MAJESTIC WINE PLC
ANNUAL REPORT AND ACCOUNTS 2004

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COVER IMAGE AND BELOW LEFT TO RIGHT

ST. JOHN'S WOOD

MAJESTIC ST. JOHN'S WOOD, OPENED IN JULY 2003, INCORPORATES A CLIMATE-CONTROLLED FINE WINE CENTRE THAT FEATURES OVER 200 FINE WINES RETAILING AT £20 AND ABOVE.

CUSTOMERS CAN ORDER A CASE OF FINE WINES FOR FREE HOME DELIVERY VIA ANY MAJESTIC STORE OR VIA WWW.MAJESTIC.CO.UK.

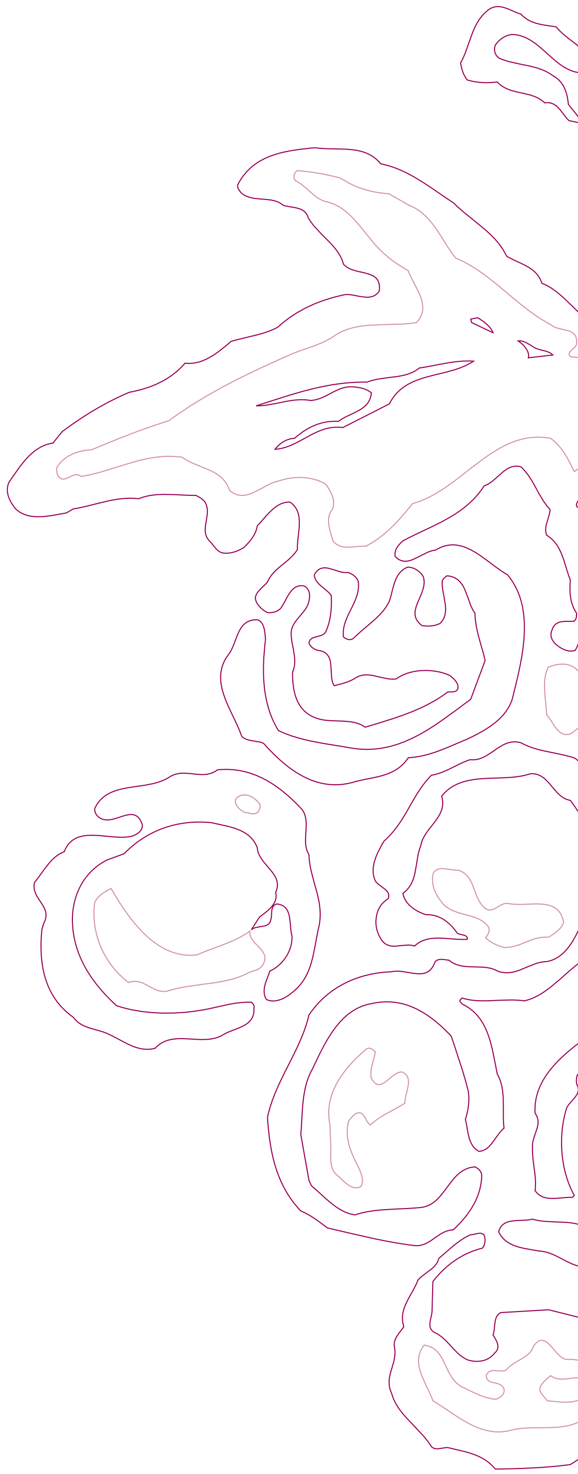
CORPORATE STATEMENT

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

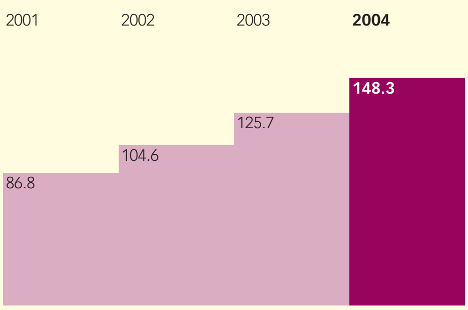
MAJESTIC DIFFERENTIATES ITSELF BY THE HIGH QUALITY OF ITS CUSTOMER SERVICE AND ADVICE, THE DIVERSITY AND QUANTITY OF STOCK AVAILABLE TO PURCHASE AT EACH STORE, ITS DEDICATED ON-SITE CUSTOMER PARKING, WINES TO TASTE EVERY DAY, THE ABILITY TO ORDER INSTORE OR VIA ITS WEBSITE AND THE AVAILABILITY OF FREE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

HIGHLIGHTS

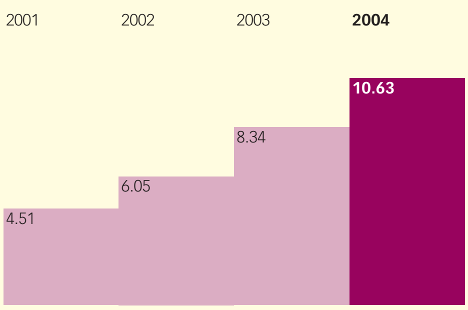
- ELEVENTH CONSECUTIVE YEAR OF RECORD PROFITS.
- PROFIT BEFORE THE EXCEPTIONAL GAIN, TAX AND AMORTISATION OF GOODWILL INCREASED 27.4% TO £10.63M.
- TOTAL GROUP SALES WERE UP 18% TO £148.3M FROM £125.7M LAST YEAR.
- LIKE FOR LIKE UK SALES WERE UP 10%.
- TEN NEW STORES OPENED IN THE FINANCIAL YEAR.
- DIVIDEND INCREASED BY 50%.



TURNOVER (£M)



PROFIT BEFORE TAX* (£M)



* EXCLUDES EXCEPTIONAL GAIN IN 2004 AND GOODWILL AMORTISATION IS EXCLUDED IN 2002, 2003 AND 2004.

CHAIRMAN'S STATEMENT

PROFIT BEFORE THE EXCEPTIONAL GAIN, TAX AND AMORTISATION OF GOODWILL INCREASED BY 27.4% TO £10.63M.

I am delighted to announce that we have achieved a further substantial profit increase, our eleventh consecutive year of profit growth.

Profit before the exceptional gain, tax and amortisation of goodwill increased by 27.4% to £10.63m from £8.34m last year. The exceptional gain of £0.4m arose on the sale and lease back of a freehold property in Putney.

Total Group sales grew 18.0% to £148.3m from £125.7m last year. Like for like UK sales were up 10.0% which is especially pleasing considering that this growth is on top of 9.7% reported last year.

These record results could not have been achieved without the great commitment of all our staff and I would like to thank them all for their significant contribution over the year.

DIVIDEND

We are recommending for approval by shareholders at the Annual General Meeting a final dividend of 12 pence net per share. This will be payable on 6 August 2004 to shareholders on the register on 2 July 2004 and brings the total dividend to 16.5 pence net per share. This is an increase of 5.5 pence net per share or 50% on the total 2003 dividend. Both the increased dividend and the ongoing investment in the rollout of new stores are entirely covered by the Group's strong cash generation.

SHARE SPLIT

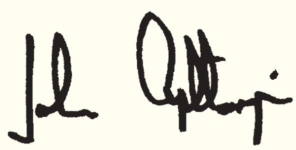
We are planning to implement a four-for-one division, or share split, of the Company's issued and authorised Ordinary Shares, subject to gaining shareholder approval at the Annual General Meeting. We believe that the share split will improve market liquidity and encourage more retail investors.

CURRENT TRADING

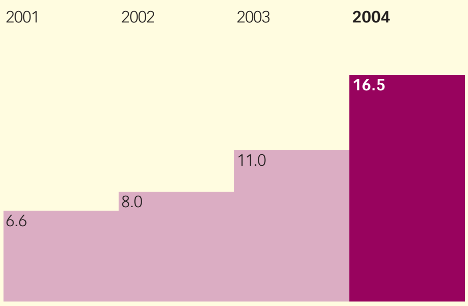
Sales growth in the first ten weeks of the financial year from 30 March to 7 June has continued to be very encouraging with UK like for like sales up 8.0%.

We remain confident for the future growth of Majestic.

