

Company Registration No. 2966320 (England and Wales)

FINE & RARE WINES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

613



FINE & RARE WINES LIMITED

COMPANY INFORMATION

Directors

M C Bedini
B R M Cuchet
I C Dacre
A N Kidney
T A Littler
M J S Loveland

Secretary

B R M Cuchet

Company number

2966320

Business address

Pall Mall Deposit
124-128 Barlby Road
North Kensington
London
W10 6BL

**Auditors and
Registered Office**

Rostron & Partners
St Peter's House
Cattle Market Street
Norwich
NR1 3DY

FINE & RARE WINES LIMITED

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FINE & RARE WINES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company continues to be the supply of fine and rare wines.

The results of the company for the year ended 31 December 2004 are shown in the profit and loss account on page 4. The directors are committed to the continued development of the business and have invested in the requisite sales and administrative systems and personnel to control and support future growth.

Directors

The following directors have held office since 1 January 2004:

M C Bedini

B R M Cuchet

I C Dacre

A N Kidney

(Appointed 13 October 2005)

T A Littler

M J S Loveland

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
M C Bedini	11,251	10,002
B R M Cuchet	5,078	4,999
I C Dacre	1,667	1,667
T A Littler	66	-
M J S Loveland	1,451	880

Single European currency

The company's systems are capable of accommodating the Euro regardless of which countries participate in the single currency.

Auditors

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

During the year P J Rostron, a partner in the auditors Rostron & Partners, was a trustee of a trust which, at 31 December 2004, owned 12% of the issued share capital of the company. He resigned as a trustee on 1 March 2006.

On behalf of the board



B R M Cuchet

Director

15 May 2006

FINE & RARE WINES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2004

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

FINE & RARE WINES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FINE & RARE WINES LIMITED

We have audited the financial statements of Fine & Rare Wines Limited on pages 4 to 18 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

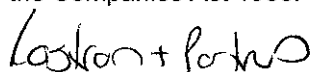
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

Without qualifying our opinion, we draw your attention to note 1.1 in the financial statements which indicates that the company's ability to continue trading is dependent upon the support of its creditors.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Rostron & Partners
Chartered Accountants
Registered Auditors

15 May 2006
St Peter's House
Cattle Market Street
Norwich
NR1 3DY

FINE & RARE WINES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004	2003
	Notes	£	as restated £
Turnover	2	8,779,051	10,825,728
Cost of sales		(7,578,531)	(9,529,857)
Gross profit		1,200,520	1,295,871
Administrative expenses		(1,401,856)	(1,151,894)
Operating (loss)/profit	3	(201,336)	143,977
Interest receivable		234	-
Interest payable	4	(76,128)	(96,135)
(Loss)/profit on ordinary activities before taxation		(277,230)	47,842
Taxation	5	-	-
(Loss)/profit on ordinary activities after taxation	15	(277,230)	47,842

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

FINE & RARE WINES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
	£	£
(Loss)/profit for the financial year	(277,230)	47,842
Prior year adjustment	290,679	-
	<hr/>	<hr/>
Total gains and losses recognised since the last financial statements	<u>13,449</u>	<u>47,842</u>

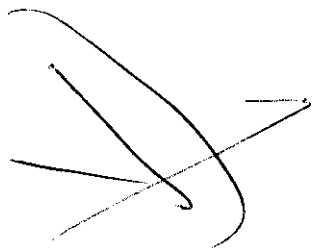
FINE & RARE WINES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

			2004	2003 as restated
	Notes	£	£	£
Fixed assets				
Intangible assets	6		13,492	14,265
Tangible assets	7		757,853	529,741
Investments	8		10,005	10,005
			<u>781,350</u>	<u>554,011</u>
Current assets				
Stocks	9	551,468	734,407	
Debtors	10	2,605,774	2,346,377	
Cash at bank and in hand		720	423	
		<u>3,157,962</u>	<u>3,081,207</u>	
Creditors: amounts falling due within one year	11	<u>(3,051,773)</u>	<u>(2,832,583)</u>	
Net current assets			<u>106,189</u>	<u>248,624</u>
Total assets less current liabilities			<u>887,539</u>	<u>802,635</u>
Creditors: amounts falling due after more than one year	12		499,420	616,270
Capital and reserves				
Called up share capital	14	19,981	17,548	
Share premium account	15	690,093	213,542	
Other reserves	15	4,999	4,999	
Profit and loss account	15	(326,954)	(49,724)	
			<u>887,539</u>	<u>802,635</u>

The financial statements were approved by the board on 15 May 2006.

