Majestic Wine PLC
Annual Report & Accounts 2011

Highlights

Profit before tax up 26.6% to £20.3m (2010: £16.0m).

Total sales up 10.3% to £257.3m (2010: £233.2m).

Like for like sales in UK retail stories up 5.3%.

Total dividend of 13.0p (2010: 10.3p) per share.

Majestic aims to be the nation's favourite wine specialist. We stock wines for every occasion. Our range is innovative, vibrant and diverse whilst representing the best quality and value.

Throughout Majestic we have teams of friendly and knowledgeable individuals. We are committed to training them to the very highest standards and it is this that enables us to deliver exceptional customer service.

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Total sales (£m)

Dividend
We are proposing a final dividend of 9.7p per share, bringing the total dividend for the year to 13.0p, an increase of 26.2% on last year.

13.0p

Profit before tax
Profit before tax at £20.3m was 26.6% higher than last year.

£20.3m

Chairman's Statement
Phil Wrigley

I am very pleased to report that the year has again been one of strong progress for the Group. Profit before tax at £20.3m was 26.6% higher than last year. Total Group sales were up 10.3% to £257.3m and like for like UK sales grew by 5.3%.

Dividend
Due to the strength of this performance a final dividend of 9.7p per share is being proposed bringing the total dividend for the year to 13.0p, an increase of 26.2% on last year.

People
I recognise that the success Majestic enjoys is built around the very high standard of customer service delivered by all our staff. I am impressed by their enthusiasm and professionalism and would like to thank them all for their efforts over the past year, without which we would not have achieved these excellent results.

This contribution and the quality of leadership of the management team has been recognised through the receipt of a number of prestigious awards for Majestic. At the International Wine Challenge Awards in 2010 we were awarded the "High Street Chain of the Year" and the overall "Merchant of the Year". Decanter magazine presented us with "Wine Merchant of the Year" and their reader's voted us "Best Large Wine Merchant". Retail Week awarded us "Speciality Retailer of the Year".

Current trading
Whilst we recognise that market conditions continue to be challenging, we are encouraged to have achieved UK like for like sales growth of 4.4% in the first ten weeks of the new financial year, from 29 March to 6 June 2011.

Phil Wrigley
Chairman
13 June 2011

A key focus
Training that sets us apart

Customer service is a key focus of our business. We pride ourselves on working hard to make sure every customer enjoys shopping in our stores. This is achieved by making sure our people receive the training they need to set us apart.

Excellent customer service
"Take a stroll into Majestic any day and it's not long before someone comes along to help you." Our judges recognised this superb interaction with their customers as commendable.
International Wine Challenge judges, September 2010

"The investment in staff training has seen the quality of service increase resulting in greater sales for the company. Congratulations to the whole team at Majestic Wine Warehouse on winning this year's International Wine Challenge Merchant of the Year Award."
Wine Magazine, September 2010

The best wine merchant
In a very competitive, expanded category our judges were unanimous: "in terms of range, quality, service, professionalism and innovation, Majestic is simply the best wine merchant in the country." Decanter, October 2010

Awards of Excellence
At present 126 staff either hold or are studying for their Diploma, the Wine and Spirit Education Trust's flagship qualification. We are particularly proud that ten members of staff were awarded WSET "Awards of Excellence" in January 2011.

AIM Company of the Year
During the year we were crowned AIM Company of the Year at the 2011 Growth Company Awards in recognition of our strong financial performance.

Best Retail PLC
The UK Stock Market Awards celebrate all that is great about UK PLC's. The Awards identify the firms that are implementing a carefully considered strategy to properly balance risk with return and create shareholder value. We were voted Best Retail PLC at the UK Stock Market Awards 2011. We are delighted to have received so many awards this year as it shows that the hard work of all our staff is winning wide recognition.

Review of Operations
Steve Lewis

I am delighted to report a 26.6% increase in the Group's profit before tax, up £4.3m to £20.3m. Total Group sales for the year at £257.3m were £24.1m higher than last year.

Majestic Wine
We saw a further substantial increase in sales, up 9.7% to £234.2m with like for like sales growing 5.3%.

In September 2009 we reduced our minimum purchase requirement to six bottles from twelve. This change proved to be extremely popular with existing customers and has also made Majestic more accessible to new customers. We continue to benefit from the change with the number of customers who have made purchases in the last twelve months growing 8.2% to 511,000.

As a result of the full year impact of the reduction in minimum purchase average spend per transaction declined 2.5% to £126. This modest reduction was more than outweighed by strong growth in the number of transactions, up 12.5% to 2.0m. The average bottle price of still wine purchased at Majestic is £6.94, up from £6.56 last year.

Product
Wine is the core of our business and represents over 85% of sales. We have seen particularly good growth in sales of wine from New Zealand and Argentina. In both these categories our share of the UK off trade market is now more than 11%. French wine, however, continues to be our largest category representing 34.4% of our sales of still wine. We are pleased that French wine sales have grown 10.1% over the past year led by wines from Bordeaux, Burgundy and the Rhône but also from the innovative Languedoc Roussillon region. Sales of sparkling wine are also showing a good increase, particularly Prosecco and wines from New Zealand.

Fine Wine
Sales of wine priced at £20 per bottle and above increased 23.7% on last year and now represent 6.0% of UK store sales. It is our highly educated staff and their impressive product knowledge which is the key to our continued growth in this area. Customers value the advice that we provide and trust our staff's wine recommendations. We have made good progress in rolling out our fine wine concept and now have fixtures installed in 107 stores.

Number of customers who made purchases

Customer Service
It is our commitment to excellent levels of customer service that most differentiates Majestic from the competition. We have worked hard to build a team of high quality people that take great pride in helping customers.

We recruit ambitious, energetic and friendly individuals primarily at graduate level. We place great emphasis on staff development and have designed a comprehensive training programme that is widely regarded as the best in the wine industry. This programme, which is mostly delivered by our own employees, consists of a series of courses that focus on areas such as management skills, product knowledge and how to taste wine. We ensure that our staff have the opportunity to taste the wines that they recommend to our customers. To achieve this we have an extensive schedule of wine tastings that are often hosted by the winemakers themselves.

We work closely with the Wine and Spirit Education Trust (WSET) because we feel that their curriculum concentrates on areas of the wine industry most relevant to our employees. A typical new retail recruit would take the WSET Advanced Certificate after about six months in the company. We encourage staff to further their wine knowledge and sponsor many of them through the two year study period for the WSET Diploma.

We were delighted that in January 2011, ten members of staff were awarded scholarships for producing outstanding papers in their WSET examinations.

Customer Engagement
We believe that it is very important for us to interact with our customers and encourage their interest in wine.

Our store teams deliver a number of separate events that are designed to engage with customers whilst showcasing our staff's enthusiasm and extensive product knowledge. These events are free to attend and held in-store. They include "The Wine Course" which is a two hour informal introduction to wine. We were delighted that this popular event was the recipient of Retail Week's award for "Customer Service Initiative of the Year". Customers can also try our "Wine Walks" where they taste a selection of wines from around the globe and "Wine Evenings" where we exhibit wines new to the range.

It is our investment in employee training that enables us to deliver this extensive programme of customer education. These events set Majestic apart from our competition and were attended by over 20,000 customers.

ECommerce
Online sales continued to show good growth and were up 9.6% on the previous year and now represent 10.2% of total UK retail sales. The number of orders processed increased by 9.4% on last year to 175,000. The average transaction value online was £142, up from £139 last year.

Customers do not just use the web to place orders online. They also conduct research prior to purchase and increasingly expect to be both informed and entertained whilst online. We bring the personality of Majestic online through video content, staff blogs and posting customer reviews of our products.

We give our store staff the freedom to publish items online which are of specific interest to their store or local customer base. Each of our stores has a Twitter feed and their own individual store pages on our site. We have also launched an online tasting counter which is a live representation of what is available to taste in any particular store, updated on a daily basis. In addition we have implemented software that delivers recommendations and allows cross selling on our product pages.

Majestic Commercial
We have seen rapid growth in sales to business customers which have increased 17.2% on last year and now represent 24.2% of total UK sales. We have developed a professional and compelling proposition that demonstrates real authority to business customers. We see good opportunities for further expansion and to facilitate this we have increased the size of our commercial sales team.

We now have a regional team of 24 people who source new restaurant, hotel and larger corporate accounts with all subsequent logistics handled by the nearest Majestic store. In addition to our regional structure we have a team of ten based in central London that sell to larger businesses in the City and West End.

New stores
We are pleased that we have been able to accelerate the number of new store openings to twelve from six in the previous year. We opened in Redhill, Windsor, Totnes, Ashbourne, Bracknell, Canterbury, a second site in Cardiff, Cobham, Newmarket, Yeovil, Chiswick and the Isle of Wight. We are confident that we can maintain this higher rate of new store openings and since the year end we have opened in Evesham and Weston-Super-Mare. This gives us 165 stores trading in the UK.

It was becoming increasingly apparent that the reduction in our minimum purchase requirement has widened our customer demographic. Consequently we commissioned a detailed research project mapping our current store portfolio and changed customer demographic against the UK population as a whole. The project has recently concluded and we are now confident of being able to expand Majestic to an estate of at least 330 stores.

Lay & Wheeler
Lay & Wheeler is our fine wine merchant specialising in en primeur sales, cellarage and broking of customer reserves. The business recorded profit before interest and tax for the year of £701k compared with £23k in the previous year.

In the summer of 2010 we had considerable success selling en primeur wines from the highly regarded and sought after 2009 Bordeaux vintage. The revenue and profit earned from selling these wines are however deferred until they have been delivered to customers in 2012. We are also pleased with the Burgundy 2009 campaign which took place in the fourth quarter.

We are excited that Lay & Wheeler, working in partnership with Majestic Wine, has developed a version of its "Fine Wine Plan". This has been designed specifically for the needs of Majestic Wine's customers and we are currently marketing it to them. The plan allows customers to gradually build their own fine wine cellar at a financial pace that suits them by way of an affordable monthly subscription.

At the time of compiling this report the Bordeaux 2010 en primeur campaign has just got underway. The vintage is of exceptional quality and early indications are encouraging although volumes are expected to be below those of the record 2009 vintage.

Wine and Beer World
This business operates from two stores in Calais and one in Cherbourg and sells to UK consumers wishing to take advantage of the much lower rate of alcohol duty in France. The business model is particularly attractive to those customers organising large events where the savings can be considerable. After several years of difficult trading conditions the environment became much less challenging as during Summer 2010 a number of competitors withdrew from the market. Like for like sales grew 23.6% in the period with profit before interest and tax at £1.0m, up from £0.4m in the previous year.

In the period from 29 March to 6 June 2011, like for like sales on a constant currency basis were up 11.1%.

Average bottle price

Future Prospects
We are very encouraged that all parts of the business are showing good progress. Whilst economic conditions remain difficult, we believe that Majestic is well positioned for future growth.

Steve Lewis
Chief Executive
13 June 2011

Through the grapevine

To meet the demands of rapidly growing online communities, we now have staff dedicated to maximising our presence on social media. Our blog, Twitter and Facebook accounts enable customers to interact with Majestic Wine however and whenever suits them.

Giving customers a voice
Customers are already taking advantage of our recently enhanced product review functionality to share their thoughts on Majestic's wines online. Customer reviews appear alongside recommendations from staff and the press, giving consumers real confidence when buying online.

Great experiences better when they're shared

Customers want to be able to tell people about great experiences before the moment is gone.

They increasingly use new innovations and leverage technology to do just this.

Bringing in-store online
We're improving engagement and interactivity on our website by localising content to each and every store. By giving local staff the ability to write the content for their own webpage, we're able to bring the personality of each store to life online. Apart from our @MajesticWine account, all our stores now have a dedicated Twitter account, which will in time become an important additional channel of communication, where anyone, including customers, can share an experience.

Extending our reach

A more enjoyable way to buy wine

The reduction in our minimum purchase requirement has widened our customer demographic.

We are now confident of being able to extend our unique way of buying wine to at least 330 locations.

New Majestic store on the Isle of Wight
In March 2011, we opened in a fantastic site on Wootton Bridge High Street with free delivery across the island, the store has welcomed lots of smiling new customers!

