

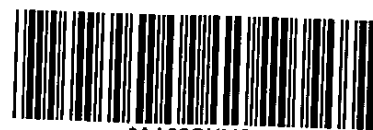
**Company Registration No. 03978908 (England and Wales)**

**ENGLISH WINES PLC**

**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2010**

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# ENGLISH WINES PLC

## COMPANY INFORMATION

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<b>Directors</b>	F D Thompson P Brett R A B Woodhouse
<b>Secretary</b>	R A B Woodhouse
<b>Company number</b>	03978908
<b>Registered office</b>	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
<b>Registered auditors</b>	Creaseys LLP Chartered Accountants & Statutory Auditors 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
<b>Bankers</b>	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
<b>Solicitors</b>	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

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# ENGLISH WINES PLC

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# **ENGLISH WINES PLC**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report and financial statements for the year ended 31 December 2010

### **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 7% to £2,668,249 principally due to a 6% increase in the volume of wine sold

The 6% 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 9%

Administration and marketing expenses are up 7% on a like for like basis at £930,537 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

The principal risks and uncertainties are

#### **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

### **Results and dividends**

The results for the year are set out on page 5

The directors do not recommend payment of an ordinary dividend

### **Directors**

The following directors have held office since 1 January 2010

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

# ENGLISH WINES PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Creaseys LLP be reappointed as auditors of the company will be put to the Annual General Meeting

### Statement of Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company ' will continue in business

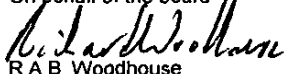
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

### 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

13 April 2011

## **ENGLISH WINES PLC**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC FOR THE YEAR ENDED 31 DECEMBER 2010**

We have audited the financial statements of English Wines Plc for the period ended 31 December 2010, set out on pages 5 to 16. 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 auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

#### **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 2010 and of its results for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## ENGLISH WINES PLC

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 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



James Pearce BA (Hons) FCA (Senior Statutory Auditor)

14/4/2011

For and on behalf of

Creaseys LLP  
Chartered Accountants  
Statutory Auditors

12 Lonsdale Gardens  
Tunbridge Wells  
Kent  
TN11PA

# ENGLISH WINES PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
<b>Turnover</b>	<b>2</b>	2,668,249	2,485,890
Cost of sales		<u>(1,407,257)</u>	<u>(1,288,858)</u>
<b>Gross Profit</b>		1,260,992	1,197,032
Administrative expenses before share based payment	(930,537)	(869,075)	
Share based payment	<u>(51,215)</u>	<u>(71,075)</u>	
Administrative expenses after share-based option		<u>(981,752)</u>	<u>(940,150)</u>
<b>Operating profit/(loss)</b>	<b>3</b>	279,240	256,882
Other interest receivable and similar income	<b>4</b>	285	206
Interest payable and similar charges	<b>5</b>	<u>(209,203)</u>	<u>(161,117)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		70,322	95,971
Tax on profit/(loss) on ordinary activities	<b>6</b>	<u>-</u>	<u>-</u>
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>14</b>	<u><u>70,322</u></u>	<u><u>95,971</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 2010**

	Notes	2010 £	£	2009 £	£
<b>Fixed assets</b>					
Tangible assets	7		621,500		494,765
<b>Current assets</b>					
Stocks	8	2,636,047		1,926,918	
Debtors	9	371,990		366,245	
Cash at bank and in hand		<u>370,187</u>		<u>1,094,622</u>	
		3,378,224		3,387,785	
<b>Creditors amounts falling due within one year</b>	10	<u>(924,233)</u>		<u>(815,224)</u>	
<b>Net current assets</b>			<u>2,453,991</u>		<u>2,572,561</u>
<b>Total assets less current liabilities</b>			3,075,491		3,067,326
<b>Creditors amounts falling due after more than one year</b>	11		<u>(2,933,570)</u>		<u>(3,046,942)</u>
			<u>141,921</u>		<u>20,384</u>
<b>Capital and reserves</b>					
Called up share capital	13		50,000		50,000
Other reserves	14		375,293		324,078
Profit and loss account	14		<u>(283,372)</u>		<u>(353,694)</u>
<b>Shareholders' funds - equity interests</b>	15		<u>141,921</u>		<u>20,384</u>

