

Company Registration No. 4362181 (England and Wales)

**ENGLISH WINES GROUP PLC**

**ANNUAL REPORT**

**FOR THE YEAR ENDED  
31 DECEMBER 2008**

THURSDAY



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COMPANIES HOUSE

# ENGLISH WINES GROUP PLC

## DIRECTORS AND ADVISERS

<b>Directors</b>	P. Brett F.D. Thompson R.G. Balfour-Lynn R.A.B. Woodhouse N.W. Wray
<b>Secretary</b>	R.A.B. Woodhouse
<b>Company number</b>	4362181
<b>Registered office</b>	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
<b>Registered auditors</b>	Creaseys LLP 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
<b>Bankers</b>	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
<b>Registrars</b>	Capita Registrars Northern House, Woodsome Park Fenay Bridge Huddersfield HD8 0LA
<b>Financial advisors</b>	Lion Capital Corporation 3 <sup>rd</sup> Floor 5-11 Worship Street London EC2A 2BH
<b>Solicitors</b>	Thomson Snell and Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

# ENGLISH WINES GROUP PLC

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# ENGLISH WINES GROUP PLC

## CHAIRMAN'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### Introduction

I have pleasure in presenting the company's Annual Report and Financial Statements for the 12 months ending 31st December 2008.

#### Results for the year

The Group made a pre-tax profit of £105,995 compared with a profit of £157,543 in the previous year.\*

Gross profit is up 6% at £1,110,166, a gross profit margin of 48% an increase from 42%.

Overall turnover has fallen 6% to £2,337,041. The low harvests in 2007 and 2008 have contributed to a 17% decrease in the volume of wine sold. However this was substantially offset by the 8% increase in the average selling price (excluding duty) of wine sold. This has been somewhat unfortunate at a time of increasing demand for Chapel Down wines, but we have continued to grow our brand profile and quality presence.

Costs have been well managed in a year of increasing raw material and fuel prices. Overall, cost of sales are down 14% principally due to the reduction in wine sold whilst the underlying average cost per bottle is up 1%.

Administration and marketing expenses are up 10% on a like for like basis at £905,201. This is due to higher marketing costs, mainly due to PR activity and marketing support associated with the national retailers.

#### Operations

We continue to make good progress on our key targets:-

- Pricing continues to move forward resulting in an 8% increase in average selling price (excluding duty).
- Volumes are being managed to be in line with expectations and maintaining supply to key customers.
- Strong support from D&D (formerly Conran) restaurants, Ramsay Holdings, Gary Rhodes, Selfridges, Fortnum and Mason, Konstam, Roast and other well known premium accounts is driving improved awareness and brand profile to our target audience.
- Strong support from key National accounts including Waitrose, Sainsbury and Marks & Spencer with further development opportunities as supply increases.
- Overheads continue to be well controlled
- Press coverage continues to stimulate demand ahead of our ability to supply.
- We continue to seek and attract new growers to supply premium grapes from the most suitable land.

#### Particular highlights in 2008

We opened "Richard Phillips at Chapel Down" in July. A very high quality contemporary restaurant reflecting the Chapel Down brand values has been launched successfully to critical acclaim. This development with Chef Richard Phillips and his highly professional team significantly enhances the brand experience at Tenterden which we believe is vital for the brand's long term value.

The acquisition of Kit's Coty is now fully complete and has given the company 116 acres of almost perfect land to plant premium grapes for sparkling wine. We have planted the first 75 acres this year which we expect will start to bear fruit in October 2010.

We have continued to invest in high quality equipment and people. A new labelling and capsuling machine has enabled us to enhance the brand presentation and our high profile has enabled us to attract further talent to the winery as well as the restaurant.

We have despatched our first orders to Hong Kong and we expect further developments in export over the coming year.

# ENGLISH WINES GROUP PLC

## CHAIRMAN'S REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2008**

### Risks and uncertainties

#### Harvest failure:

The risk of harvest failure is partially mitigated by the spread of contracted vineyards across the South East of England.

#### Credit risk:

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual terms.

### Outlook

The 2007 and 2008 harvests were affected by the adverse summer weather conditions. However, although yields were lower than expectations, the fruit was of high quality, with very good to outstanding white and sparkling wine to come. New acreage added since 2005 (of 125 acres) is expected to become fully productive in 2009, enabling us to sell more premium wines from 2011 onwards.

