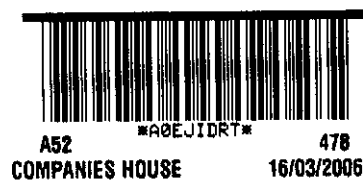


Averys of Bristol Limited

FINANCIAL STATEMENTS

for the period ended

1 July 2005



Averys of Bristol Limited

DIRECTORS AND OFFICERS

DIRECTORS

F J Avery
A J Bentham
O C Garland
D Hamilton
D G Snook

SECRETARY

D Hamilton

REGISTERED OFFICE

4 High Street
Nailsea
Bristol
BS48 1BT

AUDITORS

Baker Tilly
Chartered Accountants
1 Georges Square
Bristol
BS16BP

Averys of Bristol Limited

DIRECTORS' REPORT

The Directors submit their report and the financial statements of the company for the period ended 1 July 2005.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was the importing and distribution of wines.

REVIEW OF THE BUSINESS

The Directors are satisfied with the performance of the company during the period and will continue to invest heavily in the client base in order to achieve future goals.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The following directors have held office during the period:

F J Avery
A J Bentham
O C Garland
D Hamilton
D G Snook

During the period none of the directors had a beneficial interest in the shares of the company.

Interests of the directors in the ultimate holding company, Direct Wines Limited, are disclosed in the accounts of that company.

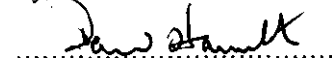
POLITICAL AND CHARITABLE CONTRIBUTIONS

The company did not make any donations in the period.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



D Hamilton
Company Secretary

Averys of Bristol Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. *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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVERYS OF BRISTOL LIMITED

We have audited the financial statements on pages 5 to 13.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 25 June 2004 and of the loss of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

Registered Auditor
Chartered Accountants
1 Georges Square
Bristol
BS1 6BP

1 November 2005

Averys of Bristol Limited

PROFIT AND LOSS ACCOUNT

for the period ended 1 July 2005

	Notes	Period ending 1 July 05 £	Period ending 25 June 04 £
TURNOVER		9,041,250	6,469,538
Cost of sales		(6,309,248)	(4,640,915)
GROSS PROFIT		2,732,002	1,828,623
Other operating expenses	2	(3,415,476)	(3,052,976)
OPERATING LOSS		(683,474)	(1,224,353)
Interest payable	3	(7)	(295)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	4	(683,481)	(1,224,648)
Dividends		-	-
RETAINED LOSS FOR THE PERIOD	15	(683,481)	(1,224,648)

The operating loss for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Averys of Bristol Limited

BALANCE SHEET

1 July 2005

	Notes	1 July 2005 £	25 June 2004 £
FIXED ASSETS			
Tangible assets	7	473,244	505,920
Fixed asset investment	8	2	2
		<u>473,246</u>	<u>505,922</u>
CURRENT ASSETS			
Stocks	9	1,726,193	1,737,844
Debtors due within one year	10	381,887	494,615
Cash at bank and in hand		303,679	200,387
		<u>2,411,759</u>	<u>2,432,846</u>
CREDITORS			
Amounts falling due within one year	11	(2,676,200)	(3,241,073)
NET CURRENT LIABILITIES		<u>(264,441)</u>	<u>(808,227)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>208,805</u>	<u>(302,305)</u>
CREDITORS			
Amounts falling due after one year	12	(2,282,686)	(1,088,095)
		<u>(2,073,881)</u>	<u>(1,390,400)</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,500,000	1,500,000
Profit and loss account	15	(3,573,881)	(2,890,400)
Equity shareholders' (deficiency)	16	<u>(2,073,881)</u>	<u>(1,390,400)</u>

Approved by the Board on 1.11.2005



Director

Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The financial statements are for the period ended 1 July 2005. The comparative figures are for the period from 28 June 2003 to 25 June 2004.

The company is dependent on the ongoing support of its parent company, Direct Wines Limited to continue to trade. Direct Wines Limited have confirmed that they do not intend to demand repayment of the amount due to them in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 248 of the companies act 1985 not to prepare group accounts.

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is a subsidiary with more than 90% of the voting rights controlled within the group, and their cashflows are included in a consolidated cashflow in the accounts of the parent company.