The financial statements were approved by the Board on 13 April, 2011



R A B Woodhouse  
Director

# ENGLISH WINES PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Cash Flow Notes	2010 £	2009 £
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1</b>	<b>(218,973)</b>	<b>17,939</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	285	206	
Interest paid	<u>(209,203)</u>	<u>(161,117)</u>	
<b>Net cash outflow for returns on investments and servicing of finance</b>		<b>(208,918)</b>	<b>(160,911)</b>
<b>Capital expenditure</b>			
Payments to acquire tangible assets	<u>(175,985)</u>	<u>(47,059)</u>	
<b>Net cash outflow for capital expenditure</b>		<b>(175,985)</b>	<b>(47,059)</b>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>(603,876)</b>	<b>(190,031)</b>
<b>Financing</b>			
Repayment of long term loan	(45,025)	(45,152)	
Increase/(decrease) in other long term loans	(68,553)	916,317	
Increase/(decrease) deferred income	206	11,154	
Capital element of hire purchase contracts	<u>(7,187)</u>	<u>(25,082)</u>	
<b>Net cash inflow/(outflow) from financing</b>	<b>2</b>	<b>(120,559)</b>	<b>857,237</b>
<b>Increase/(decrease) in cash in year</b>	<b>2</b>	<b><u>(724,435)</u></b>	<b><u>667,206</u></b>

# ENGLISH WINES PLC

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

1	Reconciliation of operating profit /(loss) to net cash inflow/(outflow) from operating activities			2010	2009
				£	£
	Operating profit/(loss)			279,240	256,882
	Depreciation of tangible assets			48,774	47,014
	Loss on disposal of assets			476	-
	Share-based payments			51,215	71,075
	(Increase)/decrease in stocks			(709,129)	(359,809)
	(Increase)/decrease in debtors			(5,745)	(152,375)
	Increase/(decrease) in creditors within one year			116,196	155,152
	Net cash inflow/(outflow) from operating activities			(218,973)	17,939
2	Analysis of net debt	1 January 2010	Cash flow	Other non-cash changes	31 December 2010
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,094,622	(724,435)	-	370,187
		<u>1,094,622</u>	<u>(724,435)</u>	<u>-</u>	<u>370,187</u>
	Debt				
	Finance leases	(7,187)	7,187	-	-
	Debts falling due within one year	(45,025)	-	-	(45,025)
	Debts falling due after one year	<u>(3,046,942)</u>	<u>113,372</u>	<u>-</u>	<u>(2,933,570)</u>
		<u>(3,099,154)</u>	<u>120,559</u>	<u>-</u>	<u>(2,978,595)</u>
	Net debt	<u>(2,004,532)</u>	<u>(603,876)</u>	<u>-</u>	<u>(2,608,408)</u>
3	Reconciliation of net cash flow to movement in net debt			2010	2009
				£	£
	Increase/(decrease) in cash in the year			(724,435)	667,206
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing			<u>120,559</u>	<u>(857,237)</u>
	Movement in net debt in the year			(603,876)	(190,031)
	Opening net debt			<u>(2,004,532)</u>	<u>(1,814,501)</u>
	Closing net debt			<u>(2,608,408)</u>	<u>(2,004,532)</u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The financial statements are prepared on the basis that the company will continue in operational existence for the foreseeable future. This means, in particular, that the profit and loss account and balance sheet assume no intention or necessity to liquidate or curtail significantly the scale of operations. The financial statements have been prepared on this basis given the continuing financial support of the parent company.

#### 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 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:

Land and buildings short leasehold	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

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1.8 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.

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 2 Turnover

	Turnover	
	2010	2009
	£	£
Geographical segment		
UK	2,658,491	2,444,559
Other EU	1,302	1,880
Non EU	8,456	39,451
	<u>2,668,249</u>	<u>2,485,890</u>

### 3 Operating profit

	2010	2009
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	48,774	47,014
Loss on foreign exchange transactions	121	3,981
Operating lease rentals	47,156	47,494
Auditors' remuneration	7,944	7,550
Auditors' other services relating to taxation	636	600
	<u>636</u>	<u>600</u>

### 4 Investment income

	2010	2009
	£	£
Other interest	<u>285</u>	<u>206</u>

### 5 Interest payable

	2010	2009
	£	£
On bank loans and overdrafts	10,319	10,319
Other interest	197,922	146,783
Hire purchase interest	962	4,015
	<u>209,203</u>	<u>161,117</u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

