

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

**ENGLISH WINES PLC**

**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2015**

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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 auditor</b>	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditor 4 Mount Ephraim Road Tunbridge Wells Kent TN1 1EE
<b>Bankers</b>	Barclays Bank Plc Kent Team 2nd Floor, 30 Tower View Kings Hill West Malling Kent ME19 4UY
<b>Solicitors</b>	Cripps LLP Wallside House 12 Mount Ephraim Road Tunbridge Wells Kent TN1 1EG

# **ENGLISH WINES PLC**

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# ENGLISH WINES PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

### PERFORMANCE REVIEW

Highlights include:-

- 27% sales growth to £5.56m (2014: £4.36m)
- 35% growth in gross profits to £2.23m (2014: £1.65m)
- £527k adjusted EBITDA – a 32% increase (2014: £398k)
- Gold medals for our wines in three prestigious global competitions.

We continue to drive our top line, maintain our margins and invest the proceeds into building our brands and business for the long term.

The Company made good progress, achieving an adjusted EBITDA of £526,752\* (2014: £398,293\*) and a pre-tax profit of £45,797\* (2014: £23,729)\*. Driving our top line sales at healthy margins (40% vs 38% in 2014) has been successful with year on year sales up 27% and gross profits up 35%. Overall wine volumes were up 34% as the stock from the 2013 and 2014 harvests became available for sale.

### BUSINESS RISKS AND UNCERTAINTIES

The uncertainty surrounding the EU referendum has had no real impact on our business to date. We would be affected, like all agriculturally based businesses if we were not able to access EU workers for our viticulture and the expertise in winemaking available in Europe. However, maintaining and developing a strong brand and high quality people is our best defence and we will continue to invest to ensure we are well placed.

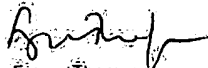
There is always a risk of a poor harvest through extreme weather events which we mitigate through maintaining the highest standards of viticulture, choosing the very best sites and utilising the latest proven advances in technology and agriculture. We source from a wide geographic area to minimise micro-climatic variations.

Competition continues to grow in the English wines market and we continue to invest in our people, brands and distribution to ensure that the business can continue to thrive.

### OUTLOOK

We have a talented management team now further enhanced with the addition of Mark Harvey as Managing Director, Wines. We have an excellent fast growing brand in an exciting market and a strong balance sheet. We have blue chip customers, good export potential and enthusiastic and thirsty consumers. We have more stock of our wines available and more customers wanting our wine.

We remain confident that the prospects for the Company are excellent.



Frazer Thompson  
Director  
22nd April 2016

\*Excludes the effect of the FRS102 section 26 share option accounting adjustment of £420,286 (2014: £172,704) which is a non-cash item. Refer to note 16 of the accounts for further information.

# ENGLISH WINES PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and financial statements for the year ended 31 December 2015.

### Directors

The following directors have held office since 1 January 2015:

F.D. Thompson  
P. Brett  
R.A.B. Woodhouse

### Principal activities and review of the business

The principal activity of the company continues to be that of producing and selling wine. A review of the business, which includes a review of the key performance indicators of the Company appears in the strategic report on page 1.

### Results and dividends

The results for the year are set out on page 8.

The directors do not recommend payment of an ordinary dividend.

### 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 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.

### Auditor

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be reappointed as auditor of the company will be put to the Annual General Meeting.

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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.

## **ENGLISH WINES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **Provision of Information to auditor**

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 auditor is 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 auditor is aware of that information.

On behalf of the board



R.A.B. Woodhouse

22nd April 2016

## ENGLISH WINES PLC

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of English Wines Plc for the year ended 31 December 2015, set out on pages 8 to 22. 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 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 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our audit.

#### 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 2015 and of its results for the year 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 Strategic Report and 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
- 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)