JOHN APTHORP CHAIRMAN



DIVIDEND (PENCE NET PER SHARE)



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 ST 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

ROCHMAN LANDAU
45 MORTIMER STREET
LONDON W1W 8HJ

REGISTRARS
CAPITA REGISTRARS
THE REGISTRY
BOURNE HOUSE
34 BECKENHAM ROAD
BECKENHAM
KENT BR3 4TU

BELOW

JOHN APTHORP
AGED 69, IS CHAIRMAN AND WAS APPOINTED TO THE BOARD IN 1989.

NIGEL ALLDRITT
AGED 40, IS FINANCE DIRECTOR AND COMPANY SECRETARY AND WAS APPOINTED TO THE BOARD IN 2002. HE IS A CHARTERED MANAGEMENT ACCOUNTANT AND RESPONSIBLE FOR THE FINANCE FUNCTION.

BELOW

TIM HOW
AGED 53, IS CHIEF EXECUTIVE AND WAS APPOINTED TO THE BOARD IN 1989. HE ACTS AS NON-EXECUTIVE DIRECTOR OF M&W MACK LIMITED AND AUSTIN REED GROUP PLC.

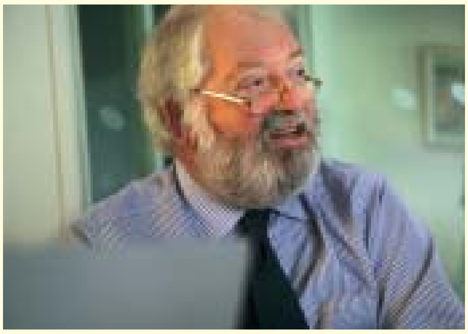
TONY MASON
AGED 58, IS TRADING DIRECTOR AND WAS APPOINTED TO THE BOARD IN 1989.

PAUL DERMODY
AGED 58, IS A NON-EXECUTIVE DIRECTOR AND WAS APPOINTED TO THE BOARD IN SEPTEMBER 2003. HE IS THE FORMER CHIEF EXECUTIVE OF DE VERE GROUP PLC. HE IS A NON-EXECUTIVE DIRECTOR OF AGA FOODSERVICE GROUP PLC. HE CHAIRS THE AUDIT COMMITTEE.

BELOW

STEVE LEWIS
AGED 40, IS RETAIL DIRECTOR AND WAS APPOINTED TO THE BOARD IN FEBRUARY 1998. HE IS RESPONSIBLE FOR RETAIL OPERATIONS, CORPORATE SALES AND WINE AND BEER WORLD.

SIMON BURKE
AGED 45, IS A NON-EXECUTIVE DIRECTOR AND WAS APPOINTED TO THE BOARD IN MARCH 2000. HE IS THE FORMER CHAIRMAN OF HAMLEYS PLC. HE CHAIRS THE REMUNERATION COMMITTEE.







REVIEW OF OPERATIONS

WE OPENED TEN NEW STORES DURING THE FINANCIAL YEAR, OF WHICH SIX ARE WITHIN THE M25.

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2004

BELOW LEFT TO RIGHT

CUSTOMER COMMUNICATION

NEARLY 350,000 CUSTOMERS RECEIVED OUR 'SUMMER WINES' LIST IN MAY. WE USE A COMBINATION OF DIRECT MAIL AND EMAIL TO COMMUNICATE THE ARRIVAL OF NEW WINES AND PROMOTIONS TO AN EVER-GROWING CUSTOMER BASE.

WSET AWARDS

MAJESTIC'S KNOWLEDGEABLE STORE MANAGERS WON NO LESS THAN SEVEN OF THE COVETED SCHOLARSHIPS AT THE 2003 WINE & SPIRIT EDUCATION TRUST 'AWARDS OF EXCELLENCE' FOR OUTSTANDING PAPERS IN THEIR EXAMINATIONS. THIS YEAR WE ARE SPONSORING 50 STAFF THROUGH THE 2-YEAR WSET DIPLOMA QUALIFICATION.

The year has seen significant further progress for the Group with operating profit increasing to £10.4m from £8.2m last year and total sales up 18.0% to £148.3m. The strong sales growth combined with our tight control over distribution and administrative costs has enabled us to improve the operating profit percentage to 7.0% from 6.6% last year.

The Group continues to be cash generative with net funds increasing to £4.4m from £0.3m last year. We have utilised the cash generated to increase our dividend, fund an acceleration in the new store opening programme and repay, three years early, the loan taken out on the acquisition of our French business, Wine and Beer World.

TRADING

Wine sales are clearly the major focus of our business and it is very encouraging that our like for like growth at 10% is again ahead of the UK market growth of around 6%. Whilst sales growth is strongest in the newer stores it was pleasing that the 72 stores opened more than five years ago saw like for like sales growth of 8.2%.

We have seen a significant increase in the number of customers on our database who have made purchases in the last twelve months, up by 10.5%, to 325,000. The average bottle price of still wine purchased at Majestic is now £5.40, which is 36% above the market average and is up from £5.30 last year. The average spend per transaction at our stores has risen to £107 from £104 last year.

We continue to operate five distinct marketing periods during the year each supported by strong promotional offers, tastings and the mailing of our price list. We have seen particularly good growth in still wine sales from the Loire, Southern France, South Africa, Chile and New Zealand. Champagne, rosé and beer sales also grew strongly. We have made a good start to this Summer's promotional period which started in early May and continues through to the end of August. The campaign features over 400 offers including 15% off all wines from Italy and Chile and 12 Champagnes at "buy three save a third".

During the year we opened a climate-controlled fine wine centre located at our new store in St. John's Wood. The centre has allowed us to extend our presence in the fine wine market and we now stock over 200 wines retailing at £20 and above. Customers can order these wines for free home delivery via any Majestic store and through the fine wine section on our website, www.majestic.co.uk. Sales of these wines have shown a 29% increase on the prior year and now account for 1.6% of UK retail sales.

CUSTOMER SERVICE

We differentiate ourselves from the competition not only by the diversity and quantity of our stock and the provision of dedicated customer car parking but also, most importantly, by the standard of customer service provided by our high quality staff. In the Sunday Times "Top 100 Best Companies to work for" we were ranked 2nd, as last year, in "best for treating customers well".

We offer free delivery throughout mainland UK, 7 days a week including Monday to Saturday evenings, and a carry-to-car service for our store customers. At our store tasting counters, customers are able to taste a range of wines at any time of every day and we organise themed tastings throughout the year. This summer we have tasting weeks for both Chilean and Italian wines.

We recruit knowledgeable, helpful and friendly staff primarily at graduate level. We place great emphasis on training them not only in wine knowledge but also in customer service and management skills. All new retail staff sit the Wine and Spirit Education Trust (WSET) Advanced Certificate after around six months in the Company. They are then encouraged to further their education by studying for the WSET Diploma. We are delighted that in November six of our managers were awarded WSET "Awards of Excellence" for outstanding papers in their Diploma examinations. This year we are sponsoring 50 staff through this qualification.

We recognise the need to provide a competitive package of salary and benefits to retain and motivate our staff. Share options are granted to store managers and everyone achieving three years' service. The Group operates a SAYE share option scheme of which a quarter of our staff were members during the year.

NEW STORES

We opened ten new stores during the financial year, of which six are within the M25. In addition we have re-sited our New Barnet store. Our expansion is aided by our ability to take a wide range of property types and successfully convert them to Majestic wine warehouses. Uxbridge was previously a pine furniture warehouse; Wilmslow and Roehampton were formerly public houses; St. John's Wood and Cirencester were car workshops; Kendal and Warrington were new builds; Victoria and New Barnet were existing retail locations; Battersea was a new retail unit and Enfield was a car showroom.

We also continue to improve our existing estate and during the year carried out refits at Stockport, Brighton, Chalk Farm, Guildford, Poole and Ipswich.

The total capital amount spent during the year in the store rollout and refit programme was £4.8m. We now own 20 freehold sites including one yet to open.

Since the year end we have opened our 115th store in Inverness which is a new build. We are opening in Covent Garden during the summer and in Marlborough and Chippenham later in the year. In addition we are re-siting our Cambridge and Nottingham stores. Several more new stores are at advanced stages of negotiation.

We are pleased with our store opening programme and now envisage being able to enlarge Majestic to more than 175 locations in the UK.

INTERNET

As well as acting as an important information source about all aspects of Majestic, we continue to see good growth in orders received from our website, www.majestic.co.uk. Orders received via the site over the financial year represented 3.6% of UK retail sales.

