

Company Registration No. 4362181 (England and Wales)

ENGLISH WINES GROUP PLC

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2009**

WEDNESDAY



ACFF5L39

A31

23/06/2010

397

COMPANIES HOUSE

ENGLISH WINES GROUP PLC

DIRECTORS AND ADVISERS

Directors	P Brett F D Thompson R G Balfour-Lynn (Resigned 30/06/2009) R A B Woodhouse N W Wray
Secretary	R A B Woodhouse
Company number	4362181
Registered office	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Creaseys LLP 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
Bankers	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
Registrars	Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU
Financial advisers	Rivington Street Corporate Finance 3rd Floor 5-11 Worship Street London EC2A 2BH
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES GROUP PLC

CONTENTS

	Page
Chairman's statement	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Statement of recognised gains and losses	8
Balance sheets	9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11
Notes to the financial statements	12 - 28

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Summary

I have pleasure in presenting the company's Annual Report and Financial Statements for the 12 months ending 31st December 2009

Overall turnover has risen 6% to £2,485,890. A 5% decline in volume due solely to the low harvests in 2007 and 2008 has been offset by an 8% increase in the average selling price (excluding duty) of wine sold.

Gross profit is up 8% at £1,199,480, a gross profit margin of 48% in line with the prior year.

The Group made a pre-tax profit of £61,828 compared with a pre-tax profit of £105,995 in the previous year. * This reduction is due to interest payments on the £1 m convertible 8% loan, raised in July 2009, to invest in stock, marketing and improving the Tenterden site.

Costs have been tightly controlled in a year of increasing raw material and fuel prices and unfavourable exchange rates. Overall, cost of sales are up 5%.

Administration and marketing expenses are up 8% on a like for like basis at £977,478. This is due to higher marketing costs, mainly due to PR activity and marketing support associated with the National retail chains and higher staff costs.

Operations

We continue to make good progress on our key targets -

- Pricing continues to move forward, despite poor trading conditions and heavy discounting on Champagne. Our average selling price (excluding duty) has increased by 8%.
- Volumes are being managed to maintain supply to key customers.
- We are receiving strong support from D&D (formerly Conran) restaurants, Ramsay Holdings, Gary Rhodes, Selfridges, Fortnum and Mason, Roast and other well known prestige accounts and this is helping to improve awareness amongst our target audience.
- Similarly, we are receiving strong support from key retailers including Waitrose, Sainsbury, Marks and Spencer and Majestic.
- Overheads continue to be well controlled with bad debts almost zero in spite of the recession.
- We continue to seek growers to supply us with premium grapes.
- The development of our land at Kit's Coty, Aylesford has been successful, with the first small crop expected in 2010.

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

Particular highlights in 2009

Demand for our wines continues to exceed our ability to supply, despite the harsh economic climate and drastic discounting policies of many wine producers, especially Champagne. This solid demand from our customers has been driven by the quality of our product and our high media profile, enabling us to charge a premium over some well known champagne brands over Christmas 2009.

Strong support from Waitrose, Marks and Spencer, D&D (formerly Conran) restaurants, Ramsay Holdings, Gary Rhodes, Selfridges, Fortnum and Mason, Roast and other well known accounts is improving awareness, as is the continued success of our restaurant, Richard Phillips at Chapel Down, which continues to go from strength to strength despite the recession.

The Board believes that developing Chapel Down into one of the leading drinks brands in the UK is the most important driver of value for the Company in the future. We will therefore continue to invest in our brand ahead of sales to develop its premium appeal.

The business is supported by substantial net tangible assets. In addition, we have considerable goodwill in the "Chapel Down" brand. Included in these results is the impact of the £1.1m raised on 1st July 2009 via an 8% convertible loan. The net assets of the company, assuming full conversion of the loan notes to equity, would be £5.6m. This is in excess of 10p per share, assuming conversion of the loan notes only, and values our stock at that point at cost rather than Net Realisable Value, which in the opinion of the Directors represents a conservative valuation of realisable value. It also does not value our "intangible" brand value. Net Debt on conversion of the shareholder loans would be £0.8m or 14% of net assets.

Our wines have won further awards in 2009. We are also delighted to have been awarded the Kent Small and Medium Enterprise of the Year in the Kent Excellence in Business Awards (KEIBA).