Crowe Clark Whitehill LLP  
Statutory Auditor

4 Mount Ephraim Road  
Tunbridge Wells  
Kent  
TN1 1EE

22nd April 2016

# ENGLISH WINES PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	2	5,564,724	4,365,150
Cost of sales		<u>(3,336,121)</u>	<u>(2,712,291)</u>
Gross profit		2,228,603	1,652,859
Administrative expenses before share based payment	(1,824,616)	(1,352,828)	
Share based payment	<u>(420,286)</u>	<u>(172,704)</u>	
Administrative expenses after share-based payment		<u>(2,244,902)</u>	<u>(1,525,532)</u>
Operating (loss)/profit	3	(16,299)	127,327
Other interest receivable and similar income	4	115	33
Interest payable and similar charges	5	<u>(358,305)</u>	<u>(276,335)</u>
Loss on ordinary activities before taxation		(374,489)	(148,975)
Tax on loss on ordinary activities	6	<u>(3,276)</u>	<u>44,414</u>
Loss on ordinary activities after taxation		<u><u>(377,765)</u></u>	<u><u>(104,561)</u></u>
Adjusted Pre-tax profit			
Loss on ordinary activities before taxation		(374,489)	(148,975)
Share based payment		<u>420,286</u>	<u>172,704</u>
Profit on ordinary activities before taxation - excluding share based payment		<u><u>45,797</u></u>	<u><u>23,729</u></u>
Loss on ordinary activities after taxation		<u><u>(377,765)</u></u>	<u><u>(104,561)</u></u>
Adjusted EBITDA			
Operating loss		(16,299)	127,327
Share based payment		420,286	172,704
Depreciation		122,765	98,262
EBITDA excluding share based payments		<u><u>526,752</u></u>	<u><u>398,293</u></u>



## ENGLISH WINES PLC

### STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

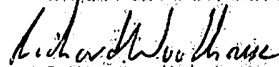
	2015 £	2014 £
Loss for the financial year	(377,765)	(104,561)
Deferred tax movement relating to share options	(1,711)	-
<b>Total comprehensive income for the financial year</b>	<b><u>(379,476)</u></b>	<b><u>(104,561)</u></b>

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2015**

	Notes	2015 £	£	2014 £	£
<b>Fixed assets</b>					
Tangible assets	7		1,351,489		1,163,179
			<u>1,351,489</u>		<u>1,163,179</u>
<b>Current assets</b>					
Stocks	8	4,406,822		3,989,704	
Debtors	9	2,027,981		1,285,259	
Cash at bank and in hand		<u>418,375</u>		<u>508,013</u>	
		6,853,178		5,782,976	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,200,374)</u>		<u>(1,549,354)</u>	
<b>Net current assets</b>			<u>4,652,804</u>		<u>4,233,622</u>
<b>Total assets less current liabilities</b>			6,004,293		5,396,801
<b>Creditors: amounts falling due after more than one year</b>	11		(5,066,975)		(4,505,279)
<b>Provisions for liabilities</b>					
Deferred tax	12		(49,981)		(44,995)
			<u>887,337</u>		<u>846,527</u>
<b>Capital and reserves</b>					
Called up share capital	13		50,000		50,000
Profit and Loss reserve			<u>837,337</u>		<u>796,527</u>
<b>Shareholders' funds - equity interests</b>			<u>887,337</u>		<u>846,527</u>

The financial statements were approved by the Board on 22nd April 2016

  
R.A.B. Woodhouse  
Director

# ENGLISH WINES PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	£	£
<b>Cash flows from operating activities</b>		
Loss for the financial year	(377,765)	(104,561)
<b>Adjustments for:</b>		
Depreciation of tangible assets	122,765	98,262
Loss on disposal of assets	660	-
Share-based payments	420,286	172,704
Interest received	(115)	(33)
Interest paid	358,305	276,335
Taxation	3,276	(44,414)
Increase in stocks	(417,119)	(755,198)
Increase in trade and other debtors	(742,723)	(224,191)
Increase in trade creditors	649,605	340,288
	<u>17,175</u>	<u>(240,808)</u>
Income taxes received/(paid)		
<b>Net Cash generated from operating activities</b>	<u>17,175</u>	<u>(240,808)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire tangible assets	(311,735)	(354,610)
Interest received	115	33
<b>Net cash from investing activities</b>	<u>(311,620)</u>	<u>(354,577)</u>
<b>Cash flows from financing activities</b>		
Increase in other long term loans	563,112	828,189
Interest paid	(358,305)	(276,335)
<b>Net cash used in financing activities</b>	<u>204,807</u>	<u>551,854</u>
<b>Net increase in cash and cash equivalents</b>	<u>(89,638)</u>	<u>(43,531)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	508,013	551,544
<b>Cash and cash equivalents at the end of the year</b>	<u><u>418,375</u></u>	<u><u>508,013</u></u>