We continue to be approached by existing and new growers seeking to plant more vines for us and demand for our wines from quality sustainable accounts continues to be strong at premium pricing. Therefore, the Board's view is that the medium to long term prospects of the company remain excellent.



**Paul Brett**

**Chairman**

2 APRIL 2009

### Note

\* FRS 20 accounting standard requires us to restate our profit to attribute a notional cost of non-cash share option agreements to the business. After adopting FRS20, the accounts show a pre-tax profit of £34,920 (2007: £86,468) a reduction in Group pre-tax profit of £71,075 (2007: £71,075) on the £105,995 referred to in the Chairman's Report (2007: £157,543).

# ENGLISH WINES GROUP PLC

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2008*

The directors present their report and financial statements for the year ended 31 December 2008.

#### **Directors**

The following directors have held office since 1 January 2008:

P. Brett  
F.D. Thompson  
R.G. Balfour-Lynn  
R.A.B. Woodhouse  
N.W. Wray

#### **Principal activities and review of the business**

The principal activity of the group continued to be that of the producing and selling of wines. A review of the business appears in the Chairman's statement on pages 1 and 2.

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 7.

The directors do not recommend payment of an ordinary dividend.

#### **Creditor payment policy**

The company's payment policy concerning the payment of trade creditors is to:

- establish the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;  
and
- pay in accordance with the company's contractual and other legal obligations.

#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Creaseys LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

# ENGLISH WINES GROUP PLC

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2008**

### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- the directors of a company must, in determining how amounts are presented in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practice or principles.

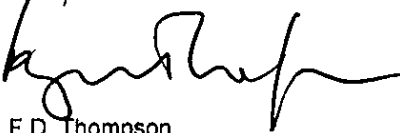
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



F.D. Thompson

Director

8 April 2009

# **ENGLISH WINES GROUP PLC**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC**

We have audited the financial statements of English Wines Group PLC on pages 7 to 31 for the year ended 31 December 2008. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

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



# ENGLISH WINES GROUP PLC

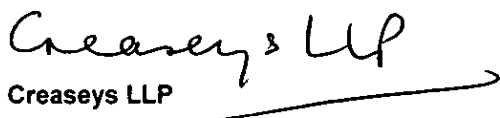
## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

  
Creaseys LLP

Chartered Accountants  
Registered Auditor

8 April 2009

12 Lonsdale Gardens  
Tunbridge Wells  
Kent  
TN1 1PA

# ENGLISH WINES GROUP PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

		2008	2007
	Notes	£	£
Turnover	2	2,337,041	2,476,026
Cost of sales		(1,226,875)	(1,427,786)
<b>Gross profit</b>		1,110,166	1,048,240
Administrative expenses before share based payment		(905,201)	(820,029)
Share based payment (FRS20)		(71,075)	(71,075)
Administrative expenses after share based payment		(976,276)	(891,104)
Other operating income	3	-	15,629
<b>Operating profit</b>	3	133,890	172,765
Other interest receivable and similar income		12,121	1,895
Interest payable and similar charges	4	(111,091)	(88,192)
<b>Profit on ordinary activities before taxation</b>		34,920	86,468
Tax on profit on ordinary activities	5	32,078	-
<b>Profit on ordinary activities after taxation</b>		66,998	86,468

The profit and loss account has been prepared on the basis that all operations are continuing operations.

<b>Profit per share (pence)</b>	<b>7</b>		
- basic		0.16	0.21
- diluted		0.16	0.21

# ENGLISH WINES GROUP PLC

## STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	£	£
Profit for the financial year	66,998	86,468
Prior year adjustment	-	-
<b>Total gains and losses recognised since last financial statements</b>	<u>66,998</u>	<u>86,468</u>
<b>Note of historical cost profits and losses</b>		
	2008	2007
	£	£
Reported profit on ordinary activities before taxation	66,998	86,468
Loss to date on effective hedge on loan (see note 4)	(8,134)	-
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>37,875</u>	<u>62,477</u>
<b>Historical cost profit on ordinary activities before taxation</b>	<u>96,739</u>	<u>148,945</u>
<b>Historical cost profit for the year retained after taxation, extraordinary items and dividends</b>	<u>96,739</u>	<u>148,945</u>

