

Company Registration No. 03978908 (England and Wales)

ENGLISH WINES PLC
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 SEPTEMBER 2001



ENGLISH WINES PLC

COMPANY INFORMATION

Directors	A.P. Drewe S.P. Hume-Kendall P. Brett T.R.B. Hazell C.K. Brown
Secretary	C.K. Brown
Company Number	03978908
Registered Office	Tenterden Vineyard Park, Small Hythe Tenterden Kent TN30 7NG
Auditors	Creaseys Chartered Accountants and Registered Auditors 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
Bankers	Barclays Bank Plc 73 Calverley Road Tunbridge Wells Kent TN1 2UZ
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES PLC

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	9 - 17

ENGLISH WINES PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2001

The directors present their report and financial statements for the period ended 30 September 2001.

Review of the business

The company was incorporated on 25 April 2000 as Downland Wines Plc and changed its name to English Wines Plc on 4 July 2000. The company commenced trading on 23 November 2000.

The principal activity of the company is that of producing and selling wine.

Results and dividends

The results for the period are set out on page 4.

Post balance sheet events

Since the balance sheet date, this company's entire share capital has been acquired by a newly incorporated holding company, English Wines Group Plc, and most of its fixed assets have been transferred to that company as part of the reorganisation. Subsequently the holding company has issued a Private Placing Memorandum with a view to raising up to £1,000,000 additional share capital and, at the date of this report, subscriptions above the minimum £400,000 requirement had been received. Also since the balance sheet date, £500,000 of the loans recorded in Notes 11 and 12 has been converted to share capital.

Directors

The following directors have held office since 25 April 2000:

A.P. Drewe	
S.P. Hume-Kendall	
P. Brett	
N.M. Branch	(Resigned 1 March 2001)
A.D. Pilcher	(Resigned 1 March 2001)
T.R.B. Hazell	(Appointed 28 August 2001)
C.K. Brown	(Appointed 28 August 2001)

Directors' interests

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

	Ordinary shares of 1p each	
	30 September 2001	25 April 2000
A.P. Drewe	70,000	-
S.P. Hume-Kendall	70,000	-
P. Brett	966,367	-
T.R.B. Hazell	-	-
C.K. Brown	-	-

	Preference shares of £ 1 each	
	30 September 2001	25 April 2000
A.P. Drewe	-	-
S.P. Hume-Kendall	-	-
P. Brett	16,000	-
T.R.B. Hazell	-	-
C.K. Brown	-	-

ENGLISH WINES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

Auditors

Creaseys were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

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.

On behalf of the board



30 APRIL 2002

ENGLISH WINES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC

We have audited the financial statements of English Wines Plc on pages 4 to 17 for the period ended 30 September 2001. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out herein.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor

30 May 2002
12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ENGLISH WINES PLC

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 2001

	Notes	Period ended 30 September 2001 £
Turnover	2	
Continuing operations		-
Acquisitions		<u>981,229</u>
		981,229
Cost of sales		<u>(702,097)</u>
Gross profit		279,132
Administrative expenses		(374,706)
Other operating income		<u>208</u>
Operating loss	4	
Continuing operations		-
Acquisitions		<u>(95,366)</u>
		(95,366)
Formation expenses		<u>(78,122)</u>
Loss on ordinary activities before interest		(173,488)
Other interest receivable and similar income	5	1,192
Interest payable and similar charges	6	<u>(18,742)</u>
Loss on ordinary activities before taxation		(191,038)
Tax on loss on ordinary activities	7	<u>-</u>
Loss on ordinary activities after taxation	15	<u><u>(191,038)</u></u>

ENGLISH WINES PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 30 SEPTEMBER 2001

	Period ended 30 September 2001 £
Loss for the financial period	(191,038)
Unrealised surplus on revaluation of properties	<u>100,000</u>
Total recognised gains and losses relating to the period	<u><u>(91,038)</u></u>

ENGLISH WINES PLC

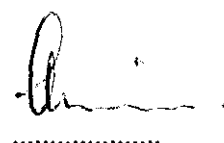
BALANCE SHEET AS AT 30 SEPTEMBER 2001

	Notes	2001 £	£
Fixed assets			
Intangible assets	8		118,055
Tangible assets	9		1,320,103
			<u>1,438,158</u>
Current assets			
Stocks	10	641,384	
Debtors	11	146,861	
Cash at bank and in hand		3,386	
		<u>791,631</u>	
Creditors: amounts falling due within one year	12	(754,228)	
		<u>37,403</u>	
Net current assets			<u>37,403</u>
Total assets less current liabilities			1,475,561
Creditors: amounts falling due after more than one year	13	(1,512,482)	
		<u>(36,921)</u>	
Capital and reserves			
Called up share capital	14		54,117
Revaluation reserve	15		100,000
Profit and loss account	15		(191,038)
Shareholders' funds	16		<u>(36,921)</u>
Equity interests			(68,921)
Non-equity interests			32,000
			<u>(36,921)</u>

