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A copy of this document, which has been drawn up in accordance with The Public Offers of Securities Regulations 1995, has been delivered to the Registrar of Companies for registration in accordance with regulation 4(2) of The Public Offers of Securities Regulations 1995.

Williams de Broë Plc, a company regulated by The Securities and Futures Authority Limited, is acting as nominated adviser and nominated broker to Majestic Wine PLC (the "Company") in connection with its proposed admission to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange Limited ("the London Stock Exchange") and the placing described in this document (the "Placing") and will not be responsible to any other person for providing the protections afforded to customers of Williams de Broë Plc or for advising any other person in connection with the Placing. The information contained in this document has been prepared solely for the purposes of the Placing and is intended to be relied upon by prospective places subscribing for or purchasing ordinary shares of 30p each of the Company ("Ordinary Shares") in the Placing. In particular, it is not intended to inform or be relied on by subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly, no duty of care is accepted in relation to them.

The directors of the Company, whose names appear in the section entitled "Directors and Advisers", accept responsibility for the contents of this document. To the best of the knowledge, information and belief of such directors, who have taken all reasonable care to ensure that such is the case, the information in this document is in accordance with the facts and there is no omission likely to affect the import of such information. All such directors accept responsibility accordingly.

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is emphasised that no application is being made for admission of such shares to the Official List of the London Stock Exchange (the "Official List"). AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.

MAJESTIC WINE PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2281640)



**Placing of 2,743,500 ordinary shares of 30p each at 160p per share
Admission to trading on the Alternative Investment Market**

**Nominated adviser and nominated broker
WILLIAMS DE BROË PLC**

SHARE CAPITAL

Following completion of the Placing, the authorised and issued share capital of the Company will be as follows:-

| <i>Authorised</i> | | | <i>Issued</i> | |
|-------------------|---------------|-----------------------------|---------------|---------------|
| <i>£</i> | <i>Number</i> | | <i>£</i> | <i>Number</i> |
| 10,500,000 | 35,000,000 | Ordinary Shares of 30p each | 3,824,334 | 12,747,780 |

The ordinary shares of 30p each now being placed will rank in full for all dividends and other distributions declared, paid or made on the ordinary share capital of the Company after the completion of the Placing.

INDEBTEDNESS

At the close of business on 11th October, 1996, the Company and its subsidiaries (the "Group") did not have any loan capital (including term loans) outstanding or created but unissued, nor any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or obligations under finance leases, guarantees or other material contingent liabilities.

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DEFINITIONS

In this document, unless otherwise required, the following expressions have the following meanings:

| | |
|----------------------------------|---|
| “Act” | the Companies Act 1985, as amended |
| “Admission” | the admission of the existing issued and to be issued Ordinary Shares to AIM |
| “AIM” | the Alternative Investment Market of the London Stock Exchange |
| “Board” or “Directors” | the directors of the Company, as set out in the section entitled “Directors and Advisers” |
| “Company” | Majestic Wine PLC |
| “ESOT” | Majestic Wine Employee Share Ownership Trust Limited, a wholly owned subsidiary of the Company |
| “Group” | Majestic Wine PLC and its subsidiary undertakings |
| “London Stock Exchange” | London Stock Exchange Limited |
| “Majestic” or “Majestic Wine” | Majestic Wine PLC or, as the context may require, its sole trading subsidiary, Majestic Wine Warehouses Limited |
| “Ordinary Shares” | ordinary shares of 30p each in the capital of the Company |
| “Placees” | subscribers for or purchasers of Placing Shares |
| “Placing” | the arrangements for the procurement by Williams de Broë of subscribers for or purchasers of the Placing Shares pursuant to the Placing Agreement |
| “Placing Agreement” | the agreement dated 5th November, 1996 between Williams de Broë, the Company, the Directors and the Vendors relating to the Placing, as described in paragraph 7 of Part V |
| “Placing Price” | 160p per Placing Share |
| “Placing Shares” | the 2,743,500 Ordinary Shares to be subscribed for or purchased by the Placees pursuant to the Placing Agreement |
| “Regulations” | The Public Offers of Securities Regulations 1995 |
| “Share Option Schemes” | The Majestic Wine PLC Approved Executive Share Option Scheme, the Majestic Wine PLC Unapproved Executive Share Option Scheme and the Majestic Wine PLC 1996 Savings Related Share Option Scheme |
| “ACNielsen.Stats MR” | ACNielsen.Stats MR Limited, an independent market research company |
| “Taxes Act” | the Income and Corporation Taxes Act 1988 |
| “UK” | The United Kingdom of Great Britain and Northern Ireland |
| “USA” | The United States of America |
| “Vendors” | M Apthorp, S Arnold, Bank of Scotland (Isle of Man) Nominees Limited, E How, T F How, the ESOT, H Mason, Ottilia Investment Limited, Taz Bay Investments Limited and The Milly Apthorp Charitable Trust |
| “Williams de Broë” | Williams de Broë Plc |

DIRECTORS AND ADVISERS

| | |
|---|---|
| Directors | John Dorrington Apthorp (<i>Chairman</i>) Timothy Francis How (<i>Chief Executive</i>) Anthony John Mason (<i>Trading Director</i>) John Francis Kelly (<i>Finance Director</i>) Gerald Whieldon Leahy (<i>Non-executive Director</i>) Arnold Roy Vandermeer (<i>Non-executive Director</i>) all of Odhams Trading Estate, St. Albans Road, Watford, Hertfordshire WD2 5RE |
| Secretary and Registered Office | John Francis Kelly FCMA Odhams Trading Estate St. Albans Road Watford Hertfordshire WD2 5RE |
| Nominated adviser and nominated broker | Williams de Broë Plc P O Box 515 6 Broadgate London EC2M 2RP |
| Auditors and reporting accountants | Coopers & Lybrand 1 Embankment Place London WC2N 6NN |
| Solicitors to the Company | Osborne Clarke Hillgate House 26 Old Bailey London EC4M 7HS Simons, Platman and Rechnic 8 Wimpole Street London W1M 7AB |
| Solicitors to the nominated adviser | Gouldens 22 Tudor Street London EC4Y 0JJ |
| Principal banker to the Company | Barclays Bank PLC 93 Baker Street London W1A 4SD |
| Registrars | Independent Registrars Group Limited Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU |

KEY INFORMATION

This information is in summary form only and must be read in conjunction with the rest of this document from which it is derived and of which it forms part.

The business

- Majestic Wine operates the largest wine warehouse chain in Britain, specialising in the sale of wine by the case direct to the public. It also retails a range of beers, spirits and soft drinks. Majestic currently trades from 59 stores, predominantly situated in the South of England, with a particular concentration within the M25, and plans to open a further two stores by the end of November 1996. In addition to sales made through the stores, a small but growing proportion of Majestic's sales are made to corporate customers and by mail order.
- The Group has enjoyed strong growth in recent years: turnover has grown from £30.1 million in the year ended 28th March, 1994 to £40.1 million in the year ended 1st April, 1996. Over the same period, operating profit has increased from £449,000 to £1,243,000 (before an exceptional item).
- Majestic has a policy of selling a minimum of one case, which can be any mix of wines and spirits. This policy allows staff to spend time advising and assisting customers in tasting and selecting wines and has resulted in a high and rising average spend. During 1995 the average customer spend per transaction was £84.
- Majestic stores offer a broad range of wines from Europe and the new world (including Australia, New Zealand, USA, South America and South Africa). In addition to a core range of some 360 wines, Majestic specialises in purchasing one-off parcels of wine, which offer the customer both additional variety and value.
- Strong emphasis is placed on the quality of customer service. Over 80 per cent. of store staff are graduates. They are trained in customer care and gain formal qualifications in wine knowledge to aid customers when making purchases from the range on offer. Customers are invited to join a mailing list so that they can be sent details of forthcoming promotions. There are approximately 150,000 customers on the mailing list who have made purchases over the last twelve months.
- The Directors consider that Majestic differentiates itself by the high quality of its customer service, the diversity and quantity of stock available to purchase at each store, its dedicated on-site customer parking at all stores (with the exception of the soon to be opened Mayfair store), the ability of customers to taste wines in its stores every day and the availability of free delivery within a store's local area.
- Majestic is pursuing a strategy of expansion of its store portfolio through the acquisition of suitable sites throughout the UK. Five new stores were opened in the year ended 3rd April, 1995. In the following financial year eight stores were opened. In the current financial year, two new stores have already been opened and a further two new stores should be opened by the end of November 1996. The Directors believe that there are currently at least 70 further locations within the United Kingdom which should be suitable for a Majestic Wine store.

Financial record

The following financial information has been extracted from the Accountants' report in Part II of this document:

| | <i>Years ended</i> | | |
|--|--------------------|-------------------|-------------------|
| | <i>28th March,</i> | <i>3rd April,</i> | <i>1st April,</i> |
| | <i>1994</i> | <i>1995</i> | <i>1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Turnover | 30,142 | 34,693 | 40,128 |
| Operating profit before exceptional item | 449 | 812 | 1,243 |
| Exceptional administrative cost* | - | - | (547) |
| Profit before tax | 382 | 728 | 693 |

* The exceptional administrative cost relates to a provision for diminution in value of certain of the Group's trading properties.

Further details on the trading performance of the Group are set out under the heading "Financial record" in Part I of this document.

Profit estimate

The Directors estimate, having made due and careful enquiry, that in the absence of unforeseen circumstances the Group's profit on ordinary activities before taxation for the 6 months ended 30th September, 1996, was not less than £450,000. Further details of the profit estimate and the accountants' report thereon are set out in Part III of this document.

The Placing

The Placing comprises 1,362,500 new Ordinary Shares being issued by the Company and 1,381,000 existing Ordinary Shares being placed on behalf of the Vendors. The Ordinary Shares being placed on behalf of the Vendors include 360,000 Ordinary Shares which will be issued as the result of the exercise of options, conditional on Admission, under the Share Option Schemes.

Through the Placing and exercise of options the Company will raise a gross sum of £2.45 million (£2.03 million, net of expenses). The proceeds of the Placing will help fund the continuing expansion of the store portfolio and will provide additional working capital to the Group.

The Directors, senior management and certain other shareholders, whose shareholdings will represent 70.0 per cent. of the issued share capital after the Placing and Admission, have undertaken not to dispose of any Ordinary Shares, save in limited circumstances, without the prior written consent of Williams de Broë, before publication of the audited accounts of the Group for the year ending 30th March, 1998.

Placing statistics

| | |
|---|------------|
| Placing price | 160p |
| Number of Ordinary Shares being placed | 2,743,500 |
| Proceeds raised by the Placing | £4.4m |
| Number of Ordinary Shares in issue after the Placing | 12,747,780 |
| Percentage of enlarged issued share capital represented by Placing Shares | 21.5% |
| Market capitalisation on Admission at the Placing Price | £20.4m |
| Pro forma earnings per share for the year ended 1st April, 1996 | |
| – basic (Note 1) | 9.74p |
| – fully diluted (Note 2) | 8.51p |

Note:

- (1) The calculation of pro forma basic earnings per share is based on the Group's profit after tax for the year ended 1st April, 1996 excluding the exceptional item; and, on the number of Ordinary Shares in issue before the Placing, but after the recent restructuring of the share capital of the Company which is explained in Part I of this document under the heading "Restructuring of share capital".
- (2) The calculation of pro forma fully diluted earnings per share is based on the information set out in Note (1) above and, in addition, assumes the exercise in full of the options which had been granted as at 1st April, 1996.

PART I

INFORMATION ON MAJESTIC WINE PLC

Introduction

Majestic Wine operates the largest wine warehouse chain in Britain, specialising in the sale of wine by the case direct to the public. It also retails a range of beers, spirits and soft drinks. Majestic currently trades from 59 stores, predominantly situated in the South of England, with a particular concentration within the M25 and plans to open a further two stores by the end of November 1996. Set out on page 9 of this document is a map showing the location of these 61 stores. In addition to sales made through the stores, a small but growing proportion of Majestic's sales are made to corporate customers and by mail order.

Majestic has enjoyed strong growth in recent years: turnover has grown from £30.1 million in the year ended 28th March, 1994 to £40.1 million in the year ended 1st April, 1996. Over the same period, operating profit has increased from £449,000 to £1,243,000 (before an exceptional item).