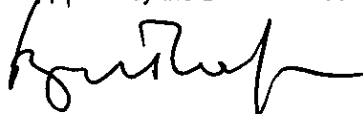
# ENGLISH WINES GROUP PLC

## BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8	137,036	153,272	137,036	153,272
Tangible assets	9	4,805,371	3,321,849	4,310,651	2,918,603
Investments	10	-	-	50,000	50,000
		<u>4,942,407</u>	<u>3,475,121</u>	<u>4,497,687</u>	<u>3,121,875</u>
<b>Current assets</b>					
Stocks	11	1,564,661	1,596,919	-	-
Debtors	12	213,870	330,276	1,991,357	2,544,886
Cash at bank and in hand		428,749	683,292	1,335	614
		<u>2,207,280</u>	<u>2,610,487</u>	<u>1,992,692</u>	<u>2,545,500</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(774,089)</u>	<u>(844,178)</u>	<u>(96,122)</u>	<u>(135,650)</u>
<b>Net current assets</b>		<u>1,433,191</u>	<u>1,766,309</u>	<u>1,896,570</u>	<u>2,409,850</u>
<b>Total assets less current liabilities</b>		<u>6,375,598</u>	<u>5,241,430</u>	<u>6,394,257</u>	<u>5,531,725</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(1,930,377)</u>	<u>(963,648)</u>	<u>(1,749,924)</u>	<u>(916,979)</u>
		<u>4,445,221</u>	<u>4,277,782</u>	<u>4,644,333</u>	<u>4,614,746</u>
<b>Capital and reserves</b>					
Called up share capital	16	2,116,234	2,103,734	2,116,234	2,103,734
Share premium account	17	1,790,352	1,765,352	1,790,352	1,765,352
Revaluation reserve	17	1,493,087	1,530,962	1,295,493	1,325,797
Other reserves	17	253,003	181,928	-	-
Profit and loss account	17	(1,207,455)	(1,304,194)	(557,746)	(580,137)
<b>Shareholders' funds</b>	18	<u>4,445,221</u>	<u>4,277,782</u>	<u>4,644,333</u>	<u>4,614,746</u>

Approved by the Board and authorised for issue on 8 April 2009



F.D. Thompson  
Director



R.A.B. Woodhouse  
Director

# ENGLISH WINES GROUP PLC

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	£	2008 £	£	2007 £
<b>Net cash inflow from operating activities</b>		481,002		220,434
<b>Returns on investments and servicing of finance</b>				
Interest received	12,121		1,895	
Interest paid	(119,225)		(88,192)	
		<u>          </u>	<u>          </u>	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(107,104)		(86,297)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(1,608,684)		(19,508)	
		<u>          </u>	<u>          </u>	
<b>Net cash outflow for capital expenditure</b>		(1,608,684)		(19,508)
<b>Net cash outflow (2007 inflow) before management of liquid resources and financing</b>		(1,234,786)		114,629
		<u>          </u>		<u>          </u>
<b>Exercise of share warrants</b>		37,500		271,499
<b>Financing</b>				
New long term bank loan	1,001,789		140,880	
Repayment of/new short term bank loan	(17,314)		93,997	
Other new long term debt	(9,979)		14,400	
Repayment of long term bank loan	-		-	
Repayment of other short term loans	-		-	
Capital element of hire purchase contracts	(31,753)		(26,137)	
		<u>          </u>	<u>          </u>	
<b>Net cash inflow from financing</b>		942,743		223,140
		<u>          </u>		<u>          </u>
<b>Decrease (2007 increase) in cash in the year</b>		(254,543)		609,268
		<u>          </u>		<u>          </u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2008