Tom Holland
Property Acquisitions Manager

Total number of stores in the UK
We opened 12 new stores during the financial year in Redhill, Windsor, Totnes, Ashbourne, Bracknell, Canterbury, Cardiff Bay, Cobham, Newmarket, Yeovil, Chiswick and the Isle of Wight. Since the year end we have opened in Evesham and Weston-Super-Mare giving us 165 stores trading in the UK.

165

Retail Week Awards
At the prestigious Retail Week Awards, we were named Speciality Retailer of the Year and also picked up the award for Customer Service Initiative of the Year for The Wine Course.

The judges commented that the course was a great way of reinforcing customer loyalty and demonstrating the strength of our service culture and product knowledge of our staff.

ORACLE RetailWeek AWARDS 2011 WINNER

Financial Review
Nigel Alldritt

The business continues to be in very good financial health.

Trading
Profit before tax for the Group was £20.3m, an increase of 26.6% on the previous year (2010: £16.0m). Sales increased 10.3% to £257.3m (2010: £233.2m).

This strong sales growth coupled with strict control over our costs has resulted in an improvement in the Group's profit margin before tax, up to 7.9% from 6.9% last year.

Taxation
The effective rate of tax in 2011 was 29.8% (2010: 29.5%). This is higher than the corporation tax rate of 28.0% mostly due to the excess of depreciation over tax writing down allowances as certain assets are non-qualifying. In addition, we have restated deferred tax balances to be in line with the new lower corporation tax rate of 26.0% which takes effect for our next financial year.

Earnings per share
Basic earnings per share for the year at 23.0p were 25.0% higher than the previous year (2010: 18.4p). Diluted earnings per share for the year at 22.6p were 23.4% higher than the previous year (2010: 18.3p).

Dividend
The Board is proposing a final dividend for 2011 of 9.7 pence per share. Together with the interim dividend of 3.3p paid to shareholders on 7 January 2011, this would make a total dividend for the financial year of 13.0 pence per share, an increase of 26.2% over the prior year. The total dividend is 1.7 times covered by profit after tax (2010: 1.8 times).

Subject to shareholders' approval at the Annual General Meeting on 4 August 2011, the final dividend will be payable on 12 August 2011, to shareholders on the register on 15 July 2011.

Lay & Wheeler
This business is our fine wine specialist and a significant proportion of its revenues are earned from the en primeur market. During the year en primeur wines from the highly regarded 2009 Bordeaux vintage sold extremely well. The sales the campaign generated and the costs of the product are not reported in the income statement until the wines are delivered to customers. Conversely, the costs associated with processing these sales have been reported as they have been incurred. Included within revenue and profit are deliveries of wine to customers from the much weaker 2007 vintage.

In the financial year the deferral of revenues to future accounting periods increased by £8.3m to a cumulative £13.8m, whilst deferred profit grew by £1.6m to £2.4m. The sales and profits deferred will be reported in the 2012 and 2013 financial years.

Profit before interest and tax, including profit from en primeur sales as orders are received from customers, was £2.3m compared with £21k in the previous year. On a statutory basis profit before interest and tax was £0.7m compared with £23k recorded last year.

Cash flow and net debt
Group cash flows from operating activities were £22.5m, up from £21.2m in the previous year.

Capital expenditure was £8.2m an increase of £2.0m over the last year. The higher level of expenditure arises from increasing the rate of new store openings from six to twelve in the current year.

Other significant cash outflows in the year included dividends paid to shareholders of £6.7m (2010: £6.0m), tax payments of £5.3m (2010: £4.1m) and repayment of term loan of £0.7m (2010: £0.7m). Against these outflows cash received from employees on the exercise of share options was £1.9m up from £31k last year.

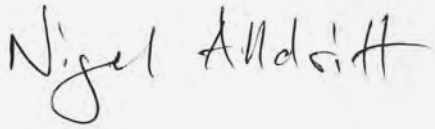
The Group had modest net cash of £51k at 28 March 2011 compared with a net debt of £3.9m at the end of the previous financial year.

Liquidity and funding
The Group maintains liquidity by arranging funding ahead of requirements. At 28 March 2011 the Group had undrawn short term borrowing facilities of £14.8m which have no expiry date but are reviewed annually. These facilities are in place to allow the Group to finance its seasonal working capital requirements and new store opening programme.

In addition the Group has a requirement for core funding satisfied by a term loan facility which was £5.6m as at 28 March 2011. The loan is a committed facility expiring in April 2012.

Financial Position
The business continues to be in very good financial health. The trading performance has been strong, generating cash which the Group has used to invest in the expansion of the business and raise dividend payments to shareholders.

Nigel Alldritt
Finance Director
13 June 2011



Lay & Wheeler
A specialist in fine wine

Our greatest asset is our team who are committed to giving customers access to the world's finest wines, providing in-depth wine-knowledge and peerless service.

Tradional, new and exciting
Whilst remaining dedicated to the traditional fine wine regions, we are always on the look out for new and exciting wines to introduce to our customers.

An ongoing adventure
In the fine wine market every year is different. The Bordeaux wines of 2010 for instance are at least as good as, but dramatically different from, the sought-after 2009s we sold last year. Our increasing ability to experiment with up-and-coming names from lesser-known regions is exciting too and enables the sales team to have a direct influence on the future direction of our offers.

Dave Smith
Operations Director

Directors and Advisers

Company Secretary
Nigel Alldritt ACMA

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Phil Wrigley
Aged 58, Chairman, joined Majestic's Board in April 2010 as a non-executive director. He is currently Chairman of Habitat and he has also held roles at New Look, Debenhams, Arcadia and Bhs.

Justin Apthorp
Aged 49, is Buying Director. He was appointed to the Board in January 2006.

Steve Lewis
Aged 47, was appointed Chief Executive on 8 August 2008. He was appointed to the Board in 1998.

Helen Keays
Aged 47, is a non-executive Director and was appointed to the Board in November 2005. She is a management consultant and trustee of The Shakespeare Birthplace Trust. She chairs the remuneration committee.

Nigel Alldritt
Aged 47, is Finance Director and Company Secretary and was appointed to the Board in 2002. He is a Chartered Management Accountant and responsible for the finance and IT functions.

Paul Dermody
Aged 65, is a non-executive Director and was appointed to the Board in 2003. He is the former Chief Executive of De Vere Group Plc. He is a non-executive Director of AGA Rangemaster Group Plc. He chairs the audit committee.

Directors' Report
For the year ended 28 March 2011

The Directors present their report and Group financial statements for the year ended 28 March 2011.

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

Results and review of the business
The Group Income Statement is set out on page 26.

The Directors' Report should be read in conjunction with the Chairman's Statement on pages 2 to 3, the Review of Operations on pages 6 to 9 and the Financial Review on pages 14 to 15 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 9.7p net per Ordinary Share be paid which, together with an interim dividend of 3.3p paid on 7 January 2011, makes a total of 13.0p (2010: 10.3p) per share for the year. The final dividend amounting to £6,160,000, if approved at the Annual General Meeting, will be paid on 12 August 2011 to the shareholders whose names appear on the Register of Members at the close of business on 15 July 2011.

Directors
The Directors who served during the year and their interests in the Ordinary Share capital of the Company were:

	Number of Ordinary Shares	
	2011	2010
Steve Lewis	**97,846**	58,305
Nigel Alldritt	**69,310**	60,120
Justin Apthorp (note 1)	**762,873**	762,873
Simon Burke (retired 6 August 2010)	–	8,000
Paul Dermody (note 2)	**7,000**	7,000
Helen Keays	–	–
Phil Wrigley (appointed 23 April 2010)	–	–

Notes:
1) 738,873 of the Ordinary Shares that Justin Apthorp has an interest in are held in his own name and 24,000 are held by his wife.
2) 2,000 of the Ordinary Shares that Paul Dermody has an interest in are held in his own name and 5,000 are held by his wife.

Phil Wrigley, Paul Dermody and Helen Keays are non-executive Directors.

In accordance with the Company's Articles of Association, Nigel Alldritt and Justin Apthorp retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

The Group has provided to all of its Directors limited indemnities in respect of costs of defending claims against them and third party liabilities.

Share capital
The authorised and called-up share capital of the Company, together with details of the Ordinary Shares allotted and purchased during the year are shown in note 23 of the financial statements. The Company is authorised by the shareholders to purchase, in the market, the Company's own shares up to a maximum aggregate nominal value equal to £468,587 representing approximately 10% of the nominal value of the issued ordinary share capital of the Company. This authority is renewable annually and approval will be sought at the Annual General Meeting to renew the authority for a further year. It is the Company's present intention to cancel any shares it buys back, rather than hold them in treasury.

Major shareholders
At 3 June 2011 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
Rock Nominees	8,000,000	12.80
AXA Framlington Investment Managers	5,218,911	8.35
Aviva Investors	4,839,113	7.74
Artemis Investment Management	3,139,171	5.02
BlackRock Investment Management	2,836,614	4.54
McInroy & Wood	1,994,908	3.19

Directors' Report
For the year ended 28 March 2011

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

Remuneration committee
The remuneration committee consists of the Chairman and the other two non-executive Directors. It is chaired by Helen Keays and 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 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.

Share option schemes
The Group operates executive share option schemes (one of which is a HM Revenue & Customs Company Approved Share Option Scheme and one of which is unapproved for tax purposes) in which the Directors and employees participate. The Group also operates a savings related share option scheme that is available to all Group employees, and conforms to HM Revenue & Customs rules. The committee determines the allocation of options for the share schemes and the awards made for the co-investment plan and the deferred bonus scheme.

The executive Directors' participation in the Group's executive share option schemes is limited such that they are 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.

Co-investment plan
The Company operates an annual cash bonus for the executive Directors. Three executive Directors, Steve Lewis, Nigel Alldritt and Justin Apthorp are entitled to a combined cash award of £570,000 under the terms of the scheme for the year ended 28 March 2011 (2010: £386,000).

In the previous year the Company operated a co-investment plan for the executive Directors. The Company invited the executive Directors to participate in the plan and Steve Lewis invested 35,000 shares, Nigel Alldritt and Justin Apthorp each invested 25,000 shares. 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 dependant upon the achievement of specified performance targets related to total shareholder return, they may be awarded free shares up to a maximum award of one and a half free shares for every share invested. The total amount payable under the scheme is capped at one and half times gross salary in any one year. It is envisaged that no further grants will be made under the co-investment plan as the remuneration committee are intending to replace it with a long term incentive plan.

Long term incentive plan
The remuneration committee is seeking to introduce a new long term incentive plan for the executive Directors, who will not receive any further awards of options under the co-investment plan or the share option scheme upon implementation.

Should the long term incentive plan be approved by shareholders at the Company's Annual General Meeting, it is the intention of the remuneration committee to provide executive Directors with a contingent award of shares or nil priced options over shares with a face value of 200% of base salary each year.

The vesting of share awards will be subject to pre-determined earnings-based performance conditions which will be measured over a three year performance period:

– No vesting will occur if compounded absolute earnings per share growth is less than 10% per annum
– 25% of the award will vest for compounded absolute earnings per share growth of 10% per annum
– Full vesting will occur for compounded absolute earnings per share growth of 14%

Straight line vesting will occur between these two points.

In addition, no award will vest until the remuneration committee has made an assessment that earnings per share growth has not been achieved to the long-term detriment of the business.

The long term incentive plan will comply with the Association of British Insurers discretionary executive plan limit of 5% in 10 years in relation to the number of shares to be provided under the plan.

The Company currently has in place an overall dilution limit of 15% in 10 years for its share based incentive arrangements. The Company believes a fundamental part of its success is the employment of talented graduate staff at all levels in the organisation, right down to trainees in our stores. The extension of share ownership across the Company's retail staff is an important part of their overall remuneration and allows the Company to both recruit them and align their interests with that of shareholders.

Accordingly, the remuneration committee is proposing to retain a dilution limit of 15% in order to facilitate sufficient headroom in order to operate all of its share-based incentive arrangements. The need for this dilution limit will be reviewed on a regular basis with a view to operating within the limits set by the Association of British Insurers guidelines.

At this time, the dilution for all the Company's share based incentive arrangements currently stand at 10.9%. The use of newly issued shares rather than market purchase shares assists in the preservation of cash for the Company.