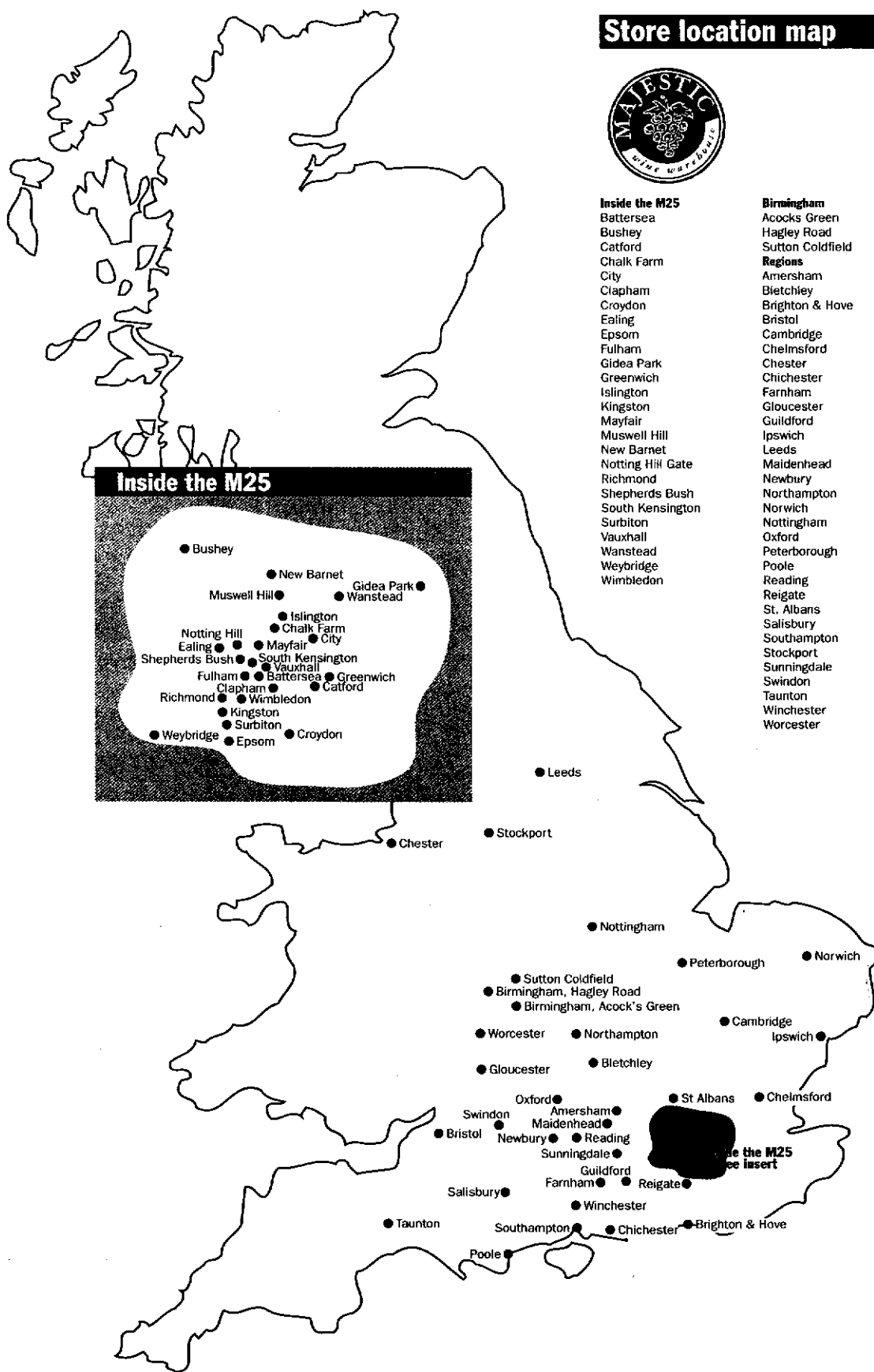
The Company has applied to the London Stock Exchange for the admission of its Ordinary Shares to trading on AIM in order to provide marketability for its Ordinary Shares and to raise the profile of the Group amongst suppliers, customers, prospective staff and in the property market. The proceeds of the Placing will help fund the continuing expansion of the store portfolio and provide additional working capital to the Group.

History

The Group's business originates from an amalgamation of the operations of Majestic Wine Warehouses Limited and Wizard Wine PLC. In 1989, the Wizard Wine business was bought out of the Iceland Group with John Apthorp as Chairman, Tim How as Managing Director and Tony Mason as Trading Director. In September 1991, Wizard Wine PLC acquired Wharfside Wine plc, the then holding company of Majestic Wine Warehouses Limited. Following this acquisition, the retained Wizard Wine stores were refitted to trade under the Majestic Wine name. In October 1992, the group holding company changed its name from Wizard Wine PLC to Majestic Wine PLC to take advantage of the awareness of the Majestic Wine name in the marketplace. Save for dormant or non-trading subsidiaries, the Group presently consists of Majestic Wine PLC and Majestic Wine Warehouses Limited, its sole trading subsidiary.

As at 30th March, 1992, the Group had a total of 38 stores. Through a policy of carefully controlled and selected expansion, the Group has increased its portfolio to the 59 stores currently trading.

Store location map



The Majestic formula Majestic trades out of warehouse-style stores. The stores are open seven days a week and offer tasting every day. All stores have dedicated on-site customer parking (with the exception of the soon to be opened Mayfair store) and offer free delivery within the store's local area. The stores tend to be located on visible sites on main roads and have an average size of 2,900 sq. ft.. Majestic has a policy of selling a minimum of one case, which can be any mix of wines and spirits. This policy allows staff to spend time advising and assisting customers in tasting and selecting wines and has resulted in a high and rising average spend. During 1995 the average customer spend per transaction was £84.

Majestic stores offer a broad range of wines from Europe and the new world (including Australia, New Zealand, USA, South America and South Africa). In addition to a core range of some 360 wines, Majestic specialises in purchasing one-off parcels of wine, which offer the customer both additional variety and value. The large majority of stock is held at the stores rather than at Majestic's central warehouse, so the stores offer a large quantity as well as a diversity of stock.

Majestic places strong emphasis on the quality of its customer service. Over 80 per cent. of store staff are graduates. They are trained in customer care and gain formal qualifications in wine knowledge to aid customers when making purchases from the range on offer.

Merchandise

Majestic specialises in the sale of wines and also sells beers, spirits and soft drinks. Set out below is an analysis of turnover value by product group for the year ended 1st April, 1996:

| | <i>Turnover</i> % |
|----------------------------------|----------------------|
| Still wine | 63.0 |
| Champagne | 12.8 |
| Sparkling wine | 5.7 |
| Fortified wine | 1.4 |
| Beers | 9.5 |
| Spirits | 3.3 |
| Soft drinks, snacks and sundries | 4.3 |
| | <u>100.0</u> |

Of the still wines sold in the year ended 1st April, 1996, 51 per cent. by value originated from France, 27 per cent. came from the new world and the remaining 22 per cent. originated from the rest of Europe (principally Italy and Spain).

Majestic sells a wide variety of wines ranging from popular, low cost wines to finer, higher priced wines. Majestic's average retail price for a bottle of still wine sold, for the year to June 1996 was £4.58. For supermarkets, the average price per bottle was £3.03 and for the total market, the average price per bottle was £3.24. (Source: ACNielsen.Stats MR).

Majestic has recently appointed a fine wine buyer which has allowed it to extend its range of fine wines and to offer wines *en primeur*.

The market

Majestic competes in the off-trade (take-home) market. This market is dominated by the major supermarkets and off-licence chains. Based on information provided by ACNielsen.Stats MR, the value of still wine sold in the United Kingdom in the year to June 1996 was approximately £1.81 billion compared with approximately £1.65 billion for the previous year. Against this market background, Majestic is a small but specialist operator which has carved out a niche for itself as a by-the-case retailer of wines. The Directors believe Majestic accounts for approximately 1.7 per cent. by value of the still wine and 5.8 per cent. by value of champagne sold in the UK off-trade market.

Customer service

The Directors consider that Majestic differentiates itself by the high quality of its customer service, the diversity and quantity of stock available to purchase at each store, its dedicated on-site customer parking at all stores (with the exception of the soon to be opened Mayfair store), the ability of customers to taste wines in its stores every day and the availability of free delivery within a store's local area.

The Directors believe that the high level of customer service is achieved by employing predominantly young, enthusiastic staff with a keen interest in wine. Majestic aims to achieve a good team spirit with staff who are highly motivated and respond well to incentives to pursue and exceed targets. Store staff are trained to have a good knowledge of wine, and the current promotions on offer, so that they can give valuable guidance to the customer. Customers are invited to join a mailing list so that they can be sent details of forthcoming promotions. There are approximately 150,000 customers on the mailing list who have made purchases over the last twelve months.

Expansion of the store portfolio

Majestic is pursuing a strategy of expansion of its store portfolio through the acquisition of suitable sites throughout the UK. Five new stores were opened in the financial year ended 3rd April, 1995. In the following financial year eight stores were opened. In the current financial year, two new stores have already been opened and a further two new stores should be opened by the end of November 1996. The Directors believe that there are currently at least 70 further locations within the United Kingdom which should be suitable for a Majestic Wine store.

Directors, senior management and employees

Directors

John Aphorp, aged 61, is Executive Chairman and was appointed to the Board in 1989. He was the founder of Bejam Group PLC and its chairman from 1969 until its sale to Iceland in 1989. In 1989, he founded what is now Majestic Wine. Although he only works on a part-time basis, he is involved in all the key decisions at Majestic Wine, especially in matters of strategy.

Tim How, aged 45, is Chief Executive and was appointed to the Board in 1989. He has held a number of senior management positions. Between 1987 and 1989 he was managing director of Bejam Group PLC, having been appointed to the main board in 1985, as trading director with responsibility for retail operations and marketing. Between 1983 and 1985, he was marketing director of Bejam Freezer Food Centres Limited. Before this, he was general manager of Polaroid (UK) Limited. At Majestic Wine he has overall responsibility for the business.

Tony Mason, aged 51, is Trading Director and was appointed to the Board in 1989. Between 1986 and 1989 he was a director of Wizard Wine, a company he founded and which became a subsidiary of Bejam Group PLC in 1987. From 1981 to 1986 he was a director of Majestic Wine Warehouses. At Majestic Wine, he is responsible for range selection and purchasing.

John Kelly, aged 54, is Finance Director and was appointed to the Board in 1991. In 1973 he joined Bejam Group PLC where he held a number of senior accounting positions which culminated in his appointment in 1986 as finance director of Bejam Freezer Food Centres Limited. He is a Fellow of the Chartered Institute of Management Accountants and is responsible for the finance function. He is also the Company Secretary.

Non-executive Directors

Gerald Leahy, aged 62, is a non-executive Director and has recently been appointed to the Board in preparation for Admission. He is a non-executive director of a number of companies including Daiwa Europe Bank plc and Lombard North Central plc, where he is chairman of the audit committees. He is a non-executive director of Densitron International plc, a medium sized quoted multi-national company. Between 1989 and 1995 he was Director General of the Association of Corporate Treasurers.

Roy Vandermeer, aged 65, is a non-executive Director and has recently been appointed to the Board in preparation for Admission. He is a Queen's Counsel, with particular experience in handling planning enquiries for companies such as Tesco and Marks & Spencer. He retired from practice at the end of April 1996. He is currently the inspector holding the public inquiry into a proposed fifth terminal at Heathrow Airport.

Further details of the Directors' previous and other current directorships, together with certain other information, are provided in paragraphs 5(f), 5(g) and 5(h) of Part V of this document.

Senior management

Majestic Wine Warehouses Limited is managed by an executive board, the members of which include the executive directors listed above and the following senior management:-

Peter Emerson, aged 40, is Distribution and Information Technology director and was appointed to the board of Majestic Wine Warehouses in 1987. He joined Majestic in 1983 as a trainee manager.

Steve Lewis, aged 32, is Sales director with responsibility for retail operations and corporate sales. He joined Majestic in 1985 as a trainee manager and was appointed to the board of Majestic Wine Warehouses in 1991.

Debbie Worton, aged 38, is Marketing director. She was appointed to the board of Majestic Wine Warehouses in 1992. Prior to joining Majestic in 1992, she was a senior wine buyer for Peter Dominic and before that she was employed in the wine department of Sainsbury's.

Employees

The Group currently has some 264 other staff across all areas of operations. Staff are employed in the following categories:-

| | <i>Number</i> |
|---|---------------|
| Head office, including warehousing and distribution | 39 |
| Store staff | 225 |
| | <u>264</u> |

The Directors are committed to the incentivisation of staff and have in place a profit-related pay scheme, which can provide a significant part of the staff's remuneration. Furthermore, in order that Majestic may have sufficient scope to provide share incentives to its employees, it has in place both approved and unapproved share option schemes and has recently set up a savings related share option scheme.