Risks and uncertainties

Harvest failure

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

Credit risk

The company'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 2009 harvest was encouraging and will enable us to substantially increase volumes of sparkling wine sales from 2012. The new acreage added at our site at Kit's Coty will also produce its first small crop this year, and will become fully productive from 2011, enabling us to sell even more premium wines from 2012 onwards.

We continue to be approached by growers seeking to plant vines for us and the growing demand for our wines should ensure excellent growth for the Company in the medium term.

Paul Brett

Chairman

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 FRS 20, the accounts show a pre-tax loss of £9,247 (2008: £34,920 profit) a reduction in Group pre-tax profit of £71,075 (2008: £71,075) on the £61,828 referred to in the Chairman's Report (2008: £105,995).

ENGLISH WINES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the year ended 31 December 2009

Directors

The following directors have held office since 1 January 2009

P Brett
F D Thompson
R G Balfour-Lynn (resigned 30/06/2009)
R A B Woodhouse
N W Wray

Principal activities and review of the business

The principal activity of the company continues to be that of producing and selling wine. 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 current 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 485 of the Companies Act 2006, a resolution proposing that Creaseys LLP be reappointed as auditors of the company will be put to the Annual General Meeting

Statement of Directors' responsibilities

The directors are responsible for preparing the directors report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

ENGLISH WINES GROUP PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009**

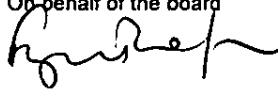
Provision of information to auditors

Each of the persons who are directors at the time when the directors' report is approved has confirmed that

So far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and

that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

On behalf of the board



F D Thompson
Director
22 April 2010

ENGLISH WINES GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC FOR THE YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of English Wines Group Plc for the period ended 31 December 2009, set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and 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

As explained more fully in the statement of directors' responsibilities, 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 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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its results for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 period for which the financial statements are prepared is consistent with the financial statements.

ENGLISH WINES GROUP PLC

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ENGLISH WINES GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009**

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Robert Blundell Bsc FCA (Senior Statutory Auditor)
22 April 2010

For and on behalf of

Creaseys LLP
Chartered Accountants
Statutory Auditors

12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ENGLISH WINES GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	2	2,485,890	2,337,041
Cost of sales		<u>(1,286,410)</u>	<u>(1,226,875)</u>
Gross Profit		1,199,480	1,110,166
Administrative expenses before share based payment	(977,478)	(905,201)	
Share based payment (FRS 20)	<u>(71,075)</u>	<u>(71,075)</u>	
Administrative expenses after share based payment		<u>(1,048,553)</u>	<u>(976,276)</u>
Operating profit/(loss)	3	150,927	133,890
Other interest receivable and similar income		206	12,121
Interest payable and similar charges	4	<u>(160,380)</u>	<u>(111,091)</u>
Profit/(loss) on ordinary activities before taxation		(9,247)	34,920
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>32,078</u>
Profit/(loss) on ordinary activities after taxation		<u>(9,247)</u>	<u>66,998</u>
Profit/(loss) on ordinary activities before taxation - excluding £71,075 FRS 20 share based payments		<u>61,828</u>	<u>105,995</u>

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

Profit/(loss) per share (pence)	7		
- basic		(0 02)	0 16
- diluted		(0 02)	0 16

ENGLISH WINES GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £	2008 £
Profit/(loss) for the financial year	(9,247)	66,998
Prior year adjustment	<u>-</u>	<u>-</u>
Total gains and losses recognised since last financial statements	<u>(9,247)</u>	<u>66,998</u>
Note of historical cost profits and losses		
	2009 £	2008 £
Reported profit/(loss) on ordinary activities before taxation	(9,247)	66,998
Loss to date on effective hedge on loan	-	(8,134)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>39,387</u>	<u>37,875</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>30,140</u>	<u>96,739</u>
Historical cost profit/(loss) for the year retained after taxation, extraordinary items and dividends	<u>30,140</u>	<u>96,739</u>

ENGLISH WINES GROUP PLC
COMPANY REGISTRATION NO. 4362181 (ENGLAND AND WALES)

BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Group		Company	
		2009 £	2008 £	2009 £	2008 £
Fixed assets					
Intangible assets	8	120,796	137,036	120,796	137,036
Tangible assets	9	4,839,087	4,805,371	4,344,320	4,310,651
Investments	10	-	-	50,000	50,000
		<u>4,959,883</u>	<u>4,942,407</u>	<u>4,515,116</u>	<u>4,497,687</u>
Current assets					
Stocks	11	1,926,918	1,564,661	-	-
Debtors	12	366,245	213,870	2,907,674	1,991,357
Cash at bank and in hand		1,098,715	428,749	4,093	1,335
		<u>3,391,878</u>	<u>2,207,280</u>	<u>2,911,767</u>	<u>1,992,692</u>
Creditors amounts falling due within one year	13	<u>(932,118)</u>	<u>(774,089)</u>	<u>(116,892)</u>	<u>(96,122)</u>
Net current assets		<u>2,459,760</u>	<u>1,433,191</u>	<u>2,794,875</u>	<u>1,896,570</u>
Total assets less current liabilities		<u>7,419,643</u>	<u>6,375,598</u>	<u>7,309,991</u>	<u>6,394,257</u>
Creditors amounts falling due after more than one year	14	<u>(2,912,594)</u>	<u>(1,930,377)</u>	<u>(2,773,325)</u>	<u>(1,749,924)</u>
		<u>4,507,049</u>	<u>4,445,221</u>	<u>4,536,666</u>	<u>4,644,333</u>
Capital and reserves					
Called up share capital	16	2,116,234	2,116,234	2,116,234	2,116,234
Share premium account	17	1,790,352	1,790,352	1,790,352	1,790,352
Revaluation reserve	17	1,453,700	1,493,087	1,265,189	1,295,493
Other reserves	17	324,078	253,003		
Profit and loss account	17	(1,177,315)	(1,207,455)	(635,109)	(557,746)
Shareholders' funds	18	<u>4,507,049</u>	<u>4,445,221</u>	<u>4,536,666</u>	<u>4,644,333</u>

Approved by the Board and authorised for issue on 22 April 2010



F D Thompson
Director



R A B Woodhouse
Director

ENGLISH WINES GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Cash Flow Notes	2009 £	2008 £
Net cash inflow/(outflow) from operating activities	1	24,822	481,002
Returns on investments and servicing of finance			
Interest received	206	12,121	
Interest paid	<u>(150,999)</u>	<u>(119,225)</u>	
Net cash outflow for returns on investments and servicing of finance		(150,793)	(107,104)
Capital expenditure			
Payments to acquire tangible assets	<u>(169,719)</u>	<u>(1,608,684)</u>	
Net cash inflow/(outflow) for capital expenditure		(169,719)	(1,608,684)
Net cash inflow/(outflow) before management of liquid resources and financing		(295,690)	(1,234,786)
Financing			
Exercise of share warrants	<u>0</u>	37,500	
Issue of shares		-	37,500
New long term bank loan	-	1,001,789	
New other long term loan	1,100,000	-	
Increase/(decrease) deferred income	11,155	(9,979)	
Repayment of long term bank loan	(110,994)	-	
Repayment of short term bank loan	(9,423)	(17,314)	
Capital element of hire purchase contracts	<u>(25,082)</u>	<u>(31,753)</u>	
Net cash inflow/(outflow) from financing	2	965,656	942,743
Increase/(decrease) in cash in year	2	669,966	(254,543)

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		2009	2008	
			£	£	
	Operating profit/(loss)		150,927	133,890	
	Depreciation of tangible assets		136,003	125,162	
	Amortisation of intangible assets		16,240	16,236	
	Share based payments		71,075	71,075	
	(Increase)/decrease in stocks		(362,257)	32,257	
	(Increase)/decrease in debtors		(152,375)	148,484	
	Increase/(decrease) in creditors within one year		165,209	(46,102)	
	Net cash inflow/(outflow) from operating activities		24,822	481,002	
2	Analysis of net debt	1 January 2009	Cash flow	Other non-cash changes	31 December 2009
		£	£	£	£
	Net cash				
	Cash at bank and in hand	428,749	669,966	-	1,098,715
		<u>428,749</u>	<u>669,966</u>	<u>-</u>	<u>1,098,715</u>
	Finance leases	(32,269)	25,082	-	(7,187)
	Debts falling due within one year	(106,533)	9,423	(10,757)	(107,867)
	Debts falling due after one year	(1,923,190)	(1,000,161)	10,757	(2,912,594)
		<u>(2,061,992)</u>	<u>(965,656)</u>	<u>-</u>	<u>(3,027,648)</u>
	Net debt	<u>(1,633,243)</u>	<u>(295,690)</u>	<u>-</u>	<u>(1,928,933)</u>
3	Reconciliation of net cash flow to movement in net debt		2009	2008	
			£	£	
	Increase/(decrease) in cash in the year		669,966	(254,543)	
	Cash (inflow)/outflow from (increase)/decrease in debt		(965,656)	(942,744)	
	Movement in net debt in the year		(295,690)	(1,197,287)	
	Opening net debt		(1,633,243)	(435,956)	
	Closing net debt		(1,928,933)	(1,633,243)	

