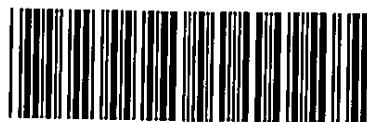


Company Registration No. 03978908 (England and Wales)

ENGLISH WINES PLC
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011

TUESDAY



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ENGLISH WINES PLC

COMPANY INFORMATION

Directors	F D Thompson P Brett R A B Woodhouse
Secretary	R A B Woodhouse
Company number	03978908
Registered office	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditors Jaeger House 5 Clanricarde Gardens Tunbridge Wells Kent TN1 1PE
Bankers	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES PLC

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ENGLISH WINES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the company continues to be that of producing and selling wine

Overall turnover has risen 34% to £3,576,781 principally due to a 40% increase in the volume of wine sold

The 40% increase in volume, along with the impact of increasing raw material and fuel prices and unfavourable exchange rates, has led to an overall increase in cost of sales of 41%

Administration and marketing expenses are up 15% on a like for like basis at £1,066,345 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

Financial risk management

The company uses various financial instruments These include loans, cash and various items such as trade debtors that arise directly from its operations The main purposes of these financial instruments is to raise finance for the company's operations

While all risks may be considered to have a financial impact, the management of the company's financial resources is key to ensuring sufficient funds are available to meet financial commitments as and when they fall due The main risk arising from the financial instrument is third party credit risk

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

Going Concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements The directors confirm that they consider that the going concern basis remains appropriate The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future The directors believe this to be the case as the Company has positive reserves and cash balances Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Results and dividends

The results for the year are set out on page 4

The directors do not recommend payment of an ordinary dividend

Directors

The following directors have held office since 1 January 2011

F D Thompson
P Brett
R A B Woodhouse

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
- the average creditor days at the year end were 39 days

ENGLISH WINES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Auditors

During the year Crowe Clark Whitehill LLP were appointed as Statutory auditors of the company

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill 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

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


R A B Woodhouse

17 April 2012

ENGLISH WINES PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of English Wines Plc for the period ended 31 December 2011 set out on pages 4 to 15. 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 Chapter 3 of Part 16 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 auditor

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 and express an opinion on 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.

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

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, 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.


Mark Anderson (Senior Statutory Auditor)

For and on behalf of

Crowe Clark Whitehill LLP
Statutory Auditors

Jaeger House
5 Clannacade Gardens
Tunbridge Wells
Kent
TN11 1PE

17 April 2012

ENGLISH WINES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	3,576,781	2,668,249
Cost of sales		<u>(1,981,292)</u>	<u>(1,407,257)</u>
Gross profit		1,595,489	1,260,992
Administrative expenses before share based payment	(1,066,345)	(930,537)	
Share based payment	<u>(43,701)</u>	<u>(51,215)</u>	
Administrative expenses after share-based payment		<u>(1,110,046)</u>	<u>(981,752)</u>
Operating profit	3	485,443	279,240
Other interest receivable and similar income	4	134	285
Interest payable and similar charges	5	<u>(234,742)</u>	<u>(209,203)</u>
Profit on ordinary activities before taxation		250,835	70,322
Tax on profit on ordinary activities	6	<u>(27,016)</u>	<u>-</u>
Profit on ordinary activities after taxation	14	<u><u>223,819</u></u>	<u><u>70,322</u></u>


The profit and loss account has been prepared on the basis that all operations are continuing operations
All gains and losses are included in the profit and loss account

ENGLISH WINES PLC
COMPANY REGISTRATION NO. 03978908 (ENGLAND AND WALES)

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	7		661,494		621,500
Current assets					
Stocks	8	2,925,314		2,636,047	
Debtors	9	638,014		371,990	
Cash at bank and in hand		<u>708,312</u>		<u>370,187</u>	
		4,271,640		3,378,224	
Creditors amounts falling due within one year	10	<u>(1,144,588)</u>		<u>(924,233)</u>	
Net current assets			<u>3,127,052</u>		<u>2,453,991</u>
Total assets less current liabilities			3,788,546		3,075,491
Creditors amounts falling due after more than one year	11		<u>(3,379,105)</u>		<u>(2,933,570)</u>
			<u>409,441</u>		<u>141,921</u>
Capital and reserves					
Called up share capital	13		50,000		50,000
Other reserves	14		418,994		375,293
Profit and loss account	14		<u>(59,553)</u>		<u>(283,372)</u>
Shareholders' funds - equity interests	15		<u>409,441</u>		<u>141,921</u>

