505            | -                | -                |
| Amounts due from Group undertakings | -                | -                | 12,232           | 11,160           |
| Other debtors                       | 819              | 635              | -                | -                |
| Prepayments and accrued income      | 1,208            | 969              | -                | -                |
|                                     | 3,803            | 3,109            | 12,232           | 11,160           |

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

## 11. CREDITORS

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 01.04.02<br>£000 | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| <b>Amounts falling due within one year:</b> |                  |                  |                  |                  |
| Loan notes (see note 20)                    | 1,400            | -                | 1,400            | -                |
| Trade creditors                             | 19,228           | 14,856           | -                | -                |
| Corporation tax                             | 881              | 963              | -                | -                |
| Other taxes and social security             | 1,306            | 1,062            | -                | -                |
| Accruals and other creditors                | 2,232            | 1,649            | 69               | -                |
| Dividends                                   | 827              | 661              | 827              | 661              |
|   | 25,874           | 19,191           | 2,296            | 661              |

## 12. CREDITORS

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 01.04.02<br>£000 | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| <b>Amounts falling due after more than one year:</b> |                  |                  |                  |                  |
| Amounts due to Group undertakings                    | -                | -                | 2,000            | 2,000            |
| Loan notes (see note 20)                             | 5,715            | -                | 5,715            | -                |
|  | 5,715            | -                | 7,715            | 2,000            |

# Notes to the Accounts

## 13. PROVISION FOR LIABILITIES AND CHARGES

|                    | Group            |                              | Company          |                  |
|--------------------|------------------|------------------------------|------------------|------------------|
|                    | 01.04.02<br>£000 | Restated<br>02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| Deferred bonus (a) | 111              | 338                          | -                | -                |
| Deferred tax (b)   | 152              | 310                          | -                | -                |
|                    | <b>263</b>       | <b>648</b>                   | <b>-</b>         | <b>-</b>         |

### (a) Deferred bonus

|                                | Group            |                  | Company          |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | 01.04.02<br>£000 | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| Opening balance                | 338              | 287              | -                | -                |
| Provided in the year           | 65               | 73               | -                | -                |
| Utilised in year               | (10)             | (22)             | -                | -                |
| Transfer to shareholders funds | (282)            | -                | -                | -                |
| Closing balance                | <b>111</b>       | <b>338</b>       | <b>-</b>         | <b>-</b>         |

The transfer to shareholders funds represents the amount of the deferred bonus that is now expected to be satisfied by the issue of shares. Accordingly the remaining provision represents the Directors' best estimate of the amounts payable in cash. Amounts of deferred bonus and loyalty bonus expected to be settled in shares are recognised in shareholders' funds. Deferred bonuses amounting to £301,000 were awarded for the financial year.

Details of the Deferred Bonus Scheme are set out on page 8.

### (b) Deferred taxation

#### Group

Deferred taxation has been provided in the accounts as follows:

|  | Provided         |                              | Unprovided       |                              |
|--|------------------|------------------------------|------------------|------------------------------|
|  | 01.04.02<br>£000 | Restated<br>02.04.01<br>£000 | 01.04.02<br>£000 | Restated<br>02.04.01<br>£000 |
| Excess of tax allowances over depreciation | 239              | 356                          | -                | -                            |
| Other timing differences                   | (87)             | (46)                         | -                | -                            |
| Capital gain rolled over                   | -                | -                            | 266              | 266                          |
|  | <b>152</b>       | <b>310</b>                   | <b>266</b>       | <b>266</b>                   |
| At 29 March 1999 – as previously stated    |                  | -                            |                  | 266                          |
| Prior year adjustment for FRS 19           |                  | 283                          |                  | -                            |
| At 27 March 2000 – as restated             |                  | 283                          |                  | 266                          |
| Charge to profit and loss account          |                  | 27                           |                  | -                            |
| At 2 April 2001 – as restated              |                  | 310                          |                  | 266                          |
| Charge to profit and loss account          |                  | (158)                        |                  | -                            |
| Deferred tax provided at 1 April 2002      |                  | 152                          |                  | 266                          |

As a result of the adoption of FRS 19, the profit and loss reserve and certain balance sheet values were restated and as a result the reserve as at 2 April 2001 was reduced by £310,000. The effect is to increase the 2001 tax charge by £27,000 and reduce the 2002 tax charge by £158,000.