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 and in accordance with applicable accounting standards

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 2009. 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. Revenue for trade sales is recognised at point of despatch and retail sales at point of purchase.

1.5 Intellectual property and goodwill

Acquired goodwill is written off in equal 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 and buildings	Straight line over 50 years on the buildings
Plant and machinery	5% straight line
Fixtures, fittings and 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.

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 the profit and loss account.

1.12 Convertible loan stock

The convertible loan stock has been treated as debt.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

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

	2009	2008
	£	£
Geographical segment		
UK	2,444,559	2,308,820
Other EU	1,880	259
Non EU	39,451	27,962
	<u>2,485,890</u>	<u>2,337,041</u>

3 Operating profit/(loss)

	2009	2008
	£	£
Operating profit/(loss) is stated after charging		
Depreciation of intangible assets	16,240	16,236
Depreciation of tangible assets	136,003	125,162
Loss on foreign exchange transactions	3,981	13,209
Operating lease rentals	47,494	53,993
Auditors' remuneration (Company £3,750, 2008 £3,825)	11,300	11,806
Auditors' remuneration other services relating to taxation	1,200	200
Auditors' all other services	<u>4,783</u>	<u>4,290</u>

4 Interest payable

	2009	2008
	£	£
On bank loans and overdrafts	156,365	105,876
Hire purchase interest	4,015	5,215
	<u>160,380</u>	<u>111,091</u>
Loss to date on effective hedge loan	-	8,134
Interest Paid	<u>160,380</u>	<u>119,225</u>

At 31 December 2009 the Group and Company held a 5 year interest 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 2009 no amount was recognised for the loss or gain to date on the effective hedge. In the period to 31 December, 2008 an amount of £8,134 being the loss 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 2009

5	Taxation	2009	2008
		£	£
	Analysis of tax charge year		
	Current tax (see note below)	-	-
	Uk corporation tax charge on profit for year	<u>-</u>	<u>-</u>
	Deferred tax		
	Origination and deferral of timing differences	-	(336)
	Adjustment to prior periods	-	(31,742)
	Tax on profit on ordinary activities	<u>-</u>	<u>(32,078)</u>
	Current Tax Charge	<u>-</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	<u>(9,247)</u>	<u>34,920</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2008 28%)	<u>(2,589)</u>	<u>9,778</u>
	Effects of		
	Non deductible expenses	24,815	26,774
	Depreciation add back	(22,760)	12,655
	Tax losses utilised	1,219	(24,846)
	Unutilised losses carried forward	-	(24,361)
	Other tax adjustments	(685)	-
		<u>2,589</u>	<u>(9,778)</u>
	Current tax charge	<u>-</u>	<u>-</u>
6	Profit/(loss) for the financial period		
	As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows		
		2009	2008
		£	£
	Holding company's (loss)/profit for the financial period	<u>(107,667)</u>	<u>221</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

7 Earnings per share

The calculation of basic earnings per share is based on the profit/(loss) 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	
	2009 £	2008 £	2009	2008	2009 pence	2008 pence
Basic earnings	(9,247)	66,998	42,324,664	42,303,831	(0.02)	0.16
Outstanding share options	-	-	1,994,742	994,742	-	-
Diluted earnings	<u>(9,247)</u>	<u>66,998</u>	<u>44,319,406</u>	<u>43,298,573</u>	<u>(0.02)</u>	<u>0.16</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

8	Intangible fixed assets Group	Intellectual property and goodwill £
	Cost	
	At 1 January 2009 and at 31 December 2009	<u>243,594</u>
	Amortisation	
	At 1 January 2009	106,558
	Charge for the year	16,240
	At 31 December 2009	<u>122,798</u>
	Net book value	
	At 31 December 2009	<u>120,796</u>
	At 31 December 2008	<u>137,036</u>

Goodwill was revalued in 2002 on a fair value basis. The historical cost of goodwill is £216,094 (2008 £216,094). The provision for amortisation based on historical cost would have been £106,194 (2008 £93,269) and the charge for the year would have been £12,925.