Directors' Report
For the year ended 28 March 2011

Executive Director shareholding policy

Executive Directors will be required to build up a personal shareholding in the Company of 1.5 times their base salary over a 5 year period commencing with the 2011/2012 financial year.

The Directors' interests in share options are as follows:

	Options at 29.03.10	Options granted/ (lapsed)	Options exercised	**Options at 28.03.11**	Exercise price	Weighted average market price at date of exercise	Date from which exercisable	Expiry date	Scheme name
Steve Lewis	74,250	–	74,250	**–**	£1.145	£3.74	09.07.05	08.07.12	Unapproved
	9,970	–	9,970	**–**	£2.635	£3.06	25.07.08	25.07.15	Approved
	40,030	–	–	**40,030**	£2.635	–	25.07.08	24.07.15	Unapproved
	1,321	–	1,321	**–**	£2.86	£3.13	01.03.10	31.08.10	SAYE
	34,660	(34,660)	–	**–**	nil	–	19.07.10	18.07.17	Co-investment
	2,200	–	–	**2,200**	£1.68	–	17.07.11	17.07.18	Approved
	22,800	–	–	**22,800**	£1.68	–	17.07.11	17.07.18	Unapproved
	50,000	–	–	**50,000**	£1.97	–	16.07.12	16.07.19	Unapproved
	52,500	–	–	**52,500**	nil	–	30.07.12	30.07.19	Co-investment
	–	52,500	–	**52,500**	nil	–	29.07.13	29.07.20	Co-investment
Nigel Alldritt	35,000	–	35,000	**–**	£1.145	£3.76	09.07.05	08.07.12	Unapproved
	11,380	–	5,690	**5,690**	£2.635	£3.13	25.07.08	25.07.15	Approved
	38,620	–	–	**38,620**	£2.635	–	25.07.08	24.07.15	Unapproved
	27,729	(27,729)	–	**–**	nil	–	19.07.10	18.07.17	Co-investment
	25,000	–	–	**25,000**	£1.68	–	17.07.11	17.07.18	Unapproved
	50,000	–	–	**50,000**	£1.97	–	16.07.12	16.07.19	Unapproved
	37,500	–	–	**37,500**	nil	–	30.07.12	30.07.19	Co-investment
	–	37,500	–	**37,500**	nil	–	29.07.13	29.07.20	Co-investment
Justin Apthorp	21,952	(21,952)	–	**–**	nil	–	19.07.10	18.07.17	Co-investment
	25,000	–	–	**25,000**	£1.68	–	17.07.11	17.07.18	Unapproved
	15,200	–	–	**15,200**	£1.97	–	16.07.12	16.07.19	Approved
	34,800	–	–	**34,800**	£1.97	–	16.07.12	16.07.19	Unapproved
	37,500	–	–	**37,500**	nil	–	30.07.12	30.07.19	Co-investment
	–	37,500	–	**37,500**	nil	–	29.07.13	29.07.20	Co-investment

The market value of the Company's shares at 28 March 2011 was 397.38p. The highest and lowest prices during the year were 430p and 255p respectively.

The Directors' remuneration for the year is set out in the table below.

	Basic salary and fees £000	Benefits £000	Performance related bonuses £000	Company pension contributions £000	**Total 2011 £000**	Total 2010 £000
Steve Lewis	250	43	250	50	**593**	458
Nigel Alldritt	170	11	170	34	**385**	308
Justin Apthorp	150	11	150	30	**341**	259
Simon Burke (retired 6 August 2010)	25	–	–	–	**25**	60
Paul Dermody	30	–	–	–	**30**	20
Helen Keays	30	–	–	–	**30**	20
Phil Wrigley (appointed 23 April 2010)	57	–	–	–	**57**	–
	712	**65**	**570**	**114**	**1,461**	1,125

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 two 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.

Under the terms of the scheme for the financial year ended 28 March 2011, participants are entitled to an award of bonus shares equal to £353,000.

The best estimate for the cost of bonus and loyalty shares is £706,000. The cost of the scheme is spread over the current year and the two year deferral period with £470,000 recognised in the income statement for the year ended 28 March 2011 in accordance with IFRS 2.

Directors' Report
For the year ended 28 March 2011

Audit committee
The audit committee consists of the Chairman and the other two non-executive Directors. It is chaired by Paul Dermody. The other Directors attend by invitation. 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.

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 budget is reviewed and approved by the Board. 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.

Risk management
The risks facing the business are assessed on an ongoing basis. The executive Directors have direct responsibility for a number of key risk areas. They evaluate the likelihood and potential impact of risks and ensure appropriate action is taken to mitigate them. The key risks and mitigating factors are set out below.

- The retail industry is very competitive. The Group competes with a number of retailers of varying size on areas including price, range, quality and service. Failure to compete effectively could have an adverse impact on the financial results. Apart from regularly monitoring performance against competitors in these areas the Group mitigates its exposure by ensuring that the business is differentiated from the competition by the diversity and quantity of stock at each location, provision of dedicated car parking and wine expertise.
- The Group recognises that it is essential to its success to attract, retain and motivate staff at all levels in the organisation. The Group considers its employment policies regularly and provides a comprehensive package of salary and benefits, including bonuses and participation in the Group's share option schemes. Great emphasis is placed on training in order to help people achieve their full potential.
- The business is dependent on information technology systems and a significant failure may impact the Group's ability to trade. The Group has extensive controls in place to ensure the integrity and reliability of its systems. Recovery plans are in place to ensure that any disruption from a failure can be kept to a minimum and they are regularly tested.
- As a drinks retailer the Group operates in a market that is regulated most notably by way of licences to sell alcohol. The Group monitors compliance with licensing requirements ensuring that all relevant staff hold the appropriate qualifications. Changes in the regulatory environment could occur at any time and may have a detrimental effect on the business.
- The Group imports product direct from suppliers located abroad and is therefore exposed to risk from fluctuations in foreign currency exchange rates. Forward currency contracts are purchased to mitigate foreign currency exposures.

Financial instruments
The Group's financial risk management objectives and policies are discussed in note 28 to the financial statements.

Charitable and political donations
Charitable donations made in the year amounted to £14,000 with the largest beneficiary being Parkinson's UK. The Group made no political donations during the year.

Key Performance Indicators
The Group monitors a number of performance indicators both financial and non-financial.

	52 weeks to 28.03.11	52 weeks to 29.03.10
Total % increase in Group turnover (%)	**10.3%**	15.6%
UK retail like for like sales increase (%)	**5.3%**	8.4%
Profit before tax £m	**£20.3m**	£16.0m
Profit before tax as a % of total turnover (%)	**7.9%**	6.9%
Number of stores trading in the UK	**163**	152
Number of active customers	**511,000**	472,000
Average transaction value (£)	**£126**	£129

These indicators are discussed in the Chairman's Statement, the Review of Operations and the Financial Review.

Directors' Report
For the year ended 28 March 2011

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare Group and Company financial statements for each financial year which present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group and Company for that period. In preparing those financial statements, the Directors are required to:

– select suitable accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
– state that the Group and Company have complied with IFRS, 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 Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 18 to 19. Having made enquiries of fellow Directors and of the Company's auditors each of these Directors confirms that:

– to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
– each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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 age, 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 and other payables 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 74 days (2010: 78 days). The Company has no trade payables.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The financial position of the Group, its cash flows, liquidity position, and borrowing facilities are also described in that review. In addition note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk. The Board are currently of the opinion that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within its current borrowing facilities and comply with its banking covenants. In common with many other retailers the Group is able to operate at certain times of the year with net current liabilities without impacting its ability to operate within its current banking facilities. 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.

Auditor

A resolution to reappoint Ernst & Young LLP as auditors of the Company 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

Nigel Alldritt ACMA
Company Secretary

Majestic House
Otterspool Way
Watford
WD25 8WW

13 June 2011

Registered in England and Wales
No. 2281640

Audit Report
For the year ended 28 March 2011

Independent Auditor's Report to the Members of Majestic Wine PLC

We have audited the financial statements of Majestic Wine PLC for the year ended 28 March 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and parent Company's affairs as at 28 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tony McCartney (Senior statutory auditor)
for and on behalf of Ernst and Young LLP, Statutory Auditor
Cambridge

13 June 2011

Group Income Statement
For the year ended 28 March 2011

	Note	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Revenue		**257,301**	233,220
Cost of sales		**(202,103)**	(183,528)
Gross profit		**55,198**	49,692
Distribution costs		**(20,856)**	(20,165)
Administrative costs		**(14,474)**	(13,838)
Other operating income		**798**	777
Profit before finance costs and taxation	6	**20,666**	16,466
Finance revenue	8	**24**	7
Finance costs	8	**(419)**	(462)
Profit before taxation		**20,271**	16,011
UK income tax	9	**(5,682)**	(4,591)
Overseas income tax	9	**(359)**	(140)
Profit for the year		**14,230**	11,280
Earnings per share			
Basic	10	**23.0p**	18.4p
Diluted	10	**22.6p**	18.3p
Total dividend per share for the year	11	**13.0p**	10.3p

Registered in England and Wales
No 2281640

Group Statement of Comprehensive Income
For the year ended 28 March 2011

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Profit for the year	**14,230**	11,280
Other comprehensive income: Currency translation difference on foreign currency net investments	**(96)**	(144)
Other comprehensive income for the year, net of tax	**(96)**	(144)
Total comprehensive income for the year	**14,134**	11,136

Group and Company Statement of Changes in Equity
For the year ended 28 March 2011

	Share capital £000	Share premium account £000	Capital reserve own shares held in ESOT £000	Capital redemption reserve £000	Currency translation reserve £000	Retained earnings £000	Total shareholders' funds £000
Group							
At 30 March 2009	4,609	10,518	(103)	363	2,623	29,606	47,616
Profit for the year	–	–	–	–	–	11,280	11,280
Other comprehensive income:							
Foreign exchange differences	–	–	–	–	(144)	–	(144)
Total comprehensive income for the year	–	–	–	–	(144)	11,280	11,136
Share issue	2	29	–	–	–	–	31
Shares vesting under deferred bonus scheme	–	–	96	–	–	(96)	–
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	–	–	–	–	–	706	706
Tax credit on employee share options	–	–	–	–	–	182	182
Equity dividends paid	–	–	–	–	–	(6,023)	(6,023)
At 29 March 2010	4,611	10,547	(7)	363	2,479	35,655	53,648
Profit for the year	–	–	–	–	–	14,230	14,230
Other comprehensive income:							
Foreign exchange differences	–	–	–	–	(96)	–	(96)
Total comprehensive income for the year	–	–	–	–	(96)	14,230	14,134
Share issue	63	1,840	–	–	–	–	1,903
ESOT share issue	12	455	(229)	–	–	(238)	–
Transfer to shareholders' funds – employee costs expected to be satisfied in shares	–	–	–	–	–	914	914
Tax credit on employee share options	–	–	–	–	–	927	927
Equity dividends paid	–	–	–	–	–	(6,666)	(6,666)
At 28 March 2011	**4,686**	**12,842**	**(236)**	**363**	**2,383**	**44,822**	**64,860**
Company							
At 30 March 2009 – as previously stated	4,609	10,518	–	363	–	7,786	23,276
Prior year adjustment (note 3)	–	–	–	–	–	1,680	1,680
At 30 March 2009 – as restated	4,609	10,518	–	363	–	9,466	24,956
Profit for the year	–	–	–	–	–	7,705	7,705
Total comprehensive income for the year	–	–	–	–	–	7,705	7,705
Share options granted to subsidiary employees	–	–	–	–	–	362	362
Share issue	2	29	–	–	–	–	31
Equity dividends paid	–	–	–	–	–	(6,023)	(6,023)
At 29 March 2010	4,611	10,547	–	363	–	11,510	27,031
Profit for the year	–	–	–	–	–	8,505	8,505
Total comprehensive income for the year	–	–	–	–	–	8,505	8,505
Share options granted to subsidiary employees	–	–	–	–	–	396	396
Share issue	63	1,840	–	–	–	–	1,903
ESOT share issue	12	455	–	–	–	–	467
Equity dividends paid	–	–	–	–	–	(6,666)	(6,666)
At 28 March 2011	**4,686**	**12,842**	**–**	**363**	**–**	**13,745**	**31,636**

