Directors' Report
For the year ended 28 March 2005

The Directors present their report and Group financial statements for the year ended 28 March 2005.

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

Results and review of the business
The Profit and Loss Account is set out on page 16.

The Directors' Report should be read in conjunction with the Chairman's Statement on page 3 and the Review of Operations on pages 4 to 7 which include information about the Group's business performance during the year and indication of future prospects.

Dividends
The Directors propose that a final dividend of 4.0p net per Ordinary Share be paid which, together with an interim dividend of 1.5p paid on 7 January 2005, makes a total of 5.5p (2004: 4.125p after restating for the four-for-one share division implemented on 9 August 2004) per share for the year. The final dividend amounting to £2,550,000, if approved, will be paid on 5 August 2005 to the shareholders whose names appear on the Register of Members at the close of business on 1 July 2005, leaving £5,043,000 to be transferred to reserves.

Directors
The Directors who served during the year were:

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

All of the Directors served for the whole of the year. AJ Mason resigned from the Board on 28 March 2005.

SP Burke and PB Dermody are non-executive Directors.

In accordance with the Company's Articles of Association NRE Alldritt and SP Burke retire by rotation and, being eligible, offer themselves for re-election.

Corporate Governance
The Board has established an audit committee and a remuneration committee.

Audit Committee
The audit committee consists of the Chairman and the non-executive Directors. The Chief Executive and Finance Director attend by invitation. It is chaired by one of the non-executive Directors. It meets as required during the year, at least once with the Group's external auditors. Its role is to review the interim and final financial statements for approval by the Board, to ensure that appropriate financial and operating controls are functioning properly and to provide the forum through which the Group's external auditors report to the Board.

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

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

Financial Reporting
The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared and specific objectives and targets are set. The key trading aspects of the business are monitored weekly and internal management and financial accounts are prepared quarterly. The results are compared to budget and prior year performance.

Store Control Environment
Operating procedures for control of store operations are clearly documented and set out in operation manuals. Senior operational managers are responsible for the implementation of these procedures and compliance is monitored.

Functional Reporting
The risks facing the business are assessed on an ongoing basis. A number of key areas such as treasury risk management, capital expenditure, insurance, health and safety, and regulatory compliance, come under the direct control of the executive Directors.

Directors' Report
For the year ended 28 March 2005

Remuneration Committee
The remuneration committee consists of the Chairman and the two non-executive Directors. It is chaired by one of the non-executive Directors. It meets as required during the year. The committee determines the remuneration and benefits of the executive Directors. The executive Directors have rolling one year contracts subject to one year's notice on either side. The Group operates Executive Share Option Schemes in which the Directors and managers participate. The Group also operates a Savings Related Share Option Scheme that is available to all Group employees, and conforms to Inland Revenue rules. The committee determines the allocation of shares for both share schemes and the awards made for the Co-investment Plan and the Deferred Bonus Scheme.

The remuneration of non-executive Directors is determined by the Board within the limits set by the Company's Articles of Association. They have letters of engagement with the Company and their appointments are terminable on three months written notice on either side.

Co-investment Plan
The Company has adopted a new Co-investment Plan for the executive Directors replacing their participation in the Deferred Bonus Scheme. The executive Directors' future participation in the Group's Executive Share Option Schemes has also been limited such that they will be eligible to receive options over shares in value up to a maximum of two times gross salary at the date of grant which will only become exercisable on the achievement of performance criteria determined by the remuneration committee.

The executive Directors are entitled to a cash award of £238,000 under the terms of the annual bonus scheme for the year ended 28 March 2005. The remuneration committee has determined that they will be required to invest a minimum of 25% of their net annual bonus to acquire shares, which must be held in the Co-investment Plan. Participants may also invest additional amounts in the form of cash or shares in the plan such that the total value invested is not more than 60% of gross salary this year. Shares invested must be held in the plan for three years. At the end of the period, provided participants are still employed within the Group and dependent upon the performance of the Group in terms of total shareholder return as measured against a basket of comparator companies, they may be awarded free shares up to a maximum award of one and a half free shares for every share invested. The total amount payable under the scheme is capped at one and a half times gross salary in any one year.

Deferred Bonus Scheme
The Group operates a Deferred Bonus Scheme for senior managers, which excludes the executive Directors.

It involves the award of bonus shares to participants subject to meeting performance criteria that are set annually by the remuneration committee. Any bonus shares awarded in this manner are held on behalf of participants by the trustee of the Company's employee share ownership trust for a 2 year deferral period. At the end of that period, participants have a right to receive loyalty shares of equivalent number provided that they are still in employment. Some or all of the bonus shares may be paid in cash if participants request, but this is only at the discretion of the trustee. Participants who are paid cash in this manner forfeit their entitlement to loyalty shares.

Under the terms of the scheme for the financial year ended 28 March 2005, participants are entitled to an award of bonus shares equal to £124,000.

The best estimate for the cost of bonus and loyalty shares including employer national insurance is £280,000 and this has been provided in the financial statements for the year ended 28 March 2005.