TANGIBLE FIXED ASSETS

Depreciation is provided on all fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold property	over the life of the lease
Office furniture and equipment	25%
Motor vehicles	25%
Computer equipment	20%

STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

OPERATING LEASES

The annual rentals on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

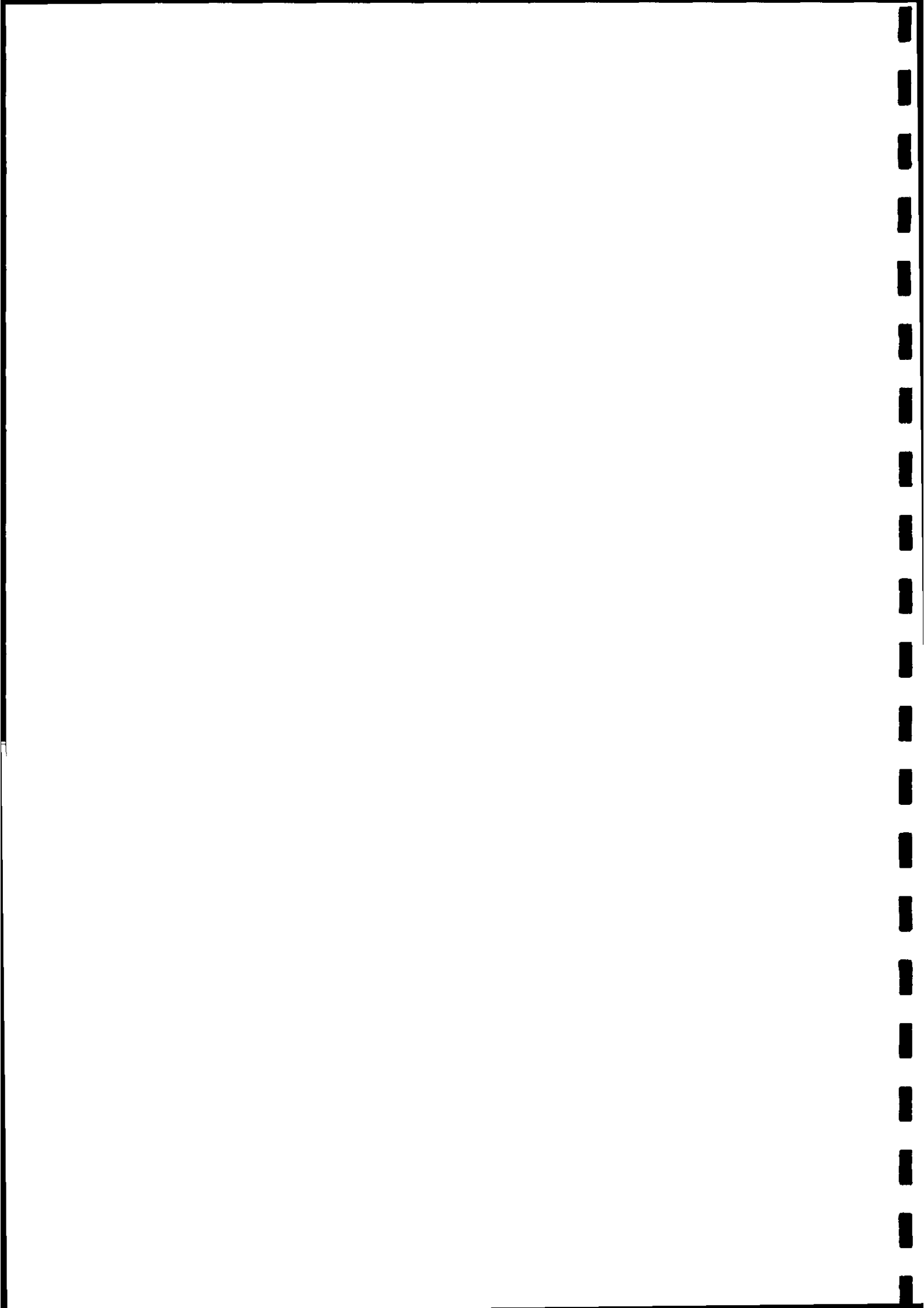
PENSION CONTRIBUTIONS

The company operates defined contribution pension schemes and the pension charge represents the amounts payable by the company to the funds in respect of the period.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.