6	Taxation	2010 £	2009 £
	<b>Analysis of tax charge in the year</b>		
	<b>Current tax (see note below)</b>		
	Uk corporation tax charge on profit for year	-	-
	<b>Deferred tax</b>		
	Origination and deferral of timing differences	-	-
	Adjustment to prior periods	-	-
	Tax on profit on ordinary activities	-	-
	<b>Factors affecting the tax charge for the period</b>		
	Profit on ordinary activities before taxation	70,322	95,971
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2009 28%)	19,690	26,872
	Effects of		
	Non deductible expenses	19,563	24,815
	Depreciation in excess of capital allowances	(39,253)	(32,593)
	Group relief	-	(19,094)
	Tax losses utilised	-	-
	Unrelieved tax losses and other deductions	-	-
	Loss on disposal of assets	-	-
		(19,690)	(26,872)
	<b>Current tax charge</b>	-	-

The company has estimated losses of £530,170 (2009 £530,170) available for carry forward against future trading profits

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 7 Tangible fixed assets

	Land and buildings short leasehold	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2010	37,744	499,131	189,128	13,781	739,784
Additions	40,877	106,698	28,410	-	175,985
Disposals	-	(531)	-	-	(531)
At 31 December 2010	78,621	605,298	217,538	13,781	915,238
<b>Depreciation</b>					
At 1 January 2010	20,409	98,270	114,187	12,153	245,019
Charge for the year	5,702	27,231	15,434	407	48,774
Eliminated on disposal	-	(55)	-	-	(55)
At 31 December 2010	26,111	125,446	129,621	12,560	293,738
<b>Net book value</b>					
At 31 December 2010	52,510	479,852	87,917	1,221	621,500
At 31 December 2009	17,335	400,861	74,941	1,628	494,765

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

	Plant and machinery	Total
	£	£
<b>Net book values</b>		
At 31 December 2010	-	-
At 31 December 2009	44,664	44,664
<b>Depreciation charge for the year</b>		
At 31 December 2010	-	-
At 31 December 2009	2,648	2,648

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>8</b>	<b>Stocks and work in progress</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Work in progress	2,373,129	1,802,912
	Finished goods and goods for resale	<u>262,918</u>	<u>124,006</u>
		<u>2,636,047</u>	<u>1,926,918</u>
<b>9</b>	<b>Debtors</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Trade debtors	296,258	305,900
	Other debtors	4,903	523
	Prepayments and accrued income	38,751	27,744
	Deferred tax	32,078	32,078
		<u>371,990</u>	<u>366,245</u>
<b>10</b>	<b>Creditors : amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Bank loans	45,025	45,025
	Net obligations under hire purchase contracts	-	7,187
	Trade creditors	534,289	366,639
	Taxes and social security costs	152,599	177,944
	Other creditors	156,095	185,403
	Accruals and deferred income	<u>36,225</u>	<u>33,026</u>
		<u>924,233</u>	<u>815,224</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee by English Wines Group Plc. A debenture has been given in favour of English Wines Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.



# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

11 Creditors amounts falling due after more than one year	2010 £	2009 £
Bank loans	78,668	123,693
Amounts owed to parent company	2,839,121	2,907,674
Net obligations under hire purchase contracts	-	-
Accruals and deferred income	15,781	15,575
	<u>2,933,570</u>	<u>3,046,942</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years other than by instalments		
Amounts owed to parent company	2,839,121	2,907,674
Wholly repayable within five years		
Bank Loan	<u>123,693</u>	<u>168,718</u>
	<u>2,962,814</u>	<u>3,076,392</u>
Included in current liabilities	<u>45,025</u>	<u>45,025</u>
	<u>2,917,789</u>	<u>3,031,367</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	45,025	45,025
In more than two years but not more than five years	33,643	78,668
In more than five years	<u>2,839,121</u>	<u>2,907,674</u>
<b>Net obligations under hire purchase contracts</b>		
Repayable within one year	-	8,149
Repayable between one and five years	<u>-</u>	<u>-</u>
	-	8,149
Finance charges and interest allocated to future accounting periods	<u>-</u>	<u>(962)</u>
	-	7,187
Included in liabilities falling due within one year	<u>-</u>	<u>(7,187)</u>
	<u>-</u>	<u>-</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee by English Wines Group Plc. A debenture has been given in favour of English Wines Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.