The financial statements were approved by the Board on 30th April 2002


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Director


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Director

ENGLISH WINES PLC

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2001

	Period ended 30 September 2001 £
Net cash outflow from operating activities	(490,554)
Returns on investments and servicing of finance	
Interest received	1,192
Interest paid	(18,742)
Net cash outflow for returns on investments and servicing of finance	(17,550)
Capital expenditure	
Payments to acquire intangible assets	(125,000)
Payments to acquire tangible assets	(1,191,814)
Net cash outflow for capital expenditure	(1,316,814)
Net cash outflow before management of liquid resources and financing	(1,824,918)
Financing	
Issue of ordinary share capital	22,117
Issue of preference share capital	32,000
Issue of shares	54,117
New long term bank loan	546,229
Other new long term loans	950,000
Other new short term loans	214,167
Capital element of hire purchase contracts	(12,854)
Increase/decrease) in debt	1,697,542
Net cash inflow/(outflow) from financing	1,751,659
Decrease in cash in the period	(73,259)

ENGLISH WINES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2001

1	Reconciliation of operating loss to net cash outflow from operating activities	2001
		£
	Operating (loss)/profit	(95,366)
	Depreciation of tangible assets	28,442
	Amortisation of intangible assets	6,945
	(Increase)/decrease in stocks	(641,384)
	Increase in debtors	(146,861)
	Increase in creditors within one year	435,792
	Formation expenditure	(78,122)
	Net cash outflow from operating activities	(490,554)

2	Analysis of net debt	25 April 2000	Cash flow	Other non-cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	-	3,386	-
	Bank overdrafts	-	(76,645)	-
		<u>-</u>	<u>(73,259)</u>	<u>-</u>
	Debt:			
	Finance leases	-	(43,877)	-
	Debts falling due within one year	-	(214,167)	-
	Debts falling due after one year	-	(1,496,229)	-
		<u>-</u>	<u>(1,754,273)</u>	<u>-</u>
	Net debt	<u>-</u>	<u>(1,827,532)</u>	<u>-</u>

3	Reconciliation of net cash flow to movement in net debt	2001
		£
	Decrease in cash in the period	(73,259)
	Cash inflow from increase in debt and lease financing	(1,754,273)
	Movement in net debt in the period	(1,827,532)
	Opening net debt	-
	Closing net debt	(1,827,532)

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2001

1 Accounting policies

1.1 Accounting convention

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

1.2 Turnover

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

1.3 Goodwill

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

1.4 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:

Land and buildings Freehold	Nil
Plant and machinery	5% Straight Line
Fixtures, fittings & equipment	15% Reducing Balance
Motor vehicles	25% Reducing Balance

No depreciation is charged on land and buildings as the amount would have been immaterial at the time the assets were transferred to the holding company after the balance sheet date.

1.5 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.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

3 Cost of sales and net operating expenses

The total figures for continuing operations in 2001 include the following amounts relating to acquisitions : cost of sales £702,097, distribution costs £-, administrative expenses £374,706 and other operating income £208.

4 Operating loss	2001
	£
Operating loss is stated after charging:	
Amortisation of intangible assets	6,945
Depreciation of tangible assets	28,442
Operating lease rentals	54,581
Auditors' remuneration	3,750

5 Other interest receivable and similar income

	2001
	£

Bank interest	1,192
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6 Interest payable

	2001
	£

Hire purchase interest	623
Other interest	18,119
	<u>18,742</u>

7 Taxation

The company has estimated losses of £326,714 available for carry forward against future trading profits.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

8 Intangible fixed assets

	Goodwill £
Cost	
At 25 April 2000	-
Additions	125,000
	<hr/>
At 30 September 2001	125,000
	<hr/>
Amortisation	
At 25 April 2000	-
Charge for period	6,945
	<hr/>
At 30 September 2001	6,945
	<hr/>
Net book value	
At 30 September 2001	118,055
	<hr/> <hr/>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

9 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 25 April 2000	-	-	-	-	-
Additions	605,673	625,624	7,983	9,265	1,248,545
Revaluation	100,000	-	-	-	100,000
	<u>705,673</u>	<u>625,624</u>	<u>7,983</u>	<u>9,265</u>	<u>1,348,545</u>
At 30 September 2001	705,673	625,624	7,983	9,265	1,348,545
Depreciation					
At 25 April 2000	-	-	-	-	-
Charge for the period	-	26,068	444	1,930	28,442
	<u>-</u>	<u>26,068</u>	<u>444</u>	<u>1,930</u>	<u>28,442</u>
At 30 September 2001	-	26,068	444	1,930	28,442
Net book value					
At 30 September 2001	<u>705,673</u>	<u>599,556</u>	<u>7,539</u>	<u>7,335</u>	<u>1,320,103</u>

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

	Plant and machinery £	Motor vehicles £	Total £
Net book values			
At 30 September 2001	<u>45,489</u>	<u>7,335</u>	<u>52,824</u>
Depreciation charge for the period			
30 September 2001	<u>1,978</u>	<u>1,930</u>	<u>3,908</u>

Land and Buildings were valued by Strutt & Parker Chartered Surveyors on 31 July 2001. They were valued at £700,000 based on an open market valuation.