Averys of Bristol Limited

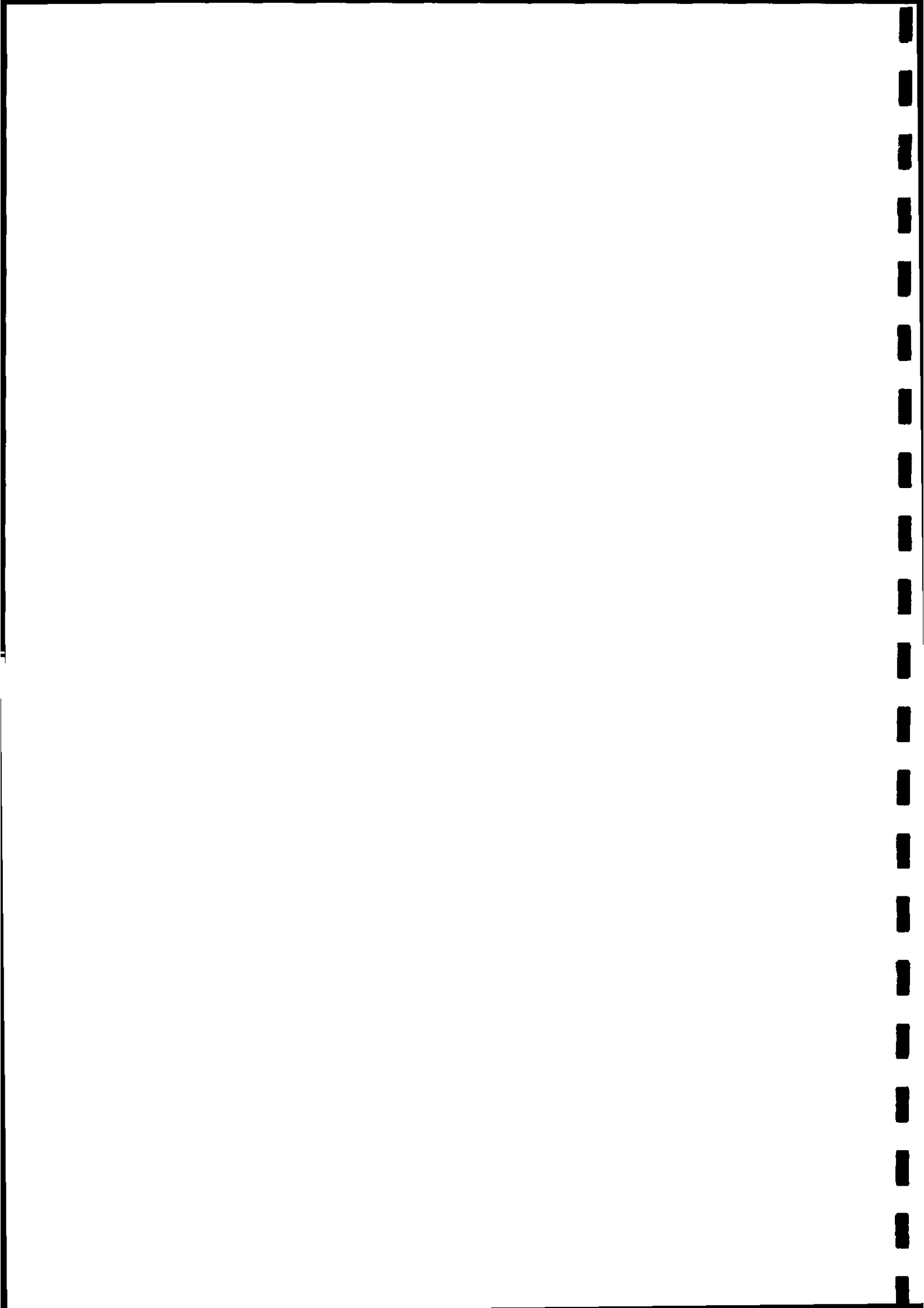
NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable, taxable profits from which the future reversal of the underlying timing differences can be deducted

TURNOVER

Turnover represents sales to external customers at invoiced amounts less value added tax.



Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

1 TURNOVER

The company's turnover was all derived from its principal activity and arises solely within the United Kingdom.