<b>1</b>	<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		<b>2008</b>	<b>2007</b>
			<b>£</b>	<b>£</b>
	Operating profit		133,890	172,765
	Depreciation of tangible assets		125,162	120,233
	Amortisation of intangible assets		16,236	16,236
	Loss on disposal of tangible assets		-	7,052
	Share based payments		71,075	71,075
	Decrease in stocks		32,257	65,886
	Decrease (2007 increase) in debtors		148,484	(105,802)
	Decrease in creditors within one year		(46,102)	(127,011)
			<u>481,002</u>	<u>220,434</u>
	<b>Net cash inflow from operating activities</b>		<u><u>481,002</u></u>	<u><u>220,434</u></u>
<b>2</b>	<b>Analysis of net debt</b>		<b>Other non-cash changes</b>	<b>31 December 2008</b>
	<b>1 January 2008</b>	<b>Cash flow</b>	<b>£</b>	<b>£</b>
	<b>£</b>	<b>£</b>		
	Net cash:			
	Cash at bank and in hand	683,292	(254,543)	-
		<u>683,292</u>	<u>(254,543)</u>	<u>-</u>
				428,749
	Finance leases	(64,022)	31,753	-
	Debts falling due within one year	(123,847)	17,314	-
	Debts falling due after one year	(931,379)	(991,811)	-
		<u>(1,119,248)</u>	<u>(942,744)</u>	<u>-</u>
				(2,061,992)
	<b>Net debt</b>	<u><u>(435,956)</u></u>	<u><u>(1,197,287)</u></u>	<u><u>-</u></u>
				<u><u>(1,633,243)</u></u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

<b>3 Reconciliation of net cash flow to movement in net debt</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Increase/(decrease) in cash in the year	(254,543)	609,268
Cash outflow/(inflow) from decrease/(increase) in debt	(942,744)	(223,138)
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(1,197,287)	386,130
New finance lease	-	(35,461)
	<hr/>	<hr/>
<b>Movement in net debt in the year</b>	<b>(1,197,287)</b>	<b>350,669</b>
Opening net debt	(435,956)	(786,625)
	<hr/>	<hr/>
<b>Closing net debt</b>	<b>(1,633,243)</b>	<b>(435,956)</b>
	<hr/> <hr/>	<hr/> <hr/>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 1 Accounting policies

##### 1.1 Accounting convention

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

##### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

##### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2008. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

##### 1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

##### 1.5 Intellectual property and goodwill

Acquired goodwill is written off in equal annual instalments over 15 years, its estimated useful economic life.

##### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold land & buildings	Straight line over 50 years on the buildings
Plant & machinery	5% Straight line
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% Reducing balance

##### 1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

##### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.



# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 1 Accounting policies (continued)

##### 1.9 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Direct costs of the winery plus attributable overheads are used to value stock. The directors consider that this method is most appropriate for the nature of the company's activities.

##### 1.10 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

##### 1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

##### Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2008	2007
	£	£
<b>Geographical segment</b>		
UK	2,308,820	2,429,007
Other EU	259	3,839
Non EU	27,962	43,180
	<u>2,337,041</u>	<u>2,476,026</u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 3 Operating profit

	2008 £	2007 £
Operating profit is stated after charging:		
Depreciation of intangible assets	16,236	16,236
Depreciation of tangible assets	125,162	120,233
Loss on disposal of tangible assets	-	7,052
Loss on foreign exchange transactions	13,209	5,135
Operating lease rentals	53,993	31,960
Auditors' remuneration (company £3,550; 2007: £3,825)	11,806	10,500
Auditors' remuneration – additional fee for prior year	-	4,625
Auditors' other services relating to taxation	200	-
Auditors' all other services	4290	2,076
	<u>          </u>	<u>          </u>
and after crediting:		
Insurance claims receivable	-	(15,629)
	<u>          </u>	<u>          </u>

The other operating income relates to monies received from the group's insurers as part of the business interruption element of the insurance claim, a result of the fire at the group's premises in 2004, being recompense for the stock that would have been sold in the year.

#### 4 Interest payable

	2008 £	2007 £
On bank loans and overdraft	105,876	83,510
Hire purchase interest	5,215	4,682
	<u>          </u>	<u>          </u>
	111,091	88,192
Loss to date on effective hedge loan	8,134	-
	<u>          </u>	<u>          </u>
Interest Paid	119,225	-
	<u>          </u>	<u>          </u>

At 31 December 2008 the Group and Company held a 5 year interest rate swap that reduced the Company's exposure to variability in cash-flows resulting from movements in base rate. This Interest rate swap expires on 5 July 2012. During the period to 31 December 2008, an amount of £8,134 being the loss to date on the effective hedge, was recognized through the reserves.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