Directors' Report
For the year ended 28 March 2005

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

	Number of Ordinary Share	
	2005	Restated 2004
JD Apthorp (note 1)	**9,636,976**	19,088,976
TF How (note 2)	**418,428**	650,152
AJ Mason (note 3)	**14,076**	87,320
SJ Lewis	**38,860**	23,064
SP Burke	**8,000**	8,000
NRE Alldritt	**18,680**	7,228
PB Dermody	**2,000**	nil

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

2) The Ordinary Shares that TF How has an interest in are held 207,440 in his own name, 190,988 by his wife EM How and 20,000 are held jointly.

3) The Ordinary Shares that AJ Mason has an interest in are held 13,976 in his own name and 100 by his wife H Mason. AJ Mason retired on 28 March 2005.

The Directors' interests in share options are as follows:

	Restated Options at 29.03.04	Options granted	Options exercised	**Options at 28.03.05**	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry date
TF How	50,520	-	50,520	**-**	£0.60625	£2.35	24.11.03	23.11.07
	49,480	-	49,480	**-**	£0.60625	£2.35	24.11.03	24.11.10
	200,000	-	-	**200,000**	£1.145	-	09.07.05	08.07.09
	4,396	-	-	**4,396**	£1.2625	-	01.09.06	28.02.07
	-	1,904	-	**1,904**	£1.99	-	01.08.08	31.08.08
NRE Alldritt	26,200	-	-	**26,200**	£1.145	-	09.07.05	09.07.12
	93,800	-	-	**93,800**	£1.145	-	09.07.05	08.07.09
	10,380	-	-	**10,380**	£0.915	-	26.07.05	25.01.06
AJ Mason	50,520	-	50,520	**-**	£0.60625	£2.35	24.11.03	23.11.07
	49,480	-	49,480	**-**	£0.60625	£2.35	24.11.03	24.11.10
	4,396	-	-	**4,396**	£1.2625	-	01.09.06	28.02.07
	-	3,321	-	**3,321**	£1.99	-	01.03.10	31.08.10
SJ Lewis	4,840	-	-	**4,840**	£0.76875	-	22.12.01	22.12.08
	56,800	-	56,800	**-**	£0.60625	£2.35	24.11.03	23.11.07
	17,000	-	10,000	**7,000**	£0.60625	£2.375	24.11.03	24.11.10
	100,000	-	-	**100,000**	£1.145	-	09.07.05	08.07.09
	4,396	-	-	**4,396**	£1.2625	-	01.09.06	28.02.07
	-	1,904	-	**1,904**	£1.99	-	01.03.08	31.08.08

The market value of the Company's shares at 28 March 2005 was 261.5p. The highest and lowest prices during the year were 288.5p and 191.25p respectively.

Major shareholders
At 1 June 2005 the following interests of shareholders in excess of 3%, have been notified to the Company.

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
P&L Trust Company Limited	7,978,376	12.52
Foreign & Colonial	3,163,655	4.96
Fidelity	2,946,486	4.62
Framlington	2,588,016	4.06
Standard Life	2,150,616	3.37
Artemis UK Growth Fund	2,000,000	3.14
Henderson Global Investors	1,952,691	3.06

Directors' Report
For the year ended 28 March 2005

Charitable and political donations
Charitable donations made in the year amounted to £31,000. The largest beneficiaries were the DEC Tsunami Appeal at £15,000 and CLIC at £13,000. There were no political donations.

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

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

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

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

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

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

(c) pay in accordance with the terms agreed.

The average credit period taken during the year by the Group was 81 days (2004: 79 days). The Company has no trade creditors.

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

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

By Order of the Board

NRE Alldritt ACMA
Secretary

Majestic House
Otterspool Way
Watford
Herts WD25 8WW

13 June 2005

Registered in England and Wales
No. 2281640

Audit Report
For the year ended 28 March 2005

Independent Auditors' report to the members of Majestic Wine PLC

We have audited the Group's financial statements for the year ended 28 March 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets, Group Cash Flow Statement and associated notes, Accounting Policies and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's Statement and Review of Operations. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Luton

13 June 2005

Group Profit & Loss Account
For the year ended 28 March 2005

	Note	Year to 28.03.05 £000	Year to 29.03.04 £000
Turnover		**162,517**	148,261
Cost of sales		**(128,436)**	(118,065)
Gross profit		**34,081**	30,196
Distribution costs		**(13,103)**	(12,134)
Administrative costs		**(8,760)**	(8,056)
Other operating income		**440**	405
Operating profit	1	**12,658**	10,411
Profit on disposal of fixed assets	3	**88**	396
Profit on ordinary activities before interest and taxation		**12,746**	10,807
Net interest receivable/(payable)	4	**144**	(148)
Profit on ordinary activities before taxation		**12,890**	10,659
Taxation	5	**(4,347)**	(3,461)
Profit on ordinary activities after taxation		**8,543**	7,198
Dividend			
Interim – paid		**(950)**	(701)
Final – proposed		**(2,550)**	(1,893)
Retained profit for the year	19	**5,043**	4,604
Earnings per share			
Basic	6	**13.6p**	11.8p
Diluted	6	**13.2p**	11.3p
Underlying earnings per share			
Basic	6	**14.0p**	11.7p
Diluted	6	**13.6p**	11.3p