2 OTHER OPERATING EXPENSES (NET)

	2005	2004
	£	£
Distribution costs	996,281	775,956
Administration expenses	2,419,195	2,277,020
	<u>3,415,476</u>	<u>3,052,976</u>

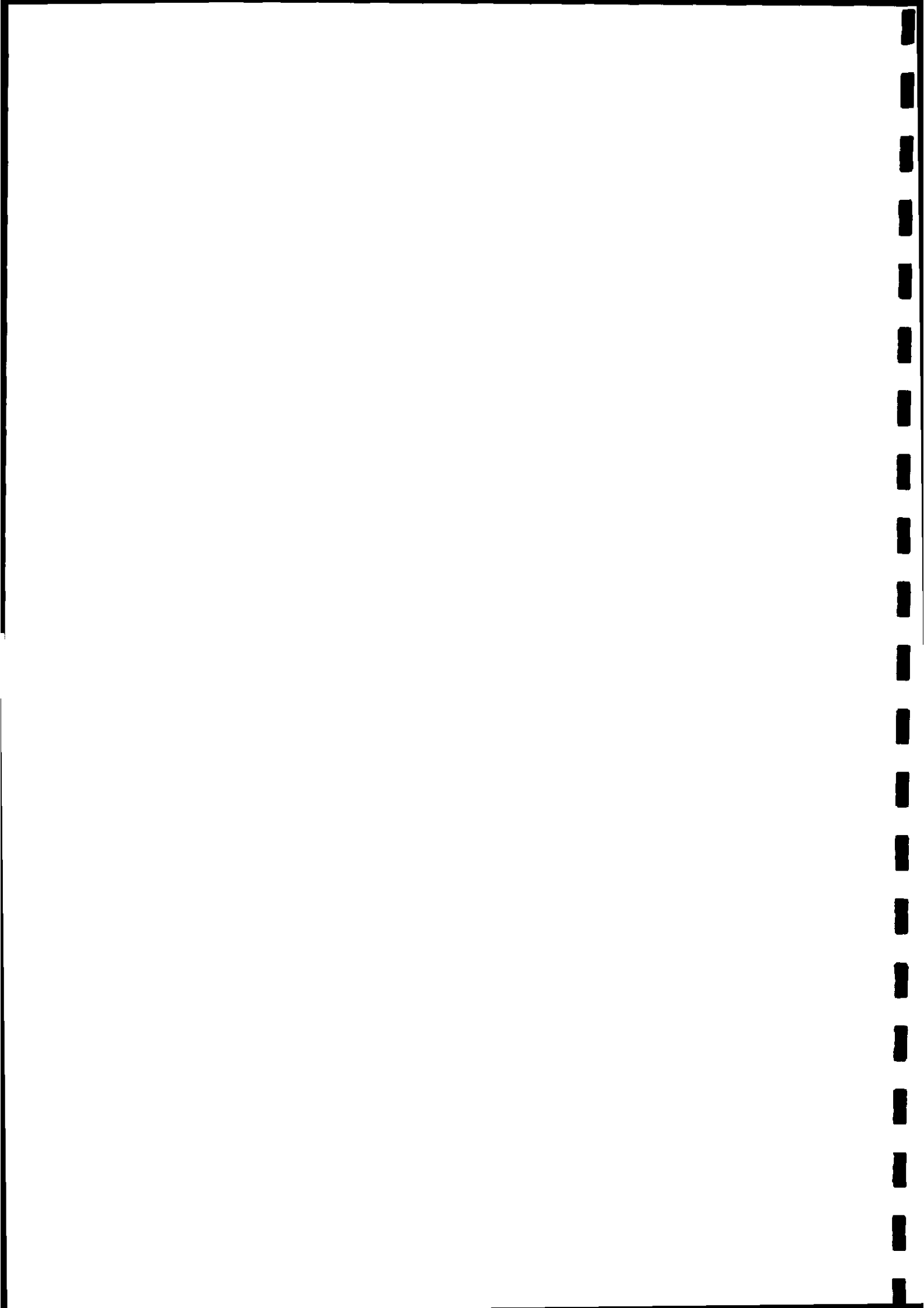
3 INTEREST PAYABLE

	2005	2004
	£	£
On bank loans, overdrafts and other loans repayable within five years	<u>7</u>	<u>295</u>

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2005	2004
	£	£
Depreciation and amounts written off tangible fixed assets:		
Charged for the period		
Owned assets	130,728	47,734
Loss on disposals	-	16,005
Operating lease rentals:		
Plant and machinery	-	111,622
Other assets	154,119	388,359
Net (profit) on foreign currency translation	(172)	(3,469)
Auditors' remuneration - audit services	8,550	8,000
	<u></u>	<u></u>



Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

5 TAXATION

	2005	2004
	£	£
Current tax:		
UK corporation tax on profits of period	-	-
Factors effecting tax charge for the period		
The tax assessed for the period is lower than the standard rate of corporation tax (19%) as explained below:		
Loss on ordinary activity before tax	(683,481)	(1,224,648)
Profit on ordinary activities multiplied by the standard rate of corporation tax (19%)	(129,861)	(232,683)
Effects of:		
Expenses not deductible for tax purposes	8,445	4,450
Capital allowances in excess of depreciation	(1,932)	(21,976)
Tax losses group relieved	-	250,209
Tax losses for the current year carried forward	123,348	-
	-	-

The company have trading losses available to carry forward amounting to £1,428,000 (2004: £779,000)

6 EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the period was:

	2005	2004
	No.	No.
Office and management	8	6
Selling and distribution	33	29
	41	35

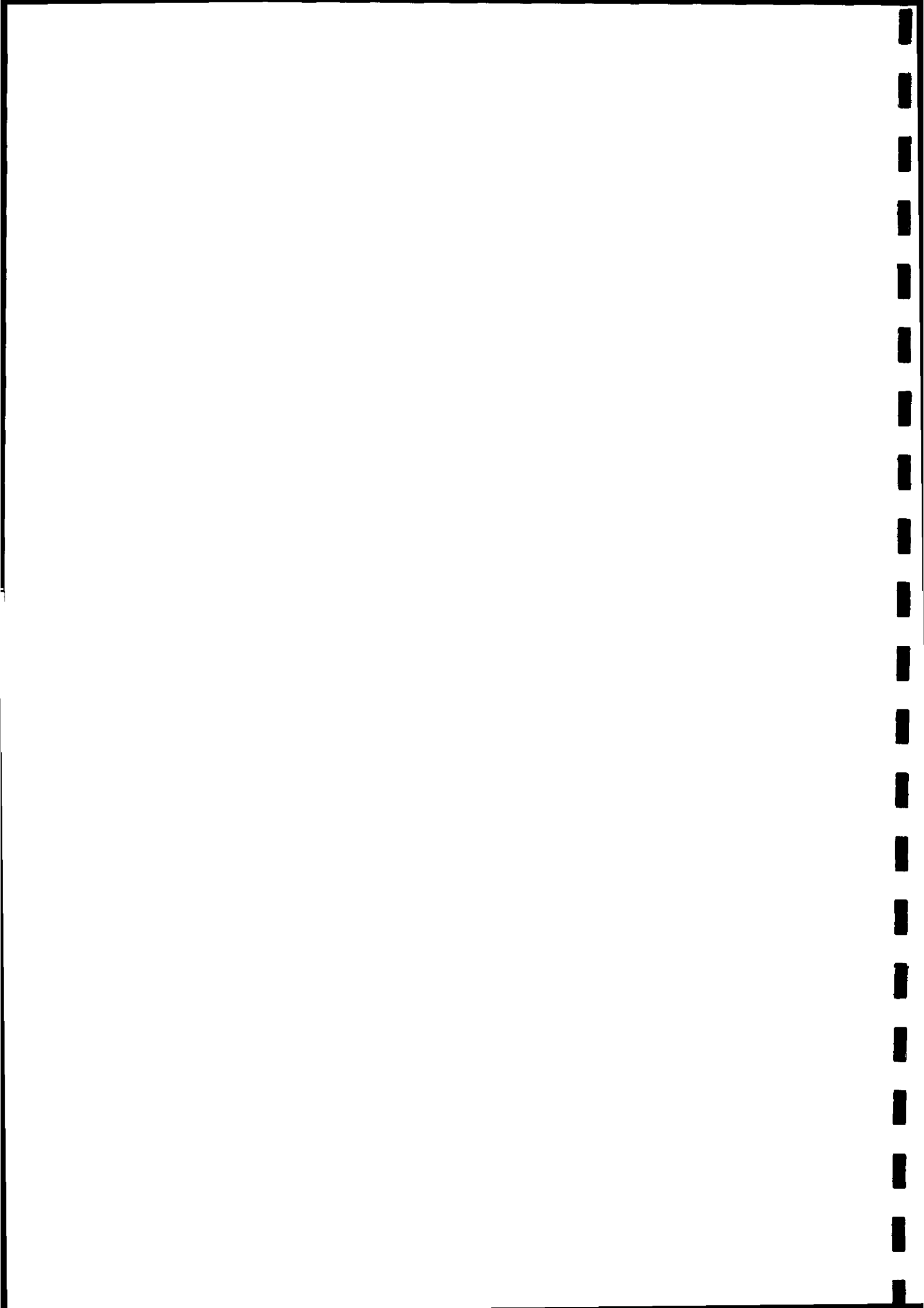
Staff costs for the above persons:

	2005	2004
	£	£
Wages and salaries	969,677	934,468
Social Security costs	152,988	95,820
Other pension costs	25,988	37,189
	1,148,653	1,067,477

DIRECTORS' REMUNERATION IN RESPECT OF SERVICES TO THIS COMPANY

	2005	2004
	£	£
Aggregate emoluments	168,273	140,293
Company pension contributions to money purchase schemes	21,759	23,503

Retirement benefits are accruing to 2 directors (2004: 2) under money purchase pension schemes



Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

7 TANGIBLE FIXED ASSETS

	Property improvements and shop premiums £	Office furniture and equipment £	Motor vehicles £	Total £
Cost				
25 June 2004	11,423	701,299	86,266	798,988
Additions	-	96,965	-	96,965
1 July 2005	<u>11,423</u>	<u>798,264</u>	<u>86,266</u>	<u>895,953</u>
Depreciation				
25 June 2004	8,128	198,807	86,133	293,068
Charged in the period	876	128,632	133	129,641
1 July 2005	<u>9,004</u>	<u>327,439</u>	<u>86,266</u>	<u>422,709</u>
Net book value				
1 July 2005	<u>2,419</u>	<u>470,825</u>	<u>-</u>	<u>473,244</u>
25 June 2004	<u>3,295</u>	<u>502,492</u>	<u>133</u>	<u>505,920</u>

8 FIXED ASSET INVESTMENTS

	2005 £	2004 £
Investment in subsidiaries – at cost	<u>2</u>	<u>2</u>

The company owns 100% of the issued ordinary share capital of New World Vintners Limited which is incorporated in England and Wales. The company is non-trading.

9 STOCKS

	2005 £	2004 £
Goods for resale	<u>1,726,193</u>	<u>1,737,844</u>

10 DEBTORS

	2005 £	2004 £
Due within one year:		
Trade debtors	194,527	355,293
Other debtors	44,855	44,836
Prepayments and accrued income	142,505	94,486
	<u>381,887</u>	<u>494,615</u>

Included within other debtors is a deferred tax asset of £ 44,855 (2004: £44,855) in respect of capital allowances.

Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

11 CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	867,681	1,362,767
Trade creditors	1,202,510	1,404,837
Other taxation and social security costs	407,395	282,754
Other creditors	14,583	5,377
Accruals and deferred income	184,031	185,338
	<u>2,676,200</u>	<u>3,241,073</u>

The company's bank borrowings are secured by a cross guarantee with Direct Wines Limited, The Warehouse Wine Company Limited and Tough Developments Limited.

12 CREDITORS: Amounts falling due in more than one year

	2005	2004
	£	£
Amounts owed to parent company	<u>2,282,686</u>	<u>1,088,095</u>

Amounts owed to parent company represents amounts owed to Direct Wines Limited, who have indicated they will not seek repayment prior to June 2006.

13 DEFERRED TAXATION

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable, taxable profits from which the future reversal of the underlying timing differences can be deducted

No deferred tax asset has been included in the accounts with respect to taxable trading losses carried forward, as there is insufficient evidence of recovery in the foreseeable future. At 1 July 2005 the potential deferred tax asset in respect of these losses amounted to £271,000 (2004: £148,000)

14 SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
1,500,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, called up and fully paid:		
1,500,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>

15 RESERVES

	Profit and loss account £
At 25 June 2004	(2,890,400)
Loss for the financial period	(683,481)
At 1 July 2005	<u>(3,573,881)</u>

Averys of Bristol Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 1 July 2005

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Loss after taxation	(683,481)	(1,224,648)
Opening shareholders' deficit	(1,390,400)	(165,752)
Closing shareholders' deficit	<u>(2,073,881)</u>	<u>(1,390,400)</u>

17 COMMITMENTS UNDER OPERATING LEASES

At 25 June 2004 the company had annual commitments under non-cancellable operating leases as follows:-

	2005	2004
	£	£
Land and buildings:		
Expiring in the second to fifth year	<u>163,429</u>	<u>149,569</u>

18 PENSION COMMITMENTS

The company operates defined contribution pension schemes whose assets are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company and amounted to £ 25,988 (2004: £37,189). At 1 July 2005 there was a pension creditor of £14,583 (2004: nil).