5 Taxation	2008	2007
	£	£
<b>Analysis of tax charge year</b>		
Current tax (see note below)	-	-
	<u>          </u>	<u>          </u>
<b>Uk corporation tax charge on profit for the year</b>	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and deferral of timing differences	(336)	-
Adjustment to prior periods	(31,742)	-
	<u>          </u>	<u>          </u>
<b>Tax on profit on ordinary activities</b>	<u>          </u>	<u>          </u>
	(32,078)	-
	<u>          </u>	<u>          </u>
<b>Current tax charge</b>	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	34,920	86,468
	<u>          </u>	<u>          </u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2007: 30.00%)	9,778	25,941
	<u>          </u>	<u>          </u>
<b>Effects of:</b>		
Non deductible expenses	26,774	57,048
Depreciation add back	12,655	21,567
Tax losses utilised	(24,846)	(130,876)
Chargeable disposals	-	-
Unutilised losses carried forward	(24,361)	24,204
Loss on disposal of assets	-	2,116
	<u>          </u>	<u>          </u>
	(9,778)	(25,941)
	<u>          </u>	<u>          </u>
<b>Current tax charge</b>	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

### 6 Profit (2007 Loss) for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2008	2007
	£	£
Holding company's profit for the financial year	221	(173,551)
	<u>          </u>	<u>          </u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 7 Earnings per share

The calculation of basic earnings per share is based on the profit after tax and on a weighted average number of ordinary shares in issue during the period. The diluted earnings per share allows for the full exercise of outstanding share purchase options and warrants and adjusted earnings.

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2008 £	2007 £	2008	2007	2008 pence	2007 pence
Basic earnings	66,998	86,468	42,303,831	40,830,083	0.16	0.21
Outstanding share options	-	-	994,742	994,742	-	-
Diluted earnings	<u>66,998</u>	<u>86,468</u>	<u>43,298,573</u>	<u>41,824,825</u>	<u>0.16</u>	<u>0.21</u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 8 Intangible fixed assets Group

	Intellectual property and goodwill £
<b>Cost</b>	
At 1 January 2008 & at 31 December 2008	243,594
<b>Amortisation</b>	
At 1 January 2008	90,322
Charge for the year	16,236
At 31 December 2008	106,558
<b>Net book value</b>	
At 31 December 2008	137,036
At 31 December 2007	153,272

Goodwill was revalued in 2002 on a fair value basis. The historical cost of goodwill is £216,094 (2007: £216,094).

The provision for amortisation based on historical cost would have been £93,269 (2007: £78,866) and the charge for the year would have been £14,403.

#### Company

	Intellectual property and goodwill £
<b>Cost</b>	
At 1 January 2008 & at 31 December 2008	243,594
<b>Amortisation</b>	
At 1 January 2008	90,322
Charge for the year	16,236
At 31 December 2008	106,558
<b>Net book value</b>	
At 31 December 2008	137,036
At 31 December 2007	153,272

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 9 Tangible fixed assets

##### Group

	Freehold land & buildings	Plant & machinery	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2008	2,536,598	977,809	182,379	13,781	3,710,567
Additions	1,474,345	129,999	4,340	-	1,608,684
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2008	<u>4,010,943</u>	<u>1,107,808</u>	<u>186,719</u>	<u>13,781</u>	<u>5,319,251</u>
<b>Depreciation</b>					
At 1 January 2008	58,011	243,865	75,954	10,888	388,718
Revaluation	-	-	-	-	-
On disposals	-	-	-	-	-
Charge for the year	53,774	50,483	20,182	723	125,162
At 31 December 2008	<u>111,785</u>	<u>294,348</u>	<u>96,136</u>	<u>11,611</u>	<u>513,880</u>
<b>Net book value</b>					
At 31 December 2008	<u>3,899,158</u>	<u>813,460</u>	<u>90,583</u>	<u>2,170</u>	<u>4,805,371</u>
At 31 December 2007	<u>2,478,587</u>	<u>733,944</u>	<u>106,425</u>	<u>2,893</u>	<u>3,321,849</u>

The freehold land and buildings were valued by Michael Parkes Surveyors Ltd on 19 February 2007 on the basis of open market value and were carried out in accordance with RICS appraisal and valuation standards. The historical cost of freehold land and buildings is £2,526,628 (2007: £1,052,283). The plant and machinery was valued by Edward Symmons and Partners, Surveyors on 26 February 2002. The historical cost of the plant and machinery is £1,086,446 (2007: £956,447). The provision for depreciation based on historical cost would have been freehold land and buildings £80,459 (2007: £60,425), plant and machinery £285,638 (2007: £237,457). The depreciation charge for the year based on historical cost would have been freehold land and buildings £20,034 and plant and machinery £48,181. The directors consider that the value of the property as shown in the financial statements is held at market value.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 9 Tangible fixed assets