The financial statements were approved by the Board on 17 April, 2012


R A B Woodhouse
Director

ENGLISH WINES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Cash Flow Notes	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	1	227,451	(218,973)
Returns on investments and servicing of finance			
Interest received	134	285	
Interest paid	<u>(234,742)</u>	<u>(209,203)</u>	
Net cash outflow for returns on investments and servicing of finance		(234,608)	(208,918)
Capital expenditure			
Payments to acquire tangible assets	(156,035)	(175,985)	
Proceeds from sale of tangible assets	<u>55,782</u>	<u>-</u>	
Net cash outflow for capital expenditure		(100,253)	(175,985)
Net cash outflow before management of liquid resources and financing		(107,410)	(603,876)
Financing			
Repayment of long term loan	(45,025)	(45,025)	
Increase/(decrease) in other long term loans	488,749	(68,553)	
Increase/(decrease) deferred income	1,811	206	
Capital element of hire purchase contracts	<u>-</u>	<u>(7,187)</u>	
Net cash inflow/(outflow) from financing	2	445,535	(120,559)
Increase/(decrease) in cash in year	2	338,125	(724,435)

ENGLISH WINES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating profit /(loss) to net cash inflow/(outflow) from operating activities		2011	2010
			£	£
	Operating profit		485 443	279,240
	Depreciation of tangible assets		59,287	48,774
	Loss on disposal of assets		972	476
	Share-based payments		43,701	51,215
	Increase in stocks		(289,267)	(709,129)
	Increase in debtors		(293,040)	(5,745)
	Increase in creditors within one year		220,355	116 196
	Net cash inflow/(outflow) from operating activities		227 451	(218,973)

2	Analysis of net debt	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
		£	£	£	£
	Net cash				
	Cash at bank and in hand	370,187	338,125	-	708,312
		<u>370,187</u>	<u>338,125</u>	<u>-</u>	<u>708,312</u>
	Debt				
	Finance leases	-	-	-	-
	Debts falling due within one year	(45 025)	-	-	(45,025)
	Debts falling due after one year	<u>(2,933,570)</u>	<u>(445,535)</u>	<u>-</u>	<u>(3,379,105)</u>
		<u>(2,978,595)</u>	<u>(445,535)</u>	<u>-</u>	<u>(3,424,130)</u>
	Net debt	<u>(2,608,408)</u>	<u>(107,410)</u>	<u>-</u>	<u>(2,715,818)</u>

3	Reconciliation of net cash flow to movement in net debt	2011	2010
		£	£
	Increase/(decrease) in cash in the year	338,125	(724,435)
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	<u>(445,535)</u>	<u>120,559</u>
	Movement in net debt in the year	(107,410)	(603,876)
	Opening net debt	<u>(2,608,408)</u>	<u>(2,004 532)</u>
	Closing net debt	<u>(2 715,818)</u>	<u>(2,608 408)</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

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 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 customer purchase

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

Freehold property	Over period of lease
Plant and machinery	5% straight line
Fixtures fittings and equipment	15% reducing balance
Motor vehicles	25% reducing balance

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 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

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 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

1.9 Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the Company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

2 Turnover

	Turnover	
	2011	2010
	£	£
Geographical segment		
UK	3,582,759	2,658,491
Other EU	259	1,302
Non EU	13,763	8,456
	<u>3,576,781</u>	<u>2,668,249</u>

3 Operating profit

	2011	2010
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	59,287	48,774
Loss on foreign exchange transactions	(10)	121
Operating lease rentals	53,544	47,156
Fees payable to the company's auditor for the audit of the company's annual accounts	9,500	7,944
Fees payable to the company's auditor for the audit of the company's annual accounts - prior year adjustment	1,885	-
Fees payable to the company's auditor for taxation services	2,950	636
Fees payable to the company's auditor for other services	400	-

4 Investment income

	2011	2010
	£	£
Other interest	134	285

5 Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	10,319	10,319
Other interest	224,423	197,922
Hire purchase interest	-	962
	<u>234,742</u>	<u>209,203</u>

6 Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for year	-	-
Deferred tax		
Origination and reversal of timing differences	34,661	-
Adjustment in respect of prior periods	(7,267)	-
Effect of change in deferred tax rate	(378)	-
Total deferred tax	<u>27,016</u>	<u>-</u>
Tax on profit on ordinary activities	<u>27,016</u>	<u>-</u>