I C Dacre
Director



M C Bedini
Director



FINE & RARE WINES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003 as restated
£	£	£
Net cash (outflow)/inflow from operating activities (note 1)	(314,617)	156,707
Returns on investments and servicing of finance		
Interest received	234	-
Interest paid	(65,701)	(86,485)
Net cash outflow for returns on investments and servicing of finance	(65,467)	(86,485)
Taxation	8,668	-
Capital expenditure		
Payments to acquire tangible assets	(325,970)	(258,483)
Net cash outflow for capital expenditure	(325,970)	(258,483)
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(1)
Net cash outflow for acquisitions and disposals	-	(1)
Net cash outflow before financing	(697,386)	(188,262)
Financing		
Issue of ordinary share capital	478,984	106,089
New long term loans	500,000	243,911
New short term loans	1,933	121,188
Repayment of long term loans	(477,770)	(100,000)
Repayment of short term loans	(97,884)	(77,472)
Net cash inflow from financing	405,263	293,716
(Decrease)/increase in cash in the year (note 3)	(292,123)	105,454

FINE & RARE WINES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2004 £	2003 as restated £
	Operating (loss)/profit	(201,336)	143,977
	Depreciation of tangible assets	97,858	70,120
	Amortisation of intangible assets	773	773
	Decrease in stocks	182,939	288,574
	Increase in debtors	(268,065)	(1,156,369)
	(Decrease)/increase in creditors falling due within one year	(126,786)	809,632
	Net cash (outflow)/inflow from operating activities	(314,617)	156,707

2	Analysis of net debt	1 January 2004 £	Cash flow £	Other non-cash changes £	31 December 2004 £
	Net cash:				
	Cash at bank and in hand	423	297	-	720
	Bank overdraft	(251,483)	(292,420)	-	(543,903)
		(251,060)	(292,123)	-	(543,183)
	Debt:				
	Debts falling due within one year	(135,490)	95,722	(138,851)	(178,619)
	Debts falling due after one year	(616,270)	(22,001)	138,851	(499,420)
		(751,760)	73,721	-	(678,039)
	Net debt	(1,002,820)	(218,402)	-	(1,221,222)

3	Reconciliation of net cash flow to movement in net debt	2004 £	2003 £
	(Decrease)/increase in cash in the year	(292,123)	105,454
	Cash outflow/(inflow) from decrease/(increase) in debt	73,721	(187,627)
	Movement in net debt in the year	(218,402)	(82,173)
	Opening net debt	(1,002,820)	(920,647)
	Closing net debt	(1,221,222)	(1,002,820)

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis. This basis may not be appropriate because the company made losses of £277,230 during the year ended 31 December 2004, and £370,283 during the year ended 31 December 2005 and, at the latter date had net current liabilities of £522,334.

Working capital is provided by trade and other creditors, an overdraft facility, and long term finance from a company controlled by the company's principal shareholder. The company's ability to continue trading is dependent upon the continuation of these levels of support, and the directors consider that it is appropriate to prepare accounts on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

If the going concern basis were not appropriate, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify fixed assets as current assets and long term liabilities as current liabilities.

1.2 Turnover

Turnover represents amounts receivable for ordinary activities and is stated net of VAT.

1.3 Goodwill

Acquired goodwill is stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost in equal annual instalments over its expected useful economic life of 20 years.

1.4 Tangible fixed assets and depreciation

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

Furniture, fixtures and office equipment	15% - 20% straight line
Computer software	10% straight line

1.5 Leasing

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

1.6 Investments

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

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.8 Pensions

In accordance with Financial Reporting Standard 17 the pension costs charged in the financial statements represent the contributions payable by the company during the year.

1.9 Deferred taxation

Deferred taxation is accounted for in respect of all material timing differences on a non-discounted basis and at anticipated tax rates.

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

1.10 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.