##### Group (continued)

Included above are assets held under finance leases or hire purchases contracts as follows:

	Plant & machinery £	Total £
<b>Net book values</b>		
At 31 December 2008	114,423	114,423
At 31 December 2007	199,996	199,996
	<u>          </u>	<u>          </u>
<b>Depreciation charge for the year</b>		
At 31 December 2008	6,954	6,954
At 31 December 2007	9,113	9,113
	<u>          </u>	<u>          </u>

##### Company

	Freehold land & buildings £	Plant & machinery £	Total £
<b>Cost or valuation</b>			
At 1 January 2008	2,500,000	635,500	3,135,500
Revaluation	1,474,345	-	1,474,345
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2008	3,974,345	635,500	4,609,845
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>			
At 1 January 2008	44,186	172,711	216,897
On revaluation	-	-	-
Charge for the year	50,521	31,776	82,297
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2008	94,707	204,487	299,194
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>			
At 31 December 2008	3,879,638	431,013	4,310,651
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2007	2,455,814	462,789	2,918,603
	<u>          </u>	<u>          </u>	<u>          </u>

The freehold land and buildings and plant and machinery were transferred to the company from its subsidiary English Wines plc in 2002. Disclosure of the cost of the property is shown in the group fixed assets summary.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

### 10 Fixed asset investments Company

Shares in  
group  
undertakings  
£

Cost or valuation

At 1 January 2008 and 31 December 2008

50,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
English Wines Plc	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
English Wines Plc	Manufacture and sale of wine

### 11 Stocks and work in progress

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Work in progress	1,428,292	1,479,632	-	-
Finished goods and goods for resale	136,369	117,287	-	-
	<u>1,564,661</u>	<u>1,596,919</u>	<u>-</u>	<u>-</u>



# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 12 Debtors

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Trade debtors	153,573	195,697	-	-
Amounts owed by group undertakings	-	-	1,991,357	2,479,887
Other debtors	1,292	1,739	-	-
Prepayments and accrued income	26,927	132,840	-	64,999
Deferred tax (refer note 15)	32,078	-	-	-
	<u>213,870</u>	<u>330,276</u>	<u>1,991,357</u>	<u>2,544,886</u>

Amounts falling due after more than one year and included in the debtors above are:

	2008	2007	2008	2007
Amounts owed by group undertakings	-	-	1,991,357	2,479,887
	<u>-</u>	<u>-</u>	<u>1,991,357</u>	<u>2,479,887</u>

#### 13 Creditors: amounts falling due within one year

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Bank loans and overdrafts	106,533	123,847	61,508	123,847
Net obligations under finance lease and hire purchase contracts	25,082	31,754	-	-
Trade creditors	230,156	261,770	-	-
Taxes and social security costs	204,646	254,285	-	-
Other creditors	138,635	136,769	9,643	9,643
Accruals and deferred income	69,037	35,753	24,971	2,160
	<u>774,089</u>	<u>844,178</u>	<u>96,122</u>	<u>135,650</u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 14 Creditors : amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans	1,918,769	916,979	1,749,924	916,979
Net obligations under finance leases and hire purchase agreements	7,187	32,269	-	-
Accruals and deferred income	4,421	14,400	-	-
	<u>1,930,377</u>	<u>963,648</u>	<u>1,749,924</u>	<u>916,979</u>
<b>Analysis of loans</b>				
Not wholly repayable within five years by instalments:				
Commercial mortgage	1,011,432	1,040,826	1,011,432	1,040,826
Wholly repayable within five years	1,013,870	-	800,000	-
	<u>2,025,302</u>	<u>1,040,826</u>	<u>1,811,432</u>	<u>1,040,826</u>
Included in current liabilities	(106,533)	(123,847)	(61,508)	(123,847)
	<u>1,918,769</u>	<u>916,979</u>	<u>1,749,924</u>	<u>916,979</u>
Instalments not due within five years	<u>703,891</u>	<u>297,742</u>	<u>703,891</u>	<u>297,742</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	106,533	247,695	61,508	247,695
In more than two years but not more than five years	1,108,345	371,542	984,525	371,542
In more than five years	<u>703,891</u>	<u>297,742</u>	<u>703,891</u>	<u>297,742</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee by English Wines Group plc. A debenture has been given in favour of English Wines Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 14 Creditors : amounts falling due after more than one year (continued)