# ENGLISH WINES PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called Up share capital	Profit and loss account	Total
	£	£	£
<b>Balance at 1 January 2014</b>	50,000	728,384	778,384
Profit for the year	-	(104,561)	(104,561)
Other comprehensive income for the year	-	-	-
<b>Total Comprehensive income for the year</b>	-	<b>(104,561)</b>	<b>(104,561)</b>
<b>Share based payment expense</b>	-	<b>172,704</b>	<b>172,704</b>
<b>At 31 December 2014</b>	<b>50,000</b>	<b>796,527</b>	<b>846,527</b>
Profit for the year	-	(377,765)	(377,765)
Other comprehensive income for the year *	-	(1,711)	(1,711)
<b>Total Comprehensive income for the year</b>	-	<b>(379,476)</b>	<b>(379,476)</b>
<b>Share based payment expense</b>	-	<b>420,286</b>	<b>420,286</b>
<b>Balance at 31 December 2015</b>	<b>50,000</b>	<b>837,337</b>	<b>887,337</b>
 * Other comprehensive income	 <b>2015</b>	 <b>2014</b>	
	<b>£</b>	<b>£</b>	
Deferred tax movement relating to share options	(1,711)	-	
<b>Other comprehensive income</b>	<b>(1,711)</b>	<b>-</b>	

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 Accounting Policies

#### 1.1 Company information

The company is a public limited company, which is incorporated and registered in England and Wales (03978908). The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

#### 1.2 Accounting convention

The financial statements have been prepared on the historical cost basis.

#### 1.3 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, and with the Companies Act 2006. This is the first year in which the financial statements have been prepared under FRS 102. No adjustments have been made as a result of the transition.

The financial statements are presented in Sterling (£).

The company has taken advantage of the exemption contained within paragraph 1.12 regarding the disclosures required for financial instruments. The company is able to exercise this exemption as it is part of a group where the parent, Chapel Down Group PLC, has prepared consolidated accounts which include English Wines PLC. The financial statements of Chapel Down Group PLC are publicly available at Companies House.

#### 1.4 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 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.

#### 1.5 Turnover

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

Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets 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	Straight line over 10 years
Plant and machinery	5% straight line
Fixtures, fittings and equipment	15% reducing balance
Office equipment	20% straight line
Computer equipment	Straight line over 3 years
Motor vehicles	25% reducing balance

#### 1.7 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.

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1 Accounting Policies continued

#### 1.8 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 based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 1.9 Operating Leases

Rents payable under operating leases are charged to profit or loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

#### 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 the profit and loss account.

#### 1.11 Share options

The Company's parent company issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effects of non market based vesting conditions.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

#### 1.12 Critical accounting estimates and judgements

The company makes judgements, estimates and assumptions that affect the application of policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the directors and the expectation of future events. The estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The key judgments and sources of estimation uncertainty include useful economic lives of intangible and tangible fixed assets. For reference to how these figures are derived please see note 1.6.

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 2 Turnover

The total turnover for the Group for the year has been derived from its principal activity, the sale of alcoholic beverages.

	2015 £	2014 £
<b>Geographical segment</b>		
UK	5,513,314	4,337,733
Other EU	849	8,268
Non EU	50,561	19,149
	<u>5,564,724</u>	<u>4,365,150</u>

### 3 Operating profit

	2015 £	2014 £
Operating profit is stated after charging:		
Depreciation of tangible assets	122,765	98,262
Loss on foreign exchange transactions	7,591	1,598
Operating lease rentals		
- Land and buildings	24,000	24,000
- Other	66,869	49,657
Fees payable to the company's auditor for the audit of the company's annual accounts	15,804	11,735
Fees payable to the company's auditor for taxation services	2,128	3,422
Fees payable to the company's auditor for other services	276	220

### 4 Interest receivable

	2015 £	2014 £
Other interest	115	33

### 5 Interest payable

	2015 £	2014 £
On bank loans and overdrafts	-	-
Group interest	358,305	276,335
	<u>358,305</u>	<u>276,335</u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6	Taxation	2015 £	2014 £
	<b>Analysis of tax charge in the year</b>		
	<b>Current tax</b>		
	UK corporation tax charge on profit for year	-	-
	Adjustments in respect of prior years	-	-
		<u>-</u>	<u>-</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	16,466	7,352
	Adjustment in respect of prior periods	(8,848)	(51,766)
	Effect of change in deferred tax rate	(4,342)	-
	Total deferred tax	<u>3,276</u>	<u>(44,414)</u>
	Tax on loss on ordinary activities	<u>3,276</u>	<u>(44,414)</u>
	<b>FRS 102 Reconciliation of tax charge</b>		
	Loss on ordinary activities before tax	(374,489)	(148,975)
	Tax on loss on ordinary activities at standard CT rate of 20% (2014: 21.49%)	(74,898)	(32,015)
	Effects of:		
	Ineligible depreciation and amortisation	3,832	4,075
	Expenses not deductible for tax purposes	87,532	40,111
	Adjustments to tax charge in respect of previous periods	(8,848)	(51,766)
	Adjust closing deferred tax to average rate of 20.00% (2014: 21.49%)	(4,342)	476
	Marginal relief	-	-
	Group relief surrendered/(claimed)	-	18,970
	Deferred tax not recognised	-	4,220
	Share option exercise relief	-	(28,485)
	Tax charge/(credit) for the period	<u>3,276</u>	<u>(44,414)</u>