Group Statement of Total Recognised Gains and Losses
For the year ended 28 March 2005

	Year to 28.03.05 £000	Year to 29.03.04 £000
Profit for the year attributable to members of the parent company	**8,543**	7,198
Currency translation differences on foreign currency net investments	**71**	(101)
Total gains and losses relating to the year	**8,614**	7,097

Balance Sheets
As at 28 March 2005

	Note	Group 28.03.05 £000	Group 29.03.04 £000	Company 28.03.05 £000	Company 29.03.04 £000
Fixed assets					
Intangible fixed assets	7	**6,135**	6,505	**-**	-
Tangible fixed assets	8	**29,347**	24,528	**-**	-
Investments	9	**-**	-	**12,021**	12,021
		35,482	31,033	**12,021**	12,021
Current assets					
Stocks	10	**27,798**	23,577	**-**	-
Debtors	11	**6,199**	6,058	**10,086**	8,346
Cash at bank and in hand		**7,840**	4,376	**-**	-
		41,837	34,011	**10,086**	8,346
Creditors:					
Amounts falling due within one year	12	**(40,240)**	(33,873)	**(2,550)**	(1,896)
Net current assets		**1,597**	138	**7,536**	6,450
Total assets less current liabilities		**37,079**	31,171	**19,557**	18,471
Creditors:					
Amounts falling due after more than one year	13	**-**	-	**(2,000)**	(2,000)
Provision for liabilities and charges	14	**(297)**	(342)	**-**	-
Net assets		**36,782**	30,829	**17,557**	16,471
Capital and reserves					
Called up share capital	15	**4,776**	4,701	**4,776**	4,701
Share premium account	19	**6,750**	5,764	**6,750**	5,764
Revaluation reserve	19	**22**	22	**-**	-
Capital reserve – own shares	19	**(407)**	(242)	**-**	-
Profit and loss account	19	**25,641**	20,584	**6,031**	6,006
Equity shareholders' funds		**36,782**	30,829	**17,557**	16,471

The financial statements were approved by the Board on 13 June 2005 and signed on its behalf by:

JD Apthorp
Chairman

Group Cash Flow Statement
For the year ended 28 March 2005

	Year to 28.03.05 £000	Year to 29.03.04 £000
Net cash inflow from operating activities	**16,896**	12,845
Returns on investments and servicing of finance		
Interest paid	**(12)**	(34)
Term loan interest	**-**	(175)
Interest received	**145**	69
	133	(140)
Taxation		
UK corporation tax paid	**(3,416)**	(2,490)
Overseas corporation tax paid	**(927)**	(482)
	(4,343)	(2,972)
Capital expenditure		
Payments to acquire tangible fixed assets	**(7,709)**	(5,804)
Receipts from sales of tangible fixed assets	**764**	1,181
Net cash outflow from capital expenditure	**(6,945)**	(4,623)
Equity dividends paid	**(2,846)**	(1,921)
Net cash inflow before financing	**2,895**	3,189
Financing		
Issue of Ordinary Share capital	**516**	828
Receipt for exercise of share options satisfied by QUEST	**9**	164
Repayment of bank loan	**-**	(4,300)
Increase/(decrease) in cash for the year	**3,420**	(119)

Notes to the Group Cash Flow Statement
For the year ended 28 March 2005

Reconciliation of operating profit to net cash flow from operating activities

	Year to 28.03.05 £000	Year to 29.03.04 £000
Operating profit	**12,658**	10,411
Depreciation charges	**2,183**	1,978
Amortisation charge	**370**	370
Loss/(profit) on disposal of tangible fixed assets	**58**	(18)
Increase in stocks	**(4,221)**	(2,745)
Increase in debtors	**(231)**	(1,503)
Increase in creditors	**5,810**	3,726
(Decrease)/increase in provisions	**(45)**	133
Deferred bonus payable in shares	**314**	493
Net cash inflow from operating activities	**16,896**	12,845

Analysis of net funds

	Cash £000	Term Loan £000	Arrangement Fees £000	Total £000
As at 31 March 2003	4,567	(4,300)	53	320
Cash outflow	(119)	-	-	(119)
Exchange differences	(72)	-	-	(72)
Repayment of term loan	-	4,300	-	4,300
Amortisation of loan arrangement fees	-	-	(53)	(53)
At 29 March 2004	4,376	-	-	4,376
Cash inflow	3,420	-	-	3,420
Exchange differences	44	-	-	44
Net funds at 28 March 2005	7,840	-	-	7,840

Reconciliation of net cash flow to net funds

	Year to 28.03.05 £000	Year to 29.03.04 £000
Increase/(decrease) in cash	**3,420**	(119)
Amortisation of loan arrangement fees	**-**	(53)
Repayment of term facility	**-**	4,300
Exchange differences	**44**	(72)
Movement in net funds	**3,464**	4,056
Net funds at 29 March 2004	**4,376**	320
Net funds at 28 March 2005	**7,840**	4,376