We have a growing email database now with over 47,000 addresses and have made some 30 communications to customers via email over the past year. We have segmented the database to market fine wine and "en primeur" to those customers who have expressed an interest in receiving such communications. We have emailed recently a 2002 White Burgundy offer to this customer group.

CORPORATE SALES

We have seen another successful year of growth with sales to corporate customers now accounting for 28% of our UK sales up from 27% last year.

We have appointed an additional regional business development manager bringing the total to nine. They source new restaurant, hotel and business accounts with all subsequent customer service and logistics handled by the nearest Majestic store.

In addition to the regional structure, our central London team based in a dedicated depot near King's Cross sell to larger corporate customers in the City and West End.

WINE AND BEER WORLD

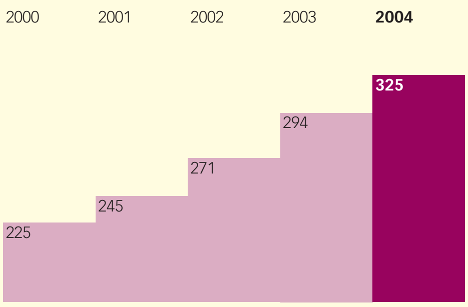
We are pleased with the sales growth achieved in our French business, up 11.9% in the two Calais stores and Cherbourg. The business appeals to a wide range of consumers from the UK looking to take advantage of the much lower duty in France. We aim to offer enhanced customer service and knowledgeable advice and a number of Majestic staff are seconded to work in France.

The pre-ordering of wines before travelling to France for collection from our stores is becoming increasingly popular. Customers may order via our website, www.wineandbeer.co.uk, or over the telephone and together these account for around 10% of sales.

FUTURE PROSPECTS

We believe that Majestic is in a good position to continue to grow strongly in an expanding wine market.

NUMBER OF CUSTOMERS ON MAILING LIST (000)



TIM HOW CHIEF EXECUTIVE

PROPERTY

BELOW

WILMSLOW
OPENED JUNE 2003. CAREFUL CONVERSION OF A ROADSIDE PUBLIC HOUSE WITH LARGE ONSITE PARKING HAS CREATED A VERY SUCCESSFUL STORE.

INVERNESS
OPENED MAY 2004. OUR 8TH STORE IN SCOTLAND THAT IS PROMINENTLY LOCATED ON A BUSY ROAD.

BELOW

WARRINGTON
OPENED NOVEMBER 2003. THIS MODERN WAREHOUSE ON A PROMINENT RETAIL PARK WAS OUR 16TH STORE IN NORTHERN ENGLAND.

ROEHAMPTON
OPENED MARCH 2004. A FREEHOLD PURCHASE OF A VICTORIAN PUBLIC HOUSE DATING FROM 1865. A SENSITIVE REDEVELOPMENT WAS REQUIRED RESULTING IN A VERY ATTRACTIVE NEW STORE.

ENFIELD
OPENED NOVEMBER 2003. A FORMER CAR SHOWROOM, ONE OF SIX STORES OPENED WITHIN THE M25 DURING THE FINANCIAL YEAR.

BELOW

BATTERSEA
OPENED NOVEMBER 2003. STYLISH NEW RETAIL UNIT ON QUEENSTOWN ROAD JUST SOUTH OF CHELSEA BRIDGE.

PRESENCE

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

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

MIDLANDS
BANBURY
BIRMINGHAM:
ACOCKS GREEN
HAGLEY ROAD
LEICESTER
MERE GREEN,
SUTTON COLDFIELD
MILTON KEYNES
NORTHAMPTON
NOTTINGHAM
OXFORD
STOURBRIDGE
SUTTON COLDFIELD
WOLVERHAMPTON
WORCESTER

WALES
CARDIFF
SWANSEA

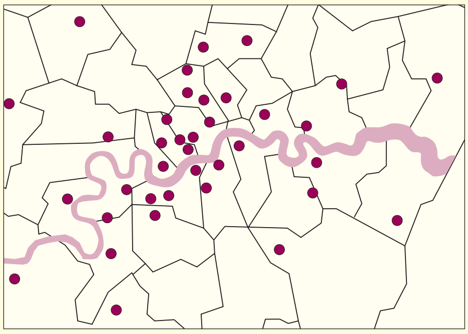
SOUTH AND WEST
BARNSTAPLE
BATH
BRISTOL:
BATH ROAD
FILTON
CHELTENHAM
CHICHESTER
CIRENCESTER
DORCHESTER
EXETER
GLOUCESTER
NEWBURY
POOLE
SALISBURY
SOUTHAMPTON
SWINDON
TAUNTON
WINCHESTER

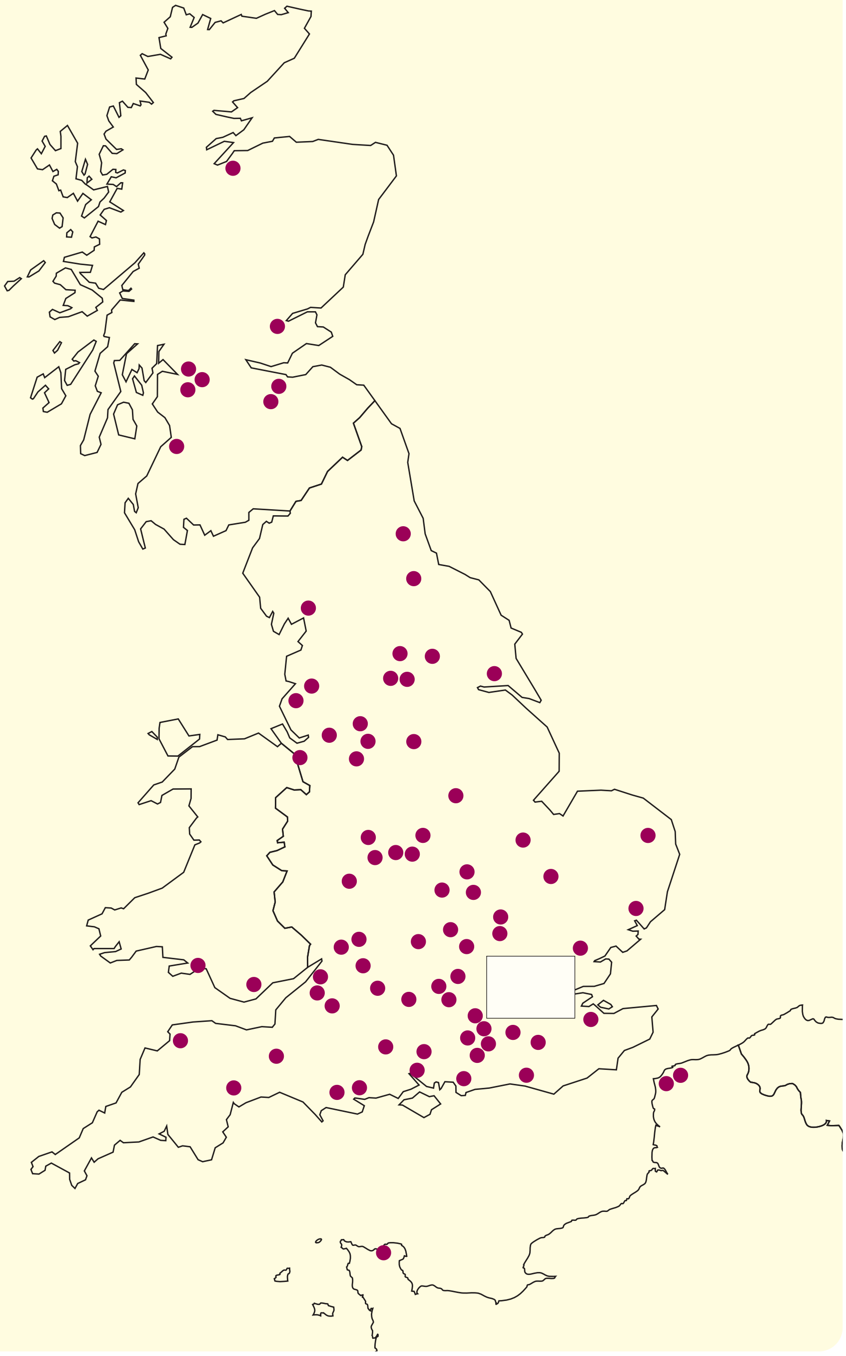
EAST
CAMBRIDGE
IPSWICH
NORWICH
PETERBOROUGH