English Wines Plc has £566,249 (2014: £476,895) losses to carry forward. £505,538 (2014: £445,097) of the losses can be carried forward to set against future profits of the same trade and £60,711 (2014: £31,798) can be set against future non-trading profits.



# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 7 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2015	222,951	1,213,241	301,373	13,781	1,751,346
Additions	24,470	214,475	72,790	-	311,735
Disposals	-	(1,141)	(638)	-	(1,779)
At 31 December 2015	<u>247,421</u>	<u>1,426,575</u>	<u>373,525</u>	<u>13,781</u>	<u>2,061,302</u>
<b>Depreciation</b>					
At 1 January 2015	77,659	276,798	220,315	13,395	588,167
Charge for the year	19,159	67,510	36,000	96	122,765
Eliminated on disposal	-	(552)	(567)	-	(1,119)
At 31 December 2015	<u>96,818</u>	<u>343,756</u>	<u>255,748</u>	<u>13,491</u>	<u>709,813</u>
<b>Net book value</b>					
At 31 December 2015	<u>150,603</u>	<u>1,082,819</u>	<u>117,777</u>	<u>290</u>	<u>1,351,489</u>
At 31 December 2014	<u>145,292</u>	<u>936,443</u>	<u>81,058</u>	<u>386</u>	<u>1,163,179</u>

### 8 Stocks and work in progress

	2015 £	2014 £
Work in progress	3,692,989	3,712,036
Finished goods and goods for resale	<u>713,833</u>	<u>277,668</u>
	<u>4,406,822</u>	<u>3,989,704</u>

Stock recognised in cost of sales during the year as an expense was £3,336,121 (2014: £2,712,291).

### 9 Debtors

	2015 £	2014 £
Trade debtors	1,929,133	1,205,825
Other debtors	41,248	30,158
Prepayments and accrued income	57,600	34,997
Corporation tax	-	14,279
	<u>2,027,981</u>	<u>1,285,259</u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

<b>10</b>	<b>Creditors : amounts falling due within one year</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Trade creditors	1,426,062	978,194
	Taxes and social security costs	322,340	291,769
	Other creditors	387,356	229,059
	Accruals and deferred income	64,616	50,332
		<u>2,200,374</u>	<u>1,549,354</u>

<b>11</b>	<b>Creditors : amounts falling due after more than one year</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Amounts owed to parent company	5,035,136	4,472,024
	Accruals and deferred income	31,839	33,255
		<u>5,066,975</u>	<u>4,505,279</u>
	<b>Loan maturity analysis</b>		
	In more than five years	<u>5,035,136</u>	<u>4,472,024</u>

The interest rate charged on the intercompany loan to English Wines Plc is 7%.  
There is no fixed repayment term for the intercompany loan.

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

<b>12</b>	<b>Deferred taxation</b>	<b>2015</b>	<b>2014</b>
	The movement in deferred tax are as follows:		
	At 1 January 2015	44,995	89,409
	Deferred tax movement relating to share options	(1,711)	-
	(Released)/charged to the profit and loss account during the year	<u>6,697</u>	<u>(44,414)</u>
	At 31 December 2015	<u><u>49,981</u></u>	<u><u>44,995</u></u>
	The deferred tax (asset)/liability is made up as follows:		
	Accelerated capital allowances	186,910	174,615
	Losses	(104,400)	(95,380)
	Share options	(32,529)	(34,240)
		<u><u>49,981</u></u>	<u><u>44,995</u></u>

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised.

The net deferred tax liability likely to reverse in 2016 is not expected to be material as any reversal of timing differences on capital allowances will be offset by the utilisation of tax losses.