Accounting Policies

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

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

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

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

The criteria for forward foreign currency contracts are:

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

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

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

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

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

Notes to the Financial Statements

1. Operating profit

	Year to 28.03.05 £000	Year to 29.03.04 £000
Operating profit is stated after charging/(crediting):		
Depreciation	**2,183**	1,978
Amortisation	**370**	370
Operating lease rentals – plant and machinery	**581**	561
– other	**4,961**	4,374
Loss/(profit) on disposal of fixed assets	**58**	(18)
Auditors' remuneration:		
in respect of audit		
– Company	**5**	5
– Group	**49**	57
for non-audit services	**20**	17

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

2. Employee information

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

	2005	2004
Head office, including distribution	**97**	91
Store staff	**586**	563
	683	654

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

	Year to 28.03.05 £000	Year to 29.03.04 £000
Wages and salaries	**14,330**	13,043
Social security costs	**1,647**	1,580
Pension costs	**230**	191
	16,207	14,814

Directors' emoluments

	2005 £000	2004 £000
Salary and benefits	**661**	566
Bonus – current year	**238**	142
Deferred bonus in respect of the 2002 financial year	**114**	29
Gain made on exercise of share options	**465**	215
Company pension contributions to money purchase schemes for four Directors	**95**	73
Aggregate emoluments	**1,573**	1,025
Highest paid Director		
Salary and benefits	**228**	115
Bonus – current year	**106**	34
Deferred bonus in respect of the 2002 financial year	**52**	-
Gain made on exercise of share options	**174**	189
Company pension contributions to money purchase scheme	**31**	15
Aggregate emoluments	**591**	353

3. Profit on disposal of fixed assets

During the year, five residential flats above freehold properties in Roehampton and Wilmslow were sold for £738,000 realising an exceptional gain of £88,000. In the prior year the freehold site in Putney was sold and leased back on normal commercial terms for £1,160,000 realising a gain of £396,000.

Notes to the Financial Statements

4. Net interest receivable/(payable)

	Year to 28.03.05 £000	Year to 29.03.04 £000
Interest on bank overdrafts and other loans repayable within five years, not by instalments	**(19)**	(34)
Interest payable on bank loans	**-**	(183)
Bank interest receivable	**163**	69
	144	(148)

5. Taxation

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

The charge based on the profit for the year comprises:

	Year to 28.03.05 £000	Year to 29.03.04 £000
Taxation on profit on ordinary activities		
UK corporation tax	**3,557**	2,968
Adjustment in respect of the previous year	**12**	55
Overseas corporation tax on subsidiary undertaking	**688**	664
Total current tax	**4,257**	3,687
UK deferred tax:		
Origination and reversal of timing differences	**90**	(226)
Total deferred tax	**90**	(226)
Tax on profit on ordinary activities	**4,347**	3,461

(b) Factors affecting the tax charge for the year based on profit on ordinary activities pre tax of £12,890,000 (2004: £10,659,000).

	28.03.05 %	29.03.04 %
Corporation tax at the statutory rate	**30.00**	30.00
Effects of:		
Overseas tax in excess of 30% rate	**0.65**	0.82
Expenses not deductible for tax purposes	**(0.04)**	0.07
Non taxable income	**-**	(0.08)
Profit on sale of assets not qualifying for capital allowances	**(0.16)**	(0.90)
Accounting depreciation not eligible for tax purposes	**1.32**	1.39
Adjustment relating to market value change in deferred bonus scheme	**(0.56)**	-
Capital gains	**0.21**	-
Utilisation of losses	**(0.08)**	-
Goodwill amortisation not deductible for tax purposes	**0.86**	1.04
Accounting depreciation in excess of tax depreciation	**0.37**	(0.02)
Adjustments relating to prior years' corporation tax	**0.09**	0.52
Other timing differences	**0.36**	1.76
Total current tax rate	**33.02**	34.60
Origination and reversal of deferred tax timing difference	**0.70**	(2.12)
Total tax rate	**33.72**	32.48

(c) Factors that may affect future tax charges

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such gains would become taxable only if the assets were sold without it being possible to claim rollover relief. The amount not provided is £330,000 (2004: £330,000) in respect of this. At present, it is not envisaged that this potential tax liability will become payable in the foreseeable future.

The Group's overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 34.4% (2004: 34.5%).

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

Notes to the Financial Statements

(d) Deferred taxation (Group)

Deferred taxation has been provided in the accounts as follows:

	Provided		Unprovided	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Excess of tax allowances over depreciation	**138**	189	**-**	-
Short term timing differences	**(178)**	(319)	**-**	-
Capital gain rolled over	**-**	-	**330**	330
Deferred tax (asset)/liability	**(40)**	(130)	**330**	330

The movement in the deferred tax balance was:

	Deferred tax asset £000
Balance at 29 march 2004	130
Charged to profit and loss during year	(70)
Adjustment in respect of prior years	(20)
Balance at 28 March 2005	**40**

6. Earnings per share

The calculations of earnings per Ordinary Share are based upon profits after taxation of £8,543,000 (2004: £7,198,000). Underlying earnings per share has been calculated in addition to the earnings per share required by FRS 14 earnings per share to allow shareholders to gain a clearer understanding of the trading performance of the Group. Underlying earnings per share is calculated on earnings, before charging amortisation of goodwill and the exceptional profit on disposal of freehold property, of £8,825,000 (2004: £7,172,000).