Financial record

Set out below is a summary of the financial record of the Group for the three financial years to 1st April, 1996 which has been extracted from the Accountants' report in Part II of this document:

| | <i>Years ended</i> | | |
|--|--------------------|------------------|------------------|
| | <i>28th March</i> | <i>3rd April</i> | <i>1st April</i> |
| | <i>1994</i> | <i>1995</i> | <i>1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Turnover | 30,142 | 34,693 | 40,128 |
| Cost of sales | (24,745) | (28,518) | (32,940) |
| Gross profit | 5,397 | 6,175 | 7,188 |
| Distribution costs | (2,987) | (3,313) | (3,685) |
| Administrative costs, including exceptional item | (1,961) | (2,050) | (2,807) |
| Operating profit before exceptional item | 449 | 812 | 1,243 |
| Exceptional administrative cost - permanent diminution in value of properties | — | — | (547) |
| Operating profit | 449 | 812 | 696 |
| Net interest payable | (67) | (84) | (3) |
| Profit on ordinary activities before taxation | 382 | 728 | 693 |
| Taxation on ordinary activities | 39 | — | (166) |
| Profit after taxation | <u>421</u> | <u>728</u> | <u>527</u> |
| Number of stores at year end | 44 | 49 | 57 |
| Earnings per share | | | |
| – historic (based on profit after tax) | 7.79p | 13.21p | 9.56p |
| – pro forma (on the basis set out below) | 3.90p | 6.61p | 9.74p |

Majestic has enjoyed strong growth in recent years: turnover grew by 7.2 per cent. in the year ended 28th March, 1994, 15.1 per cent. in the year ended

3rd April, 1995 and by 15.7 per cent. in the year ended 1st April, 1996, giving a cumulative sales growth of 42.7 per cent. over the three financial years. This growth reflects, in part, the increase in the number of stores over the period but it also includes an important element of like-for-like sales growth. Like-for-like sales grew by 6.0 per cent. in the year ended 28th March, 1994, 6.5 per cent. in the year ended 3rd April, 1995 and 10.4 per cent. in the year ended 1st April, 1996.

Operating margins have more than doubled, from 1.5 per cent. in the year ended 28th March, 1994 to 3.1 per cent. in the year ended 1st April, 1996 (before the exceptional item noted above), as central costs have remained relatively static compared to the growth in contribution from the stores.

The calculation of pro forma earnings per share is based on the Group's profit after tax, other than for the year ended 1st April, 1996 in respect of which the exceptional item has been excluded; and, on the number of Ordinary Shares in issue before the Placing, but after the recent restructuring of the share capital of the Company which is explained below under the heading "Restructuring of share capital".

Current trading and prospects

The Directors estimate, having made due and careful enquiry, that in the absence of unforeseen circumstances the Group's profit on ordinary activities before taxation for the 6 months ended 30th September, 1996 was not less than £450,000. In common with many other drinks retailers, the Group's sales are higher during the Christmas trading period which falls in the second half of the fiscal year. In the 6 months to 30th September, 1996, the Group experienced a 14.3% increase in like for like sales.

The Directors believe that there is considerable scope for the continuing expansion of the store portfolio and are confident that the Group's encouraging growth will continue.

Management information and financial controls

Majestic has a long established electronic point of sale ("EPOS") system at store level. This system enables monitoring of sales by customer, store and product, and of margins. In this way, the EPOS system gives management a rapid indication of profitability during a trading period. The system also provides an analysis of stock levels, indicating stock replenishment requirements.

Majestic is currently completing a substantial enhancement of its EPOS system, including the introduction of bar code scanning. The Directors believe that the enhanced system and the other current internal and financial controls utilised by Majestic are readily capable of dealing with the requirements of the business as it expands.

Dividend policy

The Directors intend, in the absence of unforeseen circumstances, to adopt a progressive policy of paying dividends while maintaining a prudent level of dividend cover for the Group.

The Directors propose to pay an interim dividend in January and a final dividend in August in respect of each financial year, with the first dividend payment expected to be in August 1997.

Restructuring of share capital

At an Extraordinary General Meeting of Majestic held on 9th September, 1996, shareholders resolved to restructure the Company's share capital in preparation for Admission. This restructuring consisted of a sub-division of ordinary shares and a reduction of share capital.

The ordinary shares of £1 each of Majestic then in issue were sub-divided into two ordinary shares of 50p each, thus doubling the number of ordinary shares in issue.

The share capital reduction (which has been approved by the High Court and became effective on 18th October, 1996) was carried out in order to enable Majestic to eliminate the deficit in its profit and loss account and thereby allow it to pay dividends out of future profits. As part of the share capital reduction, the nominal value of each ordinary share of 50p was reduced to 30p.

Following the sub-division and reduction of share capital and before the Placing and the exercise of any outstanding options, Majestic had 11,025,280 Ordinary Shares in issue.

Share option schemes

The Directors believe in a policy of offering employees an equity participation in the Company. The Company has three share option schemes: the Majestic Wine PLC Approved Executive Share Option Scheme, the Majestic Wine PLC Unapproved Executive Share Option Scheme and the Majestic Wine PLC 1996 Savings Related Share Option Scheme. Options have currently been granted under the Share Option Schemes over 2,577,197 Ordinary Shares of which options over 360,000 Ordinary Shares have been exercised conditional on Admission and form part of the Placing Shares.

The Directors granted options, immediately prior to Admission, over 170,197 Ordinary Shares under the Majestic Wine PLC 1996 Savings Related Share Option Scheme and options over 117,000 Ordinary Shares under the Majestic Wine PLC Approved Executive Share Option Scheme. Following Admission, options will remain outstanding over new Ordinary Shares representing 17.4 per cent. of the enlarged share capital. Whilst the level of options is high, the Directors believe it is justified given the importance of options as a means of motivating and retaining staff.

The remuneration committee will be responsible for deciding on the grant of further options and may impose objective conditions which must be met before the options can be exercised. The Company intends broadly to follow institutional guidelines and no option may be granted if the number of options granted in the ten-year period from Admission would exceed ten per cent. of the issued share capital of the Company at the relevant time or more than three per cent. in any period of three years. In applying these limits options granted prior to Admission shall be ignored.

Further details on the Share Option Schemes are set out in paragraph 4 of Part V of this document.

The Placing

The Placing comprises 1,362,500 new Ordinary Shares being issued by the Company and 1,381,000 existing Ordinary Shares being placed on behalf of the

Vendors. The Ordinary Shares being placed on behalf of the Vendors include 360,000 Ordinary Shares which will be issued as the result of the exercise of options, conditional on Admission, under the Share Option Schemes.

Through the Placing and exercise of options the Company will raise a gross sum of £2.45 million (£2.03 million, net of expenses).

Immediately following the Placing, there will be 12,747,780 Ordinary Shares in issue. The Placing Shares will represent approximately 21.5 per cent. of the total Ordinary Shares in issue immediately after the Placing and Admission.

The Directors, senior management and certain other shareholders, whose shareholdings will represent 70.0 per cent. of the issued share capital after the Placing and Admission, have undertaken not to dispose of any Ordinary Shares, save in limited circumstances, without the prior written consent of Williams de Broë, before publication of the audited accounts of the Group for the year ending 30th March, 1998.

Details of the Placing Agreement are set out in paragraph 7 of Part V of this document.

Reasons for Admission and the Placing

The Directors consider that the Group has reached a stage in its development where future growth will be enhanced by Admission. The Directors believe that staff will be further incentivised by holding options to subscribe for shares which are quoted for trading on AIM and that Admission will raise the profile of the Group amongst suppliers, customers, prospective staff and in the property market.

The proceeds of the Placing will help fund the continuing expansion of the store portfolio and will provide additional working capital to the Group.

Corporate governance

The Board has established an audit committee and a remuneration committee. The audit committee will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on and for meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems. The remuneration committee will review the remuneration and option arrangements of the Company's executive directors in the light of their performance and that of the Company and decide on the grant of options generally.

Marketability of investment

Application has been made for the Ordinary Shares to be admitted to trading on AIM. Williams de Broë has been appointed as the Group's nominated adviser and nominated broker for this purpose.

AIM is operated by the London Stock Exchange. Its expressed objective is to be a public market for small, young and growing companies. AIM will provide a market for, and a means of valuing, the Company's Ordinary Shares which are traded on it. It is emphasised that no application has been, or is being made, for admission of the Ordinary Shares to the Official List. The rules of AIM are less demanding than those of the Official List.

PART II
ACCOUNTANTS' REPORT

The Directors
Majestic Wine PLC
Odhams Trading Estate
St. Albans Road
Watford
Hertfordshire WD2 5RE

The Directors
Williams de Broë Plc
6 Broadgate
London EC2M 2RP

Coopers
& Lybrand

1 Embankment Place
London WC2N 6NN

5th November, 1996

Dear Sirs

We report in connection with the prospectus dated 5th November, 1996 of Majestic Wine PLC ("the Company").

We have examined the audited accounts of the Company and its subsidiary undertaking ("the Group") for the three years ended 1st April, 1996. Audited accounts of the Group have not been made up for any period subsequent to 1st April, 1996.

The accounts of the Group for the three accounting periods covered by this report were audited by us and we issued unqualified audited reports thereon.

The financial information set out in this report is based on the audited accounts of the Group after making an adjustment to the value of the Group's freehold and long leasehold properties to reflect an independent professional valuation undertaken subsequent to the issue of the audited accounts for the year ended 1st April, 1996. No other adjustment was considered necessary.

Our work has been carried out in accordance with the Auditing Guideline: "*Prospectuses and the reporting accountant*".

In our opinion, the financial information set out below gives, for the purpose of the said prospectus, a true and fair view of the state of affairs of the Group as at 28th March, 1994, 3rd April, 1995 and 1st April, 1996 and of its consolidated profit, total recognised gains and cash flows for each of the years then ended.

We consent to the inclusion in the said prospectus of this report and accept responsibility for its contents.

Principal accounting policies

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been used consistently for all the periods covered by this report, are set out below:

- (a) **Basis of accounting** – The financial information contained in this report is prepared under the historical cost convention, modified to include the revaluation of freehold and long leasehold land and buildings.

MAJESTIC WINE PLC

- (b) **Basis of consolidation** – The consolidated financial information contained in this report incorporates the results and net assets of the Company and its subsidiary undertakings.
- (c) **Goodwill** – Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.
- (d) **Depreciation** – Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | |
|-----------------------|----|
| | % |
| Fixtures and fittings | 10 |
| Computer equipment | 20 |
| Vehicles | 25 |

Freehold and long leasehold properties are depreciated over a life of fifty years. (See accounting adjustment below).

The cost of the short leasehold properties and improvements are depreciated over the period of the lease.

- (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** – Assets and liabilities expressed in foreign currencies are converted at the rate of exchange ruling at the balance sheet date, or at an appropriate forward contract rate. All profits and losses on exchange, both realised and unrealised, are reflected in the profit and loss account.
- (g) **Deferred taxation** – Provision is made for deferred taxation using the liability method in respect of all material timing differences except those which, in the opinion of directors, are not likely to reverse in the foreseeable future.
- (h) **Pensions** – The Group contributes to the personal pension plans of certain staff. Amounts paid into the plans are charged to the profit and loss account in the period in which they arise.
- (i) **Turnover** – Turnover represents goods sold to customers outside of the group, less returns, net of value added tax.
- (j) **Leases** – Rent paid in respect of operating leases is charged against revenue on a straight line basis. The Group has no finance leases.

Accounting adjustment

The Directors have decided to refine the accounting policy relating to depreciation of freehold and long leasehold properties. Accordingly, with effect from 2nd April, 1996, all such properties will be depreciated over a period of fifty years. In prior periods such properties were not depreciated as the amounts involved were not material. Had they been, the depreciation charge in the year ending 1st April, 1996 would have been £47,000 greater than the figure in Note 1.