19 RELATED PARTY TRANSACTIONS

Ultimate parent company

The directors regard Direct Wines Limited, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Direct Wines Limited had a 100% interest in the equity capital of Averys of Bristol Limited at 1 July 2005.

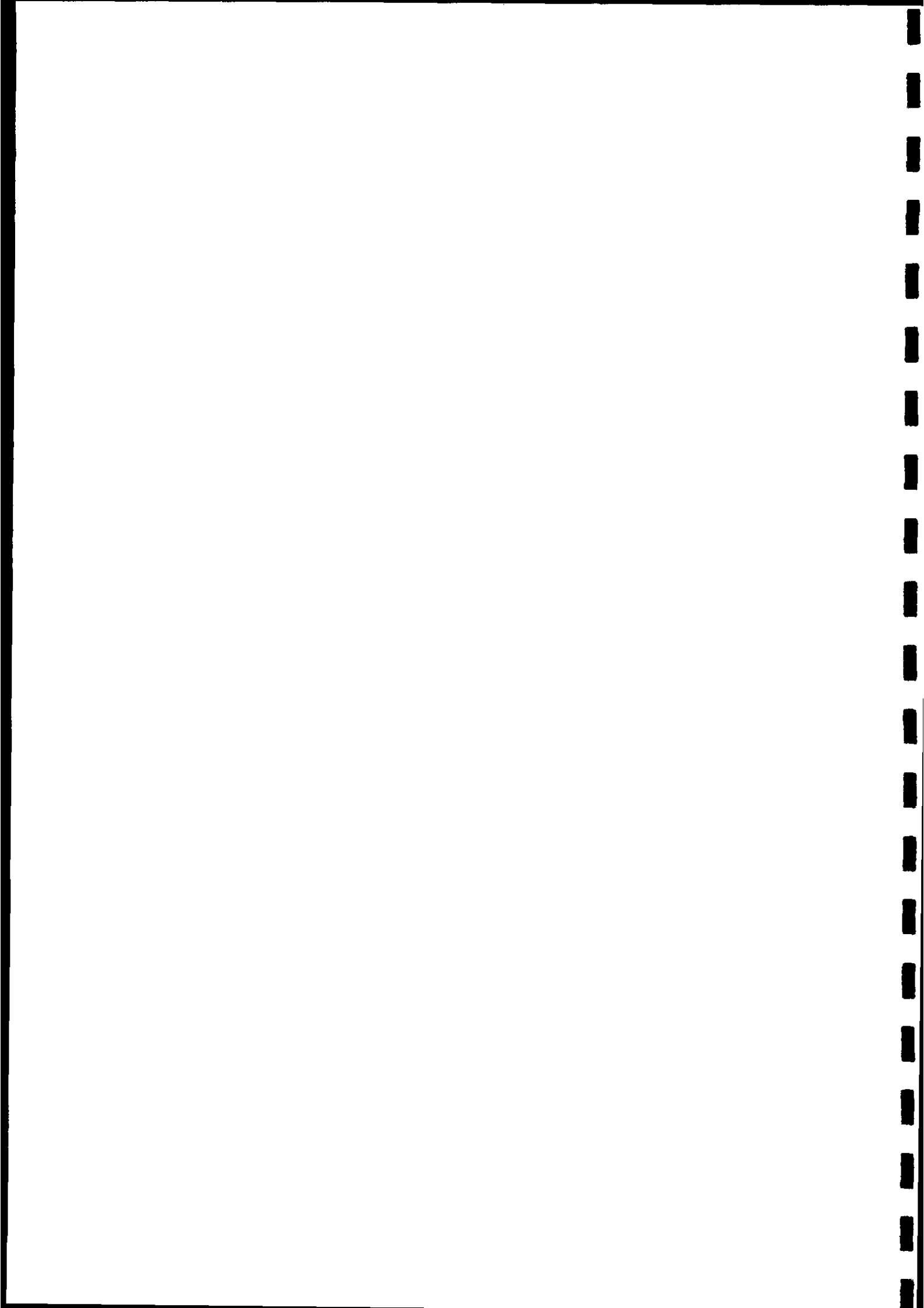
Related party transactions and balances

During the period the company made purchases of £284,086 (2004: £285,625) from its parent company, Direct Wines Limited. The balance owed to the company at the period end was £2,282,686 (2004: £1,088,095). The largest and smallest group in which the results of the company are consolidated is that headed by Direct Wines Limited. Copies of the financial statements of Direct Wines can be obtained from New Aquataine House, Exeter Way, Theale, RG7 4PL

F J Avery, a Director, made purchases of £11,182 (2004: £7,496) from the company during the period. The balance owed to the company at the period end was £ 7,094 (2004: £8,515).