# Notes to the Accounts

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|  | Total<br>Shareholders<br>funds<br>£000 |
|--|--|
| At 27 March 2000 as previously reported  | 14,787                                 |
| Effect of full provision for deferred tax  | (283)                                  |
| At 27 March 2000 as restated   | 14,504                                 |
| New share capital issued   | 274                                    |
| Retained profit for the year restated  | 2,090                                  |
| At 2 April 2001 as restated  | 16,868                                 |
| New share capital issued   | 373                                    |
| Retained profit for the year   | 2,694                                  |
| Transfer to shareholders funds – deferred bonus expected to be satisfied in shares | 282                                    |
| Transfer to shareholders funds – deferred bonus 2002                               | 236                                    |
| Currency translation differences on foreign currency net investments               | (10)                                   |
| <b>Closing shareholders' funds</b>   | <b>20,443</b>                          |

Shareholders' funds at 2 April 2001 were previously reported as £17,178,000 before deducting the prior year adjustment of £310,000.

## 15. SHARE CAPITAL

|                             | 2002       |               | 2001       |               |
|-----------------------------|------------|---------------|------------|---------------|
|                             | Number     | Value<br>£000 | Number     | Value<br>£000 |
| <b>Authorised</b>           |            |               |            |               |
| Ordinary Shares of 30p each | 35,000,000 | 10,500        | 35,000,000 | 10,500        |
| <b>Issued</b>               |            |               |            |               |
| Ordinary Shares of 30p each | 15,043,629 | 4,513         | 14,661,259 | 4,398         |

During the year 330,370 Ordinary Shares of 30p each were allotted for a consideration of £373,000 and 31,000 Ordinary Shares of 30p each were allotted from shares to be issued. The shares were allotted to satisfy the exercise of options, in addition 21,000 shares were issued to the trustees of the Company's employee share ownership scheme to fulfil the requirements of the Deferred Bonus Scheme.

## 16. SHARE OPTIONS

The following options are outstanding for Ordinary Shares.

| Number of shares | Period in which exercisable |                    | Price per share |
|------------------|-----------------------------|--------------------|-----------------|
| 8,000            | 15 December 1997            | – 15 December 2004 | £0.75           |
| 8,000            | 02 February 1998            | – 01 February 2003 | £0.50           |
| 1,000            | 1 November 1999             | – 30 October 2006  | £1.60           |
| 6,000            | 04 July 2000                | – 04 July 2007     | £2.73           |
| 41,110           | 22 December 2001            | – 21 December 2005 | £3.075          |
| 22,890           | 22 December 2001            | – 22 December 2008 | £3.075          |
| 700              | 06 August 2002              | – 06 August 2006   | £3.40           |
| 81,300           | 06 August 2002              | – 06 August 2009   | £3.40           |
| 9,325            | 01 February 2003            | – 31 July 2003     | £2.70           |
| 94,780           | 27 November 2003            | – 26 November 2007 | £2.425          |
| 437,220          | 27 November 2003            | – 26 November 2010 | £2.425          |
| 87,383           | 01 February 2004            | – 31 July 2004     | £1.94           |
| 1,371            | 01 February 2004            | – 31 July 2004     | £2.46           |
| 77,000           | 06 July 2004                | – 05 July 2011     | £3.05           |
| 7,670            | 26 November 2004            | – 25 November 2008 | £3.59           |
| 48,830           | 26 November 2004            | – 26 November 2011 | £3.59           |
| 12,872           | 01 February 2006            | – 31 July 2006     | £1.94           |

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

# Notes to the Accounts

## 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 (details of the Deferred Bonus Scheme are set out on page 8).

At the year end the Trust held 84,344 (2001: 63,344) shares with a nominal value of 30p each. The total acquisition cost of these shares was £268,000 (2001: £205,000). At the year end the market value of these shares was £377,000 (2001: £143,000).