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Consolidated profit and loss accounts

| | Notes | Years ended | | |
|--|-------|------------------------------|-----------------------------|-----------------------------|
| | | 28th March, 1994 £'000 | 3rd April, 1995 £'000 | 1st April, 1996 £'000 |
| Turnover | | 30,142 | 34,693 | 40,128 |
| Cost of sales | | (24,745) | (28,518) | (32,940) |
| Gross profit | | 5,397 | 6,175 | 7,188 |
| Distribution costs | | (2,987) | (3,313) | (3,685) |
| Administrative costs including exceptional item | | (1,961) | (2,050) | (2,807) |
| Operating profit before exceptional item | | 449 | 812 | 1,243 |
| Exceptional administrative cost – permanent diminution in value of properties | | — | — | (547) |
| Operating profit | 1 | 449 | 812 | 696 |
| Net interest payable | 4 | (67) | (84) | (3) |
| Profit on ordinary activities before taxation | | 382 | 728 | 693 |
| Taxation credit/(charge) on ordinary activities | 5 | 39 | — | (166) |
| Profit retained for financial year | 16 | 421 | 728 | 527 |
| Earnings per share | 6 | 7.79p | 13.21p | 9.56p |
| Dividend per share (net) | | nil | nil | nil |

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

Statement of total recognised gains and losses

| | Notes | Years ended | | |
|--|-------|------------------------------|-----------------------------|-----------------------------|
| | | 28th March, 1994 £'000 | 3rd April, 1995 £'000 | 1st April, 1996 £'000 |
| Profit for the financial year | | 421 | 728 | 527 |
| Unrealised surplus on revaluation of properties | 7 | — | — | 42 |
| Total gains and losses recognised since last annual report | | 421 | 728 | 569 |

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Consolidated balance sheets

| | <i>Notes</i> | <i>28th March, 1994 £'000</i> | <i>Years ended 3rd April, 1995 £'000</i> | <i>1st April, 1996 £'000</i> |
|--|--------------|---------------------------------------|--|--------------------------------------|
| Fixed assets | | | | |
| Tangible assets | 7 | 5,100 | 5,151 | 5,209 |
| Investments | 8 | 2 | 2 | — |
| | | <u>5,102</u> | <u>5,153</u> | <u>5,209</u> |
| Current assets | | | | |
| Assets held for resale | | 189 | — | — |
| Stocks | 9 | 5,009 | 5,489 | 7,039 |
| Debtors | 10 | 733 | 816 | 1,070 |
| Cash at bank and in hand | | 8 | 241 | 10 |
| | | <u>5,939</u> | <u>6,546</u> | <u>8,119</u> |
| Creditors: amounts falling due within one year | 11 | <u>(5,856)</u> | <u>(5,786)</u> | <u>(8,346)</u> |
| Net current assets | | <u>83</u> | <u>760</u> | <u>(227)</u> |
| Total assets less current liabilities | | <u>5,185</u> | <u>5,913</u> | <u>4,982</u> |
| Creditors: amounts falling due after more than one year | 12 | <u>(1,500)</u> | <u>(1,500)</u> | <u>—</u> |
| Net assets | | <u>3,685</u> | <u>4,413</u> | <u>4,982</u> |
| Capital and reserves | | | | |
| Called up share capital | 14 | 5,513 | 5,513 | 5,513 |
| Share premium account | 16 | 1,612 | 1,612 | 1,612 |
| Revaluation reserve | 16 | — | — | 42 |
| Profit and loss account | 16 | (3,440) | (2,712) | (2,185) |
| Equity shareholders' funds | 17 | <u>3,685</u> | <u>4,413</u> | <u>4,982</u> |

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Consolidated cash flow statements

| | Notes | Years ended | | |
|---|-------|------------------------------|-----------------------------|-----------------------------|
| | | 28th March, 1994 £'000 | 3rd April, 1995 £'000 | 1st April, 1996 £'000 |
| Net cash inflow from operating activities | 23 | 273 | 1,209 | 1,737 |
| Returns on investments and servicing of finance | | | | |
| Interest paid | | (67) | (136) | (67) |
| Interest received | | 28 | 42 | 64 |
| Net cash outflow from investments and servicing of finance | | (39) | (94) | (3) |
| Taxation | | | | |
| UK Corporation tax refund | | 38 | — | — |
| Investing activities | | | | |
| Purchase of tangible fixed assets | | (296) | (470) | (1,050) |
| Sale of current assets held for resale | | — | 189 | — |
| Sale of fixed assets | | 7 | 1 | 7 |
| Sale of investment | | — | — | 2 |
| Net cash outflow before financing activities | | (289) | (280) | (1,041) |
| Net cash outflow before financing | | (17) | 835 | 693 |
| Financing | | | | |
| Repayment of chairman's loan | | — | — | (1,500) |
| Issue of ordinary share capital | | 788 | — | — |
| Net cash inflow/(outflow) from financing | | 788 | — | (1,500) |
| Increase/(decrease) in cash and cash equivalents | 23 | <u>771</u> | <u>835</u> | <u>(807)</u> |

1 Operating profit

| | 28th March, 1994 £'000 | Years ended | |
|---|------------------------------|-----------------------------|-----------------------------|
| | | 3rd April, 1995 £'000 | 1st April, 1996 £'000 |
| Operating profit is stated after charging: | | | |
| Depreciation | 386 | 418 | 487 |
| Permanent diminution in value of properties | — | — | 547 |
| Operating lease rentals | 1,763 | 1,802 | 1,964 |
| Auditors' remuneration: | | | |
| in respect of audit | 27 | 30 | 31 |
| for non-audit services | 22 | 10 | 30 |
| | <u>27</u> | <u>10</u> | <u>30</u> |

2 Directors' emoluments

| | <i>Years ended</i> | | |
|--|--------------------|-------------------|-------------------|
| | <i>28th March,</i> | <i>3rd April,</i> | <i>1st April,</i> |
| | <i>1994</i> | <i>1995</i> | <i>1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Remuneration | <u>184</u> | <u>211</u> | <u>224</u> |
| Remuneration disclosed above (excluding pension contributions) includes amounts paid to: | | | |
| Chairman | 20 | 40 | 30 |
| Highest paid Director | <u>70</u> | <u>72</u> | <u>80</u> |

The emoluments of the directors (excluding pension contributions) falling within the following ranges were:

| | <i>Years ended</i> | | |
|-------------------|--------------------|-------------------|-------------------|
| | <i>28th March,</i> | <i>3rd April,</i> | <i>1st April,</i> |
| | <i>1994</i> | <i>1995</i> | <i>1996</i> |
| | <i>Number</i> | <i>Number</i> | <i>Number</i> |
| £15,001 – £20,000 | 1 | — | — |
| £25,001 – £30,000 | — | — | 1 |
| £35,001 – £40,000 | — | 1 | — |
| £40,001 – £45,000 | 1 | — | — |
| £45,001 – £50,000 | 1 | 2 | 2 |
| £65,001 – £70,000 | 1 | — | — |
| £70,001 – £75,000 | — | 1 | — |
| £75,001 – £80,000 | — | — | 1 |

3 Employee information

The average weekly number of employees (excluding Directors) during the period was 258 (1995: 225, 1994: 211).

Staff costs (excluding Directors' emoluments) during the period amounted to:

| | <i>Years ended</i> | | |
|-----------------------|--------------------|-------------------|-------------------|
| | <i>28th March,</i> | <i>3rd April,</i> | <i>1st April,</i> |
| | <i>1994</i> | <i>1995</i> | <i>1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Wages and salaries | 2,582 | 3,021 | 3,625 |
| Social security costs | 260 | 293 | 356 |
| Other pension costs | 6 | 14 | 16 |
| | <u>2,848</u> | <u>3,328</u> | <u>3,997</u> |

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4 Net interest payable

| | <i>28th March,</i> 1994 £'000 | <i>Years ended</i> <i>3rd April,</i> 1995 £'000 | <i>1st April,</i> 1996 £'000 |
|---|-------------------------------------|--|------------------------------------|
| Interest on bank overdrafts and other loans repayable within five years, not by instalments | 95 | 126 | 67 |
| Bank interest receivable | (28) | (42) | (64) |
| | 67 | 84 | 3 |

5 Taxation

| | <i>28th March,</i> 1994 £'000 | <i>Years ended</i> <i>3rd April,</i> 1995 £'000 | <i>1st April,</i> 1996 £'000 |
|--|-------------------------------------|--|------------------------------------|
| Taxation on profit on ordinary activities | | | |
| UK corporation tax at 33% | 6 | — | 173 |
| Deferred taxation (Note 13) | (7) | — | (1) |
| Overprovision in respect of prior years | (38) | — | (6) |
| | (39) | — | 166 |

6 Earnings per Ordinary Share

| | <i>28th March,</i> 1994 | <i>Years ended</i> <i>3rd April,</i> 1995 | <i>1st April,</i> 1996 |
|--|----------------------------|---|---------------------------|
| Earnings per Ordinary Share are calculated as follows: | | | |
| Retained profit for the financial year (£) | 421,000 | 728,000 | 527,000 |
| Weighted average number of ordinary shares | 5,406,920 | 5,512,640 | 5,512,640 |
| Earnings per ordinary share (p) | 7.79p | 13.21p | 9.56p |

7 Tangible fixed assets

| | <i>Land and Buildings</i> | | | <i>Equipment</i> | <i>Total</i> |
|-------------------------------|---------------------------|-----------------------|------------------------|--------------------------------|--------------|
| | <i>Freehold</i> | <i>Long leasehold</i> | <i>Short leasehold</i> | <i>Fittings & vehicles</i> | |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Cost or valuation: | | | | | |
| At 29th March 1994 | 2,058 | 260 | 1,942 | 2,872 | 7,132 |
| Additions | 12 | — | 109 | 349 | 470 |
| Disposals | — | — | — | (9) | (9) |
| At 3rd April 1995 | 2,070 | 260 | 2,051 | 3,212 | 7,593 |
| Additions | 2 | 3 | 189 | 856 | 1,050 |
| Disposals | — | — | — | (19) | (19) |
| Revaluation | 20 | 22 | — | — | 42 |
| At 1st April 1996 | 2,092 | 285 | 2,240 | 4,049 | 8,666 |
| Depreciation: | | | | | |
| At 29th March 1994 | — | — | 523 | 1,509 | 2,032 |
| Charge for period | — | — | 112 | 306 | 418 |
| Disposals | — | — | — | (8) | (8) |
| At 3rd April 1995 | — | — | 635 | 1,807 | 2,442 |
| Charge for period | — | — | 136 | 351 | 487 |
| Permanent diminution in value | 547 | — | — | — | 547 |
| Disposals | — | — | — | (19) | (19) |
| At 1st April 1996 | 547 | — | 771 | 2,139 | 3,457 |
| Net book value | | | | | |
| 29th March 1994 | 2,058 | 260 | 1,419 | 1,363 | 5,100 |
| 3rd April 1995 | 2,070 | 260 | 1,416 | 1,405 | 5,151 |
| 1st April 1996 | 1,545 | 285 | 1,469 | 1,910 | 5,209 |

The freehold and long leasehold properties, which the Group occupies, were valued independently as at 31st July, 1996 at £1,830,000 on the basis of existing use value. These valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors by Rapleys, a firm of independent Chartered Surveyors. These valuations have been incorporated in this report as the valuations as at 2nd April, 1996.

The historical cost of the assets revalued are as follows:

| | |
|---------------------------|--------------|
| | <i>£'000</i> |
| Freehold properties | 1,300 |
| Long leasehold properties | 210 |
| | <u>1,510</u> |

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8 Investments

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|---|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Investment in index linked treasury stock | 2 | 2 | — |

The Company owns:

- (a) 100 per cent. 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.
- (b) 100 per cent. of the ordinary share capital of Majestic Wine Employee Share Ownership Trust Limited, a company registered in England and Wales.
- (c) 99.9 per cent. of the share capital of Wharfside Wine PLC, an investment company, registered in England and Wales, which is no longer trading.
- (d) Through Wharfside Wine PLC:
 - (i) 100 per cent. of the ordinary share capital of Marnlev Limited, a company registered in England and Wales, which is no longer trading.
 - (ii) 100 per cent. of the ordinary share capital of Wizard Wine Limited, a company registered in England and Wales, which owns all of the share capital of Liberty Wines Limited, a company registered in England and Wales. Both companies are dormant.