	2005	2004
Profit on ordinary activities after taxation	**£8,543,000**	£7,198,000
Amortisation of goodwill arising on acquisition	**£370,000**	£370,000
Exceptional profit on disposal of freehold property	**£(88,000)**	£(396,000)
Underlying earnings	**£8,825,000**	£7,172,000

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

	2005	2004
Basic weighted average number of shares	**62,893,489**	61,118,368
Diluted potential Ordinary Shares:		
Employee share options	**2,033,916**	2,615,792
	64,927,405	63,734,160

Earnings per Ordinary Share is calculated as follows:

	2005	2004
Basic		
Profit attributable to Ordinary shareholders	**£8,543,000**	£7,198,000
Weighted average number of Ordinary Shares in issue	**62,893,489**	61,118,368
Earnings per Ordinary Share	**13.6p**	11.8p
Diluted		
Profit attributable to Ordinary shareholders	**£8,543,000**	£7,198,000
Weighted average number of Ordinary Shares in issue	**64,927,405**	63,734,160
Earnings per Ordinary Share	**13.2p**	11.3p
Underlying earnings per Ordinary Share		
Underlying earnings	**£8,825,000**	£7,172,000
Weighted average number of Ordinary Shares in issue	**62,893,489**	61,118,368
Underlying earnings per Ordinary Share	**14.0p**	11.7p
Underlying diluted		
Underlying earnings	**£8,825,000**	£7,172,000
Weighted average number of Ordinary Shares in issue	**64,927,405**	63,734,160
Underlying diluted earnings per Ordinary Share	**13.6p**	11.3p

Notes to the Financial Statements

7. Intangible fixed assets (Group)

	Goodwill £000
Cost at 28 March 2005 and 29 March 2004	**7,415**
Amortisation:	
At 29 March 2004	910
Amortisation provided during the year	370
At 28 March 2005	**1,280**
Net Book Value:	
At 28 March 2005	**6,135**
At 29 March 2004	6,505

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

8. Tangible fixed assets (Group)

	Land and Buildings				
	Freehold £000	Long Leasehold £000	Short Leasehold £000	Equipment Fittings & Vehicles £000	Total £000
Cost or valuation:					
At 29 March 2004	13,469	439	7,151	10,712	31,771
Additions	4,530	-	1,449	1,730	7,709
Retranslation	-	-	19	18	37
Disposals	(650)	-	(37)	(250)	(937)
At 28 March 2005	**17,349**	**439**	**8,582**	**12,210**	**38,580**
Depreciation:					
At 29 March 2004	452	17	2,120	4,654	7,243
Charge for year	133	4	487	1,559	2,183
Retranslation	-	-	3	7	10
Disposals	-	-	(18)	(185)	(203)
At 28 March 2005	**585**	**21**	**2,592**	**6,035**	**9,233**
Net book value:					
at 28 March 2005	**16,764**	**418**	**5,990**	**6,175**	**29,347**
at 29 March 2004	13,017	422	5,031	6,058	24,528

The freehold and long lease properties, which the Group occupied at 31 July 1996, were valued independently at £1,430,000 on the basis of existing use value. Subsequent additions are included at acquisition cost. Freehold land and buildings includes £8,343,000 (2004: £6,060,000) in respect of land that is not depreciated.

	28.03.05 £000	29.03.04 £000
The historical costs of the assets revalued are as follows:		
Freehold properties	**1,195**	1,195
Long leasehold properties	**213**	213
	1,408	1,408

Notes to the Financial Statements

9. Investments

	28.03.05 £000	29.03.04 £000
Company:		
Shares in Group undertakings at cost	**12,021**	12,021

The Company owns the following:

i) 100% of the share capital of Wharfside Wine PLC, an investment company, registered in England and Wales, which is no longer trading.

ii) 100% of the ordinary share capital of Majestic Wine Warehouses Limited, a company registered in England and Wales, whose principal activity is the retailing of wines and beers.

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

iv) 100% of the ordinary share capital of Majestic Wine Card Services Limited, a company registered in England and Wales, whose principal activity is the processing of credit and debit card payments.

v) 100% of the ordinary share capital of Les Celliers de Calais S.A.S., a company registered in France, whose principal activity is the retailing of wines and beers.

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

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

viii) Through Wharfside Wine PLC:
  (a) 100% of the ordinary share capital of Marnlev Limited, a company registered in England and Wales, which is no longer trading.
  (b) 100% of the ordinary share capital of Wizard Wine Limited, a dormant company registered in England and Wales, which owns all of the share capital of Merlin Wine Limited, a dormant company registered in England and Wales.