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium group. The company has taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Turnover

Geographical markets

	2004 £	2003 £
United Kingdom	4,652,897	4,268,120
USA	1,580,229	2,197,623
Rest of the world	2,545,925	4,359,985
	<u>8,779,051</u>	<u>10,825,728</u>

3 Operating (loss)/profit

	2004 £	2003 as restated £
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	773	773
Depreciation of tangible assets	97,858	70,120
Operating lease rentals - property	41,005	32,421
Auditors' remuneration	33,000	19,000
	<u></u>	<u></u>

4 Interest payable

	2004 £	2003 £
Bank overdraft	20,241	41,790
Loans	55,887	54,345
	<u>76,128</u>	<u>96,135</u>

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5	Taxation	2004	2003 as restated
		£	£
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(277,230)	47,842
	(Loss)/profit on ordinary activities before taxation multiplied by standard small companies rate of UK corporation tax of 19.00% (2003 : 19.00%)	(52,674)	9,090
	Effects of:		
	Non deductible expenses	2,692	1,545
	Depreciation	18,593	6,521
	Capital allowances	-	(12,129)
	Tax losses available to carry forward	7,759	14,697
	Tax losses utilised	23,630	-
	Adjustments to previous periods	-	(19,724)
		52,674	(9,090)
	Current tax charge	-	-

At 31 December 2004 there was an unrecognised deferred tax asset of £108,000 (2003 : £108,000) which arose from a previously realised loss on a fixed asset investment, and which will be recognised should the company make sufficient future capital gains.

6	Intangible fixed assets	Goodwill £
	Cost	
	At 1 January 2004 and 31 December 2004	15,462
	Amortisation	
	At 1 January 2004	1,197
	Charge for the year	773
	At 31 December 2004	1,970
	Net book value	
	At 31 December 2004	13,492
	At 31 December 2003	14,265

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

7 Tangible fixed assets

	Computer software	Furniture, fixtures and office equipment	Total
	£	£	£
Cost			
At 1 January 2004 - as restated	553,783	275,867	829,650
Additions	279,414	46,556	325,970
	<hr/>	<hr/>	<hr/>
At 31 December 2004	833,197	322,423	1,155,620
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2004 - as restated	157,573	142,336	299,909
Charge for the year	60,007	37,851	97,858
	<hr/>	<hr/>	<hr/>
At 31 December 2004	217,580	180,187	397,767
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	615,617	142,236	757,853
	<hr/>	<hr/>	<hr/>
At 31 December 2003 - as restated	396,210	133,531	529,741
	<hr/>	<hr/>	<hr/>

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Fixed asset investments

	Unlisted investments £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 January 2004	360,000	10,005	370,005
Disposals	(360,000)	-	(360,000)
At 31 December 2004	-	10,005	10,005
Provision for diminution in value			
At 1 January 2004	360,000	-	360,000
Disposals	(360,000)	-	(360,000)
At 31 December 2004	-	-	-
Net book value			
At 31 December 2004	-	10,005	10,005
At 31 December 2003	-	10,005	10,005

Wholly owned subsidiaries

Amivin Limited
The Rare Wine Cellar Limited
Wine Enthusiast Limited
Enthusiast Limited
Gluggers & Quaffers Limited

Class of shares held

£1 ordinary
£1 ordinary
£1 ordinary
£1 ordinary
£1 ordinary

The aggregate amount of capital and reserves and the results of these dormant undertakings for the year were as follows:

	Capital and reserves £	Profit for the year £
Amivin Limited	10,285	-
The Rare Wine Cellar Limited	2	-
Wine Enthusiast Limited	1	-
Enthusiast Limited	1	-
Gluggers & Quaffers Limited	1	-

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

9	Stocks	2004 £	2003 £
	Goods held for resale	<u>551,468</u>	<u>734,407</u>

10	Debtors	2004 £	2003 £
	Trade debtors	2,553,374	2,284,796
	Corporation tax	-	8,668
	Other debtors	4,107	738
	Prepayments and accrued income	48,293	52,175
		<u>2,605,774</u>	<u>2,346,377</u>

All amounts shown under debtors are receivable within one year.

11	Creditors: amounts falling due within one year	2004 £	2003 £
	Bank overdraft	543,903	251,483
	Trade creditors	1,835,220	2,287,061
	Taxation and social security costs	78,594	76,052
	Other creditors	179,010	137,138
	Accruals	415,046	80,849
		<u>3,051,773</u>	<u>2,832,583</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company. In 2003 other creditors included a loan of £69,080 which was secured by a second charge over the assets of the company.