9 Stocks

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|-----------------|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Good for resale | <u>5,009</u> | <u>5,489</u> | <u>7,039</u> |

10 Debtors

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|--------------------------------|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Trade debtors | 120 | 201 | 354 |
| Other debtors | 165 | 78 | 123 |
| Prepayments and accrued income | 293 | 382 | 438 |
| Lease deposit | 155 | 155 | 155 |
| | <u>733</u> | <u>816</u> | <u>1,070</u> |

| |
|--------------------------|
| MAJESTIC WINE PLC |
|--------------------------|

11 Creditors: Amounts falling due within one year

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|---------------------------------|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Bank loans and overdrafts | 602 | — | 576 |
| Trade creditors | 4,206 | 4,893 | 6,713 |
| Other taxes and social security | 421 | 491 | 284 |
| Accruals and other creditors | 627 | 402 | 600 |
| Corporation tax | — | — | 173 |
| | <u>5,856</u> | <u>5,786</u> | <u>8,346</u> |

12 Creditors: Amounts falling due after more than one year

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|----------------------------------|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Loan from Chairman (see note 20) | 1,500 | 1,500 | — |
| | <u>1,500</u> | <u>1,500</u> | <u>—</u> |

13 Deferred taxation amount provided

| | <i>28th March, 1994</i> | <i>Years ended 3rd April, 1995</i> | <i>1st April, 1996</i> |
|--|-----------------------------|--|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Excess of tax allowances over depreciation | — | — | — |
| Other timing differences | (7) | (7) | (1) |
| | <u>(7)</u> | <u>(7)</u> | <u>(1)</u> |

The deferred tax asset is included in prepayments and accrued income (note 10)

| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
|--|-----------------------------|----------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Total potential liability | | | |
| Excess of tax allowances over depreciation | 46 | 66 | 126 |
| Other timing differences | (46) | (66) | (1) |
| | <u>—</u> | <u>—</u> | <u>125</u> |

14 Share capital

| | <i>Number</i> | <i>£'000</i> |
|------------------------------------|------------------|--------------|
| Authorised £1 ordinary shares | <u>7,500,000</u> | <u>7,500</u> |
| Allotted, called up and fully paid | <u>5,512,640</u> | <u>5,513</u> |

There has been no change to the Company's authorised share capital during the three years to 1st April, 1996. However, in order to provide working capital for the business, on 19th May, 1993, 787,513 ordinary shares of £1 each were issued at par, fully paid.

15 Share options

As at 1st April, 1996 the following options have been granted for ordinary shares:

| <i>Number of shares</i> | <i>Period in which exercisable</i> | <i>Price per share</i> |
|-------------------------|---|------------------------|
| 7,000 | 18th October 1992 – 18th October 1999 | £1.50 |
| 3,500 | 7th November 1993 – 7th November 2000 | £1.50 |
| 150,500 | 10th December 1994 – 10th December 2001 | £1.50 |
| 46,000 | 14th December 1995 – 14th December 2002 | £1.50 |
| 145,500 | 2nd November 1996 – 2nd November 2003 | £1.50 |
| 84,500 | 15th December 1997 – 15th December 2004 | £1.50 |
| 210,500 | 15th December 1997 – 14th December 2002 | £0.00* |
| 307,000 | 15th December 1997 – 14th December 2002 | £1.00 |
| 240,500 | 2nd February 1998 – 1st February 2003 | £1.00 |
| <u>1,195,000</u> | | |

* Each of these options can only be exercised together with one share option at £1.50.

The above figures include the following options granted to directors.

| | <i>Options at 29th March, 1994</i> | <i>Option granted</i> | <i>Options exercised</i> | <i>Options lapsed/ cancelled</i> | <i>Options at 1st April, 1996</i> |
|-------------|--|---------------------------|------------------------------|--|---|
| J D Apthorp | — | — | — | — | — |
| T F How | 136,500 | 173,500 | — | 136,500 | 173,500 |
| A J Mason | 136,500 | 173,500 | — | 136,500 | 173,500 |
| J F Kelly | 74,000 | 37,000 | — | — | 111,000 |
| | <u>347,000</u> | <u>384,000</u> | <u>—</u> | <u>273,000</u> | <u>458,000</u> |

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16 Reserves

| | <i>Share premium account £'000</i> | <i>Profit & loss account £'000</i> | <i>Revaluation reserve £'000</i> |
|--------------------------------|--|--|--|
| At 29th March, 1994 | 1,612 | (3,440) | — |
| Retained profit for the period | — | 728 | — |
| At 3rd April, 1995 | 1,612 | (2,712) | — |
| Retained profit for the period | — | 527 | — |
| Revaluation of fixed assets | — | — | 42 |
| At 1st April, 1996 | <u>1,612</u> | <u>(2,185)</u> | <u>42</u> |

17 Reconciliation of movements in shareholders' funds

| | <i>28th March, 1994 £'000</i> | <i>3rd April, 1995 £'000</i> | <i>1st April, 1996 £'000</i> |
|---|---------------------------------------|--------------------------------------|--------------------------------------|
| Opening shareholders' funds | 2,476 | 3,685 | 4,413 |
| New share capital issued | 788 | — | — |
| Unrealised surplus on revaluation of properties | — | — | 42 |
| Retained profit for the period | 421 | 728 | 527 |
| Closing shareholders' funds | <u>3,685</u> | <u>4,413</u> | <u>4,982</u> |

18 Commitments

| | <i>28th March, 1994 £'000</i> | <i>3rd April, 1995 £'000</i> | <i>1st April, 1996 £'000</i> |
|------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Forward foreign currency purchases | <u>1,165</u> | <u>3,520</u> | <u>3,505</u> |

In 1994, the Company entered into an 'interest rate swap' contract to provide a hedge against fluctuations in interest rates during the period of the contract. The contract is for a period of three years and does not involve the Company in additional borrowings but covered £1.5 million of the Company's borrowings. The terms require the Company to pay quarterly amounts calculated by reference to a fixed rate of interest in respect of a set capital amount, to a third party who, in return, pays the Company quarterly amounts calculated by reference to a floating rate of interest on the same capital amount. The related cost or credit arising during the period is included in net interest payable.

19 Operating leases

At 1st April, 1996 the Company had annual commitments under non-cancellable operating leases as follows:

| | <i>Land and buildings</i> | | | <i>Other</i> | | |
|--------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Operating leases which expire: | | | | | | |
| Within one year | — | — | 25 | 54 | 34 | 73 |
| Between two and five years | 56 | 33 | 65 | 198 | 245 | 220 |
| In over five years | 1,376 | 1,544 | 1,734 | — | — | 41 |
| | <u>1,432</u> | <u>1,577</u> | <u>1,824</u> | <u>252</u> | <u>279</u> | <u>334</u> |

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

20 Related party transactions

During the three years to 1st April, 1996 the following related party transactions took place:

| | <i>Years ended</i> | | |
|---|-----------------------------|----------------------------|----------------------------|
| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> |
| Purchase of wine from SK Rep plc | 238,941 | 50,193 | 23,875 |
| Sale of wine to SK Rep plc | nil | nil | 50,878 |
| Consultancy fee paid to SK Rep plc | 20,000 | 40,000 | 30,000 |
| Loan interest paid to Mr J D Apthorp | 28,479 | 96,288 | 52,777 |
| Rent paid to Mr J D Apthorp who owns the freehold of one short leasehold property rented by the Group | nil | 20,515 | 41,029 |

Mr J D Apthorp is a director of SK Rep plc. All the above transactions were on a commercial basis.

On 16th September, 1991 Mr J D Apthorp loaned the Company £1,500,000. It was repaid in two instalments on 15th April, 1995 and 17th January, 1996. The loan was interest free until 28th December, 1993 and was secured by a charge over the assets of the Group which ranked behind the security given to the Group's bankers.

21 Contingencies

The Company is party to unlimited composite guarantees in respect of Group bank borrowings. At 1st April, 1996 those borrowings amounted to £576,000. (3rd April, 1995: £nil, 28th March, 1994: £602,000).

The Group has no contingent liabilities.

22 Charges over assets

The assets of the Group are subject to fixed and floating charges in favour of the Group's bankers.

MAJESTIC WINE PLC

23 Notes to the cash flow statement

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

| | <i>Years ended</i> | | |
|---|-----------------------------|----------------------------|----------------------------|
| | <i>28th March, 1994</i> | <i>3rd April, 1995</i> | <i>1st April, 1996</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Operating profit | 449 | 812 | 696 |
| Depreciation | 386 | 418 | 487 |
| Permanent diminution in value of properties | — | — | 547 |
| Profit on sale of fixed assets | (4) | — | (7) |
| Other write downs of fixed assets | 21 | — | — |
| Increase of stocks | (762) | (480) | (1,550) |
| Increase in debtors | (121) | (83) | (247) |
| Increase in creditors | 304 | 542 | 1,811 |
| Net cash inflow from operating activities | <u>273</u> | <u>1,209</u> | <u>1,737</u> |

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet.

| | <i>28th March, 1994</i> | <i>Change in year</i> | <i>3rd April, 1995</i> | <i>Change in year</i> | <i>1st April, 1996</i> |
|--------------------------|-----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Cash at bank and in hand | 8 | 233 | 241 | (231) | 10 |
| Bank overdrafts | (602) | 602 | — | (576) | (576) |
| | <u>(594)</u> | <u>835</u> | <u>241</u> | <u>(807)</u> | <u>(566)</u> |

PART III
PROFIT ESTIMATE

1. Profit estimate

On the basis set out below, the Directors estimate, having made due and careful enquiry, that in the absence of unforeseen circumstances the Group's profit on ordinary activities before taxation for the 6 months ended 30th September, 1996, was not less than £450,000.

2. Basis of preparation

The profit estimate set out above is based upon the results shown by the unaudited management accounts for the 3 months ended 1st July, 1996 and the actual sales figures and estimated costs for the 3 months ended 30th September, 1996. The profit estimate has been compiled under the historical cost convention, modified to include the revaluation of freehold and long leasehold land and buildings on a basis consistent with the accounting policies described in the Accountants' report set out in Part II of this document.

3. Letter from Coopers & Lybrand

The Directors
Majestic Wine PLC
Odhams Trading Estate
St. Albans Road
Watford
Hertfordshire WD2 5RE

**Coopers
& Lybrand**

1 Embankment Place
London WC2N 6NN

and

The Directors
Williams de Broë Plc
6 Broadgate
London EC2M 2RP

5th November, 1996

Dear Sirs,

We have reviewed the accounting policies and calculations for the profit estimate of Majestic Wine PLC (the "Company") and its subsidiary undertaking (together the "Group") for the 6 months ended 30th September, 1996 as set out on page 31 of the prospectus dated 5th November, 1996.

The profit estimate, for which the Directors of the Company are solely responsible, includes the results shown by unaudited management accounts for the 3 months ended 1st July, 1996 and the actual sales figures and estimated costs for the 3 months ended 30th September, 1996.

In our opinion the profit estimate, so far as the accounting policies and calculations are concerned, has been properly compiled and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

Coopers & Lybrand

**PART IV
PRO FORMA BALANCE SHEET**

Set out below is an illustrative pro forma balance sheet of the Group after completion of the Placing, based on the audited balance sheet of the Group as at 1st April, 1996 and adjusted for the matters referred to in the notes below. It is prepared for illustrative purposes only and, because of its nature, cannot give a complete picture of the Group's financial position.

| | <i>1st April, 1996</i> £'000 <i>(Note 1)</i> | <i>Adjustment</i> £'000 <i>(Note 2)</i> | <i>Adjustment</i> £'000 <i>(Note 3)</i> | <i>Pro forma</i> £'000 |
|--|--|---|---|---------------------------|
| Fixed assets | | | | |
| Tangible fixed assets | 5,209 | — | — | 5,209 |
| | <u>5,209</u> | <u>—</u> | <u>—</u> | <u>5,209</u> |
| Current assets | | | | |
| Stocks | 7,039 | — | — | 7,039 |
| Debtors | 1,070 | — | — | 1,070 |
| Cash at bank and in hand | 10 | 1,454 | — | 1,464 |
| | <u>8,119</u> | <u>1,454</u> | <u>—</u> | <u>9,573</u> |
| Creditors: amounts falling due within one year | <u>(8,346)</u> | <u>576</u> | <u>—</u> | <u>(7,770)</u> |
| Net current (liabilities)/assets | <u>(227)</u> | <u>2,030</u> | <u>—</u> | <u>1,803</u> |
| Total assets less current liabilities | <u>4,982</u> | <u>2,030</u> | <u>—</u> | <u>7,012</u> |
| Creditors: amounts falling due after more than one year | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net assets | <u>4,982</u> | <u>2,030</u> | <u>—</u> | <u>7,012</u> |
| Called up share capital | 5,513 | 517 | (2,205) | 3,825 |
| Share premium account | 1,612 | 1,513 | (430) | 2,695 |
| Revaluation reserve | 42 | — | — | 42 |
| Profit and loss account | (2,185) | — | 2,635 | 450 |
| Equity shareholders funds | <u>4,982</u> | <u>2,030</u> | <u>—</u> | <u>7,012</u> |

Notes:

- The net assets relating to the Group, which have been extracted from the audited accounts of the Group as at 1st April, 1996, are included within the Accountants' report set out in Part II of this document.
- The following assumptions have been made regarding the Placing:
 - 1,362,500 new shares will be issued at £1.60 raising £2,180,000;
 - 360,000 options will be exercised at £0.75, raising £270,000;
 - The total costs of the Placing will be £420,000.
- At an Extraordinary General Meeting of Majestic held on 9th September, 1996, shareholders resolved to restructure Majestic's share capital:
 - Each issued and authorised ordinary share of £1 was sub-divided into 2 ordinary shares of 50 pence each. The nominal amount of these ordinary shares was then reduced from 50p to 30p. This was done by cancelling the paid up capital to the extent of 20p upon each ordinary share. This reduced the paid up share capital of the Company by £2,205,056 from £5,512,640 to £3,307,584.
 - The share premium account was reduced by £429,944.
 - The combination of the two adjustments above increased the profit and loss account of both the Company and the Group by £2,635,000.
- No account has been taken of the trading results of the Group since 1st April, 1996.
- The financial information referred to above does not constitute statutory financial statements within the meaning of Section 240 of the Act.