	Company	Intellectual property and goodwill £
	Cost	
	At 1 January 2009 and at 31 December 2009	<u>243,594</u>
	Amortisation	
	At 1 January 2009	106,558
	Charge for the year	16,240
	At 31 December 2009	<u>122,798</u>
	Net book value	
	At 31 December 2009	<u>120,796</u>
	At 31 December 2008	<u>137,036</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

9 Tangible fixed assets Group

	Freehold land and buildings	Plant and machinery
	£	£
Cost or valuation		
At 1 January 2009	4,010,943	1,107,808
Additions	123,806	35,521
At 31 December 2009	<u>4,134,749</u>	<u>1,143,329</u>
Depreciation		
At 1 January 2009	111,785	294,348
Charge for the year	60,544	55,857
At 31 December 2009	<u>172,329</u>	<u>350,205</u>
Net book value		
At 31 December 2009	<u>3,962,420</u>	<u>793,124</u>
At 31 December 2008	<u>3,899,158</u>	<u>813,460</u>

	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 2009	186,719	13,781	5,319,251
Additions	10,392	-	169,719
At 31 December 2009	<u>197,111</u>	<u>13,781</u>	<u>5,488,970</u>
Depreciation			
At 1 January 2009	96,136	11,611	513,880
Charge for the year	19,060	542	136,003
At 31 December 2009	<u>115,196</u>	<u>12,153</u>	<u>649,883</u>
Net book value			
At 31 December 2009	<u>81,915</u>	<u>1,628</u>	<u>4,839,087</u>
At 31 December 2008	<u>90,583</u>	<u>2,170</u>	<u>4,805,371</u>

The freehold land and buildings were valued by Michael Parkes Surveyors Ltd, Chartered Surveyors 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 £2,650,434 (2008 £2,526,628). 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 £1,121,967 (2008 £1,086,446). The provision for depreciation based on historical cost would have been freehold land and buildings £107,233 (2008 £80,459), plant and machinery £339,193 (2008 £285,638). The depreciation charge for the year based on historical cost would have been freehold land and buildings £26,774 and plant and machinery £53,555. 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 2009

9 Tangible fixed assets (continued) Group

included are assets held under finance leases or hire purchase contracts as follows

		Plant and machinery £	Total £
Net book values			
At 31 December 2009		44,664	44,664
At 31 December 2008		<u>114,423</u>	<u>114,423</u>
Depreciation charge for the year			
At 31 December 2009		2,648	2,648
At 31 December 2008		<u>6,954</u>	<u>6,954</u>
Company			
	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2009	3,974,345	635,500	4,609,845
Additions	122,659	-	122,659
At 31 December 2009	<u>4,097,004</u>	<u>635,500</u>	<u>4,732,504</u>
Depreciation			
At 1 January 2009	94,707	204,487	299,194
Charge for the year	57,214	31,776	88,990
At 31 December 2009	<u>151,921</u>	<u>236,263</u>	<u>388,184</u>
Net book value			
At 31 December 2009	<u>3,945,083</u>	<u>399,237</u>	<u>4,344,320</u>
At 31 December 2008	<u>3,879,638</u>	<u>431,013</u>	<u>4,310,651</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 2009

10 Fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2009 and at 31 December 2009	<u>50,000</u>

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	%
Subsidiary undertakings			
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	
	2009	2008	2009	2008
	£	£	£	£
Work in progress	1,802,912	1,428,292	-	-
Finished goods and goods for resale	124,006	136,369	-	-
	<u>1,926,918</u>	<u>1,564,661</u>	<u>-</u>	<u>-</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