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

12 Deferred taxation	2010	2009
At beginning of year	32,078	32,078
Debit/(Credit) for year	<u>-</u>	<u>-</u>
At end of year	<u>32,078</u>	<u>32,078</u>
The deferred tax asset is made up as follows		
Tax losses available	71,960	71,960
Depreciation claimed in advance of capital allowances	<u>(39,882)</u>	<u>(39,882)</u>
The deferred tax asset has been recognised as the Directors anticipate that this will crystallise in the medium term after review of financial forecasts		

13 Share capital	2010 £	2009 £
Allotted, called up and fully paid		
5,000,000 Ordinary shares of 1p each	<u>50,000</u>	<u>50,000</u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 14 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2010	324,078	(353,694)
Retained profit/(loss) for the period		70,322
Movement during the year	51,215	
Balance at 31 December 2010	<u>375,293</u>	<u>(283,372)</u>

#### Other reserves

##### Reserves arising from share based payments

	£
Balance at 1 January 2010	324,078
Other reserve movement	51,215
Balance at 31 December 2010	<u>375,293</u>

### 15 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit/(loss) for the financial year	70,322	95,971
Movement on other reserves	51,215	71,075
Net addition to/(depletion in) shareholders' funds	<u>121,537</u>	<u>167,046</u>
Opening shareholders' funds	20,384	(146,662)
Closing shareholders' funds	<u>141,921</u>	<u>20,384</u>

### 16 Contingent liabilities

The company has a cross guarantee with English Wines Group Plc for its bank loans. At the year end, the value of that company's bank loans was £1,673,535 (2009 £1,736,166)

### 17 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases to 31 December 2011 as follows

	Land and buildings		Other	
	2010 £	2009 £	2010 £	2009 £
Operating leases which expire				
Within one year	-	4,667	267	21,321
Between two and five years	<u>14,000</u>	<u>-</u>	<u>23,662</u>	<u>7,970</u>
	<u>14,000</u>	<u>4,667</u>	<u>23,929</u>	<u>29,291</u>

## ENGLISH WINES PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>18 Directors' emoluments</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services - directors of this company	<u>201,969</u>	<u>198,773</u>
	<u>201,969</u>	<u>198,773</u>

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

The highest paid director received remuneration of £129,586 (2009 - £127,085) 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

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Administration	5	4
Production	12	13
Directors	2	2
Retail	11	9
	<u>30</u>	<u>28</u>

#### Employment costs

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	657,368	656,065
Social security costs	<u>69,178</u>	<u>69,788</u>
	<u>726,546</u>	<u>725,852</u>
Share based payments	<u>51,215</u>	<u>71,075</u>

Employment costs include £51,215 (2009 £71,075) relating to the effect of adopting the FRS20 accounting standard. This standard requires us to attribute a notional cost of non-cash share option agreements to the business.

### 20 Control

There is no ultimate controlling party.

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

### 21 Related party transactions

During the year English Wines Plc made sales of £83,756 (2009 £38,952) to Hush Heath Estate in respect of contract winemaking services. Hush Heath Estate is owned by Richard Balfour-Lynn, one of the major shareholders of English Wines Group Plc.

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.

## ENGLISH WINES PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 22 Share options

During the period ended 31 December 2010, 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 2010

### 22 Share options

Further details of the four share option plans are as follows

	2003		2006 Variable price		2006 Fixed price		2009 Fixed price	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at start of year	1,968,450	12 5p	3,000,000	9 0p	3,239,997	15 0p	3 000,000	10 0p
Granted	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	(920,000)	15 0p	-	-
Outstanding at end of year	1,968,450	12 5p	3,000,000	9 0p	2 319,997	15 0p	3,000,000	10 0p
Exercisable at end of year	1,968,450	12 5p	3,000,000	9 0p	2 319,997	15 0p	-	10 0p

The options outstanding at 31 December 2010 had exercise prices of 10p, 15p, 12 5p and 5-15p, and a weighted average remaining contractual life of 1 years (2009 1 year)

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price
Expense arising from share based payment transactions share option plans					
2010	51,215	-	24,595	(19,476)	46,096
2009	71,075	-	45,466	25,609	-

2000

2001

2002