## 18. RESERVES

|  | Revaluation<br>Reserve<br>£000 | Shares to<br>be issued<br>£000 | Share<br>Premium<br>Account<br>£000 | Profit<br>& Loss<br>Account<br>£000 |
|--|--------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| <b>Group:</b>  |                                |                                |                                     |                                     |
| Balance at 2 April 2001 as previously stated                                       | 22                             | 10                             | 3,537                               | 9,211                               |
| Prior period adjustment in relation to full provision for deferred tax             | -                              | -                              | -                                   | (310)                               |
| Balance at 2 April 2001 as restated  | 22                             | 10                             | 3,537                               | 8,901                               |
| Share issue  | -                              | (10)                           | 274                                 | -                                   |
| ESOT share issue   | -                              | -                              | 57                                  | (63)                                |
| Retained profit for the year   | -                              | -                              | -                                   | 2,694                               |
| Transfer to shareholders funds – deferred bonus expected to be satisfied in shares | -                              | -                              | -                                   | 282                                 |
| Transfer to shareholders funds – deferred bonus 2002                               | -                              | -                              | -                                   | 236                                 |
| Currency translation differences on foreign currency net investments               | -                              | -                              | -                                   | (10)                                |
| <b>At 1 April 2002</b>   | <b>22</b>                      | <b>-</b>                       | <b>3,868</b>                        | <b>12,040</b>                       |
| <b>Company:</b>  |                                |                                |                                     |                                     |
| Balance at 2 April 2001  | -                              | 10                             | 3,537                               | 5,207                               |
| Share issue  | -                              | (10)                           | 274                                 | -                                   |
| ESOT share issue   | -                              | -                              | 57                                  | -                                   |
| Retained profit for the year   | -                              | -                              | -                                   | 654                                 |
| <b>At 1 April 2002</b>   | <b>-</b>                       | <b>-</b>                       | <b>3,868</b>                        | <b>5,861</b>                        |

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 £1,859,000 (2001: £2,000,000)

The cumulative amount of goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 written off immediately against reserves at 1 April 2002 is £1,595,000 (2001 £1,595,000).

## 19. NOTES TO THE GROUP CASH FLOW STATEMENT

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

|  | Year to<br>01.04.02<br>£000 | 53 weeks to<br>02.04.01<br>£000 |
|--|-----------------------------|---------------------------------|
| Operating profit                                 | 5,965                       | 4,443                           |
| Depreciation charges                             | 1,984                       | 1,458                           |
| Amortisation charge                              | 170                         | -                               |
| Profit on disposal of tangible fixed assets      | (26)                        | -                               |
| Increase in stocks                               | (1,073)                     | (1,851)                         |
| Decrease/ (increase) in debtors                  | (356)                       | (294)                           |
| Increase in creditors                            | 1,892                       | 1,166                           |
| (Decrease)/increase in provisions                | (10)                        | 51                              |
| Deferred bonus payable by shares                 | 301                         | -                               |
| <b>Net cash inflow from operating activities</b> | <b>8,847</b>                | <b>4,973</b>                    |

### (b) Major non-cash transactions

As consideration for Les Celliers de Calais S.A., the company issued loan notes amounting to £7,000,000 with a further £184,000 to be issued to complete the transaction. Costs associated with these loan notes amounting to £69,000 have been prepaid and are being amortised over the period of the term loan and guarantee facility (see note 20).

# Notes to the Accounts

## 20. FINANCIAL INSTRUMENTS

### Funds

The disclosures below exclude short term debtors and creditors.

Financial assets comprise cash denominated in sterling of £4,897,000 (2001 £2,420,000). Financial liabilities comprise bank overdrafts, loan notes and term loan and guarantee facilities denominated in sterling amounting to £7,184,000 (2001: nil).

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, monthly and two 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 3.72% (2001 5.56%).

### 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. At 1 April 2002 and 2 April 2001 unrealised gains or losses on forward contracts taken out as hedges of purchase transactions were not material.

The nominal value of forward currency contracts is shown below.

|                                    | 01.04.02<br>£000 | 02.04.01<br>£000 |
|------------------------------------|------------------|------------------|
| Forward foreign currency purchases | 9,733            | 8,557            |

The majority of these contracts are in Euros maturing in less than one year.