10. Stocks

	Group		Company	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Goods for resale	**27,798**	23,577	**-**	-

11. Debtors

	Group		Company	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Trade debtors	**2,852**	2,742	**-**	-
Amounts due from Group undertakings	**-**	-	**10,086**	8,342
Other debtors	**2,572**	1,760	**-**	4
Deferred tax (see note 5d)	**40**	130	**-**	-
Prepayments and accrued income	**735**	1,426	**-**	-
	6,199	6,058	**10,086**	8,346

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

12. Creditors

	Group		Company	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Amounts falling due within one year:				
Trade creditors	**29,219**	24,899	**-**	-
Corporation tax	**1,792**	1,878	**-**	-
Other taxes and social security	**2,237**	2,010	**-**	-
Accruals and other creditors	**4,442**	3,190	**-**	-
Dividends	**2,550**	1,896	**2,550**	1,896
	40,240	33,873	**2,550**	1,896

Notes to the Financial Statements

13. Creditors

	Group		Company	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Amounts falling due after more than one year:				
Amounts due to Group undertakings	**-**	-	**2,000**	2,000
	-	-	**2,000**	2,000

14. Provision for liabilities and charges (Group)

	Deferred Bonus £000	National Insurance £000	Total £000
At 29 March 2004	216	126	342
Provided in the year	11	52	63
Utilised in year	(63)	(45)	(108)
At 28 March 2005	**164**	**133**	**297**

(a) Deferred bonus:
Deferred bonuses amounting to £280,000, inclusive of employer's national insurance liabilities, were awarded for the financial year. The £11,000 provided in the year represents the Directors' best estimate of the amounts payable in cash of £33,000 less adjustments to national insurance liabilities of £22,000. Amounts of deferred bonus and loyalty bonus expected to be settled in newly issued shares are recognised in shareholders' funds. All liabilities are expected to be settled within two years. Details of the Deferred Bonus Scheme are set out on page 12.

(b) National insurance
National insurance contributions which will become payable on exercise of share options have been provided. The share options can be exercised at various dates from the balance sheet date to 6 December 2011. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision has been calculated based on the share price at the balance sheet date of 261.5p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 12.8%.

15. Share capital

	2005		2004	
	Number	**Value £000**	Number	Value £000
Authorised				
Ordinary Shares of 7.5p each	**140,000,000**	**10,500**	140,000,000	10,500
Issued				
Ordinary Shares of 7.5p each	**63,676,860**	**4,776**	62,673,836	4,701

During the year 770,240 Ordinary Shares of 7.5p each were allotted for a consideration of £516,000. The shares were allotted to satisfy the exercise of options. In addition 232,784 shares were issued to the trustees of the Company's employee share ownership trust to fulfil the requirements of the Deferred Bonus Scheme.

Notes to the Financial Statements

16. Employee Share Ownership Trust

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

At the year end the trust held 201,580 (2004: 175,616) shares with a nominal value of 7.5p each, which are not yet fully invested in the participants. The total acquisition cost of these shares was £407,000 (2004: £242,000). At the year end the market value of these shares was £527,000 (2004: £370,000).

The shares held by the trust represent the maximum due to be settled after the two year deferral period for the 2003 and 2004 awards under the Deferred Bonus Scheme. The 2003 award due to be settled in June 2005 is 166,600 shares. The 2004 award due to be settled in June 2006 is 232,784 shares.

17. Qualifying Employee Share Ownership Trust (QUEST)

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

At the year end the trust held 15,276 (2004: 25,656) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £17,000 (2004: £29,000). At the year end the market value of these shares was £40,000 (2004: £54,000).

18. Share options

The following options are outstanding for Ordinary Shares.

Number of shares	Period in which exercisable			Price per share
4,840	22 December 2001	–	22 December 2008	£0.769
101,720	27 November 2003	–	26 November 2007	£0.606
239,160	27 November 2003	–	26 November 2010	£0.606
49,600	6 July 2004	–	5 July 2011	£0.763
82,120	26 November 2004	–	26 November 2011	£0.897
51,488	1 February 2006	–	31 July 2006	£0.485
404,700	9 July 2005	–	9 July 2012	£1.145
461,300	9 July 2005	–	8 July 2009	£1.145
180,348	26 July 2005	–	26 January 2006	£0.915
11,352	26 July 2007	–	26 January 2008	£0.915
195,700	22 November 2005	–	22 November 2012	£1.20
70,300	22 November 2005	–	21 November 2009	£1.20
322,400	8 July 2006	–	8 July 2013	£1.578
29,600	8 July 2006	–	7 July 2010	£1.578
171,420	1 September 2006	–	28 February 2007	£1.263
41,104	1 September 2008	–	28 February 2009	£1.263
162,000	10 December 2006	–	10 December 2013	£2.228
486,830	7 December 2007	–	7 December 2014	£2.49
224,170	7 December 2007	–	6 December 2011	£2.49
260,739	1 March 2008	–	31 August 2008	£1.99
25,239	1 March 2010	–	31 August 2010	£1.99