12 Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	305,900	153,573	-	-
Amounts owed by group undertakings	-	-	2,907,674	1,991,357
Other debtors	523	1,292	-	-
Prepayments and accrued income	27,744	26,927	-	-
Deferred tax (refer to note 15)	32,078	32,078	-	-
	<u>366,245</u>	<u>213,870</u>	<u>2,907,674</u>	<u>1,991,357</u>
Amounts falling due after more than one year and included in the debtors above are				
	2009	2008	2009	2008
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>2,907,674</u>	<u>1,991,357</u>

13 Creditors amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans and overdrafts	107,867	106,533	62,841	61,508
Net obligations under finance leases and hire purchase agreements	7,187	25,082	-	-
Trade creditors	366,639	230,156	-	-
Taxes and social security costs	177,944	204,646	-	-
Other creditors	231,989	138,635	46,585	9,643
Accruals and deferred income	40,492	69,037	7,466	24,971
	<u>932,118</u>	<u>774,089</u>	<u>116,892</u>	<u>96,122</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 2009

14 Creditors amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans	1,797,018	1,918,769	1,673,325	1,749,924
Loan notes	1,100,000	-	1,100,000	-
Net obligations under finance leases and hire purchase contracts	-	7,187	-	-
Accruals and deferred income	15,576	4,421	-	-
	<u>2,912,594</u>	<u>1,930,377</u>	<u>2,773,325</u>	<u>1,749,924</u>
Analysis of loans				
Not wholly repayable within five years by instalments				
Commercial mortgage	602,031	1,011,432	602,031	1,011,432
Shareholder loans	1,100,000	-	1,100,000	-
Wholly repayable within five years	1,302,854	1,013,870	1,134,135	800,000
	<u>3,004,885</u>	<u>2,025,302</u>	<u>2,836,166</u>	<u>1,811,432</u>
Included in current liabilities	(107,867)	(106,533)	(62,841)	(61,508)
	<u>2,897,018</u>	<u>1,918,769</u>	<u>2,773,325</u>	<u>1,749,924</u>
Instalments not due within five years	<u>602,031</u>	<u>703,891</u>	<u>602,031</u>	<u>703,891</u>
Loan maturity analysis				
In more than one year but not more than two years	107,867	106,533	62,841	61,508
In more than two years but not more than five years	2,187,120	1,108,345	2,108,453	984,525
In more than five years	602,031	703,891	602,031	703,891

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.

The bank loans are due to be repaid over varying periods between April 2013 and June 2022. The loans are at commercial rates linked to the Bank of England base rate. The shareholders loan of £1,100,000 is at an interest rate of 8% and is repayable or convertible between June 2012 and June 2014.

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	8,149	29,087	-	-
Repayable between one and five years	-	8,148	-	-
	<u>8,149</u>	<u>37,235</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(962)	(4,966)	-	-
	<u>7,187</u>	<u>32,269</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(7,187)	25,082	-	-
	<u>-</u>	<u>7,187</u>	<u>-</u>	<u>-</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

15 Deferred taxation

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
At beginning of year	32,078	-	-	-
Credit for year	-	32,078	-	-
At end of year	<u>32,078</u>	<u>32,078</u>	<u>-</u>	<u>-</u>

The deferred tax asset is made up as follows

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Tax losses available	32,078	-	-	-
Depreciation claimed in advance of capital allowances	-	32,078	-	-

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

16 Share capital	2009	2008
	£	£
Allotted, called up and fully paid		
42,324,664 Ordinary shares of 5p each	<u>2,116,234</u>	<u>2,116,234</u>
	<u>2,116,234</u>	<u>2,116,234</u>

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.

A further 3,000,000 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at 10p per share after 1 July 2013.

In addition, 11,000,000 unissued ordinary shares of 5p each are covered by a convertible loan note issued on 1st July 2009 which is exercisable between 1st July 2012 and 1st July 2014 at an exercise price of 10p.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

17 Statement of movements on reserves Group

	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2009	1,790,352	1,493,087	253,003	(1,207,455)
Profit/(loss) for the year	-	-	-	(9,247)
Transfer from revaluation reserve to profit and loss account	-	(39,387)	-	39,387
Movement during the year	-	-	71,075	-
Balance at 31 December 2009	1,790,352	1,453,700	324,078	(1,177,315)

Other reserves

Reserves arising from share based payments

Balance at 1 January 2009	253,003
Other reserve movement	71,075
Balance at 31 December 2009	324,078