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	29,087	37,012	-	-
Repayable between one and five years	8,148	37,236	-	-
	<u>37,235</u>	<u>74,248</u>	-	-
Finance charges and interest allocated to future accounting periods	(4,966)	(10,225)	-	-
	<u>32,269</u>	<u>64,023</u>	-	-
Included in liabilities falling due within one year	25,082	(31,754)	-	-
	<u>7,187</u>	<u>32,269</u>	-	-

#### 15 Deferred taxation

	2008	2007
	£	£
At beginning of year	-	-
Credit for year	32,078	-
At end of year	<u>32,078</u>	<u>-</u>

The deferred tax assets is made up as follows:

	2008	2007
	£	£
Depreciation claimed in advance of capital allowances	<u>32,078</u>	<u>-</u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 16 Share capital

	2008	2007
	£	£
<b>Authorised</b>		
200,000,000 Ordinary Shares of 5p each	10,000,000	10,000,000
400,000 Preference shares of £1 each	400,000	400,000
	<u>10,400,000</u>	<u>10,400,000</u>
<b>Allotted, called up and fully paid</b>		
42,324,664 (2007 42,074,665) Ordinary Shares of 5p each	2,116,234	2,103,734
	<u>2,116,234</u>	<u>2,103,734</u>

249,999 Ordinary 5p shares were allotted, issued and fully paid during the year, with an aggregate nominal value of £12,500. A further consideration of 10p per share (total: £25,000) was received in respect of share premium.

1,968,450 unissued ordinary shares of 5p each are covered by a share option agreement and these are exercisable at 12.5p per share. A further 6,239,997 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at between 5p and 15p per share after 1 July 2010.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 17 Statement of movements on reserves Group

	Share premium account	Revaluation reserve	Other reserves (see below)	Profit & loss account
	£	£	£	£
Balance at 1 January 2008	1,765,352	1,530,962	181,928	(1,304,194)
Profit for the year	-	-	-	66,998
Loss to date on effective hedge	-	-	-	(8,134)
Transfer from revaluation reserve to profit and loss account	-	(37,875)	-	37,875
Movement during the year	-	-	71,075	-
Issue of share warrants	25,000	-	-	-
Balance at 31 December 2008	<u>1,790,352</u>	<u>1,493,087</u>	<u>253,003</u>	<u>(1,207,455)</u>

#### Other reserves

##### Reserves arising from share based payments

Balance at 1 January 2008	181,928
Other reserve movement	71,075
Balance at 31 December 2008	<u>253,003</u>

#### Company

	Share premium account	Revaluation reserve	Profit & loss account
	£	£	£
Balance at 1 January 2008	1,765,352	1,325,797	(580,137)
Retained profit for the year	-	-	221
Exercise of share warrants	25,000	-	-
Loss to date on effective hedge	-	-	(8,134)
Transfer from revaluation reserve to profit and loss account	-	(30,304)	30,304
Balance at 31 December 2008	<u>1,790,352</u>	<u>1,295,493</u>	<u>(557,746)</u>

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 18 Reconciliation of movements in shareholders' funds

Group	2008 £	2007 £
Profit/(loss) for the financial year	66,998	86,468
Other recognised gains and losses	(8,134)	-
Proceeds from issue of shares	37,500	271,500
Movements on revaluation reserve	-	1,347,517
Movements on other reserves	71,075	71,075
	<hr/>	<hr/>
Net increase/(depletion) in shareholders' funds	167,439	1,776,560
Opening shareholder's funds	4,277,782	2,501,222
	<hr/>	<hr/>
Closing shareholder's funds	4,445,221	4,277,782
	<hr/> <hr/>	<hr/> <hr/>