SOUTH EAST
AMERSHAM
AYLESBURY
BRIGHTON & HOVE
CAMBERLEY
CHELMSFORD
EAST GRINSTEAD
FARNHAM
GUILDFORD
HASLEMERE
MAIDENHEAD
MAIDSTONE
READING
REIGATE
ST ALBANS
STEVENAGE
SUNNINGDALE
WOKING
WOKINGHAM

LONDON AND INSIDE M25
BATTERSEA
BROMLEY
BUSHEY
CATFORD
CHALK FARM
CHISLEHURST
CITY
CLAPHAM
CROYDON
DOCKLANDS
EALING
ENFIELD
EPSOM
FULHAM
GIDEA PARK
GREENWICH
ISLINGTON
KINGSTON
MARYLEBONE
MAYFAIR
MUSWELL HILL
NEW BARNET
NOTTING HILL GATE
PUTNEY
RICHMOND
ROEHAMPTON
SHEPHERDS BUSH
SOUTH KENSINGTON
ST. JOHN'S WOOD
SURBITON
TWICKENHAM
UXBRIDGE
VAUXHALL
VICTORIA
VINOPOLIS
WANSTEAD
WEYBRIDGE
WIMBLEDON

FRANCE
CALAIS
CHERBOURG
COQUELLES





DIRECTORS' REPORT
FOR THE YEAR ENDED 29 MARCH 2004

The Directors present their report and Group financial statements for the year ended 29 March 2004.

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 12.0p net per Ordinary Share be paid which together with an interim dividend of 4.5p paid on 9 January 2004 makes a total of 16.5p (2003: 11.0p) per share for the year. The final dividend amounting to £1,893,000, if approved, will be paid on 6 August 2004 to the shareholders whose names appear on the Register of Members at the close of business on 2 July 2004, leaving £4,604,000 to be transferred to reserves.

DIRECTORS
The Directors who served during the year were:

JD Apthorp, TF How, AJ Mason, SJ Lewis, NRE Alldritt, GW Leahy, SP Burke and PB Dermody.

All of the Directors served for the whole of the year except GW Leahy who retired on 8 August 2003 and PB Dermody who was appointed on 1 September 2003.

SP Burke, GW Leahy and PB Dermody are non-executive Directors.

A proposal to confirm the appointment of PB Dermody as a non-executive Director will be put to the Annual General Meeting.

In accordance with the Company's Articles of Association SJ Lewis and AJ Mason retire by rotation and, being eligible, offer themselves 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. The Chief Executive and Finance Director attend by invitation. It is chaired by one of the non-executive Directors. It meets as required during the year, at least once with the Group's external auditors. Its role is to review the interim and final accounts for approval by the Board, to ensure that appropriate financial and operating controls are functioning properly and to provide the forum through which the Group's external auditors report to the Board.

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

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

Financial Reporting
The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The 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 is chaired by one of the 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 29 March 2004, participants will be entitled to an award of bonus shares equal to £280,000. 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 employer national insurance is £595,000 and this has been provided in the accounts for the year ended 29 March 2004.

Co-Investment Plan
The Company is asking shareholders at the forthcoming Annual General Meeting to approve the adoption of a new co-investment plan, which will be aimed primarily at executive Directors and will replace their participation in the Deferred Bonus Scheme. At the same time the executive Directors' participation in the Group's Executive Share Option Schemes will be limited such that they will be eligible to receive options over shares in value up to a maximum of two times gross salary at the date of grant which will only become exercisable on the achievement of performance criteria determined by the remuneration committee. The plan will commence after the announcement of the results for the year ending 28 March 2005 and seeks to more closely align the interests of the executive Directors with those of shareholders.

The remuneration committee will determine the basis of participation in the plan each year, but in the first year of operation, it is intended that participants will be required to invest a minimum of 25% of their net annual bonus in shares and may invest up to 100% of net bonus on a voluntary basis. Participants may also invest additional amounts, in excess of the actual bonus paid, in the form of cash or shares in the plan such that the total value invested is not more than 100% of net salary this year. Shares invested must be held in the plan for three years. At the end of the period, provided participants are still employed within the Group and dependent upon the performance of the Group over the period as measured against a basket of comparator companies, they may be awarded free shares up to a maximum award of one and a half free shares for every share invested. The total amount payable under the scheme is capped at one and half times gross salary in any one year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 29 MARCH 2004

DIRECTORS' INTERESTS
The interests of the Directors in the share capital of the Company are:

	Number of Ordinary Shares	
	2004	2003
JD Apthorp (note 1)	**4,772,244**	7,078,244
TF How (note 2)	**162,538**	157,124
AJ Mason (note 3)	**21,830**	23,517
SJ Lewis	**5,766**	2,058
GW Leahy (note 4)	**nil**	nil
SP Burke	**2,000**	2,000
NRE Alldritt	**1,807**	286
PB Dermody	**nil**	nil

Notes:
1) JD Apthorp has a beneficial interest in 414,650 Ordinary Shares. He holds 14,650 in his own name and 400,000 are held by his wife J Apthorp. In addition, JD Apthorp also has a non-beneficial interest in 4,357,594 Ordinary Shares that are held by the P&L Trust Company Limited.

2) The Ordinary Shares that TF How has an interest in are held 81,041 in his own name, 76,497 by his wife EM How and 5,000 are held jointly.

3) The Ordinary Shares that AJ Mason has an interest in are held 20,164 in his own name and 1,666 by his wife H Mason.

4) GW Leahy retired on 8 August 2003.

The Directors' interests in share options are as follows:

	Options at 31.03.03	Options granted	Options exercised	**Options at 29.3.04**	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry date
TF How	1,997	-	1,997	**-**	£1.94	£8.325	-	-
	12,630	-	-	**12,630**	£2.425	-	24.11.03	23.11.07
	12,370	-	-	**12,370**	£2.425	-	24.11.03	24.11.10
	50,000	-	-	**50,000**	£4.58	-	09.07.05	08.07.09
	-	1,099	-	**1,099**	£5.05	-	01.09.06	28.02.07
NRE Alldritt	6,550	-	-	**6,550**	£4.58	-	09.07.05	09.07.12
	23,450	-	-	**23,450**	£4.58	-	09.07.05	08.07.09
	2,595	-	-	**2,595**	£3.66	-	26.07.05	25.01.06
AJ Mason	1,997	-	1,997	**-**	£1.94	£8.325	-	-
	12,630	-	-	**12,630**	£2.425	-	24.11.03	23.11.07
	12,370	-	-	**12,370**	£2.425	-	24.11.03	24.11.10
	-	1,099	-	**1,099**	£5.05	-	01.09.06	28.02.07
SJ Lewis	23,790	-	23,790	**-**	£3.075	£8.75	-	-
	1,210	-	-	**1,210**	£3.075	-	22.12.01	22.12.08
	1,997	-	1,997	**-**	£1.94	£8.325	-	-
	14,200	-	-	**14,200**	£2.425	-	24.11.03	23.11.07
	10,800	-	6,550	**4,250**	£2.425	£8.75	24.11.03	24.11.10
	25,000	-	-	**25,000**	£4.58	-	09.07.05	08.07.09
	-	1,099	-	**1,099**	£5.05	-	01.09.06	28.02.07

The market value of the Company's shares at 29 March 2004 was 842.5p. The highest and lowest prices during the year were 927.5p and 489.0p respectively.

MAJOR SHAREHOLDERS
At 31 May 2004 the following interests of shareholders in excess of 3%, have been notified to the Company.

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
P&L Trust Company Limited	4,357,594	27.74
Standard Life	906,796	5.77
Scottish Widows	562,996	3.58
Artemis Fund Managers	500,000	3.18

DIRECTORS' REPORT
FOR THE YEAR ENDED 29 MARCH 2004

CHARITABLE AND POLITICAL DONATIONS
Charitable donations made in the year amounted to £27,000, the largest beneficiaries were NSPCC at £13,000, Comic Relief Wine Relief at £9,000, and CLIC at £3,000. There were no political donations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:
– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable and prudent; and
– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

EMPLOYEES
The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Group's aims and objectives are communicated in an open and regular manner. Employees are kept informed of the Group's performance and activities by regular briefings. Directors and senior managers visit stores frequently to brief staff and discuss matters of concern or interest. The Group's senior staff participate in the Group's share option schemes, and the Deferred Bonus Scheme. Recruitment and training development policies give equal opportunity to all employees regardless of sex, colour, race, religion or ethnic origin. The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. The Group uses its best endeavours to continue to employ persons who become disabled during their employment. Training programmes are held for all levels of staff. These are aimed at increasing skills and contribution with particular emphasis placed on product knowledge and customer service skills.