Group and Company Balance Sheets
As at 28 March 2011

	Note	Group 28.03.11 £000	Group 29.03.10 (restated) £000	Group 30.03.09 (restated) £000	Company 28.03.11 £000	Company 29.03.10 (restated) £000	Company 30.03.09 (restated) £000
Non current assets							
Goodwill and intangible assets	12	8,708	9,085	9,477	–	–	–
Property, plant and equipment	13	54,270	50,512	47,978	–	–	–
En primeur purchases	14	7,784	2,627	1,544	–	–	–
Prepaid operating lease costs	15	1,958	1,578	1,583	–	–	–
Deferred tax assets	9	1,850	942	472	–	–	–
Investments in subsidiaries	16	–	–	–	10,420	10,024	9,662
		74,570	64,744	61,054	10,420	10,024	9,662
Current assets							
Inventories	17	46,562	38,511	37,752	–	–	–
Trade and other receivables	18	7,115	6,894	7,851	23,216	19,007	17,294
En primeur purchases	14	3,620	2,073	2,136	–	–	–
Financial instruments at fair value	28	512	233	834	–	–	–
Cash and cash equivalents	28	5,817	4,774	2,572	–	–	–
		63,626	52,485	51,145	23,216	19,007	17,294
Total assets		138,196	117,229	112,199	33,636	29,031	26,956
Current liabilities							
Trade and other payables	19	(47,346)	(44,202)	(45,166)	–	–	–
En primeur deferred income	14	(4,461)	(2,538)	(2,637)	–	–	–
Term loan	20	(676)	(672)	(669)	–	–	–
Bank overdraft	20	(190)	(2,453)	(3,950)	–	–	–
Provisions	21	(434)	(296)	(121)	–	–	–
Deferred lease inducements	22	(149)	(106)	(109)	–	–	–
Financial instruments at fair value	28	(1)	(5)	–	–	–	–
Current tax liabilities		(3,341)	(2,461)	(1,515)	–	–	–
		(56,598)	(52,733)	(54,167)	–	–	–
Non current liabilities							
Amounts due to Group undertakings	19	–	–	–	(2,000)	(2,000)	(2,000)
Term loan	20	(4,900)	(5,575)	(6,245)	–	–	–
En primeur deferred income	14	(9,384)	(3,038)	(1,921)	–	–	–
Provisions	21	(220)	(87)	–	–	–	–
Deferred lease inducements	22	(1,008)	(747)	(769)	–	–	–
Deferred tax liabilities	9	(1,226)	(1,401)	(1,481)	–	–	–
Total liabilities		(73,336)	(63,581)	(64,583)	(2,000)	(2,000)	(2,000)
Net assets		64,860	53,648	47,616	31,636	27,031	24,956
Shareholders' equity							
Called up share capital	23	4,686	4,611	4,609	4,686	4,611	4,609
Share premium account	23	12,842	10,547	10,518	12,842	10,547	10,518
Capital reserve – own shares	23	(236)	(7)	(103)	–	–	–
Capital redemption reserve	23	363	363	363	363	363	363
Currency translation reserve	23	2,383	2,479	2,623	–	–	–
Retained earnings		44,822	35,655	29,606	13,745	11,510	9,466
Equity shareholders' funds		64,860	53,648	47,616	31,636	27,031	24,956

The financial statements were approved by the Board on 13 June 2011 and signed on its behalf by:

Phil Wrigley
Chairman

Group and Company Cash Flow Statements
For the year ended 28 March 2011

	Note	Group 52 weeks 28.03.11 £000	Group 52 weeks 29.03.10 £000	Company 52 weeks 28.03.11 £000	Company 52 weeks 29.03.10 £000
Cash flows from operating activities					
Cash generated/(utilised) by operations	27a	22,548	21,208	(4,209)	(1,713)
UK income tax paid		(5,213)	(4,309)	–	–
Overseas income tax (paid)/received		(101)	164	–	–
Net cash generated/(utilised) by operating activities		17,234	17,063	(4,209)	(1,713)
Cash flows from investing activities					
Interest received		24	7	–	–
Dividends received		–	–	8,505	7,705
UK income tax paid		(3)	(8)	–	–
Purchase of non current assets		(8,157)	(6,173)	–	–
Receipts from sales of non current assets		33	23	–	–
Net cash (utilised)/generated by investing activities		(8,103)	(6,151)	8,505	7,705
Cash inflow before financing		9,131	10,912	4,296	5,992
Cash flows from financing activities					
Interest paid		(342)	(486)	–	–
Issue of Ordinary Share capital		1,903	31	1,903	31
Receipt for shares issued to ESOT		–	–	467	–
Term loan repayment		(700)	(700)	–	–
Equity dividends paid		(6,666)	(6,023)	(6,666)	(6,023)
Net cash used by financing activities		(5,805)	(7,178)	(4,296)	(5,992)
Net increase in cash and cash equivalents		3,326	3,734	–	–
Cash and cash equivalents at beginning of year		2,321	(1,378)	–	–
Effect of foreign exchange differences		(20)	(35)	–	–
Cash and cash equivalents at end of year	27b	5,627	2,321	–	–

Notes to the Financial Statements

1. General information

Majestic Wine PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 2281640). The Company is domiciled in the United Kingdom and its registered address is Majestic House, Otterspool Way, Watford, WD25 8WW. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM").

The Group's principal activity is the retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

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2. Authorisation of financial statements and statement of compliance with IFRS

The Group's and Company's financial statements for the year ended 28 March 2011 were authorised for issue by the Board of Directors on 13 June 2011 and the balance sheets were signed on the Board's behalf by Phil Wrigley.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company's financial statements have been prepared on the same basis. As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year. The Company has not made any other comprehensive income and consequently has not presented a statement of comprehensive income for the year.

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3. Basis of preparation

The financial year represents the 52 weeks to 28 March 2011 and the prior financial year, 52 weeks to 29 March 2010. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these consolidated financial statements except as follows:

The Group has adopted the following amended and revised IFRS during the year.

Amendment to IFRS 2 – Group Cash-settled Share-based Payment Arrangements

This standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. In light of this amendment effective for the first time this year the Company has amended its accounting policy for share based payment schemes settled in the Company's equity where services are received by subsidiary entities. To reflect this change, the Company has recorded an increase in its investment in subsidiary undertakings of £1,680,000 as at 30 March 2009 with a corresponding credit to equity. Further increases of £362,000 and £396,000 have been recorded in the financial years ending 29 March 2010 and 28 March 2011 respectively. Adoption of this amended standard has not had any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised)

This revised standard introduces significant changes in the accounting for business combinations and applies retrospectively for those business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009.

There have been no business combinations to which the revised standard would apply and hence adoption has not had any impact on the financial position or performance of the Group.

The revised standard will change the reporting of any future business combination, including the accounting for transaction costs, valuation of non-controlling interests, the initial and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes affect the level of goodwill recognised, the results reported in the period of acquisition and future reported results.

IAS 27 Consolidated and Separate Financial statements (Amendment)

The amendments to the standard require that a change in ownership interest of a subsidiary, that does not result in a loss of control, is accounted for as a transaction with owners in their capacity as owners. Such transactions will no longer therefore give rise to goodwill, or give rise to a gain or loss. This amendment has the same effective date as IFRS 3 Business Combinations (Revised) and adoption of this standard has not resulted in any change to the financial position or performance of the Group.

Notes to the Financial Statements

4. Accounting policies

Basis of consolidation

The full year 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. The interim results are prepared for the first 26 weeks of the relevant full period.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

Company investment in subsidiaries

In its separate financial statements the Company recognises its investments in subsidiaries at cost less any provision for impairment.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue consists of:
– sales through retail outlets in the UK and France and trade sales through both head office and our dedicated depot in King's Cross measured at the fair value of consideration, net of returns, rebates and value-added taxes and recognised when the significant risks and rewards of ownership have been transferred to the buyer;
– receipts from customers for sales of en primeur wines are recognised when the wines are delivered to customers, which may be up to two years later;
– finance revenue is interest receivable from bank deposits, interest receivable from lessees under the terms of their leases and interest receivable from HM Revenue & Customs on corporation tax paid on account and is recognised on an effective interest rate basis;
– other operating income comprises rental income receivable from sub-let premises and is recognised on a straight line basis over the lease; and
– dividends receivable by the Company are from subsidiary undertakings and are recognised when the Company has the right to receive them.

Finance costs

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. The policy is adopted for all assets that meet the definition of qualifying assets under IAS 23.

Capitalisation of borrowing costs commence when:
– expenditures for the asset and borrowing costs are being incurred; and
– activities necessary to prepare the asset for its intended use are in progress.

Capitalisation of borrowing costs ceases when the asset is substantially ready for its intended use. When construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases on substantial completion of that part.

For borrowing associated with a specific asset, the actual borrowing costs less any investment income on temporary investment of those borrowings are capitalised. To the extent funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expenses which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation. This allows shareholders to understand the elements of trading performance in the year, to facilitate comparison with prior periods and to better assess trends in trading performance.

Intangible assets

Licences and computer software

Licences and computer software are carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring in to use the specific software. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful life of each of the assets. This is considered to be between three and five years for computer software and for licences it is the term of the relevant licence.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Financial Statements

4. Accounting policies continued

Goodwill
Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is not amortised and is tested for impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash generating units on which it arose. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Goodwill arising on acquisitions after 31 December 1997 and before 28 March 2005 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill arising on the acquisition of subsidiaries prior to 31 December 1997 was written off immediately against reserves. This has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Property, plant and equipment
Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:
– Freehold buildings and leasehold properties – 50 years, or the lease term if shorter.
– Equipment, fittings and vehicles – at rates varying from 10% to 33%.
– Freehold land is not depreciated.

Land and buildings under construction and non current assets held for sale are not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Impairment of assets
At each balance sheet date, the Group reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units are generally considered to be individual stores.

An impairment charge is recognised in the income statement in the year in which it occurs. Where an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in its original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Inventories
Inventories are valued 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. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Trade and other receivables
Trade receivables, which are generally received on end of month following terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

Non current assets held for sale
Non current assets are classified as held for sale if their carrying amount will be recovered through sales rather than continuing use. This condition is regarded as met if management are committed to the sale and the asset is available for immediate disposal in its present condition. Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Notes to the Financial Statements

4. Accounting policies continued

Foreign currencies

Foreign operations
The consolidated financial statements are presented in sterling which is the Company's functional and presentational currency. Each entity in the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency. The income and expenses of overseas subsidiaries are translated at the average rate of exchange ruling during the year. The balance sheet of the overseas subsidiary undertaking is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included within equity and transferred to the Group's currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

Foreign currency transactions
Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the period.

Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably measured.

Leased assets

Group as lessee
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

Group as lessor
Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Pensions
The Group contributes to the personal pension plans of certain staff. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

Share based payments
The Group and Company provide benefits to employees (including Directors) in the form of share based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions"). The cost of the equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value of employee share option plans is calculated using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market performance conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the fair value at date of grant.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or in the case of an instrument subject to a market condition, be treated as vested as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with the corresponding increase in equity. The Company records an increase in its investments in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in the subsidiary undertakings.

The Group and Company has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 28 March 2005.

Notes to the Financial Statements

4. Accounting policies continued

Income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Group has a legally enforceable right to do so and the Company intends to settle them on a net basis.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign currency fluctuations arising from operational activities. These instruments are primarily foreign exchange forward contracts. The Group does not hold or issue derivative financial instruments for speculative purposes. However if derivatives do not qualify for hedge accounting they are accounted for as such.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For derivative financial instruments not designated as a hedge, any change in fair value is immediately recognised in the income statement.

There were no derivatives accounted for using hedge accounting during the year.

Own shares
Majestic Wine PLC shares held by the Group are classified in shareholders' equity as 'Capital Reserve-Own Shares' and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

Use of assumptions and estimates
The Group makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation and amortisation periods for the Group, and the estimates in relation to future cash flows and discount rates utilised in impairment testing.