### Borrowing facilities

The Group has an overdraft facility with Barclays Bank PLC that is utilised to cover seasonal borrowing requirements. The facility is renewed annually and was current at 1 April 2002. The undrawn committed overdraft facility available at 1 April 2002 was £6,000,000 (2001: £4,000,000) which expires in June 2003.

### Loan Notes

On 15 October 2001 the Company acquired the entire share capital of Les Celliers de Calais, a company incorporated in France trading as the Wine and Beer Company. The consideration for the acquisition was £7,250,000, payable in 3 per cent loan notes, to be adjusted by the value of net current assets at the date of completion. The final consideration has now been agreed with the vendors at £7,184,000. Loan notes to the value of £7,000,000 were issued on the date of acquisition and a further £184,000 loan notes will be issued to complete the consideration. The loan notes are redeemable at the earliest at the first quarter date after six months from date of issue with a final redemption date of 30 November 2003. The Company has been notified that the initial £7,000,000 loan notes will be redeemed on 24 June 2002.

### Term Loan and Guarantee Facility

The loan notes issued as consideration for the acquisition of Les Celliers de Calais are guaranteed by Barclays Bank PLC with whom the Company has arranged a facility to finance the future redemption of the loan notes. The Company must make repayments of the Term Loan and Guarantee Facility in equal half yearly amounts sufficient to fully repay and/or cash collateralise the facility by the fifth anniversary of its drawdown. The facility is secured by a floating charge over the Group's assets. The maximum combined amount of the term loan and guarantee facility is £7,750,000. The Company may, subject to giving five business days written notice, repay or cash collateralise the whole or any part of the facility. The loan facility element incurs interest at Barclays Bank PLC's base rate plus 1.25 per cent and the guarantee facility element incurs commission at 1.25 per cent per annum.

At 1 April 2002 the term loan facility element was undrawn and £7,000,000 of the guarantee facility was utilised.

## 21. OPERATING LEASES

At 1 April 2002 the Group had annual commitments under non-cancellable operating leases as follows:

|                                | Land and Buildings |                  | Other            |                  |
|--------------------------------|--------------------|------------------|------------------|------------------|
|                                | 01.04.02<br>£000   | 02.04.01<br>£000 | 01.04.02<br>£000 | 02.04.01<br>£000 |
| Operating leases which expire: |                    |                  |                  |                  |
| Within one year                | 117                | 105              | 34               | 70               |
| Between two and five years     | 500                | 362              | 360              | 260              |
| In over five years             | 3,056              | 2,842            | -                | -                |
|                                | <b>3,673</b>       | <b>3,309</b>     | <b>394</b>       | <b>330</b>       |

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

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Majestic Wine PLC will be held at Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW at 11.30 am on 9 August 2002, for the following purposes:

## ORDINARY BUSINESS

### Adoption of accounts

1. To receive and adopt the Annual Report and Accounts for the year ended 1 April 2002.

### Declaration of dividend

2. To declare a final dividend of 5.5p per Ordinary Share.

### Re-election of retiring Director

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

### Appointment of new Director

4. To ratify the appointment of Nigel Alldritt as a Director, who has been appointed since the date of the last Annual General Meeting.

### Re-appointment of Auditors

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

## SPECIAL BUSINESS

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

### Directors power to allot securities – Ordinary Resolution

6. That the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,504,361 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

7. That the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by 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 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 £225,654 representing approximately 5 per cent of the nominal value of the current issued share capital of the Company.

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

By order of the Board

Nigel Alldritt  
Secretary

5 July 2002

# Notice of Annual General Meeting

## 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 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 7 August 2002 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## EXPLANATORY NOTES ON CERTAIN BUSINESS OF THE ANNUAL GENERAL MEETING

### Resolution 6

#### **Directors' power to allot securities**

Under Section 80 of the Act, relevant 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 2003. It complies with the Association of British Insurers' guidelines.

### Resolution 7

#### **Disapplication of pre-emption rights**

Section 89 of the Act require that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which in the case of rights issue may prove both costly and cumbersome. This resolution excludes these rights as far as rights issues are concerned. It also enables Directors to allot shares up to an aggregate nominal value of £225,654 which is approximately 5% 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 degree of flexibility. Unless previously revoked or varied the disapplication will expire at the conclusion of the next Annual General Meeting of the Company.