PAYMENT OF SUPPLIERS
The Group does not follow any formal code of practice for payment of its suppliers. The Group's current policy concerning the payment of the majority of its trade creditors is to:

(a) agree the terms of payment with suppliers when agreeing the terms of business;

(b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms on purchase orders; and

(c) pay in accordance with the terms agreed.

The average credit period taken during the year by the Group was 79 days (2003: 84 days). The Company has no trade creditors.

GOING CONCERN
The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

AUDITORS
A resolution to reappoint Ernst & Young LLP will be put to the Annual General Meeting. The Directors will also be given the authority to fix the auditor's remuneration.

By Order of the Board

NRE Alldritt ACMA
Secretary

Majestic House
Otterspool Way
Watford
Herts WD25 8WW

14 June 2004

Registered in England and Wales
No. 2281640

AUDIT REPORT
FOR THE YEAR ENDED 29 MARCH 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAJESTIC WINE PLC

We have audited the Group's financial statements for the year ended 29 March 2004 which comprise the Accounting Policies, Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets, Group Cash Flow Statement and associated notes and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

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 29 March 2004 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

14 June 2004

ACCOUNTING POLICIES

ACCOUNTING POLICIES

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

(a) Basis of accounting

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

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

(b) Basis of consolidation

The consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up to the nearest Monday to 31 March each year. No profit and loss account is presented for Majestic Wine PLC as permitted by Section 230 of the Companies Act 1985.

(c) Goodwill

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

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

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

(d) Depreciation

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

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

Freehold land is not depreciated.

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

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

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes carriage and duty costs.

(f) Foreign currencies

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

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

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

The criteria for forward foreign currency contracts are:

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

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

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

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

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

GROUP PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 29 MARCH 2004

	Note	Year to 29.03.04 £000	Year to 31.03.03 £000
Turnover		148,261	125,675
Cost of sales		(118,065)	(99,957)
Gross profit		30,196	25,718
Distribution costs		(12,134)	(10,726)
Administrative costs		(8,056)	(7,116)
Other operating income		405	371
Operating profit	1	10,411	8,247
Profit on disposal of fixed assets	3	396	-
Profit on ordinary activities before interest and taxation		10,807	8,247
Net interest payable	4	(148)	(274)
Profit on ordinary activities before taxation		10,659	7,973
Taxation	5	(3,461)	(2,584)
Profit on ordinary activities after taxation		7,198	5,389
Dividend			
Interim – paid		(701)	(458)
Final – proposed		(1,893)	(1,223)
Retained profit for the year	19	4,604	3,708
Basic earnings per share	6	47.1p	35.8p
Diluted earnings per share	6	45.2p	34.8p
Underlying earnings per share	6	46.9p	38.2p
Diluted underlying earnings per share	6	45.0p	37.1p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 29 MARCH 2004

	Year to 29.03.04 £000	Year to 31.03.03 £000
Profit for the year attributable to members of the parent company	7,198	5,389
Currency translation differences on foreign currency net investments	(101)	124
Total gains and losses relating to the year	7,097	5,513

BALANCE SHEETS
AS AT 29 MARCH 2004

		Group		Company	
	Note	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Fixed assets					
Intangible fixed assets	7	6,505	6,875	-	-
Tangible fixed assets	8	24,528	21,498	-	-
Investments	9	-	-	12,021	12,021
		31,033	28,373	12,021	12,021
Current assets					
Stocks	10	23,577	20,832	-	-
Debtors	11	6,058	4,425	8,346	10,492
Cash at bank and in hand		4,376	4,567	-	-
		34,011	29,824	8,346	10,492
Creditors:					
Amounts falling due within one year	12	(33,873)	(29,786)	(1,896)	(2,209)
Net current assets		138	38	6,450	8,283
Total assets less current liabilities		31,171	28,411	18,471	20,304
Creditors:					
Amounts falling due after more than one year	13	-	(3,265)	(2,000)	(5,265)
Provision for liabilities and charges	14	(342)	(305)	-	-
Net assets		30,829	24,841	16,471	15,039
Capital and reserves					
Called up share capital	15	4,701	4,587	4,701	4,587
Share premium account	19	5,764	4,766	5,764	4,766
Revaluation reserve	19	22	22	-	-
Profit and loss account	19	20,342	15,466	6,006	5,686
Equity shareholders' funds		30,829	24,841	16,471	15,039

The financial statements were approved by the Board on 14 June 2004 and signed on its behalf by:

JD Apthorp
Chairman

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 MARCH 2004

	Year to 29.03.04 £000	Year to 31.03.03 £000
Net cash inflow from operating activities	12,845	11,424
Returns on investments and servicing of finance		
Interest paid	(34)	(65)
Loan note interest and guarantee fees	-	(140)
Term loan interest	(175)	(184)
Interest received	69	107
	(140)	(282)
Taxation		
UK corporation tax paid	(2,490)	(2,449)
Overseas corporation tax (paid)/received	(482)	91
	(2,972)	(2,358)
Capital expenditure		
Payments to acquire tangible fixed assets	(5,804)	(5,411)
Receipts from sales of tangible fixed assets	1,181	23
Net cash outflow from capital expenditure	(4,623)	(5,388)
Equity dividends paid	(1,921)	(1,285)
Net cash inflow before financing	3,189	2,111
Financing		
Issue of Ordinary Share capital	828	314
Receipt for exercise of share options satisfied by QUEST	164	25
New bank loan	-	5,000
Repayment of bank loan	(4,300)	(700)
Redemption of loan notes	-	(7,184)
Decrease in cash for the year	(119)	(434)

NOTES TO THE GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 MARCH 2004

Reconciliation of operating profit to net cash flow from operating activities

	Year to 29.03.04 £000	Year to 31.03.03 £000
Operating profit	10,411	8,247
Depreciation charges	1,978	1,771
Amortisation charge	370	370
(Profit)/loss on disposal of tangible fixed assets	(18)	3
Increase in stocks	(2,745)	(2,346)
Increase in debtors	(1,503)	(622)
Increase in creditors	3,726	3,676
Increase in provisions	133	98
Deferred bonus payable in shares	493	227
Net cash inflow from operating activities	12,845	11,424

Analysis of net funds

	Cash £000	Loan Notes £000	Term Loan £000	Arrangement Fees £000	Total £000
As at 2 April 2002	4,897	(7,184)	-	69	(2,218)
Cash outflow	(434)	-	-	-	(434)
Exchange differences	104	-	-	-	104
Redemption of loan notes	-	7,184	-	-	7,184
New term loan	-	-	(5,000)	-	(5,000)
Repayment of term loan	-	-	700	-	700
Amortisation of loan arrangement fees	-	-	-	(16)	(16)
At 31 March 2003	4,567	-	(4,300)	53	320
Cash outflow	(119)	-	-	-	(119)
Exchange differences	(72)	-	-	-	(72)
Repayment of term loan	-	-	4,300	-	4,300
Amortisation of loan arrangement fees	-	-	-	(53)	(53)
Net funds at 29 March 2004	4,376	-	-	-	4,376

Reconciliation of net cash flow to net funds

	Year to 29.03.04 £000	Year to 31.03.03 £000
Decrease in cash	(119)	(434)
Redemption of loan notes	-	7,184
Amortisation of loan arrangement fees	(53)	(16)
New term facility	-	(5,000)
Repayment of term facility	4,300	700
Exchange differences	(72)	104
Movement in net funds	4,056	2,538
Net funds/(debt) at 31 March 2003	320	(2,218)
Net funds at 29 March 2004	4,376	320

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATING PROFIT

	Year to 29.03.04 £000	Year to 31.03.03 £000
Operating profit is stated after charging/(crediting):		
Depreciation	1,978	1,771
Amortisation	370	370
Operating lease rentals – plant and machinery	561	532
– other	4,374	3,895
(Profit)/loss on disposal of fixed assets	(18)	3
Auditors' remuneration:		
in respect of audit		
– Company	5	5
– Group	57	49
for non-audit services	17	36

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

2. EMPLOYEE INFORMATION

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

	2004	2003
Head office, including distribution	91	83
Store staff	563	527
	654	610

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

	Year to 29.03.04 £000	Year to 31.03.03 £000
Wages and salaries	13,043	10,945
Social security costs	1,580	1,022
Pension costs	191	179
	14,814	12,146

Directors' emoluments

	2004 £000	2003 £000
Aggregate emoluments	566	568
Deferred bonus	171	141
Gain made on exercise of share options	215	17
Contributions to personal pension plans for four Directors	73	93
	1,025	819
Highest paid Director		
Aggregate emoluments	115	176
Deferred bonus	34	48
Gain made on exercise of share options	189	4
Contributions to personal pension plan	15	29
	353	257

The deferred bonus recognised in the year includes £29,000 in respect of the 2001 financial year and £142,000 representing the cash equivalent of the 2004 award. Settlement of the 2004 deferred bonus is expected in 2006.