New standards and interpretations not applied
The following standards and interpretations have been issued by the IASB and IFRIC, none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure. They become effective after the current year and have not been early adopted by the Group and Company:

International Financial Reporting Standards (IFRS)		Effective date	To be adopted by the Group and Company during years commencing
IFRS 9	Financial instruments: Classification and measurement (not yet endorsed by the EU)	01.01.2013	02.04.2013
IFRS 7	Disclosures – Transfers of Financial Assets (Amendment)	01.07.2011	29.03.2011
IFRS 10	Consolidated Financial Statements	01.01.2013	02.04.2013
IFRS 11	Joint Arrangements	01.01.2013	02.04.2013
IFRS 12	Disclosure of Interests in Other Entities	01.01.2013	02.04.2013
IFRS 13	Fair Value Measurements	01.01.2013	02.04.2013
International Accounting Standards (IAS)			
IAS 24	Related Party Disclosures (Revised)	01.01.2011	29.03.2011

Notes to the Financial Statements

5. Segment reporting

For management purposes, the Group is organised into three distinct business units each operating in a separate segment of the overall wine market. Majestic Wine Warehouses is a UK based wine retailer, Lay & Wheeler is a specialist in the fine wine market and Wine and Beer World operates retail units in northern France servicing the UK cross-channel market.

No operating segments have been aggregated to form the above reportable segments. Management monitors the operating results of the business separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on both sales growth and profit before interest.

In the information provided to the chief operating decision maker, the underlying performance of the Lay & Wheeler operating segment is evaluated and measured based on revenue and profit being recognised on orders, cash receipts and payments from en primeur campaigns. Management reviews the business on this alternative basis as resources in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised on delivery which may be up to two years later. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure. Comparative information has been restated to reflect this change in the basis of measurement. This restatement has had no impact on reported revenue and profit in the current or comparative periods.

Financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments. Inter-segment transactions are conducted on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments for the years ended 28 March 2011 and 29 March 2010. All activities are continuing.

Segment analysis 2011	Majestic Wine Warehouses £000	Lay & Wheeler £000	Wine and Beer World £000	Unallocated £000	Eliminated £000	Group £000
Third party revenue	234,217	22,422	8,931	–	–	265,570
Inter-segment revenue	–	1,067	–	–	(1,067)	–
Segment revenue	234,217	23,489	8,931	–	(1,067)	265,570
En primeur sales deferred to future periods	–	(8,269)	–	–	–	(8,269)
Reported third party revenue	234,217	15,220	8,931	–	(1,067)	257,301
Segment result	18,923	2,266	1,042	–	–	22,231
En primeur profit deferred to future periods	–	(1,565)	–	–	–	(1,565)
Reported operating result	18,923	701	1,042	–	–	20,666
Finance revenue	–	–	–	24	–	24
Finance costs	–	–	–	(419)	–	(419)
Profit/(loss) before tax	18,923	701	1,042	(395)	–	20,271
Income tax expense	–	–	–	(6,041)	–	(6,041)
Profit/(loss) for the year	18,923	701	1,042	(6,436)	–	14,230
Segment assets	108,198	24,133	6,290	1,850	(2,275)	138,196
Segment liabilities	(74,186)	(18,141)	(1,903)	(4,567)	25,461	(73,336)
Other segment items:						
Purchase of non current assets	8,131	23	3	–	–	8,157
Depreciation, amortisation and impairment	3,738	434	99	–	–	4,271
Share based payments	914	–	–	–	–	914

Notes to the Financial Statements

5. Segment reporting continued

Segment analysis 2010	Majestic Wine Warehouses £000	Lay & Wheeler £000	Wine and Beer World £000	Unallocated £000	Eliminated £000	Group £000
Third party revenue	213,540	13,432	7,266	–	–	234,238
Inter-segment revenue	–	906	–	–	(906)	–
Segment revenue	213,540	14,338	7,266	–	(906)	234,238
En primeur sales deferred to future periods	–	(1,018)	–	–	–	(1,018)
Reported third party revenue	213,540	13,320	7,266	–	(906)	233,220
Segment result	16,027	21	416	–	–	16,464
En primeur profit deferred to future periods	–	2	–	–	–	2
Reported operating result	16,027	23	416	–	–	16,466
Finance revenue	–	–	–	7	–	7
Finance costs	–	–	–	(462)	–	(462)
Profit/(loss) before tax	16,027	23	416	(455)	–	16,011
Income tax expense	–	–	–	(4,731)	–	(4,731)
Profit/(loss) for the year	16,027	23	416	(5,186)	–	11,280
Segment assets	95,948	16,684	6,330	942	(2,675)	117,229
Segment liabilities	(68,231)	(11,355)	(1,785)	(3,862)	21,652	(63,581)
Other segment items:						
Purchase of non current assets	6,112	39	22	–	–	6,173
Depreciation, amortisation and impairment	3,395	429	110	–	–	3,934
Share based payments	706	–	–	–	–	706

The segment assets and liabilities that are not allocated represent deferred and current tax balances. The segment assets and liabilities that are eliminated represent parent and subsidiary intercompany receivables and payables.

6. Profit before finance costs and taxation

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Profit before finance costs and taxation is stated after charging/(crediting) the following items:		
Depreciation	**3,517**	3,242
Amortisation and impairment	**754**	692
Operating lease rentals – land and buildings	**7,262**	7,172
– other leases	**856**	824
– sublease payments received	**(798)**	(777)
Loss on sale of plant and equipment	**16**	23
Bad debt expense	**58**	126
Net foreign currency exchange loss	**70**	241
Auditor's remuneration:		
Audit of the Group financial statements	**10**	10
Local statutory audits for subsidiaries	**91**	84

No audit fee has been charged in Majestic Wine PLC.

Notes to the Financial Statements

7. Employee information

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

	2011	2010
Head office, including distribution	164	150
Store staff	739	665
	903	815

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

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Wages and salaries	22,663	20,995
Social security costs	2,770	2,309
Pension costs	371	296
Share based payments expense (note 25)	914	706
	26,718	24,306

Directors' emoluments

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Salary and benefits	777	642
Bonus earned in the current year	570	386
Aggregate emoluments	1,347	1,028
Gain made on exercise of share options	291	3
Company pension contributions to money purchase schemes for three Directors (2010: 3)	114	97
	1,752	1,128
Highest paid Director		
Salary and benefits	293	249
Bonus earned in the current year	250	167
Aggregate emoluments	543	416
Gain made on exercise of share options	197	3
Company pension contributions to money purchase scheme	50	42
	790	461

Detailed disclosure of Directors' remuneration is set out in the Directors' Report on page 22.

8. Finance revenue and costs

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Interest on bank overdrafts	192	191
Interest on term loan	227	271
Finance cost	419	462
Bank interest receivable	(24)	(7)
Net finance cost	395	455

In the previous year £53,000 of interest paid during the period was capitalised under IAS 23 and included within additions in note 13, resulting in total cash flows relating to interest payable of £486,000.

Notes to the Financial Statements

9. Taxation

a) Taxation charge

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Current income tax expense:		
UK income tax	6,112	5,140
Overseas income tax on subsidiary undertaking	359	140
Adjustment in respect of the previous year	(13)	(180)
Total current income tax expense	6,458	5,100
UK deferred tax expense:		
Origination and reversal of temporary differences	(385)	(387)
Adjustment in respect of prior years	–	18
Change in tax rate on prior year balances	(32)	–
Total deferred tax expense	(417)	(369)
Total income tax expense charged in the income statement	6,041	4,731

b) Taxation reconciliation

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Profit before tax	20,271	16,011
Taxation at the standard UK corporation tax rate of 28%	5,676	4,483
Adjustments in respect of prior years	(13)	(162)
Overseas income tax at higher rates	59	25
Non-deductible expenses	345	397
Income not taxable	(6)	(12)
Change in tax rate on current year deferred tax	12	–
Change in tax rate on prior year balances	(32)	–
Total income tax expense charged in the income statement	6,041	4,731
Effective tax rate	29.8%	29.5%

c) Tax on items credited to equity

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Current tax credit on share based payments	(261)	(1)
Deferred tax credit on share based payments	(681)	(181)
Change in tax rate on prior year balances	15	–
Total tax on items credited to equity	(927)	(182)

Notes to the Financial Statements

9. Taxation continued

d) Deferred tax

	Accelerated tax depreciation £000	Short-term temporary differences £000	Share-based payments £000	Total deferred tax assets £000	Deferred tax liabilities £000	Total £000
At 30 March 2009	(341)	(275)	33	(583)	(426)	(1,009)
Credited to the income statement	120	173	76	369	–	369
Credited to equity	–	29	152	181	–	181
At 29 March 2010	(221)	(73)	261	(33)	(426)	(459)
Credited to the income statement	145	103	138	386	31	417
Credited to equity	–	92	574	666	–	666
At 28 March 2011	**(76)**	**122**	**973**	**1,019**	**(395)**	**624**

The deferred tax liabilities relate solely to held-over capital gains arising on the disposal of freehold properties.

Disclosed in the Group Balance Sheet:

	2011 £000	2010 £000
Deferred tax assets	**1,850**	942
Deferred tax liabilities	**(1,226)**	(1,401)
	624	(459)

e) Factors that may affect future tax charges

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 34.3% (2010: 33.7%).

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as following the enactment of the Finance Act 2009 the Group considers that it would have no liability to additional taxation should such amounts be remitted.

The Chancellor announced in the Emergency Budget on 22 June 2010 that the standard rate of UK corporation tax would be reduced from 28% to 27% from 1 April 2011 and that there will be progressive annual reductions of a further 1% each year until a rate of 24% is reached with effect from 1 April 2014. The Finance Act (No2) 2010 received Royal Assent on 27 July 2010, with the first of the rate reductions being substantively enacted from 21 July 2010 under IFRS. As the legislation was substantively enacted by the balance sheet date, the deferred tax balances have been reduced. The Chancellor also announced in the Budget on 23 March 2011 that the standard rate of UK Corporation tax will be reduced by a further 1% to 26% from 1 April 2011. This reduction was substantively enacted on 29 March 2011. The future reductions are now planned to take the rate down by 1% per annum to 23% from 1 April 2014 and will be reflected in future accounts following substantive enactment.

Notes to the Financial Statements

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year, excluding those held by the Employee Share Ownership Trust (note 24), which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potential dilutive Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the year. Share options granted over 448,782 (2010: 2,606,754) Ordinary Shares have not been included in the dilutive earnings per share calculation because they are anti dilutive at the period end.

	2011	2010
Weighted average number of shares in issue	**61,839,910**	61,433,638
Dilutive potential Ordinary Shares:		
Employee share options	**1,188,754**	268,551
Total number of shares for calculating diluted earnings per share	**63,028,664**	61,702,189

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Profit for the financial year attributable to equity holders of the parent	**14,230**	11,280

	2011	2010
Basic earnings	**23.0p**	18.4p
Diluted earnings	**22.6p**	18.3p

11. Dividends paid and proposed

	2011 £000	2010 £000
Equity dividends on Ordinary Shares declared and paid during the year:		
Final dividend for 2010: 7.5p (2009: 7.0p)	**4,619**	4,302
Interim for 2011: 3.3p (2010: 2.8p)	**2,047**	1,721
Equity dividends paid	**6,666**	6,023
Proposed for approval by shareholders at the AGM:		
Final dividend for 2011: 9.7p (2010: 7.5p)	**6,160**	4,619

Notes to the Financial Statements

12. Goodwill and intangible assets
Group

	Software £000	Facilities and trademark license £000	Goodwill £000	Total £000
Cost:				
At 29 March 2010	2,446	2,985	10,799	16,230
Additions	262	–	–	262
Foreign currency adjustment	(3)	–	(67)	(70)
At 28 March 2011	**2,705**	**2,985**	**10,732**	**16,422**
Accumulated amortisation and impairment losses:				
At 29 March 2010	1,589	225	5,331	7,145
Amortisation during the year	346	225	–	571
Foreign currency adjustment	(2)	–	–	(2)
At 28 March 2011	**1,933**	**450**	**5,331**	**7,714**
Net carrying value:				
At 28 March 2011	**772**	**2,535**	**5,401**	**8,708**
At 29 March 2010	857	2,760	5,468	9,085
Cost:				
At 30 March 2009	2,217	2,985	10,894	16,096
Additions	235	–	–	235
Foreign currency adjustment	(6)	–	(95)	(101)
At 29 March 2010	**2,446**	**2,985**	**10,799**	**16,230**
Accumulated amortisation and impairment losses:				
At 30 March 2009	1,288	–	5,331	6,619
Amortisation during the year	305	225	–	530
Foreign currency adjustment	(4)	–	–	(4)
At 29 March 2010	**1,589**	**225**	**5,331**	**7,145**
Net carrying value:				
At 29 March 2010	**857**	**2,760**	**5,468**	**9,085**
At 30 March 2009	929	2,985	5,563	9,477

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two-cash generating units, which are also operating segments within the Group. These are Les Celliers de Calais S.A.S. trading as Wine and Beer World and Lay & Wheeler Ltd. Goodwill of £2,606,000 (2010: £2,606,000) is attributable to the Lay & Wheeler segment and £2,795,000 (2010: £2,862,000) to the Wine and Beer World segment. Wine and Beer World goodwill is determined in Euro and is retranslated every year.