Company

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2009	1,790,352	1,295,493	(557,746)
Retained loss for the year	-	-	(107,667)
Transfer from revaluation reserve to profit and loss account	-	(30,304)	30,304
Balance at 31 December 2009	1,790,352	1,265,189	(635,109)

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

18	Reconciliation of movements in shareholders' funds	2009	2008
	Group	£	£
	Profit/(loss) for the financial year	(9,247)	66,998
	Other recognised gains and losses	-	(8,134)
	Proceeds from issue of shares	-	37,500
	Movements on other reserves	<u>71,075</u>	<u>71,075</u>
	Net increase in shareholders' funds	61,828	167,439
	Opening shareholders' funds	<u>4,445,221</u>	<u>4,277,782</u>
	Closing shareholders' funds	<u>4,507,049</u>	<u>4,445,221</u>
		2009	2008
	Company	£	£
	(Loss)/profit for the financial year	(107,667)	221
	Other recognised gains and losses	-	(8,134)
	Proceeds from issue of shares	<u>-</u>	<u>37,500</u>
	Net (depletion)/increase in shareholders' funds	(107,667)	29,587
	Opening shareholders' funds	<u>4,644,333</u>	<u>4,614,746</u>
	Closing shareholders' funds	<u>4,536,666</u>	<u>4,644,333</u>

19 Financial commitments

At 31 December 2009 the group had annual commitments under non-cancellable operating leases as follow

	Land and buildings		Other	
	2009	2008	2009	2008
Expiry date	£	£	£	£
Within one year	4,667	-	21,321	-
Between two and five years	<u>-</u>	<u>14,000</u>	<u>7,970</u>	<u>33,501</u>
	<u>4,667</u>	<u>14,000</u>	<u>29,291</u>	<u>33,501</u>

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 2009

20	Directors' emoluments	2009	2008
		£	£
	Emoluments for qualifying services	<u>198,773</u>	<u>197,244</u>

21 Employees

Number of employees

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

	2009	2008
	Number	Number
Administration	4	3
Production	13	12
Directors	2	2
Retail	9	6
	<u>28</u>	<u>23</u>

Employment costs

	2009	2008
	£	£
Wages and salaries	600,900	604,143
Social security costs	<u>64,626</u>	<u>56,029</u>
	<u>665,526</u>	<u>660,172</u>
Share based payments	<u>71,075</u>	<u>71,075</u>

Employment costs include £71,075 (2008 £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 2009

22 Share options

During the period ended 31 December 2009, the company and the group had four share based payment arrangements, which are described below

	2003	2006	2006	2009
		Variable price	Fixed price	Fixed price
Date of grant	11 February 2003	27 January 2006	27 January 2006	11 December 2009
Number granted	1,968,450	3,000,000	3,986,663	3,000,000
Contractual life	3 7 years	4 4 years	4 4 years	3 6 years
Vesting conditions	Service ranging from 9 months to 3 years 9 months *	4 4 years' service **	4 4 years' service	3 6 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 2009

22 Share options

Further details of the four share option plans are as follows

	2003		2006 Variable price		2006 Fixed price		2009 Fixed price	
	Number of options	Weighted average exercise 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	-	-	-	-	-	-	3,000,000	10 0p
Forfeited	-	-	-	-	-	-	-	-
Outstanding at end of year	<u>1,968,450</u>	<u>12 5p</u>	<u>3,000,000</u>	<u>9 0p</u>	<u>3,239,997</u>	<u>15 0p</u>	<u>3,000,000</u>	<u>10 0p</u>
Exercisable at end of year	<u>1,968,450</u>	<u>12 5p</u>	<u>-</u>	<u>9 0p</u>	<u>-</u>	<u>15 0p</u>	<u>-</u>	<u>10 0p</u>

The options outstanding at 31 December 2009 had exercise prices of 10p, 15p, 12 5p and 5-15p and a weighted average remaining contractual life of 1 year (2008 1 year)

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price
Expense arising from share based payment transactions share option plans					
2009	<u>71,075</u>	-	<u>45,466</u>	<u>25,609</u>	-
2008	<u>71,075</u>	-	<u>45,466</u>	<u>25,609</u>	-

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 £38,952 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