PART V
ADDITIONAL INFORMATION

1. Responsibility

- (a) To the best of the knowledge, information and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information in this document is in accordance with the facts and there is no omission likely to affect the import of such information. All the Directors, whose names, functions and addresses are set out on page 4 of this document, accept responsibility accordingly.
- (b) Coopers & Lybrand, whose address is set out on page 4 of this document, are responsible under regulation 13 of the Regulations for their report and their letter and references thereto in the form and context in which they are included in this document and accept responsibility accordingly.
- (c) The Vendors are responsible for this document under regulation 13 of the Regulations and accept responsibility accordingly.

2. The Company

- (a) The Company is registered in England and Wales, having been incorporated on 28th July, 1988 under the Companies Act 1985 with Company Registration Number 2281640 as Findnew Public Limited Company, a public company limited by shares. The Company changed its name to Wizard Wine PLC on 4th May, 1989, and then to Majestic Wine PLC on 22nd October, 1992.
- (b) The Company has the following subsidiaries:

| <i>Name</i> | <i>Company Registration Number</i> | <i>Status</i> |
|---|--|-----------------------------------|
| Majestic Wine Warehouses Limited | 1594599 | private company limited by shares |
| Majestic Wine Employee Share Ownership Trust Limited | 3082908 | private company limited by shares |
| Wharfside Wine PLC | 2109914 | public company limited by shares |

Wharfside Wine PLC in turn has the following wholly owned subsidiaries:

| <i>Name</i> | <i>Company Registration Number</i> | <i>Status</i> |
|-----------------------|--|-----------------------------------|
| Marnlev Limited | 1165325 | private company limited by shares |
| Wizard Wine Limited | 2009180 | private company limited by shares |
| Liberty Wines Limited | 1880811 | private company limited by shares |

All the subsidiaries are incorporated in England and Wales and are wholly owned with the exception of Wharfside Wine plc where the company owns 99.9% of the issued ordinary share capital and all of that company's issued preference shares.

- (c) The liability of the members of the Company is limited.

MAJESTIC WINE PLC

3. The Company's share capital

- (a) The authorised and issued share capital of the Company as at the date of this document and following completion of the Placing are set out below:

| <i>Existing Ordinary Shares</i> | | | | <i>Proposed Ordinary Shares</i> | | | |
|---------------------------------|------------|-----------------------|------------|---------------------------------|------------|-----------------------|------------|
| Authorised | | Issued and fully paid | | Authorised | | Issued and fully paid | |
| £ | Number | £ | Number | £ | Number | £ | Number |
| 10,500,000 | 35,000,000 | 3,307,584 | 11,025,280 | 10,500,000 | 35,000,000 | 3,824,334 | 12,747,780 |

- (b) By a resolution dated 9th September, 1996, the authorised share capital of the Company was increased by £10,000,000 from £7,500,000 to £17,500,000 by the creation of 10,000,000 Ordinary Shares of £1 each.
- (c) By a resolution dated 9th September, 1996, each of the issued and authorised Ordinary Shares of £1 each were sub-divided into 2 Ordinary Shares of 50 pence each.
- (d) By a resolution dated 9th September, 1996, confirmed by an order of the High Court made on 9th October, 1996 the capital of the Company was reduced with effect from 18th October, 1996 from £17,500,000 divided into 35,000,000 Ordinary Shares of 50 pence each to £10,500,000 divided into 35,000,000 Ordinary Shares of 30 pence each by the cancellation of paid up capital to the extent of 20 pence on each of the issued Ordinary Shares of 50 pence each.
- (e) By a resolution dated 9th September, 1996, the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (as defined in that section) up to a maximum nominal amount of £1,500,000, (subject to a limit, following the issue of new Ordinary Shares pursuant to the Placing, of one-third in nominal value of the ordinary share capital of the Company in issue immediately following Admission) such authority expiring on 31st December, 1997 or at the conclusion of the Company's annual general meeting in 1997, whichever is the earlier, and allowing the Directors during that period to make offers or arrangements which could or might require the allotment of securities after the expiry of such period.
- (f) By a resolution dated 9th September, 1996, the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority referred to in sub-paragraph 3(e). above as if section 89(1) of the Act (which contains statutory pre-emption procedures in favour of existing shareholders which would otherwise apply in the case of new issues of shares for cash) did not apply in respect of:
- (i) new Ordinary Shares to be issued pursuant to the Placing;
 - (ii) rights issues; and
 - (iii) allotments of Ordinary Shares for cash save pursuant to sub-paragraphs (i) and (ii) above having a nominal value equal to five per cent. of the nominal value of the ordinary capital of the Company in issue immediately following Admission.

Save in connection with the Placing the Directors have no present intention of exercising this authority.

4. Share Option Schemes

(a) *Approved Share Option Scheme*

The following is a summary of the Rules of the Majestic Wine PLC Approved Executive Share Option Scheme ("the Approved Scheme"), which was adopted by the Company on 11th August, 1989 and subsequently amended on 14th October, 1996.

(i) Eligibility

All employees and full-time directors of the Company and its subsidiaries, who are not within 2 years of their contractual retirement date, are eligible to participate at the discretion of the Board's remuneration committee ("the Remuneration Committee").

(ii) Grant of options

Following Admission, options may be granted in each year in a period of 42 days starting on the announcement of the Company's interim or final results. In the circumstances deemed exceptional by the Remuneration Committee options may be granted outside this normal period. Options may not be granted more than 10 years after the date of the recent resolution amending the Approved Scheme (that is, 14th October, 1996). No consideration is payable for the grant of an option. Options granted under the Approved Scheme are personal to a participant and, except on his death, may not be transferred.

When granting options the Remuneration Committee may specify objective performance targets which must be satisfied before those options may be exercised.

(iii) Exercise price

The price at which participants in the Approved Scheme may acquire Ordinary Shares shall not be less than the greater of the nominal value of an Ordinary Share and its market price on the date of grant. The market price is set at the value agreed with the Inland Revenue or, if the Company's shares are admitted to the Official List, the average of the middle market quotations for an Ordinary Share on the London Stock Exchange on the 3 dealing days ending immediately prior to the date of the grant.

(iv) Individual limits

No option may be granted to a participant which would result in the aggregate exercise price of Ordinary Shares comprised in options granted to him under the Approved Scheme and any other equivalent approved share option scheme of the Company or any associated company exceeding £30,000. In addition, options may only be granted subject to a four times annual remuneration limit, which will take account of all options granted under the Approved Scheme or any other discretionary share option scheme. Any option which has already been exercised or has lapsed or been surrendered shall be ignored in calculating these limits.

(v) Exercise, lapse and exchange of options

Options may normally be exercised in whole or in part during the period between the third and tenth anniversaries of their grant provided any performance targets specified at the date of grant have been achieved. Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares.

Options normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons such as redundancy, retirement or ill-health, and at the discretion of the Remuneration Committee. In the event of an amalgamation, take-over or winding up of the Company options may be exercised within certain time limits. There are also provisions for the exchange of options in specified circumstances. Options may not be transferred, assigned or charged and immediately become void in the event of the participant's bankruptcy.

(vi) Limits on the issue of shares

No option to subscribe for Ordinary Shares may be granted on any date if the number of Ordinary Shares comprised therein, when aggregated with the number of Ordinary Shares issued or remaining issuable under the Approved Scheme or under any other employee share scheme in the period of 10 years ending on that date, would exceed 10 per cent. of the issued share capital of the Company or, in the period of 3 years ending on that date, would exceed 3 per cent. of the issued share capital.

In applying these limits options granted prior to Admission shall be ignored.

(vii) Adjustments

With the prior approval of the Inland Revenue the number of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs.

(viii) Rights attaching to shares

All Ordinary Shares allotted under the Approved Scheme will rank *pari passu* with all other Ordinary shares of the Company for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. An application will be made for any such Ordinary Shares to be admitted to AIM.

(ix) Amendments

The Remuneration Committee may at any time amend the Approved Scheme provided that the prior approval of the Company in general meeting is obtained for amendments which would make the terms of options more generous to participants. However, such prior approval will not be required in relation to any amendment which is made to obtain or maintain Inland Revenue approval or to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment of any participating company or any participant. No amendment shall have effect without the prior approval of the Inland Revenue.

(b) *Unapproved Executive Share Option Scheme*

As well as the Approved Scheme referred to above the Company has established the Majestic Wine PLC Unapproved Executive Share Option Scheme ("the Unapproved Scheme"), which was adopted by the Company on 22nd November 1995 and subsequently amended on 14th October, 1996. The Rules of the Unapproved Scheme conform substantially to those of the Approved Scheme. The following summary highlights only those provisions of the Unapproved Scheme which differ materially from the equivalent provisions of the Approved Scheme.

(i) Eligibility

Directors who are not full-time are eligible to participate at the discretion of the Remuneration Committee.

(ii) Exercise price

Whilst the Company's Ordinary Shares are traded on AIM the market price at the date of grant shall be deemed to be the average of the middle market quotations for an Ordinary Share on AIM on the 3 consecutive dealing days ending immediately prior to the date of grant. This complies with the Inland Revenue's practice on valuing the shares of an AIM company.

(iii) Individual limits

There is no £30,000 limit under the Unapproved Scheme. As under the Approved Scheme, a four times annual remuneration limit on the value of outstanding options shall apply to participants.

(iv) Exercise, lapse and exchange of options

Options may normally be exercised in whole or in part during the period between the second and seventh (rather than tenth) anniversary of their grant. In all other material respects the exercise provisions set out in the Unapproved Scheme equate to those in the Approved Scheme.

(c) *Savings Related Share Option Scheme*

The following is a summary of the Majestic Wine PLC 1996 Savings Related Share Option Scheme, which was adopted by the Company on 9th September, 1996.

(i) Eligibility

Those eligible to participate are employees and directors of the Company and its subsidiaries who have been in continuous service for a minimum period (but at most 5 years) as determined by the Remuneration Committee. Subject to certain restrictions, the Remuneration Committee may nominate any other employee or director to be eligible to participate.

(ii) Grant of options

Following Admission, invitations to apply for options may be made by the Remuneration Committee in a period of 42 days starting on the announcement of the Company's interim or final results. In circumstances deemed exceptional by the Remuneration Committee invitations may be issued outside this normal period. Options must be granted not later than 30 days (or 42 days in the event that applications need to be scaled down) following the dealing day by reference to which the market value of an Ordinary Share was determined.

An eligible employee who wishes to accept an invitation must enter into a Save As You Earn Contract ("SAYE Contract") with a nominated savings institution to save a regular monthly sum of up to £250 per month for a period of 3 or 5 years. Payment for the Ordinary Shares which are subject to an option may only be made out of the repayment received under the SAYE Contract, which repayment may include a bonus payable at the end of the period. An option granted will be over Ordinary Shares having an aggregate acquisition price no greater than the total repayments, including the bonus, due under the relevant SAYE Contract.

(iii) Exercise price

The price at which participants in the SAYE Scheme may acquire Ordinary Shares shall not be less than the greater of the nominal value of an Ordinary Share and 80 per cent. of its market price. The market price is set at the value agreed with the Inland Revenue or, if the Company's shares are admitted to the Official List, the average of the middle market quotations for an Ordinary Share on the London Stock Exchange on the 3 dealing days ending immediately prior to the date of the grant.

(iv) Exercise, lapse and exchange of options

An option will normally only be exercised during the 6 months commencing on the due date for repayment under the relevant SAYE Contract. Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares.