10 Stocks

	2001 £
Finished goods	<u>641,384</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

11 Debtors	2001
	£
Trade debtors	137,543
Called up share capital not paid	1,400
Other debtors	7,918
	<hr/>
	146,861
	<hr/>
 12 Creditors: amounts falling due within one year	 2001
	£
Bank loans and overdrafts	240,812
Net obligations under finance lease and hire purchase contracts	27,624
Trade creditors	231,871
Taxes and social security costs	181,516
Other creditors	72,405
	<hr/>
	754,228
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ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

13 Creditors: amounts falling due after more than one year	2001
	£
Bank loans	546,229
Other loans	950,000
Net obligations under finance leases and hire purchase agreements	16,253
	<u>1,512,482</u>
Analysis of loans	
Wholly repayable within five years	1,710,396
	<u>1,710,396</u>
Included in current liabilities	(214,167)
	<u>1,496,229</u>
Loan maturity analysis	
In more than one year but not more than two years	676,631
In more than two years but not more than five years	137,500
In more than five years	896,265

The loans are secured by a charge over the freehold deeds on land Tenterden Vineyard Park, Small Hythe, Tenterden, Kent and over the winestocks.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

14 Share capital	2001
	£
Authorised	
500,000,000 Ordinary shares of 1p each	5,000,000
2,500,000 Preference shares of £ 1 each	2,500,000
	<u>7,500,000</u>
Allotted, called up and fully paid	
2,211,700 Ordinary shares of 1p each	22,117
32,000 Preference shares of £ 1 each	32,000
	<u>54,117</u>

During the year 2,211,700 ordinary shares of 1p each and 32,000 preference shares of £1 each were issued for cash.

15 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Retained loss for the period	-	(191,038)
Revaluation during the period	100,000	-
Balance at 30 September 2001	<u>100,000</u>	<u>(191,038)</u>

16 Reconciliation of movements in shareholders' funds

	2001
	£
Loss for the financial period	(191,038)
Other recognised gains and losses	100,000
Proceeds from issue of shares	54,117
Net depletion in shareholders' funds	(36,921)
Opening shareholders' funds	-
Closing shareholders' funds	<u>(36,921)</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

17 Financial commitments

At 30 September 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £
Expiry date: In over five years	<u>3,000</u>

18 Directors' emoluments

	2001 £
Emoluments for qualifying services	<u>17,304</u>

19 Transactions with directors

The following directors had interest free loans during the period. The movement on these loans are as follows:

	Amount outstanding 2001 £	Maximum in period £
S. Hume-Kendall	<u>2,450</u>	<u>2,450</u>

20 Employees

Number of employees

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

	2001 Number
	<u>57</u>
Employment costs	£
Wages and salaries	310,480
Social security costs	<u>11,251</u>
	<u>321,731</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2001

21 Control

The company has overall ultimate controlling party.

22 Related party transactions

During the period the company had the following transactions with related parties:-

Lamberhurst Vineyards (2000) Ltd (shareholder):- Sales £575, Purchases £20,367

Oakover (Properties) Lamberhurst Ltd (sister company of Lamberhurst Vineyards (2000) Ltd):-
Purchases £21,159

Carr Taylor Ltd (Subsidiary of Lamberhurst Vineyards (2000) Ltd):- Purchases £50,072

At the period end the company had the following balances with related parties:-

Lamberhurst Vineyards (2000) Ltd - Debtor £615, Creditor £12,337, Loan creditor £500,000

Oakover Properties (Lamberhurst) Ltd:- Creditor £21,159

Carr Taylor Ltd:- Creditor £54,547

Paul Brett (shareholder):- Loan creditor £500,000

23 Post balance sheet events

Since the balance sheet date, this company's entire share capital has been acquired by a newly incorporated holding company, English Wines Group Plc, and most of its fixed assets have been transferred to that company as part of the reorganisation. Subsequently the holding company has issued a Private Placing Memorandum with a view to raising up to £1,000,000 additional share capital and, at the date of this report, subscriptions above the minimum £400,000 requirement had been received.

Also since the balance sheet date, £500,000 of the loans recorded in Notes 11 and 12 has been converted to share capital.