The Group performed its annual impairment test as at 28 March 2011. The recoverable amounts have been determined on a value in use calculation using discounted cash flow projections based on financial budgets approved by the Board covering a 12 month period. Cash flows beyond this point were modelled at zero growth and discounted at a pre-tax rate of 10% (2010: 10%). The discounted cash flow was further risk adjusted based on a discount of 12%. No impairment would be recognised based on these sensitised assumptions. The aforementioned range of assumptions model reasonably possible sensitivities.

Notes to the Financial Statements

13. Property, plant and equipment
Group

	Land and buildings				
	Freehold £000	Long leasehold £000	Leasehold improvements £000	Equipment fittings & vehicles £000	Total £000
Cost or valuation:					
At 29 March 2010	33,842	1,555	14,077	18,182	67,656
Additions	2,348	2	1,969	3,010	7,329
Reclassification	–	–	(94)	94	–
Foreign currency adjustment	–	–	(16)	(14)	(30)
Disposals	–	–	(35)	(192)	(227)
At 28 March 2011	**36,190**	**1,557**	**15,901**	**21,080**	**74,728**
Depreciation:					
At 29 March 2010	1,753	45	4,233	11,113	17,144
Charge for year	335	19	1,150	2,013	3,517
Reclassification	–	–	18	(18)	–
Foreign currency adjustment	–	–	(11)	(11)	(22)
Disposals	–	–	(23)	(158)	(181)
At 28 March 2011	**2,088**	**64**	**5,367**	**12,939**	**20,458**
Net book value:					
At 28 March 2011	**34,102**	**1,493**	**10,534**	**8,141**	**54,270**
At 29 March 2010	32,089	1,510	9,844	7,069	50,512
Cost or valuation:					
At 30 March 2009	32,267	439	12,986	16,706	62,398
Additions	1,575	1,116	1,242	1,899	5,832
Foreign currency adjustment	–	–	(24)	(17)	(41)
Disposals	–	–	(127)	(406)	(533)
At 29 March 2010	**33,842**	**1,555**	**14,077**	**18,182**	**67,656**
Depreciation:					
At 30 March 2009	1,439	37	3,417	9,527	14,420
Charge for year	314	8	956	1,964	3,242
Foreign currency adjustment	–	–	(15)	(14)	(29)
Disposals	–	–	(125)	(364)	(489)
At 29 March 2010	**1,753**	**45**	**4,233**	**11,113**	**17,144**
Net book value:					
At 29 March 2010	**32,089**	**1,510**	**9,844**	**7,069**	**50,512**
At 30 March 2009	30,828	402	9,569	7,179	47,978

Freehold land and buildings includes £16,439,000 (2010: £15,814,000) in respect of land that is not depreciated. Included within additions for the prior year is an amount of £53,000 for capitalised interest.

Notes to the Financial Statements

14. En Primeur
Group

En primeur refers to the process of purchasing wines early before they are bottled and released onto the market. This method of purchasing gives the consumer the opportunity to secure wines that may be in limited quantity and very difficult to acquire after release. Receipts and payments for these wines may be up to two years before the wines are delivered to customers. Payments to suppliers are treated as receivables and receipts from customers as deferred income until the wines are delivered.

In prior periods, balances related to en primeur purchases and deferred income, have been reported in current assets and liabilities as part of trade receivables and payables. In order to provide users of the financial statements with more detailed and comparable information, management have reclassified en primeur balances to separate lines on the face of the balance sheet. In performing this exercise management have also reviewed the ageing profile of the balances and have re-stated the comparative balance sheets accordingly.

a) Analysis of en primeur balances

	28.03.11 £000	29.03.10 £000	30.03.09 £000
En primeur purchases included in non current assets	**7,784**	2,627	1,544
En primeur purchases included in current assets	**3,620**	2,073	2,136
Total en primeur purchases – reclassified from trade receivables	**11,404**	4,700	3,680
En primeur deferred income included in current liabilities	**(4,461)**	(2,538)	(2,637)
En primeur deferred income included in non current liabilities	**(9,384)**	(3,038)	(1,921)
Total en primeur deferred income – reclassified from trade payables	**(13,845)**	(5,576)	(4,558)
Net en primeur balance	**(2,441)**	(876)	(878)

b) Movement in en primeur balances

	52 weeks 28.03.11 £000	52 weeks 29.03.10 £000
Net en primeur balance at beginning of period	**(876)**	(878)
Movement in en primeur balance	**(1,565)**	2
Net en primeur balance at end of period	**(2,441)**	(876)

Notes to the Financial Statements

15. Prepaid operating lease costs
Group

	Prepaid Total £000
Cost:	
At 29 March 2010	3,086
Additions	566
Disposals	(41)
At 28 March 2011	**3,611**
Amortisation:	
At 29 March 2010	1,508
Amortisation during the year	183
Disposals	(38)
At 28 March 2011	**1,653**
Net book value:	
At 28 March 2011	**1,958**
At 29 March 2010	1,578
Cost:	
At 30 March 2009	2,968
Additions	159
Disposals	(41)
At 29 March 2010	**3,086**
Amortisation:	
At 30 March 2009	1,385
Amortisation during the year	162
Disposals	(39)
At 29 March 2010	**1,508**
Net book value:	
At 29 March 2010	**1,578**
At 30 March 2009	1,583

Notes to the Financial Statements

16. Investments in subsidiaries
Company

	£000
Cost or valuation:	
At 30 March 2009 – as previously stated	12,021
Prior year adjustment (see note 3)	1,680
At 30 March 2009 – as restated	13,701
Share options granted to subsidiary employees	362
At 29 March 2010 – as restated	14,063
Share options granted to subsidiary employees	396
At 28 March 2011	**14,459**
Amounts provided for:	
At 29 March 2010 and 28 March 2011	**4,039**
Net book value:	
At 28 March 2011	**10,420**
At 29 March 2010 – as restated	10,024

During the year the company adopted the amended standard IFRS 2 – Group Cash-Settled Share-based Payment Arrangements as detailed in note 3 above.

The Company owns the following:

i) 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, beers and spirits.

ii) 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, beers and spirits.

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) Through Majestic Wine Warehouses Limited:

(a) 100% of the ordinary share capital of Vinotheque Holdings Limited, a company registered in England and Wales, whose principal activity is property management.

(b) 100% of the share capital of WBI Holdco Limited, a holding company registered in England and Wales, which owns 100% of the share capital of WBI Ltd, a non trading company registered in England and Wales.

(c) Through WBI Limited, 100% of ordinary share capital of Lay & Wheeler Limited, a company registered in England and Wales, whose principal activity is importation, sales and storage of fine wines and related services.

17. Inventories

	Group 28.03.11 £000	Group 29.03.10 £000	**Company 28.03.11 £000**	Company 29.03.10 £000
Goods for resale	**46,562**	38,511	**–**	–

The amount of inventories recognised as an expense and charged to the income statement was £182,702,000 (2010: £165,271,000).

Notes to the Financial Statements

18. Trade and other receivables

	Group 28.03.11 £000	Group 29.03.10 (restated) £000	**Company 28.03.11 £000**	Company 29.03.10 £000
Trade receivables	**4,547**	3,932	**–**	–
Amounts due from Group undertakings	**–**	–	**23,216**	19,007
Other debtors	**166**	223	**–**	–
Prepayments and accrued income	**2,402**	2,739	**–**	–
	7,115	6,894	**23,216**	19,007

The amounts due from Group undertakings have no fixed payment terms and are interest free. Trade receivables are non-interest bearing and are generally on 30-90 days' terms. Trade receivables are shown net of a provision for impairment. The movements in the provision for impairment of receivables were as follows:

	Group 28.03.11 £000	Group 29.03.10 £000	**Company 28.03.11 £000**	Company 29.03.10 £000
Balance at the beginning of the year	**50**	78	**–**	–
Charge for the year	**58**	126	**–**	–
Uncollectable amounts written off	**(58)**	(154)	**–**	–
Balance at the end of the year	**50**	50	**–**	–

As at the balance sheet date, the ageing analysis of trade receivables that were past due but not impaired is as follows:

Group	Total £000	Neither past due nor impaired £000	Up to 3 months past due £000	3 to 6 months past due £000	Over 6 months past due £000
As at 28 March 2011	**4,547**	**3,621**	**804**	**42**	**80**
As at 29 March 2010	3,932	2,788	1,013	114	17

19. Trade and other payables

	Group 28.03.11 £000	Group 29.03.10 (restated) £000	**Company 28.03.11 £000**	Company 29.03.10 £000
Current:				
Trade payables	**36,207**	33,031	**–**	–
Other taxes and social security	**3,413**	3,715	**–**	–
Accruals and other payables	**7,726**	7,456	**–**	–
Non current:				
Amounts due to Group undertakings	**–**	–	**2,000**	2,000
	47,346	44,202	**2,000**	2,000

The amounts due to Group undertakings have no fixed repayment terms, are interest free and are not expected to be settled within one year.

Notes to the Financial Statements

20. Financial liabilities
Group

	28.03.11 £000	29.03.10 £000
Current:		
Term Loan	**676**	672
Bank overdrafts	**190**	2,453
	866	3,125
Non current:		
Term loan	**4,900**	5,575
	4,900	5,575

21. Provision for liabilities
Group

	Provision for lease exit £000	National Insurance £000	Total £000
At 30 March 2009	92	29	121
Provided in the year	181	131	312
Utilised in year	(37)	(13)	(50)
At 29 March 2010	236	147	383
Provided in the year	–	403	403
Utilised in year	(43)	(89)	(132)
At 28 March 2011	**193**	**461**	**654**

Analysis of total provisions:

	28.03.11 £000	29.03.10 £000
Current	**434**	296
Non current	**220**	87
	654	383

a) Provision for lease exit:
In the year ended 30 March 2009, the Group re-sited a store which was rented under a non-cancellable operating lease. The Group has been unable to assign the lease of the vacated store and has provided the Directors' best estimate of the costs associated with the lease to its termination in 2012, including rental payments, legal costs, empty property costs and dilapidations.

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 9 December 2020. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision which is allocated on a time weighted basis over the period from date of grant to the date that employees become unconditionally entitled to the options has been calculated on the share price at the balance sheet date of 397p and the assumption that 100% of employees will exercise their share options and that the rate of NIC is 13.8%.

Notes to the Financial Statements

22. Deferred lease inducements

Group

	28.03.11 £000	29.03.10 £000
Current	**149**	106
Non current	**1,008**	747
	1,157	853

Deferred lease inducements comprise rent free periods and premiums received from lessors in respect of operating leases. These lease incentives are recognised in the income statement on a straight-line basis over the full term of each relevant lease.

23. Share capital and reserves

Called up share capital	**2011**		2010	
	Number	**Value £000**	Number	Value £000
Authorised:				
Ordinary Shares of 7.5p each	**140,000,000**	**10,500**	140,000,000	10,500
Alloted, called up and fully paid:				
In issue at beginning of period	**61,475,855**	**4,611**	61,458,403	4,609
Issued on exercise of share options	**1,002,412**	**75**	17,452	2
In issue at end of period	**62,478,267**	**4,686**	61,475,855	4,611

Issue of new shares:
During the year 1,002,412 (2010: 17,452) Ordinary Shares of 7.5p each were allotted for a consideration of £2,370,000 (2010: £31,000). The shares were allotted during the year under the terms of the Company's share option and deferred bonus schemes which are described in note 25.