3. PROFIT ON DISPOSAL OF FIXED ASSETS

During the year the freehold site in Putney was sold for £1,160,000 realising an exceptional gain of £396,000. The store has been leased back under an operating lease on normal commercial terms. No tax was payable in respect of this transaction due to the availability of rollover relief and unutilised capital losses.

NOTES TO THE FINANCIAL STATEMENTS

4. NET INTEREST PAYABLE

	Year to 29.03.04 £000	Year to 31.03.03 £000
Interest on bank overdrafts and other loans repayable within five years, not by instalments	(34)	(107)
Loan note interest and bank guarantee commission	-	(70)
Interest payable on bank loan	(183)	(204)
Bank interest receivable	69	107
	(148)	(274)

5. TAXATION

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

The charge based on the profit for the year comprises:

	Year to 29.03.04 £000	Year to 31.03.03 £000
Taxation on profit on ordinary activities		
UK corporation tax:		
Profit for the year	2,968	2,247
Adjustment in respect of the previous year	55	(6)
Overseas corporation tax on subsidiary undertaking	664	399
Total current tax	3,687	2,640
UK deferred tax:		
Origination and reversal of timing differences	(226)	(56)
Total deferred tax	(226)	(56)
Tax on profit on ordinary activities	3,461	2,584

(b) Factors affecting the tax charge for the year based on profit on ordinary activities pre tax of £10,659,000 (2003: £7,973,000).

	29.03.04 %	31.03.03 %
Corporation tax at the statutory rate	30.00	30.00
Effects of:		
Overseas tax in excess of 30% rate	0.82	0.19
Expenses not deductible for tax purposes	0.07	0.09
Non taxable income	(0.08)	(0.93)
Profit on sale of assets not eligible for tax purposes	(0.90)	-
Accounting depreciation not eligible for tax purposes	1.39	1.62
Goodwill amortised	1.04	1.39
Accounting depreciation in excess of tax depreciation	(0.02)	0.54
Adjustments relating to prior years' corporation tax	0.52	(0.07)
Originating timing differences	1.76	0.28
Total current tax rate	34.60	33.11
Origination and reversal of deferred tax timing difference	(2.12)	(0.70)
Total tax rate	32.48	32.41

(c) Factors that may affect future tax charges

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such gains would become taxable only if the assets were sold without it being possible to claim rollover relief. The amount not provided is £330,000 (2003: £266,000) in respect of this. At present, it is not envisaged that this potential tax liability will become payable in the foreseeable future.

The Group's overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 34.5% (2003: 34.3%).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

The calculations of earnings per Ordinary Share are based upon profits after taxation of £7,198,000 (2003: £5,389,000). Underlying earnings per share has been calculated in addition to the earnings per share required by FRS 14 earnings per share to allow shareholders to gain a clearer understanding of the trading performance of the Group. Underlying earnings per share is calculated on earnings, before charging amortisation of goodwill and the exceptional profit on disposal of freehold property, of £7,172,000 (2003: £5,759,000). Details of earnings per share are set out below:

	2004	2003
Profit on ordinary activities after taxation	£7,198,000	£5,389,000
Amortisation of goodwill arising on acquisition	£370,000	£370,000
Exceptional profit on disposal of freehold property	£(396,000)	-
Underlying earnings	£7,172,000	£5,759,000

	2004	2003
Earnings per Ordinary Share is calculated as follows:		
Basic		
Profit attributable to Ordinary shareholders	£7,198,000	£5,389,000
Weighted average number of Ordinary Shares in issue	15,279,592	15,069,336
Earnings per Ordinary Share	47.1p	35.8p
Diluted		
Profit attributable to Ordinary shareholders	£7,198,000	£5,389,000
Weighted average number of Ordinary Shares in issue	15,933,540	15,505,530
Earnings per Ordinary Share	45.2p	34.8p
Underlying earnings per Ordinary Share		
Underlying earnings	£7,172,000	£5,759,000
Weighted average number of Ordinary Shares in issue	15,279,592	15,069,336
Underlying earnings per Ordinary Share	46.9p	38.2p
Underlying diluted		
Underlying earnings	£7,172,000	£5,759,000
Weighted average number of Ordinary Shares in issue	15,933,540	15,505,530
Underlying diluted earnings per Ordinary Share	45.0p	37.1p

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

	2004	2003
Basic weighted average number of shares	15,279,592	15,069,336
Dilutive potential Ordinary Shares:		
Employee share options	653,948	436,194
	15,933,540	15,505,530

7. INTANGIBLE FIXED ASSETS (GROUP)

	Goodwill £000
Cost at 29 March 2004 and 31 March 2003	7,415
Amortisation:	
At 31 March 2003	540
Amortisation provided during the year	370
At 29 March 2004	910
Net Book Value:	
At 29 March 2004	6,505
At 31 March 2003	6,875

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

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS (GROUP)

	Land and Buildings				
	Freehold £000	Long Leasehold £000	Short Leasehold £000	Equipment Fittings & Vehicles £000	Total £000
Cost or valuation:					
At 31 March 2003	11,683	439	6,037	9,599	27,758
Additions	2,636	-	1,304	1,864	5,804
Re-allocation	(75)	-	75	-	-
Retranslation	-	-	(20)	(20)	(40)
Disposals	(775)	-	(245)	(731)	(1,751)
At 29 March 2004	13,469	439	7,151	10,712	31,771
Depreciation:					
At 31 March 2003	367	13	1,938	3,942	6,260
Charge for year	120	4	430	1,424	1,978
Retranslation	-	-	(3)	(8)	(11)
Disposals	(35)	-	(245)	(704)	(984)
At 29 March 2004	452	17	2,120	4,654	7,243
Net book value:					
at 29 March 2004	13,017	422	5,031	6,058	24,528
at 31 March 2003	11,316	426	4,099	5,657	21,498

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 £6,060,000 (2003 £5,565,000) in respect of land that is not depreciated.

	29.03.04 £000	31.03.03 £000
The historical costs of the assets revalued are as follows:		
Freehold properties	1,195	1,195
Long leasehold properties	213	213
	1,408	1,408

9. INVESTMENTS

	29.03.04 £000	31.03.03 £000
Company:		
Shares in Group undertakings at cost	12,021	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's 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.S., a company registered in France, whose principal activity is the retailing of wines and beers.

vi) 100% of the ordinary share capital of Wine and Beer World Limited, a dormant company registered in England and Wales.

vii) 100% of the ordinary share capital of Majestic Wine QUEST Trustees Limited, a company registered in England and Wales, whose principal activity is acting as a discretionary trust for the benefit of the Group's employees.

viii) Through Wharfside Wine PLC:

(a) 100% of the ordinary share capital of Marnlev Limited, a company registered in England and Wales, which is no longer trading.