Company	2008 £	2007 £
Profit/(Loss) for the financial year	221	(173,551)
Other recognised gains and losses	(8,134)	-
Proceeds from issue of shares	37,500	271,500
Movements on revaluation reserve	-	1,347,517
	<hr/>	<hr/>
Net increase/(depletion) in shareholders' funds	29,587	1,445,466
Opening shareholder's funds	4,614,746	3,169,280
	<hr/>	<hr/>
Closing shareholder's funds	4,644,333	4,614,746
	<hr/> <hr/>	<hr/> <hr/>

#### 19 Financial commitments

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008 £	2007 £	2008 £	2007 £
Expiry date:				
Within one year	-	-	-	1,380
Between two and five years	14,000	-	33,501	34,526
In over five years	-	14,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	14,000	14,000	33,501	35,906
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company had no annual operating commitments under non-cancellable operating leases at the balance sheet date.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

<b>20</b>	<b>Directors' emoluments</b>	<b>2008</b>	<b>2007</b>
		£	£
	Emoluments for qualifying services	180,259	169,000
		<u>180,259</u>	<u>169,000</u>

### 21 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2008	2007
	Number	Number
Administration	3	3
Production	12	9
Directors	2	2
Retail	6	6
	<u>23</u>	<u>20</u>

<b>Employment costs</b>	<b>2008</b>	<b>2007</b>
	£	£
Wages and salaries	604,143	585,724
Social security costs	56,029	57,000
	<u>660,172</u>	<u>642,724</u>

Share based payments	<u>71,075</u>	<u>71,075</u>
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Employment costs include £71,075 (2007: £71,075) relating to the effect of adopting the FRS20 accounting standard. This standard requires us to attribute a notional cost of non-cash share option agreements to the business.

# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 22 Share options

During the period ended 31 December 2008, the company and group had three share based payment arrangements, which are described below.

	2003	2006	2006
Date of grant	11 February 2003	Variable price 27 January 2006	Fixed price 27 January 2006
Number granted	1,968,450	3,000,000	3,986,663
Contractual life	3.7 years	4.4 years	4.4 years
Vesting conditions	Service ranging from 9 months to 3 years 9 months. *	4.4 years' service **	4.4 years' service

\* 80% of the shares required service ranging from 9 months to 3 years 9 months.

\*\* 4.4 years' service. A minimum of 2,000,000 options are exercisable at a price of between 5p and 15p per share, depending on the future share price. This option extends to a further two tranches of 500,000 ordinary shares at 5p, again depending on future share price.

The estimated fair value of the 1,968,450 share options granted in 2003 is 2.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 12.5p, exercise price of 12.5p, expected volatility of 12%, no expected dividends, contractual life of 3.7 years and a risk free interest rate of 4.3%. The options were granted before the shares were listed on OFEX and so volatility has been based on share price movements from listing, in April 2003, to 31 December 2005.

The estimated fair value of each of the 3,000,000 share options granted in 2006 is 7.3p. This was calculated by applying the Black Scholes option pricing model to the two extremes of the variable option and averaging the result. The model inputs were the share price at grant date of 15p, exercise prices of 15p and 5p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.

The estimated fair value of each of the 3,986,663 share options granted in 2006 is 3.5p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 15p, exercise price of 15p, expected volatility of 12%, no expected dividends, contractual life of 4.4 years and a risk free interest rate of 5.5%.



# ENGLISH WINES GROUP PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2008

#### 22 Share options

Further details of the three share option plans are as follows:

	2003		2006 Variable price		2006 Fixed price	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	1,968,450	12.5p	3,000,000	9.0p	3,239,997	15.0p
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding at end of year	1,968,450	12.5p	3,000,000	9.0p	3,239,997	15.0p
Exercisable at end of year	1,968,450	12.5p	0	9.0p	0	15.0p

The options outstanding at 31 December 2008 had exercise prices of 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 1 years (2007: 2 years).

	Total	2003	2006 Variable price	2006 Fixed price
Expense arising from share based payment transactions: share option plans				
2008	71,075	-	45,466	25,609
2007	71,075	-	45,466	25,609

# **ENGLISH WINES GROUP PLC**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2008***

**23 Ultimate controlling party**

The Directors consider that there is no one ultimate controlling party.

**24 Related party transactions**

During the year English Wines Plc made sales of £44,278 to Hush Heath Estate in respect of contract winemaking services. Hush Heath is owned by Richard Balfour-Lynn, a Director of English Wines Group Plc.