Exceptionally, an option holder may exercise his option before the due date if he ceases to be an eligible employee by reason of redundancy, retirement, injury or disability. If a participant ceases to be an eligible employee within 3 years of the date of grant by reason of any other circumstances his option shall lapse, but if such cessation occurs more than 3 years after the date of grant in circumstances not involving the termination of his employment by his employer the participant may exercise his option within 6 months.

In the event of an amalgamation, take-over or voluntary winding up of the Company, options may be exercised within certain time limits. There are also provisions for the exchange of options in specified circumstances. Options may not be transferred, assigned or charged and immediately become void in the event of the participant's bankruptcy.

(v) Limits on the issue of shares

No option may be granted if the number of Ordinary Shares comprised therein, when aggregated with the number of Ordinary Shares issued or remaining issuable under the SAYE Scheme or under any other employee share scheme in the period of 10 years ending on that date, would exceed 10 per cent. of the issued share capital of the Company or, in the period of 3 years ending on that date, would exceed 3 per cent. of the issued share capital.

In applying these limits options granted prior to Admission shall be ignored.

(vi) Adjustments

With the prior approval of the Inland Revenue the number of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs.

(vii) Rights attaching to shares

All Ordinary Shares allotted under the SAYE Scheme will rank *pari passu* with all other Ordinary Shares of the Company for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. An application will be made for any such Ordinary Shares to be admitted to AIM.

(viii) Amendments

The Remuneration Committee may at any time amend the SAYE Scheme provided that the prior approval of the Company in general meeting is obtained for amendments to the material advantage of participants. However, the prior approval of the Company will not be required in relation to any amendment which is made to obtain or maintain Inland Revenue approval or to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment of any participating company or any participant. In addition, the Remuneration Committee is given power to make such regulations for the implementation and administration of the Scheme as it requires. No amendments shall have effect without the prior approval of the Inland Revenue.

(d) *The Employee Share Ownership Trust*

On 22nd November, 1995 the Company established by deed an Employee Share Ownership Trust ("the ESOT"). The ESOT is a UK resident discretionary trust established for the benefit of employees and directors with the object of facilitating their recruitment, retention and motivation. Beneficiaries under the ESOT include all employees and former employees together with their spouses and infant children. The trustee is Majestic Wine Employee Share Ownership Trust Limited ("the Trustee"). It has powers to apply the income and capital of the trust fund for the benefit of the beneficiaries and may, at its discretion, accumulate income.

There are currently no Ordinary Shares held in the ESOT. However, by a deed of agreement executed on 22nd November, 1995 the Trustee of the ESOT may call upon the Company to allot and issue to it up to 421,000 Ordinary Shares at par. These Ordinary Shares will be required by the Trustee to satisfy unapproved options granted by it to certain employees on 15th December, 1995. The subscription monies will be loaned to the Trustee pursuant to a loan facility agreement made with the Company at the time.

The Trustee has agreed to act as an intermediary to facilitate the sale of employee's shares in the Placing. Accordingly, it is a Vendor and has offered to purchase from option holders the Ordinary Shares to be acquired by them if they elect to exercise options granted to them under the Approved Scheme. The Trustee will then transfer those Ordinary Shares to Placees pursuant to Placing and will account to the relevant option holders for the proceeds of sale, net of commission and stamp duty.

(e) *Free Options*

Options have been granted under the Unapproved Scheme by the ESOT in respect of 421,000 Ordinary Shares at nil value ("the Free Options") and by the Company over 874,000 Ordinary Shares at an exercise price of 75 pence per share ("the Initial Options"). On 14th October, 1996 the conditions attaching to the Free Options were changed by the ESOT to provide that the Free Options no longer need to be exercised along with Initial Options. This change was made to enable holders of Initial Options to exercise them conditional on Admission without losing the right to exercise the Free Options in due course.

MAJESTIC WINE PLC

5. Directors' and other interests

- (a) The interests of the Directors (including persons connected with them within the meaning of section 346 of the Act) in the issued share capital of the Company which have been notified to the Company pursuant to sections 324 and 328 of the Act as they appear in the Register of Directors' interests maintained by the Company under Section 325 of the Act as at the date of this document and the interests as they are expected to be following completion of the Placing are as follows:

| | <i>Number of Ordinary Shares before the Placing</i> | <i>Number of Ordinary Shares after the Placing</i> | <i>Ordinary Shares as % of issued share capital after the Placing</i> | <i>Number of Ordinary Shares under option after the Placing</i> | <i>Ordinary Shares under option as % of issued share capital after the Placing</i> |
|----------------|---|--|---|---|--|
| J D Apthorp | 7,057,594 (1) | 7,057,594 | 55.4 | nil | nil |
| T F How | 46,666 (2) | 30,666 | 0.24 | 347,000 | 2.7 |
| J F Kelly | nil | nil | nil | 204,000 | 1.6 |
| A J Mason | 34,998 (3) | 29,998 | 0.24 | 347,000 | 2.7 |
| G W Leahy | nil | nil | nil | nil | nil |
| A R Vandermeer | nil | nil | nil | nil | nil |

Notes

- 400,000 of the Ordinary Shares in which J D Apthorp is beneficially interested are held by his wife J Apthorp. In addition, J D Apthorp also has a non-beneficial interest in 6,657,594 Ordinary Shares which are held by the P&L Trust Company Limited, Jacques Pierre Labesse and Linda Mary Williams, as set out below in paragraph (c).
 - Of the Ordinary Shares which T F How is beneficially interested in, 8,000 are held by his wife E How and 38,666 in his own name. Following the Placing TF How will be beneficially interested in 30,666 Ordinary Shares and his wife will no longer hold any Ordinary Shares.
 - Of the Ordinary Shares which A J Mason is beneficially interested in, 11,666 are held by his wife H Mason and 23,332 in his own name. Following the Placing H Mason will hold 6,666 Ordinary Shares and A J Mason's holding will remain the same.
- (b) Save as disclosed in paragraph (a) above, none of the Directors (or any person connected with them within the meaning of section 346 of the Act) has or will have following the Placing any interest in the share capital of the Company or any of its subsidiaries.
- (c) Save as disclosed in paragraph (a) above and save for the following shareholders none of the Directors is aware of any interest (within the meaning of Part VI of the Act) which represents 3% or more of the issued share capital of the Company at the date of this document or of any person who directly or indirectly, jointly or severally exercise or could exercise control over the Company:

| <i>Shareholder</i> | <i>Number of Ordinary Shares before the Placing</i> | <i>Ordinary Shares as % of issued share capital before the Placing</i> | <i>Number of Ordinary Shares after the Placing</i> | <i>Ordinary Shares as % of issued share capital after the Placing</i> |
|---|---|--|--|---|
| P & L Trust Company Limited, Jacques Pierre Labesse and Linda Mary Williams | 6,657,594 | 60.4 | 6,657,594 | 52.2 |
| Taz Bay Investments Limited | 622,220 | 5.6 | 462,220 | 3.6 |
| Trustees of Milly Apthorp Charitable Trust | 533,332 | 4.8 | nil | nil |
| Mechan Howard & Payne Co Limited | 408,332 | 3.7 | 408,332 | 3.2 |
| Ottilia Investments Limited | 533,332 | 4.8 | 383,332 | 3.0 |
| Cantrade Nominees Limited | 334,442 | 3.0 | 334,442 | 2.6 |

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- (d) Save as disclosed in Note 20 of the Accountants' report set out in Part II of this document, no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or which was effected during any earlier financial year and remains in any respect outstanding or unperformed.
- (e) No loans or guarantees have been granted or provided to or for the benefit of any of the Directors by the Company.
- (f) The table below sets out the details of the directorships other than that of the Company and other members of the Group held during the five years immediately preceding the date of this document by each of the Directors. Where the directorship is marked with an asterisk the Director concerned is no longer at the date of this document a director of the relevant company.

| <i>Name</i> | <i>Directorships</i> |
|-------------------------|--|
| John Dorrington Apthorp | S K Rep plc Corby Bottlers plc |
| Timothy Francis How | Branston Produce plc* Mangreen Holdings Limited* |
| John Francis Kelly | Bushey Hall Golf Club Limited* |
| Anthony John Mason | None |
| Gerald Whieldon Leahy | ACT Administration Limited* Anados Limited* Funding for Homes Limited Daiwa Europe Bank PLC Lombard North Central PLC Densitron International PLC |
| Arnold Roy Vandermeer | None |

- (g) None of the Directors has any unspent convictions nor has any of them been publicly criticised by any statutory or regulatory authority.
- (h) None of the Directors has been a director of a company at the time of or within the twelve months preceding such company having gone into receivership or liquidation. None of the Directors is or has been bankrupt.
- (i) Each of the following Directors have a service agreement with the Company which is conditional on Admission and is not capable of termination on less than one year's prior written notice by the Company without payment of compensation.

| <i>Director</i> | <i>Date of Agreement</i> | <i>Date of Commencement of Employment</i> | <i>Annual Salary</i> |
|-----------------|--------------------------|---|----------------------|
| J D Apthorp | 30th October, 1996 | 3rd April, 1989 | £40,000 |
| T F How | 30th October, 1996 | 3rd April, 1989 | £80,000 |
| J F Kelly | 30th October, 1996 | 16th September, 1991 | £42,500 |
| A J Mason | 30th October, 1996 | 3rd April, 1989 | £42,500 |

Under the terms of the above service agreements each of the executive Directors, excluding J D Apthorp, are entitled to participate in the Majestic Wine Profit Related Pay Scheme.

The service agreements also provide for the executive Directors, excluding J D Apthorp, to be provided with medical insurance, life assurance, a motor car and annual contributions to their respective personal pension plans. The service agreements provide that the Company shall make an annual contribution into each of their personal pension plans of an amount equal to 10% of their annual salary and thereafter a sum equal to the Director's own voluntary contributions up to the aggregated annual maximum contribution by the Company of 15% of the Director's salary.

Save as mentioned above, the Directors do not receive any other benefits or benefits in kind from any member of the Group.

The service agreements are all terminable by either party on giving the other 12 months' written notice.

The Company has taken out keyman insurance of £500,000 in respect of T F How for a 10 year term expiring on 14th May, 2002.

- (j) G W Leahy and A R Vandermeer have letters of engagement with the Company under which they each receive an annual fee of £12,500 for their services as non-executive Directors. Each of their appointments are terminable on 3 months' written notice by either them or the Company.
- (k) Save as disclosed above there are no other existing or proposed service agreements between any of the Directors and the Company.
- (l) The aggregate remuneration including salaries, fees, pension contributions, bonus payments and benefits in kind of the Directors during the financial period ended 1st April, 1996 amounted to £223,630. It is estimated that the aggregate remuneration and benefits in kind to be paid or granted to the Directors for the current financial year under the arrangements in force at the date of this document will not exceed £290,000.

6. Memorandum and Articles of Association

Memorandum of Association

The Memorandum of Association of the Company provides that its principal object is "to acquire and hold controlling and other interests in the share or loan capital of any company or companies and in particular in companies engaged in the business of merchants, dealers, shippers and producers of wines, spirits, beers and other alcoholic and non-alcoholic beverages and to act as the holding and co-ordinating company of the group of companies of which the Company is from time to time the holding company." The full objects of the Company are set out in Clause 4 of the Company's Memorandum of Association.

Articles of Association

New Articles of Association ("the Articles") were adopted by the Company on 9 September 1996. The Articles contain, inter alia, provisions to the following effect:

- (a) *Rights attaching to voting shares*
 - (i) Voting rights of members

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder.

(ii) Dividends

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro-rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

(iii) Return of capital

On a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up, or with the sanction of an extraordinary resolution of the Company, be divided amongst the members in specie in such manner as shall be determined by the liquidator.

(b) *Transfer of shares*

All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if required); and
- (vi) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis.

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

The Ordinary Shares now in issue are, and the new Ordinary Shares to be issued pursuant to the Placing will be, in registered form. The Directors have the power, subject to giving notice to the Company's shareholders in accordance with the Uncertified Securities Regulations 1995 to resolve that the title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as the CREST System .

(c) *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares ("the default shares") to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent in nominal value of their class:
 - (A) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - (B) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer for the Company or a bona fide sale to an unconnected third party of any shares held by the member shall be registered unless:
 - the member is not himself in default as regards supplying the information required; and
 - the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(d) *Changes in capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of the them into shares of smaller amounts;
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

(e) *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

(f) *Directors' remuneration*

The aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall not exceed £50,000 per annum, or such other sum as may from time to time be determined by ordinary resolution of the Company. Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(g) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £20 million or an amount equal to 3 times the aggregate of:

- (i) the amount paid up (or credited as paid up) on the issued share capital of the Company;
- (ii) the amount outstanding to the credit of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve fund and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any credit or debit balance on the profit and loss account;

all as shown in the then latest published audited consolidated balance sheet of the Company and its subsidiaries but after adjustments as set out in the Articles.