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

NOTES TO THE FINANCIAL STATEMENTS

10. STOCKS

	Group		Company	
	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Goods for resale	23,577	20,832	-	-

11. DEBTORS

	Group		Company	
	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Trade debtors	2,742	1,972	-	-
Amounts due from Group undertakings	-	-	8,342	10,492
Other debtors	1,760	1,028	4	-
Deferred tax (see note 14b)	130	-	-	-
Prepayments and accrued income	1,426	1,425	-	-
	6,058	4,425	8,346	10,492

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

12. CREDITORS

	Group		Company	
	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Amounts falling due within one year:				
Term loan (see note 21)	-	982	-	982
Trade creditors	24,899	21,930	-	-
Corporation tax	1,878	1,163	-	-
Other taxes and social security	2,010	1,315	-	-
Accruals and other creditors	3,190	3,173	-	4
Dividends	1,896	1,223	1,896	1,223
	33,873	29,786	1,896	2,209

13. CREDITORS

	Group		Company	
	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Amounts falling due after more than one year:				
Amounts due to Group undertakings	-	-	2,000	2,000
Term loan (see note 21)	-	3,265	-	3,265
	-	3,265	2,000	5,265

NOTES TO THE FINANCIAL STATEMENTS

14. PROVISION FOR LIABILITIES AND CHARGES (GROUP)

	Deferred Bonus £000	Deferred Tax £000	National Insurance £000	Total £000
At 31 March 2003	163	96	46	305
Provided in the year	102	(226)	126	2
Utilised in year	(49)	-	(46)	(95)
Transferred to debtors	-	130	-	130
At 29 March 2004	216	-	126	342

(a) Deferred bonus:
Deferred bonuses amounting to £595,000, inclusive of employer's national insurance liabilities, were awarded for the financial year. The £102,000 provided in the year represents the Directors' best estimate of the amounts payable in cash. Amounts of deferred bonus and loyalty bonus expected to be settled in newly issued shares are recognised in shareholders' funds. All liabilities are expected to be settled within two years. Details of the Deferred Bonus Scheme are set out on page 8.

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

	Provided		Unprovided	
	29.03.04 £000	31.03.03 £000	29.03.04 £000	31.03.03 £000
Excess of tax allowances over depreciation	189	190	-	-
Short term timing differences	(319)	(94)	-	-
Capital gain rolled over	-	-	330	266
Deferred tax (asset)/liability	(130)	96	330	266

(c) National insurance
National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 7 July 2010. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision has been calculated based on the share price at the balance sheet date of 842.5p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 12.8%.

15. SHARE CAPITAL

	2004		2003	
	Number	Value £000	Number	Value £000
Authorised				
Ordinary Shares of 30p each	35,000,000	10,500	35,000,000	10,500
Issued				
Ordinary Shares of 30p each	15,668,459	4,701	15,289,843	4,587

During the year 333,580 Ordinary Shares of 30p each were allotted for a consideration of £828,000. The shares were allotted to satisfy the exercise of options.
In addition 45,036 shares were issued to the trustees of the Company's employee share ownership trust to fulfil the requirements of the Deferred Bonus Scheme.

NOTES TO THE FINANCIAL STATEMENTS

16. EMPLOYEE SHARE OWNERSHIP TRUST

The trust is used to acquire shares in Majestic Wine PLC to satisfy awards under the Deferred Bonus Scheme. The shares are distributed to participants of the scheme at the end of a 2 year deferral period.

At the year end the trust held 87,808 (2003: 62,942) shares with a nominal value of 30p each. The total acquisition cost of these shares was £481,000 (2003: £262,000). At the year end the market value of these shares was £740,000 (2003: £310,000).

The shares held by the trust represent the maximum due to be settled after the two year deferral period for the 2002 and 2003 awards under the Deferred Bonus Scheme. The 2002 award due to be settled in June 2004 is 45,214 shares. The 2003 award due to be settled in June 2005 is 41,674 shares.

17. QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST)

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

At the year end the trust held 6,414 (2003: 90,675) shares with a nominal value of 30p each. The total acquisition cost of these shares was £29,000 (2003: £408,000). At the year end the market value of these shares was £54,000 (2003: £447,000).

18. SHARE OPTIONS

The following options are outstanding for Ordinary Shares.

Number of shares	Period in which exercisable			Price per share
1,000	01 November 1999	–	30 October 2006	£1.60
4,710	22 December 2001	–	22 December 2008	£3.075
73,890	27 November 2003	–	26 November 2007	£2.425
143,820	27 November 2003	–	26 November 2010	£2.425
49,000	06 July 2004	–	05 July 2011	£3.05
1,020	26 November 2004	–	25 November 2008	£3.59
38,480	26 November 2004	–	26 November 2011	£3.59
12,872	01 February 2006	–	31 July 2006	£1.94
101,175	09 July 2005	–	09 July 2012	£4.58
115,325	09 July 2005	–	08 July 2009	£4.58
50,899	26 July 2005	–	26 January 2006	£3.66
2,838	26 July 2007	–	26 January 2008	£3.66
62,925	22 November 2005	–	22 November 2012	£4.80
17,575	22 November 2005	–	21 November 2009	£4.80
95,000	08 July 2006	–	08 July 2013	£6.31
10,500	08 July 2006	–	07 July 2010	£6.31
48,427	01 September 2006	–	28 February 2007	£5.05
10,906	01 September 2008	–	28 February 2009	£5.05
56,000	10 December 2006	–	10 December 2013	£8.91

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

NOTES TO THE FINANCIAL STATEMENTS

19. RECONCILIATION OF MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS

	Revaluation Reserve £000	Share Capital £000	Share Premium Account £000	Profit & Loss Account £000	Total Shareholders' Funds £000
Group:					
At 2 April 2002	22	4,513	3,868	12,040	20,443
Share issue	-	30	284	-	314
ESOT share issue	-	14	194	(208)	-
QUEST share issue	-	30	420	(450)	-
Options satisfied from QUEST	-	-	-	25	25
Retained profit for the year	-	-	-	3,708	3,708
Transfer to shareholders funds – deferred bonus expected to be satisfied in shares	-	-	-	227	227
Currency translation differences on foreign currency net investments	-	-	-	124	124
At 31 March 2003	22	4,587	4,766	15,466	24,841
Share issue	-	100	728	-	828
ESOT share issue	-	14	270	(284)	-
Options satisfied from QUEST	-	-	-	164	164
Retained profit for the year	-	-	-	4,604	4,604
Transfer to shareholders funds – deferred bonus expected to be satisfied in shares	-	-	-	493	493
Currency translation differences on foreign currency net investments	-	-	-	(101)	(101)
At 29 March 2004	22	4,701	5,764	20,342	30,829
Company:					
At 2 April 2002	-	4,513	3,868	5,861	14,242
Share issue	-	30	284	-	314
ESOT share issue	-	14	194	-	208
Prior year ESOT share issue	-	-	-	205	205
QUEST share issue	-	30	420	(450)	-
Options satisfied from QUEST	-	-	-	25	25
Retained profit for the year	-	-	-	45	45
At 31 March 2003	-	4,587	4,766	5,686	15,039
Share issue	-	100	728	-	828
ESOT share issue	-	14	270	-	284
Options satisfied from QUEST	-	-	-	164	164
Retained profit for the year	-	-	-	156	156
At 29 March 2004	-	4,701	5,764	6,006	16,471

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 £2,750,000 (2003: £1,726,000)

The cumulative amount of goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 written off immediately against reserves at 29 March 2004 is £1,595,000 (2003: £1,595,000).

20. OPERATING LEASES

At 29 March 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	29.03.04 £000	31.03.03 £000	**29.03.04 £000**	31.03.03 £000
Operating leases which expire:				
Within one year	**78**	56	**65**	37
Between two and five years	**563**	454	**317**	345
In over five years	**3,774**	3,309	**-**	-
	4,415	3,819	**382**	382

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS

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

The Group's only financial asset was cash at bank and in hand of £4,376,000 (2003: £4,567,000). Funds not required immediately for the Group's operations are invested in sterling denominated deposit accounts. The funds are placed on a combination of overnight and monthly deposits. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average floating interest rate earned in the year on the Group's sterling deposits was 2.99% (2003: 2.88%).

Currency
The cash profile at 29 March 2004 was:

	Cash at floating rates	
	29.03.04 £000	31.03.03 £000
Sterling	3,636	2,182
Euros	740	2,267
US Dollars	-	118
	4,376	4,567

There were no financial liabilities as at 29 March 2004. As at 31 March 2003 financial liabilities comprised bank overdrafts, term loan and guarantee facilities denominated in sterling amounting to £4,247,000, these are further described below. The only interest rate risk is related to the floating rates on the cash balances and is insignificant.

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 29 March 2004 and 31 March 2003 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.

	29.03.04 £000	31.03.03 £000
Forward foreign currency purchases	15,810	11,710

The majority of these contracts are in Euros maturing in less than one year. There is no material difference between book value and fair value on these forward exchange contracts.

Borrowing facilities
The Group has an overdraft facility with Barclays Bank PLC that is utilised to cover seasonal borrowing requirements. The facility is negotiated annually and was current at 29 March 2004. The undrawn committed overdraft facility available at 29 March 2004 was £4,000,000 (2003: £6,000,000) rising to £8,000,000 in October 2004 (2003: £6,000,000) to cover the peak borrowing requirement and expires in April 2005.