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

12 Creditors: amounts falling due after more than one year	2004 £	2003 £
Other loans	<u>499,420</u>	<u>616,270</u>
Analysis of loans		
Wholly repayable within five years	678,039	751,760
Included in current liabilities	<u>(178,619)</u>	<u>(135,490)</u>
	<u>499,420</u>	<u>616,270</u>
Loan maturity analysis		
In more than one year but not more than two years	90,000	89,080
In more than two years but not more than five years	<u>409,420</u>	<u>527,190</u>

In 2003 other loans included £200,000 which was secured by a second charge over the assets of the company.

13 Pension costs

The company operates defined contribution pension schemes for the benefit of two directors and all staff. The assets of the schemes are held separately from those of the company in independently administered funds. The pension contributions payable by the company were £4,140 (2003 : £3,535).

14 Share capital	2004 £	2003 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
19,981 Ordinary shares of £1 each	<u>19,981</u>	<u>17,548</u>

During the year 2,433 ordinary £1 shares were issued for £478,984.

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

15 Statement of movements on reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Balance at 1 January 2004 as previously reported	213,542	4,999	(340,403)
Prior year adjustment	-	-	290,679
Balance at 1 January 2004 as restated	213,542	4,999	(49,724)
Retained loss for the year	-	-	(277,230)
Premium on shares issued during the year	476,551	-	-
Balance at 31 December 2004	690,093	4,999	(326,954)

The prior year adjustment related to employment costs directly incurred for the creation of computer software, which should have been capitalised in accordance with Financial Reporting Standard 15. This restatement increased profits for the year ended 31 December 2003 by £103,811.

16 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 as restated £
(Loss)/profit for the financial year	(277,230)	47,842
Proceeds from issue of shares	478,984	106,089
Net addition to shareholders' funds	201,754	153,931
Opening shareholders' funds	186,365	32,434
Closing shareholders' funds	388,119	186,365

Opening shareholders' funds originally showed a deficit of £104,314 before the prior year adjustment of £290,679.

17 Capital commitments

	2004 £	2003 £
At 31 December 2004 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	23,250	-

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

18 Directors' emoluments	2004 £	2003 £
Emoluments	<u>338,375</u>	<u>322,179</u>

Emoluments include £113,000 (2003 : £102,485) in respect of the highest paid director.

19 Employees

Number of employees

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

	2004 Number	2003 Number
Administration	9	8
Selling and distribution	<u>19</u>	<u>14</u>
	<u>28</u>	<u>22</u>

Employment costs

	£	as restated £
Wages and salaries	691,549	604,176
Social security costs	73,222	62,306
Other pension costs	<u>3,917</u>	<u>3,379</u>
	<u>768,688</u>	<u>669,861</u>

FINE & RARE WINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2004**

20 Related party transactions

Rainthorpe Limited, a company in which Mr M C Bedini has an interest, was involved in the following transactions with the company during the year:

- A loan of £269,080 secured on the assets of the company was repaid in full.
- An unsecured short term loan was reduced from £110,000 to £89,080.
- A new unsecured loan of £500,000 was advanced to the company and is repayable initially in instalments totalling £50,000 annually.
- Rainthorpe Limited continued to guarantee £150,000 of the bank overdraft.

Interest at commercial rates was chargeable on all the above loans.

Mrs S V Cuchet, the wife of Mr B R M Cuchet, continued to make an unsecured loan to the company. At 31 December 2004 £4,387 (2003 : £36,212) remained outstanding. The loan attracts interest at a commercial rate.

At 31 December 2004 the company owed £49,420 (2003 : £49,750) to a pension scheme of which Mr M C Bedini and Mr B R M Cuchet are trustees. The debt comprised unsecured loans of £9,420 repayable on 30 November 2008, and £40,000 repayable on 21 November 2006. These loans attract interest at commercial rates.

During the year payments of £10,000 (2003 : £30,808) for the director's services of Mr T A Littler were made to G W Wines Limited, a company controlled by him. In addition, during the year goods with a value of £69,037 (2003 : £115,536) were purchased from G W Wines Limited and £17,761 (2003 : £77,461) remained outstanding at 31 December 2004.

During the year a loan of £243,911 from Mr M J S Loveland was repaid in full. This unsecured loan attracted interest at a commercial rate.