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

Notes to the Financial Statements

19. Reconciliation of movement in Reserves and shareholders' funds

	Revaluation Reserve £000	Share Capital £000	Share Premium Account £000	Capital Reserve – own shares held in ESOT £000	Profit & Loss Account £000	Total Shareholders' Funds £000
Group:						
At 31 March 2003	22	4,587	4,766	(131)	15,597	24,841
Share issue	-	100	728	-	-	828
ESOT share issue	-	14	270	(142)	(142)	-
Options satisfied from QUEST	-	-	-	-	164	164
Retained profit for the year	-	-	-	-	4,604	4,604
Transfer to shareholders funds – deferred bonus expected to be satisfied in shares	-	-	-	-	493	493
Shares vesting under deferred bonus scheme	-	-	-	31	(31)	-
Currency translation differences on foreign currency net investments	-	-	-	-	(101)	(101)
At 29 March 2004	22	4,701	5,764	(242)	20,584	30,829
Share issue	-	58	458	-	-	516
ESOT share issue	-	17	528	(273)	(272)	-
Options satisfied from QUEST	-	-	-	-	9	9
Retained profit for the year	-	-	-	-	5,043	5,043
Transfer to shareholders funds – deferred bonus expected to be satisfied in shares	-	-	-	-	314	314
Shares vesting under deferred bonus scheme	-	-	-	108	(108)	-
Currency translation differences on foreign currency net investments	-	-	-	-	71	71
At 28 March 2005	**22**	**4,776**	**6,750**	**(407)**	**25,641**	**36,782**
Company:						
At 31 March 2003	-	4,587	4,766	-	5,686	15,039
Share issue	-	100	728	-	-	828
ESOT share issue	-	14	270	-	-	284
Options satisfied from QUEST	-	-	-	-	164	164
Retained profit for the year	-	-	-	-	156	156
At 29 March 2004	-	4,701	5,764	-	6,006	16,471
Share issue	-	58	458	-	-	516
ESOT share issue	-	17	528	-	-	545
Options satisfied from QUEST	-	-	-	-	9	9
Retained profit for the year	-	-	-	-	16	16
At 28 March 2005	**-**	**4,776**	**6,750**	**-**	**6,031**	**17,557**

A separate profit and loss account dealing with the results of the Company only, has not been presented as permitted under Section 230 of the Companies Act. The profit for the Company after taxation was £3,516,000 (2004: £2,750,000).

The cumulative amount of goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 written off immediately against reserves at 29 March 2005 is £1,595,000 (2004: £1,595,000).

20. Operating leases

At 28 March 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	28.03.05 £000	29.03.04 £000	**28.03.05 £000**	29.03.04 £000
Operating leases which expire:				
Within one year	**57**	78	**61**	65
Between two and five years	**572**	563	**406**	317
In over five years	**4,125**	3,774	**-**	-
	4,754	4,415	**467**	382

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

Notes to the Financial Statements

21. Financial instruments

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

The Group's only financial asset was cash at bank and in hand of £7,840,000 (2004: £4,376,000). Funds not required immediately for the Group's operations are invested in sterling denominated deposit accounts. The funds are placed on a combination of overnight and monthly deposits. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average floating interest rate earned in the year on the Group's sterling deposits was 3.32% (2004: 2.99%). The only interest risk is related to the floating rates on the cash balances and is insignificant.

Currency
The cash profile at 28 March 2005 was:

	Cash at floating rates	
	28.03.05 £000	29.03.04 £000
Sterling	**7,028**	3,636
Euros	**583**	740
Australian Dollars	**229**	-
	7,840	4,376

There were no financial liabilities as at 28 March 2005 or 29 March 2004 requiring disclosure. There is no material difference between the book value and fair value of any financial asset or liability.

Foreign currency
The Group covers the exposure to foreign purchases by acquiring forward currency contracts. Contracts are put in place prior to the setting of retail prices. The exposure may be covered up to a period of one year. There was no material exposure, in respect of monetary assets and liabilities, after taking into account foreign currency contracts. The value hedged at any point is always in excess of the outstanding liability. At 28 March 2005 and 29 March 2004 unrealised gains or losses on forward contracts taken out as hedges of purchase transactions were not material.

The nominal value of forward currency contracts is shown below.

	28.03.05 £000	29.03.04 £000
Forward foreign currency purchases	**16,975**	15,810

The majority of these contracts are in Euros maturing in less than one year. There is a £30,000 difference between book value and fair value on these forward exchange contracts. Last year the difference was £(115,000).

Borrowing facilities
The Group has an overdraft facility with Barclays Bank PLC that is utilised to cover seasonal borrowing requirements. The facility is negotiated annually and was current at 28 March 2005. The undrawn committed overdraft facility available at 28 March 2005 was £4,000,000 (2004: £4,000,000) and expires in July 2005.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Majestic Wine PLC will be held at Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW at 11.30 am on 5 August 2005, for the following purposes:

Ordinary Business

Adoption of accounts

1. To receive and adopt the Annual Report and Accounts for the year ended 28 March 2005.

Declaration of dividend

2. To declare a final dividend of 4.0p per Ordinary Share.

Re-election of retiring Director

3. To re-elect Nigel Ronald Edward Alldritt as a Director who retires by rotation in accordance with the Company's Articles of Association.