Term Loan
The Company on 24 June 2002 drew down £5,000,000 under a term loan provided by Barclays Bank PLC to facilitate the redemption of loan notes issued on the acquisition of Les Celliers des Calais. The loan facility incurred interest at Barclays Bank PLC's base rate plus 1 per cent and was repayable in half yearly amounts sufficient to fully repay the instrument by the fifth anniversary of its drawdown. The facility was fully repaid on 24 December 2003, three and a half years early. The facility was secured by a floating charge over the Group's assets which expired on the loan's repayment.

Group and Company

	29.03.04 £000	31.03.03 £000
Amounts falling due:		
in one year or less or on demand	-	1,000
in more than one year but not more than two years	-	1,000
in more than two years but not more than five years	-	2,300
	-	4,300
Less: issue costs	-	53
	-	4,247
Less: amounts included in creditors: amounts falling due within one year	-	982
	-	3,265

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 6 August 2004, for the following purposes:

ORDINARY BUSINESS

Adoption of accounts

1. To receive and adopt the Annual Report and Accounts for the year ended 29 March 2004.

Declaration of dividend

2. To declare a final dividend of 12.0p per Ordinary Share.

Re-election of retiring Director

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

Re-election of retiring Director

4. To re-elect Stephen John Lewis as a Director who retires by rotation in accordance with the Company's Articles of Association.

Appointment of new Director

5. To ratify the appointment of Paul Bernard Dermody as a Director, who has been appointed since the date of the last Annual General Meeting.

Re-appointment of Auditors

6. 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.

Co-investment Plan – Ordinary Resolution

7. That the Majestic Wine PLC Co-investment Plan in the form of the rules produced in draft to the Meeting and signed by the Chairman for the purposes of identification, as summarised in the Director's Report is hereby approved, and the Directors be and they are hereby authorised to do all acts and things as may be necessary to carry the same into effect.

Sub-division of shares – Ordinary Resolution

8. That each of the existing authorised and issued Ordinary Shares of 30 pence each in the capital of the Company be and they are sub-divided into four Ordinary Shares of 7.5 pence each.

Directors power to allot securities – Ordinary Resolution

9. That the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, as amended ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) to such persons and on such terms as they think proper provided that:
   (a) this authority shall be in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of this resolution;
   (b) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £1,566,844 representing approximately 33.3 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 29 March 2004;
   (c) unless previously revoked, varied or extended, this authority shall expire at the earlier of the date which is fifteen months from the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and
   (d) in relation to the grant of any right to subscribe for, or convert any security into shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is the maximum amount of shares which may be allotted pursuant to such right.

Disapplication of pre-emption rights – Special Resolution

10. 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 resolution 9 above and to make sales of shares where such sales constitute an allotment of equity securities by virtue of section 94(3A) of the Act as if Section 89(1) of the Act did not apply to such allotment provided that:
    (a) the power shall be limited to;
        (i) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company ("Ordinary Shares") excluding the Company where it holds shares as treasury shares (as defined in section 162A(3) of the Act) in proportion to their respective holdings of such shares or in accordance with the rights attached to such shares but subject to the exclusions or other such arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in any territory; and
        (ii) the allotment, otherwise than as mentioned in sub-paragraph (i) above, of equity securities up to a maximum aggregate nominal amount of £235,027 representing approximately 5 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 29 March 2004;
    (b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer as if this power had not expired; and
    (c) in this resolution the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right.

Authority to purchase Company's own shares – Special Resolution

11. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined in section 163(4) if the Act) of ordinary shares of 7.5 pence each in the capital of the Company ("Ordinary Shares") and to hold such shares as treasury shares (as defined in section 162A(3) of the Act ("treasury shares")) provided that;
    (a) this authority shall be limited to the purchase of Ordinary Shares up to a maximum aggregate nominal value equal to £470,054 representing approximately 10 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 29 March 2004;
    (b) the minimum price which may be paid for such Ordinary Shares is 7.5 pence (exclusive of such expenses);
    (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent above the average of the middle market quotations for an Ordinary Share on the relevant recognized investment exchange on which the Ordinary Shares are traded for the five business days immediately preceding the date on which the Ordinary Share is purchased; and
    (d) unless previously revoked, varied or extended, the authority hereby conferred shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and
    (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered office: Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW
By order of the Board
Nigel Alldritt Company Secretary 14 June 2004

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 4 August 2004 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 7 Co-investment Plan

The plan is intended to incentivise executive Directors to drive performance of the Group over the medium term and to more closely align their interests with those of shareholders by encouraging them to build a stake in the Company.

The remuneration committee will be responsible for the operation of the plan each year. Participants will be required to invest a percentage of their net annual bonus in the acquisition of shares. The remaining cash bonus may be invested on a voluntary basis. Participants will also be able to invest a further percentage of their gross salary (as determined by the remuneration committee from time to time) in the form of cash or shares they currently own.

Shares invested in the plan must be held for a period of three years. At the end of the holding period, the initial shares invested will be matched by the delivery of free shares, to the extent that performance conditions set by the remuneration committee have been met. Shares which have been invested in the plan cannot usually be removed during the performance period unless participants cease employment. Executives who leave employment during the performance period will be entitled to remove the shares they have invested but would lose their rights to the matching shares unless certain good leaver reasons exist (such as death, ill-health, redundancy, retirement, etc).

The ratio of matched to invested shares will be determined by the remuneration committee each year but may not exceed two matched shares for every share invested. For the first year of operation it is intended that the maximum award be limited to one and a half matched shares for every share invested.
The Company may satisfy its obligations to satisfy matching shares by the issue of new shares up to a limit of 15 per cent of the Company's issued share capital in any rolling ten year period. For the purpose of calculating this limit, any shares issued pursuant to the Company's Executive Share Option Schemes will be aggregated.

The rules of the proposed new plan will be available for inspection at the registered office of the Company on any weekday Saturday and public holidays excluded during normal business hours up to and including the date of the Annual General Meeting, and for a period of 15 minutes prior to the meeting and during the meeting.

Resolution 8 Sub-division of Ordinary Shares

The resolution sub-divides each Ordinary Share in the capital of the Company into four Ordinary Shares of 7.5 pence each. The effect of this is to quadruple the number of Ordinary Shares in issue. The Directors believe that this will improve market liquidity and encourage more retail investors.

Resolution 9 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 2005. It complies with the Association of British Insurers' guidelines.

Resolution 10 Disapplication of pre-emption rights

Resolution 11 empowers the Directors to allot equity securities (such as Ordinary Shares) for cash and make sales of treasury shares other than in accordance with Section 89 of the Act which requires a company to offer all allotments of equity securities for cash and all sales of treasury shares first to existing shareholders in proportion to their holdings following a statutory pre-emption procedure. In the case of rights issue this may prove both costly and cumbersome. This resolution excludes these rights as far as rights issues are concerned and enables Directors to allot shares up to an aggregate nominal value of £235,027 which is approximately 5% of the current issued share capital of the Company, as shown in the latest audited accounts of the Company. 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 shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of the resolution.

Resolution 11 Authority to purchase Company's own shares

This resolution grants authority to the Company to make purchases of up to a maximum of 10% of the issued Ordinary Share capital of the Company. In certain circumstances it may be advantageous for the Company to purchase its Ordinary Shares.

The Directors would use the share purchase authority with discretion and purchases would only be made from funds not required for other purposes and in light of the market conditions prevailing at the time. In reaching a decision to purchase the Ordinary Shares, your Directors would take account of the Company's cash resources and capital, the effect of such purchase on the Company's business, any impact on earnings per Ordinary Share or on net tangible assets per Ordinary Share. No announcement will be made by the Company in advance of market purchases but any purchases made by the Company would be announced by 8.30 a.m. on the business day next following the transaction.

New regulations, The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Shares Regulations") came into force on 1 December 2003. The Treasury Shares Regulations give flexibility concerning what the Company can do with any of its Ordinary Shares that it may buy back. The Company may now hold such shares "in treasury" and then sell them at a later date for cash rather than simply canceling them. The Treasury Shares Regulations require such sales to be on a pre-emptive, pro-rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary share capital on a non-pre-emptive basis, Resolution 10 will also give the Directors power to sell Ordinary Shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above.

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