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (26.5%)

The differences are explained below:

Profit per accounts	223,819	70,322
Tax on profit on ordinary activities at standard CT rate of 26.5%	66,471	19,690
Effects of		
Capital allowances in excess of depreciation	(34,019)	(39,253)
Ineligible depreciation and amortisation	1,980	-
Expenses not deductible for tax purposes	18,561	19,563
(Utilisation of tax losses)/unused losses	(50,993)	-

Current tax charge

Estimated tax losses carried forward are £305,654 and can be set against future profits arising from the same trade

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

7 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2011	78,621	605,298	217,538	13,781	915,238
Additions	6,403	130,118	19,514	-	156,035
Disposals	-	(56,288)	(5,602)	-	(61,890)
At 31 December 2011	<u>85,024</u>	<u>679,128</u>	<u>231,450</u>	<u>13,781</u>	<u>1,009,383</u>
Depreciation					
At 1 January 2011	26,111	125,446	129,621	12,560	293,738
Charge for the year	7,470	30,301	21,211	305	59,287
Eliminated on disposal	-	(1,685)	(3,451)	-	(5,136)
At 31 December 2011	<u>33,581</u>	<u>154,062</u>	<u>147,381</u>	<u>12,865</u>	<u>347,889</u>
Net book value					
At 31 December 2011	<u>51,443</u>	<u>525,066</u>	<u>84,069</u>	<u>916</u>	<u>661,494</u>
At 31 December 2010	<u>52,510</u>	<u>479,852</u>	<u>87,917</u>	<u>1,221</u>	<u>621,500</u>

8 Stocks and work in progress

	2011 £	2010 £
Work in progress	2,689,473	2,373,129
Finished goods and goods for resale	<u>235,841</u>	<u>262,918</u>
	<u>2,925,314</u>	<u>2,636,047</u>

9 Debtors

	2011 £	2010 £
Trade debtors	587,911	296,258
Other debtors	4,361	4,903
Prepayments and accrued income	40,680	38,751
Deferred tax	5,062	32,078
	<u>638,014</u>	<u>371,990</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

10	Creditors amounts falling due within one year	2011 £	2010 £
	Bank loans	45,025	45,025
	Trade creditors	360,153	534,289
	Taxes and social security costs	189,048	152,599
	Other creditors	508,611	156,095
	Accruals and deferred income	41,751	36,225
		<u>1,144,588</u>	<u>924,233</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 Chapel Down Group Plc. A debenture has been given in favour of Chapel Down Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.

11	Creditors amounts falling due after more than one year	2011 £	2010 £
	Bank loans	33,643	78,668
	Amounts owed to parent company	3,327,870	2,839,121
	Accruals and deferred income	17,592	15,781
		<u>3,379,105</u>	<u>2,933,570</u>
	Analysis of loans		
	Not wholly repayable within five years other than by instalments		
	Amounts owed to parent company	3,327,870	2,839,121
	Wholly repayable within five years		
	Bank Loan	78,668	123,693
		<u>3,406,538</u>	<u>2,962,814</u>
	Included in current liabilities	(45,025)	(45,025)
		<u>3,361,513</u>	<u>2,917,789</u>
	Loan maturity analysis		
	In more than one year but not more than two years	33,643	45,025
	In more than two years but not more than five years	-	33,643
	In more than five years	3,327,870	2,839,121