Re-election of retiring Director

4. To re-elect Simon Paul Burke as a Director who retires by rotation in accordance with the Company's Articles of Association.

Re-appointment of Auditors

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

Special Business

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

Directors power to allot securities – Ordinary Resolution

6. That the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, as amended ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) to such persons and on such terms as they think proper provided that:
   (a) this authority shall be in substitution for any equivalent authority which may have been given to the Directors prior to the date of the passing of this resolution;
   (b) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £1,591,905 representing approximately 33.3 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 28 March 2005;
   (c) unless previously revoked, varied or extended, this authority shall expire at the earlier of the date which is fifteen months from the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and
   (d) in relation to the grant of any right to subscribe for, or convert any security into shares in the Company, the reference in this resolution to the maximum amount of relevant securities that may be allotted is the maximum amount of shares which may be allotted pursuant to such right.

Disapplication of pre-emption rights – Special Resolution

7. That the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by resolution 6 above and to make sales of shares where such sales constitute an allotment of equity securities by virtue of section 94(3A) of the Act as if Section 89(1) of the Act did not apply to such allotment provided that:
   (a) the power shall be limited to;
      (i) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company ("Ordinary Shares") excluding the Company where it holds shares as treasury shares (as defined in section 162A(3) of the Act) in proportion to their respective holdings of such shares or in accordance with the rights attached to such shares but subject to the exclusions or other such arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in any territory; and
      (ii) the allotment, otherwise than as mentioned in sub-paragraph (i) above, of equity securities up to a maximum aggregate nominal amount of £238,788 representing approximately 5 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 28 March 2005;
   (b) unless previously revoked, varied or extended, this power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of this resolution except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer as if this power had not expired; and
   (c) in this resolution the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right.

Authority to purchase Company's own shares – Special Resolution

8. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined in section 163(4) if the Act) of ordinary shares of 7.5 pence each in the capital of the Company ("Ordinary Shares") and to hold such shares as treasury shares (as defined in section 162A(3) of the Act ("treasury shares")) provided that;
   (a) this authority shall be limited to the purchase of Ordinary Shares up to a maximum aggregate nominal value equal to £477,576 representing approximately 10 per cent of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 28 March 2005;
   (b) the minimum price which may be paid for such Ordinary Shares is 7.5 pence (exclusive of such expenses);
   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than 5 per cent above the average of the middle market quotations for an Ordinary Share on the relevant recognized investment exchange on which the Ordinary Shares are traded for the five business days immediately preceding the date on which the Ordinary Share is purchased; and
   (d) unless previously revoked, varied or extended, the authority hereby conferred shall expire at the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and
   (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Registered office: Majestic House, Otterspool Way, Watford, Hertfordshire WD25 8WW
By order of the Board
Nigel Alldritt Company Secretary 13 June 2005

Notice of Annual General Meeting

Notes:

1. All members who hold Ordinary Shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A form of proxy is enclosed. If you do not intend being present at the meeting please sign and return it so as to reach the Company's Registrar at least 48 hours before the meeting. The return by a member of a duly completed form of proxy will not preclude any such member from attending in person and voting at the meeting.
2. The register of Directors' interests in the shares of the Company and copies of the Directors' service contracts, other than those expiring or determinable without payments of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice until the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
3. The Company pursuant to regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 4 August 2004 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Explanatory notes on certain business of the Annual General Meeting

Resolution 6 Directors' power to allot securities

Under Section 80 of the Act, relevant shares may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising directors to issue shares without further reference to the shareholders. This resolution authorises the issue of part of the unissued share capital for the period to the conclusion of the Annual General Meeting in 2005. It complies with the Association of British Insurers' guidelines.

Resolution 7 Disapplication of pre-emption rights

Resolution 7 empowers the Directors to allot equity securities (such as Ordinary Shares) for cash and make sales of treasury shares other than in accordance with Section 89 of the Act which requires a company to offer all allotments of equity securities for cash and all sales of treasury shares first to existing shareholders in proportion to their holdings following a statutory pre-emption procedure. In the case of rights issue this may prove both costly and cumbersome. This resolution excludes these rights as far as rights issues are concerned and enables Directors to allot shares up to an aggregate nominal value of £238,788 which is approximately 5% of the current issued share capital of the Company, as shown in the latest audited accounts of the Company. It replaces a similar resolution passed previously.

The Directors believe that the limited powers provided by this resolution will maintain a degree of flexibility. Unless previously revoked or varied the disapplication shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling fifteen months after the date of the passing of the resolution.

Resolution 8 Authority to purchase Company's own shares

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

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

New regulations, The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended) (the "Treasury Shares Regulations") came into force on 1 December 2003. The Treasury Shares Regulations give flexibility concerning what the Company can do with any of its Ordinary Shares that it may buy back. The Company may now hold such shares "in treasury" and then sell them at a later date for cash rather than simply canceling them. The Treasury Shares Regulations require such sales to be on a pre-emptive, pro-rata, basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary share capital on a non-pre-emptive basis, Resolution 7 will also give the Directors power to sell Ordinary Shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above.

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