<b>13</b>	<b>Share capital</b>	<b>2015</b>	<b>2014</b>
		£	£
	Allotted, called up and fully paid		
	5,000,000 Ordinary shares of 1p each	<u><u>50,000</u></u>	<u><u>50,000</u></u>

### 14 Financial commitments

At 31 December 2015 the company's future minimum operating lease payments are as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
Operating leases which expire:				
Within one year	24,000	24,000	63,057	54,681
Between two and five years	<u>-</u>	<u>-</u>	<u>52,788</u>	<u>85,252</u>
	<u><u>24,000</u></u>	<u><u>24,000</u></u>	<u><u>115,845</u></u>	<u><u>139,933</u></u>

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

<b>15 Directors' emoluments</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
Emoluments for qualifying services			
- directors of this company	Salaries	280,000	235,000
	Benefits	34,241	29,331
		<u>314,241</u>	<u>264,331</u>

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

The highest paid director received remuneration of £162,554 (2014 - £156,109) which included a pension contribution of £396 (2014 - £Nil) and was entitled to receive shares under long term incentive schemes.

## 16 Employees

### Number of employees

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

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Administration	15	10
Production	18	13
Directors	3	2
Retail	15	14
	<u>51</u>	<u>39</u>

<b>Employment costs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,257,159	971,994
Social security costs	131,440	102,854
Pension costs	3,368	-
	<u>1,391,967</u>	<u>1,074,848</u>
Share based payments	<u>420,286</u>	<u>172,704</u>

Employment costs include share based payments of £73,617 (2014:£172,704) relating to the effect of section 26 of FRS 102 accounting standard. This standard requires the directors to attribute a notional cost of non-cash share option agreements to the business over the vesting period of the shares. There is also an additional accelerated charge of £346,669 due to the cancellation of 6,311,112 of the 2013 share options.

## 17 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.

## 18 Related party transactions

The company has taken advantage of the exemption in section 33 of FRS 102 from the requirement to disclose transactions with Chapel Down Group Plc on the grounds that 100% of the voting rights in the company are controlled within the group and consolidated financial statements are prepared by the parent company.

## 19 Capital commitments

At 31 December 2015 the company had no commitments (2014: £nil).

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 20 Share options

During the period ended 31 December 2015, the company had five share based payment arrangements in favour of employees of the Group, which are described below:

	2003	2006	2006	2009	2013
		Variable price	Fixed price	Fixed price	Fixed price
	11-Feb-03	27-Jan-06	27-Jan-06	11-Dec-09	15-Nov-13
Number granted	1,968,450	3,000,000	3,239,997	3,000,000	4,688,888
Contractual life	3.7 years	4.4 years	4.4 years	3.6 years	4.6 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	4.6 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 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 3,239,997 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%.

The estimated fair value of each of the 11,000,000 share options granted in 2013 is 7.3p. This was calculated by applying the Black Scholes option pricing model. The model inputs were the share price at grant date of 20.05p, exercise price of 17p, expected volatility of 35%, no expected dividends, contractual life of 4.5 years and a risk free interest rate of 0.50%.

In 2013 a further 11,000,000 unissued ordinary shares of 5p each were covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017. In November 2015 there was an amendment to the terms of 6,311,112 of these shares resulting in the cancellation of these shares. In accordance with section 26 of FRS102, the vesting period and annual charge for these shares is accelerated and the notional expense of £346,669 has been debited to the Income statement in 2015. As of December 2015 there are 4,688,888 of the 2013 unissued ordinary shares of 5p each covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017.

# ENGLISH WINES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 20 Share options

Further details of the five share option plans are as follows:

	2003		2006		2006		2009		2013	
			Variable price		Fixed price		Fixed price		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	Number of options	Weighted average exercise price
Outstanding at start of year	788,124	12.5p	2,200,000	9.0p	8,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercised	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	(6,311,112)	17.0p
Outstanding at end of year	788,124	12.5p	2,200,000	9.0p	8,526	15.0p	1,491,800	10.0p	4,688,888	17.0p
Exercisable at end of year	788,124	12.5p	2,200,000	9.0p	8,526	15.0p	1,491,800	10.0p	-	-

The options outstanding at 31 December 2015 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 2.5 years (2014: 3.5 years).

Expense arising from share based payment transactions :  
share option plans

	Total	2003	2006	2006	2009	2013
			Variable Price	Fixed Price	Fixed Price	Fixed Price
2015	420,286	-	-	-	-	420,286
2014	172,704	-	-	-	-	172,704

In November 2015 there was an amendment to the terms of 6,311,112 of the 2013 share options resulting in cancellation of these shares. In accordance with section 26 of FRS102, the vesting period and annual charge for these shares is accelerated and the notional expense of £346,669 is shown in the Income Statement in 2015. As of December 2015 there are 4,688,888 of the 2013 unissued ordinary shares of 5p each covered by various share option agreements and these are exercisable at 17p per share after 1 July 2017.