Share premium account
The share premium account represents the amounts received by the Company on the issue of Ordinary Shares that are in excess of the nominal value of the issued shares.

Capital reserve – own shares
The Group holds shares in an employee share ownership trust (see note 24). The reserve represents the cost of acquired shares that have not as yet fully vested with employees.

Capital redemption reserve
The Company when cancelling its Ordinary Shares transfers amounts equivalent to the nominal value of the cancelled shares into the capital redemption reserve so as to maintain the level of non-distributable reserves in shareholders' equity.

Currency translation reserve
The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

24. 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 two-year deferral period.

At the year end the trust held 79,529 (2010: 1,732) shares with a nominal value of 7.5p each. The total acquisition cost of these shares was £236,000 (2010: £7,000). At the year end the market value of these shares was £316,000 (2010: £4,000).

Notes to the Financial Statements

25. Share-based payments

The total charge recognised in the Income Statement in respect of share-based payments is £914,000 (2010: £706,000) which is made up of share option schemes and share bonus payments under the Company's deferred bonus scheme.

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Share option schemes	**396**	362
Deferred bonus scheme	**518**	344
Total charged to income statement	**914**	706

a) Share option schemes

The Company operated seven share option schemes during the year, all of which are equity settled.

Savings related share option schemes

These schemes permit the grants to employees of options in respect of Ordinary Shares linked to a building society/bank save-as-you-earn contract for a term of three or five years with contributions from employees limited to a maximum amount of £250 per month. Options granted under the schemes are exercisable at the end of the three or five-year period, provided that the employee has been in continuous employment in a Group company throughout, at a subscription price not less than 80% of the average of the middle-market quotations of an Ordinary Share over the three dealing days immediately preceding the offer date.

The Company operated the following savings related option schemes during the year.

i) The Majestic Wine PLC 1996 Savings Related Share Option Scheme was adopted on 9 September 1996 and the authority to grant options under the scheme expired in September 2007. There were no discounted options granted during the year under this scheme.
ii) The Majestic Wine PLC 2006 Savings Related Share Option Scheme was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first offer of discounted options under the rules of this scheme was made in January 2007. No grants were made under this scheme during the year.

Approved and unapproved executive share option schemes

These schemes permit the grant of options in respect of Ordinary Shares to selected employees. Options are normally exercisable between three and ten years from the date of grant for consideration not less than market value at grant date. Apart from grants of options to executive Directors, the exercise of options is not subject to any conditions other than continuous employment. The exercise of options granted to executive Directors is conditional on the achievement of specified performance targets related to growth in earnings per share over a three-year period. The executive Directors' participation in the Group's executive share option schemes is limited such that they are 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 Company operated the following approved and unapproved executive share option schemes.

i) The Majestic Wine PLC Approved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.
ii) The Majestic Wine PLC Approved Executive Share Option Scheme (2006) was adopted on 4 August 2006 and achieved HMRC approval for tax purposes on 7 December 2006. The first grant of options under the rules of this scheme was made in January 2007.
iii) The Majestic Wine PLC Unapproved Executive Share Option Scheme (1996) was adopted on 14 October 1996. The authority to grant options under this scheme expired in October 2006.
iv) The Majestic Wine PLC Unapproved Executive Share Option Scheme (2006) was adopted on 4 August 2006. The first grant of options under the rules of this scheme was made in January 2007.

Co-investment plan

The Majestic Wine PLC Co-investment plan was adopted on 6 August 2004. This scheme permits the grant of options in respect of Ordinary Shares to selected executives. Participants are required to hold shares in the plan and options are granted in proportion to the number of shares invested. Options are normally exercisable between three and ten years from date of grant for nil consideration. The exercise of options will normally be conditional on the achievement of specified performance targets related to total shareholder return over a three-year period.

Notes to the Financial Statements

25. Share-based payments continued

The following table reconciles the number of share options outstanding and the weighted average exercise price (WAEP):

	Note	52 weeks to 28.03.11 Options	52 weeks to 28.03.11 WAEP	52 weeks to 29.03.10 Options	52 weeks to 29.03.10 WAEP
Outstanding as at the beginning of the year	a	4,318,218	£2.12	2,954,692	£2.28
Exercised	b	(845,086)	£2.25	(17,452)	£1.77
Lapsed		(407,657)	£1.91	(272,522)	£2.55
Granted		573,500	£3.03	1,653,500	£1.90
Outstanding as at the end of the year		3,638,975	£2.26	4,318,218	£2.12
Exercisable as at the end of the year		806,945	£2.98	1,419,070	£2.48
Weighted average remaining contractual life in years		7.39		7.09	

Notes:

a) Included within this figure were options over 27,220 (2010: 210,470) shares that were granted on or before 7 November 2002. The Group has elected to take advantage of the transitional provisions of IFRS 2 and has only applied the fair value model to all grants of equity instruments after 7 November 2002 that had not vested as at 28 March 2005.

b) Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was £3.74 (2010: £2.61).

The fair value of equity-settled share options is estimated as at the date of grant using the Black-Scholes option pricing model. The following table lists the range of assumptions applied to the options granted in the respective periods shown.

	Savings related option schemes 2011	Executive option schemes 2011	Co-investment plan 2011	Savings related option schemes 2010	Executive option schemes 2010	Co-investment plan 2010
Weighted average share price at grant	n/a	£3.97	£3.09	n/a	£2.02	£1.91
Weighted average exercise price	n/a	£3.89	£0.00	n/a	£2.06	£0.00
Expected life of options (years)	n/a	4.3	3	n/a	4.2–4.5	3
Contractual life (years)	n/a	10	10	n/a	10	10
Volatility (%)	n/a	41%	41%	n/a	38-39%	38%
Dividend yield (%)	n/a	2.72%	3.33%	n/a	4.31–5.21%	5.14%
Risk free interest rate (%)	n/a	2.30%	2.31%	n/a	2.65–3.03%	3.23%
Weighted average fair value of options granted during the year	n/a	£1.12	£1.68	n/a	£0.43	£0.98

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

b) Deferred bonus scheme

The Group operates a deferred bonus scheme for senior managers, which excludes the executive Directors. The scheme involves the award of bonus shares to participants subject to meeting performance criteria. Participants may defer the award of the bonus shares for two years and so long as they are in continuous employment throughout this period, the Company will award an equivalent number of matching shares. The cost of the scheme is charged to the income statement over a three-year period. The bonus shares are expensed in the initial year of operation and the matching loyalty shares over the initial year and the two-year deferral period.

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
2010 Scheme	48	344
2011 Scheme	470	–
Total charged to the income statement	518	344

Notes to the Financial Statements

26. Commitments

a) Operating lease agreements where Group is lessee:

The Group leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	28.03.11 £000	29.03.10 £000
Future minimum rentals payable under non-cancellable operating leases:		
Within one year	8,347	7,125
Between one and five years	27,435	25,169
In over five years	34,472	31,105
	70,254	63,399

b) Operating lease commitments where Group is lessor:

The Group leases surplus space in various owner-occupied stores, offices, and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	28.03.11 £000	29.03.10 £000
Future minimum rentals receivable under non-cancellable operating leases:		
Within one year	636	510
Between one and five years	1,721	1,580
In over five years	1,473	1,803
	3,830	3,893

c) Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £1,166,000 for the Group (2010: £1,735,000).

27. Notes to the cash flow statements

a) Reconciliation of profit to cash generated/(utilised) by operations

	Group 52 weeks 28.03.11 £000	Group 52 weeks 29.03.10 £000	Company 52 weeks 28.03.11 £000	Company 52 weeks 29.03.10 £000
Cash flows from operating activities:				
Profit for the year	14,230	11,280	8,505	7,705
Adjustments to reconcile profit for the year to cash generated/(utilised) by operations:				
Income tax expense	6,041	4,731	–	–
Dividends received	–	–	(8,505)	(7,705)
Net finance cost	395	455	–	–
Amortisation, impairment and depreciation	4,271	3,934	–	–
Loss on disposal of non current assets	16	23	–	–
Increase in inventories	(8,051)	(759)	–	–
(Increase)/decrease in trade and other receivables	(221)	957	(4,209)	(1,713)
Increase/(decrease) in trade and other payables	3,096	(960)	–	–
Movement in en primeur balances	1,565	(2)	–	–
Increase/(decrease) in deferred lease inducements	304	(25)	–	–
Change in fair value of derivative instruments	(283)	606	–	–
Increase in provisions	271	262	–	–
Share based payments	914	706	–	–
Cash generated/(utilised) by operations	22,548	21,208	(4,209)	(1,713)

Notes to the Financial Statements

27. Notes to the cash flow statements continued

b) Cash and cash equivalents

For the purposes of the Group cash flow statement, cash and cash equivalents comprise the following:

Group	28.03.11 £000	29.03.10 £000
Cash and cash equivalents per Group balance sheet	5,817	4,774
Bank overdraft per Group balance sheet	(190)	(2,453)
Cash and cash equivalents per cash flow statements	5,627	2,321

c) Analysis of net debt

Group	28.03.11 £000	29.03.10 £000
Total cash and cash equivalents	5,627	2,321
Term loan included in current liabilities	(676)	(672)
Term loan included in non current liabilities	(4,900)	(5,575)
Total net funds/(debt)	51	(3,926)

d) Reconciliation of net cash flow to movement in net debt

Group	28.03.11 £000	29.03.10 £000
Net increase in cash and cash equivalents	3,326	3,734
Term loan repayment	700	700
Amortisation of arrangement fees	(29)	(33)
Effect of foreign exchange differences	(20)	(35)
Movement in net debt	3,977	4,366
Net debt at beginning of year	(3,926)	(8,292)
Net funds/(debt) at end of year	51	(3,926)

Notes to the Financial Statements

28. Financial instruments

The Group's financial instruments, other than derivatives, comprise cash, bank borrowings and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions in the form of forward currency contracts. The purpose of these transactions is to manage the currency risk arising from the Group's operations. The Group does not hold or issue financial instruments for trading purposes. The Group's treasury function is under the direct control of the Finance Director and does not engage in speculative trading.

The principal financial risks to which the Group is exposed relate to liquidity/funding, credit risk, interest rates and foreign exchange rates.

Liquidity/funding

Liquidity risk is managed by short-term and medium-term cash flow forecasts. The Group has short-term seasonal borrowing requirements that are backed by an uncommitted facility agreed with Barclays Bank PLC. The facility is reviewed annually and was current at 28 March 2011 and has no expiry date. The facility consists of an overdraft and access to the uncommitted money markets for short term funding requirements. The aggregate of the overdraft and money market facilities available at 28 March 2011 was £15,000,000 (2010: £15,000,000). The facilities incur arrangement fees at market rates and interest is charged on the overdraft at a commercial rate over base and on the money market facility at a commercial rate over LIBOR.

In addition the Group has a requirement for core funding which is represented by a term loan arranged with Barclays Bank PLC. The loan is a committed facility for three years and expires in April 2012. The loan incurred an arrangement fee at market rates and interest is charged at a commercial rate over LIBOR.

The facilities arranged with Barclays are secured by a fixed and floating charge on the Group's assets.

The table below summarises the maturity profile of the Group's financial liabilities at 28 March 2011 and 29 March 2010 based on contractual undiscounted payments.

Group
As at 28 March 2011

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 3 years £000	Total £000
Bank overdraft	190	–	–	190
Term Loan	881	4,914	–	5,795
Trade and other payables	44,005	–	–	44,005
Derivative financial instruments:				
Gross settled payments	15,343	–	–	15,343
Gross settled receipts	(15,879)	–	–	(15,879)
	44,540	4,914	–	49,454

As at 29 March 2010

	Due within 1 year £000	Due between 1 and 2 years £000	Due between 2 and 3 years £000	Total £000
Bank overdraft	2,453	–	–	2,453
Term Loan	935	5,758	–	6,693
Trade and other payables (restated)	40,487	–	–	40,487
Derivative financial instruments:				
Gross settled payments	17,882	–	–	17,882
Gross settled receipts	(17,819)	–	–	(17,819)
	43,938	5,758	–	49,696

Company

The Company's only financial liability is in relation to intercompany balances that have no fixed repayment terms, are interest free and are not expected to be settled within one year.