7. The Placing Agreement

By a Placing Agreement dated 5th November, 1996 ("the Placing Agreement") between (1) Williams de Broë (2) the Company (3) the Directors and (4) the Vendors, Williams de Broë has agreed conditionally upon, *inter alia*, Admission taking place on or before 8.30 am on 11th November, 1996 (or such later time and/or date as Williams de Broë may agree):

- (a) to use reasonable endeavours to procure subscribers for 1,362,500 new Ordinary Shares proposed to be issued by the Company pursuant to the Placing; and
- (b) to use reasonable endeavours to procure purchasers for 1,381,000 existing Ordinary Shares proposed to be sold by the Vendors pursuant to the Placing;

in each case at the Placing Price.

The Placing Agreement contains an indemnity from the Company and warranties from the Company and the Directors in favour of Williams de Broë, together with provisions which enable Williams de Broë to terminate the Placing Agreement in certain circumstances prior to Admission, including in circumstances where any of the warranties are found not to be true or accurate in any material respect. Williams de Broë will receive a corporate finance fee of £80,000, payable by the Company, together with commission of 2 per cent. of the aggregate value of the Placing Shares at the Placing Price payable by the Company in respect of new Ordinary Shares to be issued by the Company and payable by the Vendors in respect of existing Ordinary Shares being sold. The Company will meet all other fees and expenses associated with the Placing. If Admission does not take place on or before 11th November, 1996, or such later date as the Company or Williams de Broë may agree, not being later than 25th November, 1996, the obligations of Williams de Broë will terminate.

Monies for the Placing Shares are payable to Williams de Broë. If the Placing Agreement becomes unconditional, Williams de Broë will pay the monies received by it from Placees, less expenses, to the Company, for itself and the Vendors. If the conditions of the Placing are not satisfied or waived not later than 25th November, 1996, Williams de Broë will return the monies to the Placees forthwith. Any monies returned will be sent at the risk of the addressee without interest. Share certificates will be sent to Placees by first class post at their risk.

8. Working Capital

In the opinion of the Directors, having made due and careful enquiry, taking into account existing bank facilities and the proceeds of the Placing, the working capital available to the Group is sufficient for its present requirements.

9. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against or being brought by the Group) which may have or are having a significant effect on the Group's financial position.

10. Property

The locations of Majestic's stores are set out below:-

London and inside M25

| | |
|-------------------|---|
| Battersea | Albion Wharf, Hester Road, London SW11 4AN |
| Bushey | 125 High Road, Bushey Heath, Hertfordshire WD2 1JA |
| Catford | 9-13 Catford Hill, London SE6 4NU |
| Chalk Farm | 62-63a Chalk Farm Road, London NW1 8AN |
| City | 201-207 Shoreditch High Street, London E1 6LG |
| Clapham | 12 Balham Hill, London SW12 9EA |
| Croydon | Unit 2, 226 Purley Way, Croydon, Surrey CR0 4XG |
| Ealing | 42 Hastings Road, London W13 8QH |
| Epsom | 31-37 East Street, Epsom, Surrey KT17 1BD |
| Fulham | 421 New Kings Road, London SW6 4RN |
| Gidea Park | 97-107 Main Road, Gidea Park, Romford, Essex RM2 5ET |
| Greenwich | 132 Greenwich South Street, London SE10 8NX |
| Islington | 2 Holloway Road, London N7 8LJ |
| Kingston | 36 Cambridge Road, Kingston, Surrey KT1 3EF |
| Mayfair | 49 South Audley Street, London W1Y 5FA |
| Muswell Hill | 107 Fortis Green, London N2 9HR |
| New Barnet | 86-90 East Barnet Road, New Barnet, Hertfordshire EN4 8RE |
| Notting Hill Gate | 166 Campden Hill Road, London W8 7AS |
| Richmond | 138 Lower Mortlake Road, Richmond TW9 2JZ |
| Shepherds Bush | 165-169 Goldhawk Road, London W12 8EP |
| South Kensington | 91 Pelham Street, London SW7 2NL |
| Surbiton | 40-48 Brighton Road, Surbiton, Surrey KT6 5PL |
| Vauxhall | Arch 84, Goding Street, London SE11 5AW |
| Wanstead | 60 High Street, London E11 2PU |
| Weybridge | 66-68 Church Street, Weybridge, Surrey KT13 8DL |
| Wimbledon | 229-233 The Broadway, London SW19 1SD |

Birmingham Stores

| | |
|------------------|--|
| Acocks Green | 1293-1295 Warwick Road, Acocks Green, Birmingham B27 6PU |
| Birmingham | 467-471 Hagley Road, Warley, West Midlands B66 4AU |
| Sutton Coldfield | 3 Maney Corner, Sutton Coldfield, West Midlands B72 1QL |

Regional Stores

| | |
|-----------------|--|
| Amersham | 51 Woodside Road, Amersham, Buckinghamshire HP6 6AA |
| Bletchley | 11 Dukes Drive, Bletchley, Milton Keynes, Buckinghamshire MK2 2QG |
| Brighton & Hove | 271 Old Shoreham Road, East Sussex BN3 7ED |
| Bristol | 349 & 355 Bath Road, Arnos Vale, Bristol BS4 3EW |
| Cambridge | 7-8 Coldhams Lane, Cambridge CB1 3EP |
| Chester | Fountain Roundabout, 114a Upper Northgate Street, Chester CH1 4ET |
| Chelmsford | 96-98 Springfield Road, Chelmsford CM2 6JY |
| Chichester | 107 The Hornet, Chichester, West Sussex PO19 4JR |
| Farnham | Unit 3, Romans Business Park, East Street, Farnham, Surrey GU9 7SX |
| Gloucester | St. Bartholomews Almshouses, Westgate Street, Gloucester GL1 2RU |
| Guildford | 18-19 Woodbridge Road, Guildford, Surrey GU1 1DY |
| Ipswich | 98a & 100 Handford Road, Ipswich, Suffolk IP1 1BH |

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| | |
|--------------|---|
| Leeds | 232 Harrogate Road, Chapel Allerton LS7 4QD |
| Maidenhead | Unit 7, The Bishop Centre, Bath Road, Maidenhead, Berkshire SL6 0NY |
| Newbury | 127 London Road, Newbury, Berkshire RG13 2BX |
| Northampton | 127-133 St. James Road, Northampton NN5 5LD |
| Norwich | 9 Dereham Road, Norwich, Norfolk NR2 4HX |
| Nottingham | Castle Boulevard, Nottingham NG7 1GL |
| Oxford | 381 Cowley Road, Oxford OX4 2BS |
| Peterborough | 68 Albert Place, Bourges Boulevard, Peterborough PE1 1DD |
| Poole | 205 Bournemouth Road, Parkstone, Poole BH14 9HU |
| Reading | Unit 2, Vastern Road, Caversham Road, Berkshire RG1 8AL |
| Reigate | 87-93 Bell Street, Reigate, Surrey RH2 7AN |
| St. Albans | 55 Victoria Street, St. Albans, Hertfordshire AL1 3UW |
| Salisbury | 90 Southampton Road, Salisbury, Wiltshire SP1 2LE |
| Southampton | Western Esplanade, Southampton SO14 2EU |
| Stockport | 5 Bramhall Lane, Stockport, Cheshire SK2 6HT |
| Sunningdale | Halfpenny Lane, London Road, Sunningdale, Berkshire SL5 0DQ |
| Swindon | 18-22 Cricklade Road, Gorse Hill, Swindon SN2 6AA |
| Taunton | Unit 2, The Showrooms, Wellington New Road, Taunton TA1 5LU |
| Winchester | Andover Road Retail Park, Andover Road, Winchester SO23 7RY |
| Worcester | 18-20 Silver Street, Worcester WR1 2DA |

11. Intellectual Property

Majestic Wine Warehouses Limited has registered the Majestic Wine name as a trademark for the purpose of wines in class 33.

12. Taxation

The Directors have been advised that the Company is a close company as defined by section 414 of the Income and Corporation Taxes Act 1988.

Dividends

Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments, but, when paying a dividend, the Company has to remit to the Inland Revenue an amount of Advance Corporation Tax ("ACT"). The rate of ACT payable in respect of dividends currently equals one quarter of the dividend.

A UK resident individual shareholder who receives a dividend will be entitled to a tax credit which may be set off against his total income tax liability or, in appropriate cases, reclaimed in cash. The amount of the tax credit is equal to one quarter of the dividend. A UK resident individual will be liable to income tax upon the total of the dividend received and the tax credit. A rebate of the tax credit (or part of it) may be claimed where the tax credit exceeds the individual's liability to UK income tax. Unless the individual is subject to the higher rate of income tax (taking into account his other income and any other tax credits and allowances) he will be able to utilise the tax credit so that no further tax will be payable in this respect. Shareholders who are liable to tax at the higher rate (currently 40 per cent) will have a further liability to income tax of 20 per cent of the aggregate of the dividend and the tax credit received.

A UK resident corporate shareholder will not normally be liable to UK corporation tax on any dividend received and the dividend and associated tax credit will represent franked investment income.

Whether shareholders in the Company resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on their shares depends, in general, upon the provisions of any double taxation convention or agreement which exists between such countries and the UK. Persons who are not resident in the UK should consult their own professional adviser on the possible application of such provisions, the procedure for reclaiming payment and what relief or credit may be claimed in the jurisdiction in which they are registered for any tax credit.

Stamp Duty

The Company has been advised that the issue and allotment of new Ordinary Shares by the Company pursuant to the Placing will not give rise to a charge to stamp duty or stamp duty reserve tax.

The sale of Ordinary Shares by the Vendors pursuant to the Placing will generally give rise to a charge to stamp duty at the rate of 50p per £100 (or part thereof) on the actual consideration paid. The Vendors have undertaken to bear the cost of any stamp duty that may arise provided that placees are persons who are liable for stamp duty at the rate of 50p per £100 (or part thereof). Each placee will be required to give a confirmation to this effect.

The sale of Ordinary Shares following the Placing will be subject to stamp duty or stamp duty reserve tax, normally at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration.

The above comments are intended as a general guide to the position under current law and practice in the UK and may not apply to certain classes of shareholders. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser.

13. Minimum subscription

The minimum amount which in the opinion of the Directors must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of the Regulations is £4,389,600 which will be applied as follows:

- (a) £nil in respect of preliminary expenses;
- (b) approximately £43,600 in respect of estimated commissions for procuring subscription for shares in the Company;
- (c) £576,000 in respect of the repayment of current borrowings;
- (d) £nil in respect of the purchase of any property; and
- (e) the balance for working capital purposes.

14. General

- (a) Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 1st April, 1996, being the date to which the latest consolidated audited accounts of the Company were prepared.
- (b) The costs and expenses of and incidental to the Placing payable by the Company are estimated to amount to approximately £420,000. These include the cost of application for Admission, accountancy fees, the Company's and Williams de Broë's legal fees, the cost of printing and advertising the Placing, the fees and expenses of the Registrars and the fees and commissions payable to Williams de Broë.

- (c) This document constitutes a Prospectus under the Regulations and two copies have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the Regulations.
- (d) Coopers & Lybrand have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report and letter and the references to such report and letter and to their name in the form and context in which they appear.
- (e) ACNielsen.Stats MR have given and have not withdrawn their written consent to the issue of this document and to the references to their report and to their name in the form and context in which they appear.
- (f) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts have been delivered to the Registrar of Companies for the periods ended 28th March, 1994, 3rd April, 1995 and 1st April, 1996. Auditors' reports in respect of each set of statutory accounts have been made under section 235 of the Act and each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act.
- (g) Certificates in respect of the Placing Shares will be issued to Placees within two weeks of the date of completion of the Placing.

15. Documents for inspection

Copies of this prospectus are available free of charge at, and copies of the following documents may be inspected at the offices of Osborne Clarke, Hillgate House, 26 Old Bailey, London, EC4M 7HS, during usual business hours on any weekdays (Saturdays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the three financial periods ended 1st April, 1996;
- (c) the Accountants' report contained in Part II and the related statement of adjustments;
- (d) the rules of the Share Option Schemes;
- (e) the service agreements between the Company and the Directors referred to in paragraphs 5(i) and 5(j) of this Part V;
- (f) the placing agreement referred to in paragraph 7 of this Part V;
- (g) the written consents referred to in paragraphs 14(d) and 14(e) of this Part V.

Dated 5th November, 1996