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee

The bank loan is a fixed rate loan, which will be totally repaid in 2013

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

12	Deferred taxation	2011	2010
	The movement in deferred tax are as follows		
	At 1 January 2011	(32 078)	(32 078)
	(Released)/charged during year	27 016	-
	At 31 December 2011	<u>(5 062)</u>	<u>(32 078)</u>
	The deferred tax (asset)/liability is made up as follows		
	Accelerated capital allowances	71,351	39 882
	Losses	<u>(76 413)</u>	<u>(71 960)</u>
		<u>(5 062)</u>	<u>(32 078)</u>
13	Share capital	2011	2010
		£	£
	Allotted, called up and fully paid		
	5,000 000 Ordinary shares of 1p each	<u>50,000</u>	<u>50,000</u>
14	Statement of movements on reserves	Other reserves (see below)	Profit and loss account
		£	£
	Balance at 1 January 2011	375 293	(283 372)
	Retained profit for the period		223 819
	Share based payment	43 701	
	Balance at 31 December 2011	<u>418 994</u>	<u>(59,553)</u>
	Other reserves		
	Reserves arising from share based payments	£	
	Balance at 1 January 2011	375 293	
	Share based payment	43,701	
	Balance at 31 December 2011	<u>418,994</u>	
15	Reconciliation of movements in shareholders' funds	2011	2010
		£	£
	Profit/(loss) for the financial year	223 819	70 322
	Movement on other reserves	43,701	51 215
	Net addition to/(depletion in) shareholders' funds	<u>267 520</u>	<u>121 537</u>
	Opening shareholders' funds	141,921	20 384
	Closing shareholders' funds	<u>409 441</u>	<u>141,921</u>
16	Contingent liabilities		
	The company has a cross guarantee with Chapel Down Group Plc for its bank loans. At the year end, the value of that company's bank loans was £2 035 375 (2010 £1 673 535)		
17	Financial commitments		
	At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases to 31 December 2012 as follows		
		Land and buildings	Other
		2011	2010
		£	£
	Operating leases which expire		
	Within one year	14,000	-
	Between two and five years	<u>42,000</u>	<u>14 000</u>
		<u>56,000</u>	<u>14,000</u>
		2011	2010
		£	£
	Operating leases which expire		
	Within one year	36,807	267
	Between two and five years	<u>49,641</u>	<u>23 662</u>
		<u>86,448</u>	<u>23,929</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

18 Directors' emoluments	2011	2010
	£	£
Emoluments for qualifying services - directors of this company	<u>220,883</u>	<u>201,969</u>
	<u>220,883</u>	<u>201,969</u>

2 Directors are entitled to receive shares under long term incentive schemes

The highest paid director received remuneration of £138,222 (2010 - £129,586) and was entitled to receive shares under long term incentive schemes

19 Employees

Number of employees

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

	2011	2010
	Number	Number
Administration	6	5
Production	12	12
Directors	2	2
Retail	12	11
	<u>32</u>	<u>30</u>

Employment costs

	2011	2010
	£	£
Wages and salaries	696,369	657,368
Social security costs	<u>70,985</u>	<u>69,178</u>
	<u>767,354</u>	<u>726,546</u>
Share based payments	<u>43,701</u>	<u>51,215</u>

Employment costs include £43,701 (2010 £51,215) 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.

20 Control

There is no ultimate controlling party.

The parent company, Chapel Down Group Plc holds 100% of the share capital of the company and is incorporated in England & Wales. The accounts of Chapel Down Group Plc can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

21 Related party transactions

Also, the company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the parent company.

For operational efficiency all the sales and direct purchases relating to the "Cunous" range of beers are processed through English Wines PLC a 100% subsidiary of Chapel Down Group PLC which in turn owns 70% of Cunous Drinks Limited. The sales and purchases are then transferred to Cunous Drinks Limited via an intercompany charge from Chapel Down Group PLC. In addition, Chapel Down Group PLC recharges Cunous Drinks Limited a proportion of the overheads incurred by English Wines PLC. The total amount owing to Chapel Down Group PLC at 31 December 2011 was £85,132.

22 Capital commitments

At 31 December 2011 the company had a commitment of £35,700 for the purchase of vines in 2013.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

23 Share options

During the period ended 31 December 2011, 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 PLUS 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%.

The estimated fair value of each of the 3,000,000 share options granted in 2009 is 5.2p. 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 10p, expected volatility of 9%, no expected dividends, contractual life of 3.6 years and a risk free interest rate of 0.50%.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

23 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	3,000,000	10 0p
Granted	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	(920 000)	15 0p	-	-
Outstanding at end of year	<u>1,968,450</u>	<u>12 5p</u>	<u>3,000 000</u>	<u>9 0p</u>	<u>2 319,997</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>3,000,000</u>	<u>9 0p</u>	<u>2 319,997</u>	<u>15 0p</u>	<u>-</u>	<u>10 0p</u>

The options outstanding at 31 December 2011 had exercise prices of 10p, 15p, 12 5p and 5-15p, and a weighted average remaining contractual life of 1 years (2010 1 year)

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price
Expense arising from share based payment transactions share option plans					
2011	<u>43,701</u>	-	<u>24,595</u>	<u>(26,990)</u>	<u>46,096</u>
2010	<u>51,215</u>	-	<u>24,595</u>	<u>(19,476)</u>	<u>46,096</u>