20 GOING CONCERN

The company is dependent on the ongoing support of Direct Wines Limited to continue to trade. Direct Wines Limited have confirmed that they do not intend to demand repayment of the amount due to them in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.



Averys of Bristol Limited
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 1 July 2005

The following pages do not form part of the statutory financial statements
which are the subject of the independent auditors' report on page 4.

Averys of Bristol Limited

PROFIT AND LOSS ACCOUNT

for the period ended 1 July 2005

	2005 £	2004 £
TURNOVER	9,041,250	6,469,538
Cost of sales	6,309,248	4,640,915
GROSS PROFIT	2,730,002	1,828,623
Selling and distribution costs	996,281	775,956
	1,735,721	1,052,667
Promotion costs	986,598	946,948
Administration expenses	909,229	940,808
Office expenses	222,659	130,465
Property expenses	300,709	258,799
OVERHEAD COSTS	2,419,195	2,277,020
OPERATING (LOSS)/PROFIT	(683,474)	(1,224,353)
INTEREST PAYABLE	7	295
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(683,481)	(1,224,648)
TAX CHARGE ON ORDINARY ACTIVITIES	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(683,481)	(1,224,648)
PROPOSED DIVIDEND	-	-
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD	(683,481)	(1,224,648)

Averys of Bristol Limited

PROFIT AND LOSS ACCOUNT

for the period ended 1 July 2005

	2005 £	2004 £
SALES		
Sales of wine	9,041,250	6,469,538
Membership subscriptions	-	-
	<u>9,041,250</u>	<u>6,469,538</u>
Cost of sales	6,309,248	4,640,915
	<u>6,309,248</u>	<u>4,640,915</u>
GROSS PROFIT	<u>2,732,002</u>	<u>1,828,623</u>
SELLING AND DISTRIBUTION COSTS		
Cartons and packaging	66,073	49,157
Samples and breakages	5,580	9,000
Carriage outwards	436,732	308,184
Tastings	5,963	6,389
Other commission	84,443	70,452
Warehouse and shops wages	378,169	314,177
Motor vehicle running costs	19,321	18,597
	<u>996,281</u>	<u>775,956</u>
PROMOTION COSTS		
Travel, subsistence and entertaining	19,592	17,138
Advertising and publicity	967,006	929,810
	<u>986,598</u>	<u>946,948</u>
ADMINISTRATION EXPENSES		
Office wages and payroll	804,495	798,380
Pension costs	25,853	37,189
Postage and stationery	9,261	7,052
Insurance	17,228	29,879
Bank charges	9,762	8,712
Professional fees	10,803	12,688
Audit fees	8,550	8,000
Training	10,968	9,557
Office furniture, equipment and shop depreciation	12,175	6,018
Vehicle depreciation	134	5,819
Bad debts	-	17,514
	<u>909,229</u>	<u>940,808</u>
OFFICE EXPENSES		
Telephone	25,861	19,742
Equipment repair and hire	12,680	20,805
Sundries	3,495	17,488
Subscriptions and donations	6,720	2,175
Computer costs	43,215	19,308
Light and heat	14,231	16,589
Computer equipment depreciation	116,457	34,358
	<u>222,659</u>	<u>130,465</u>



Averys of Bristol Limited
 PROFIT AND LOSS ACCOUNT
 for the period ended 1 July 2005 (*continued*)

	2005 £	2004 £
PROPERTY EXPENSES		
Rent and rates	284,231	220,547
Cleaning	14,591	18,527
Security	1,011	2,183
Loss on disposal of fixed asset	-	16,005
Property depreciation	876	1,537
	<u>300,709</u>	<u>258,799</u>
OPERATING (LOSS)/PROFIT	<u>(683,474)</u>	<u>(1,224,353)</u>