Notes to the Financial Statements

28. Financial instruments continued

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by its carrying value as at the balance sheet date limited to the value of trade and other receivables.

Risk of financial loss due to a counterparty's failure to honour its obligations arises principally from deposits of cash, derivative financial assets and sales on deferred terms. The Group's cash deposits are only lodged with, and foreign currency contracts entered into with approved institutions that have secure credit ratings, at present the only counterparty is Barclays Bank PLC. The Group uses a credit referencing agency to establish third party's credit worthiness before offering to sell on deferred terms. Credit limits are assigned to each debtor account and compliance is monitored. In addition trade debtor balances are regularly reviewed with the result that the Group's exposure to bad debts is not significant.

Interest rates

The Group's financial assets, excluding short-term trade and other receivables, include cash and cash equivalents of £5,817,000 (2010: £4,774,000), in addition to derivative foreign exchange contracts shown in the table below. 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 call 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 0.40% (2010: 0.40%). The only interest risk is related to the floating rates on the cash balances and is insignificant.

The cash profile at 28 March 2011 was:

	Cash at floating rates	
	28.03.11 £000	29.03.10 £000
Currency:		
Sterling	**5,362**	4,306
Euros	**455**	447
New Zealand Dollars	**–**	21
Sub-total	**5,817**	4,774
Bank overdraft:		
Sterling	**(190)**	(2,453)
Total	**5,627**	2,321

Foreign currency exchange rates

Transactional foreign currency exposures arise from the import of goods directly sourced from overseas suppliers. The Group hedges these cash flow exposures by acquiring forward currency contracts sufficient to cover the anticipated foreign currency denominated purchases. Contracts are put in place prior to the setting of retail prices. The exposure may be covered up to a period of one year. The majority of these contracts are in Euros maturing in less than one year. At 28 March 2011 the Group had forward contracts in place to cover all of its foreign currency purchases for which firm commitments had been made.

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of the French subsidiary.

Notes to the Financial Statements

28. Financial instruments continued

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against the Euro and Australian dollar exchange rates with all other variables held constant, of the Group's profit before tax, due to changes in the fair value of monetary assets, liabilities and forward currency contracts.

The currency sensitivity analysis is based on the following assumptions. Major non-derivative monetary financial instruments (liquid assets, receivables, non-interest bearing liabilities) are either denominated in the functional currency or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations therefore have no effect on profit or loss. The Group is therefore only exposed to currency risk from specific currency derivatives. These derivatives are used to hedge planned transactions but are not accounted for using hedge accounting.

	Increase/decrease in Sterling against the Euro/Australian dollar rate £000	Effect on profit before tax
2011		
Euro	**+5%**	**691**
	-5%	**(763)**
Australian dollar	**+5%**	**14**
	-5%	**(16)**
2010		
Euro	+5%	758
	-5%	(838)
Australian dollar	+5%	37
	-5%	(40)

Derivative financial instruments

Forward foreign currency exchange contracts acquired to hedge the Group's forecast currency requirements are, for accounting purposes, designated as held for trading with fair value movements being recognised in the income statement.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The nominal and fair value of forward currency contracts is shown in the following table. All contracts have maturity dates within one year. The fair value of these instruments was determined using quoted forward exchange rates matching the maturities of the contracts. The Group's measurement of their financial instruments meets the criteria of Level 2 and hence all have been included in this classification.

		Fair value	
	Nominal value £000	Assets £000	Liabilities £000
Forward foreign currency contracts as at 28 March 2011	**15,343**	**512**	**(1)**
Forward foreign currency contracts as at 29 March 2010	17,882	233	(5)

Fair values of non-derivative financial assets and financial liabilities

As at 28 March 2011 and 29 March 2010 the Group considers its financial assets to be short term trade and other receivables, cash and cash equivalents and its financial liabilities to be the bank overdraft, term loan and short term trade and other payables. There is no material difference between the book value and the fair value of any financial asset or liability.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group considers capital to consist of the total equity of the Group.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current year.

Notes to the Financial Statements

29. Related party transactions

Group

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected by end of month following date of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not benefited from any guarantees for any related party receivables or payables. During the year ended 28 March 2011, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2010: nil).

The Group considers its key management personnel to be the Directors of the Company.

The compensation of key management personnel is as follows:

	52 weeks to 28.03.11 £000	52 weeks to 29.03.10 £000
Short-term employee benefits	**1,347**	1,028
Post-employment benefits	**114**	97
Share-based payment including the co-investment plan	**140**	116
	1,601	1,241

Company

The Company receives dividends from its subsidiary companies. The total dividends received in the year were £8,505,000 (2010: £7,705,000).

Notes

Notes

Property

During the period we opened 12 new stores in Redhill, Windsor, Totnes, Ashbourne, Bracknell, Canterbury, Cardiff Bay, Cobham, Newmarket, Yeovil, Isle of Wight and Chiswick.

London and Inside M25

Battersea
Belgravia
Brentford Lock
Bromley
Bushey
Chalk Farm
Cheam
Chislehurst
Chiswick ●
City
Clapham
Cobham ●
Covent Garden
Docklands
Dulwich
Ealing
East Molesey
Enfield
Epsom
Finchley
Fulham
Gidea Park
Greenwich
Islington
Kingston
Marylebone
Mayfair
Muswell Hill
New Barnet
Notting Hill Gate
Putney
Richmond
Roehampton
Ruislip
Sanderstead
Shepherds Bush
St. John's Wood
Surbiton
Twickenham
Uxbridge
Vauxhall
Wanstead
Weybridge
Wimbledon

South and West

Barnstaple
Bath
Bristol Bath Road
Bristol Filton
Bristol Westbury-on-Trym
Cheltenham
Chichester
Chippenham
Cirencester
Dorchester
Exeter
Gloucester
Isle of Wight ●
Marlborough
Newbury
Poole
Salisbury
Southampton
Swindon
Taunton
Totnes ●
Winchester
Weston-Super-Mare (May '11) ●
Yeovil ●

East

Cambridge
Colchester
Ipswich
Newmarket ●
Norwich
Peterborough
Southend-on-Sea

South East

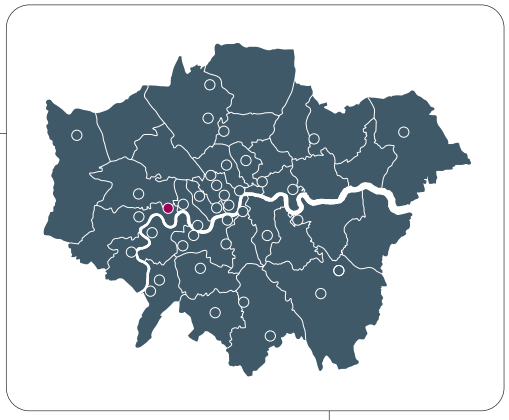
Amersham
Aylesbury
Berkhamsted
Bishops Stortford
Bracknell ●
Brighton & Hove
Camberley
Canterbury ●
Chelmsford
East Grinstead
Farnham
Guildford
Haslemere
High Wycombe
Horsham
Leatherhead
Maidenhead
Maidstone
Reading
Redhill ●
Reigate
Sevenoaks
Sonning
St. Albans
Stevenage
Sunningdale
Tunbridge Wells
Windsor ●
Woking
Wokingham

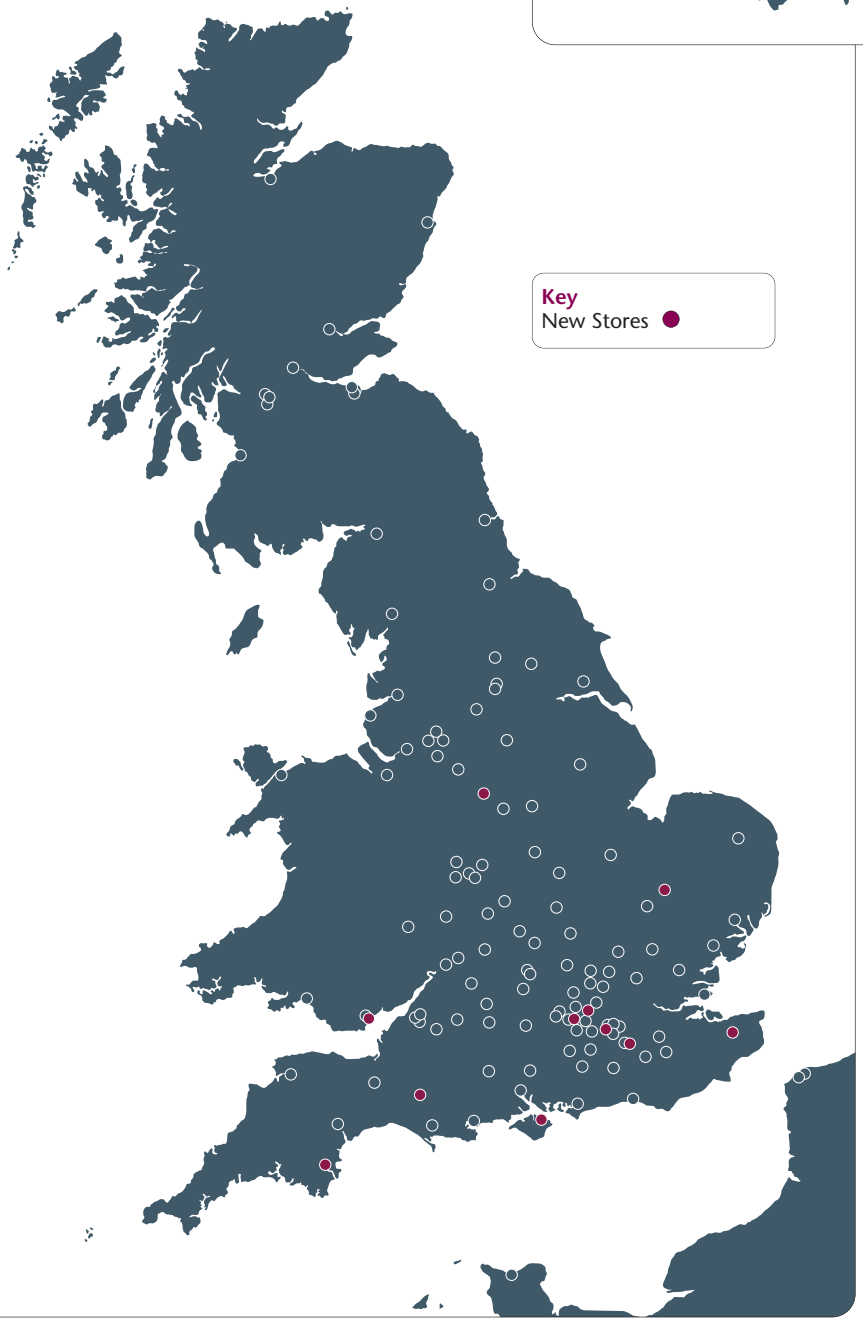
Midlands

Abingdon
Ashbourne ●
Banbury
Bicester
Birmingham Mere Green
Birmingham Hagley Road
Birmingham Shirley
Derby
Evesham (April '11) ●
Hereford
Leamington Spa
Leicester
Market Harborough
Milton Keynes
Northampton
Nottingham
Oxford Cowley Road
Oxford Summertown
Shrewsbury
Stourbridge
Stow-on-the-Wold
Stratford-upon-Avon
Wolverhampton
Worcester

Wales

Bangor
Cardiff
Cardiff Bay ●
Swansea





North
Beverley
Birkdale
Carlisle
Chester
Darlington
Harrogate
Huddersfield
Kendal
Leeds Central
Leeds Chapel Allerton
Lincoln
Macclesfield
Manchester
Newcastle
Preston
Sale
Sheffield
Stockport
Warrington
Wilmslow
York

Scotland
Aberdeen
Ayr
Edinburgh Causewayside
Edinburgh Comiston Road
Edinburgh Leith Walk
Glasgow Bearsden
Glasgow West End
Glasgow Giffnock
Inverness
Perth
Stirling

France
Calais
Coquelles
Cherbourg

Design and production
www.carkamasa.co.uk
Print
www.empresslitho.com
Photography
www.benrice.com

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