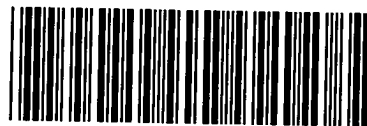


Company Registration No. 03978908 (England and Wales)

ENGLISH WINES PLC
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

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 auditor	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditor 4 Mount Ephraim Road Tunbridge Wells Kent TN1 1EE
Bankers	Barclays Bank Plc Kent Team 2nd Floor, 30 Tower View Kings Hill West Malling Kent ME19 4UY
Solicitors	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 2014

PERFORMANCE REVIEW

The company made a pre-tax profit of £23,729* (2013: £47,909)* and an EBITDA of £398,293* compared with £358,452* in the prior year. Our financial performance remains slightly affected by the low levels of grape harvest in 2011 and 2012 which – owing to the ageing required to produce the highest quality sparkling wines - has limited the amount of sparkling wine stock available for sale. However with two large harvests in 2013 and 2014 our stocks have been replenished and we can now plan for growth. Nevertheless, we had more still wine available for sale in 2014. Driving our top line sales at healthy margins (38% vs 40% LY) has been successful with year on year sales up 14% and gross profits up 9%. With sparkling wine still in relatively low growth due to stock shortage the margins were slightly lower though this was partially counteracted by growth in our shop and tourism business. We have continued to develop good relationships with our key customers and have continued to win new prestige business. We continue to drive our top line sales and our gross profit to enable us to continue to invest more in the brand, grape supply, production facilities, people and systems for the future.

BUSINESS RISKS AND UNCERTAINTIES

It is encouraging to continue to see an uplift in the UK economy, as this remains our primary market and also encouraging to have had the duty escalator dropped and duty frozen in the last budget. The UK pays a staggering 67% of all the wine duties and taxes collected on wine in the whole EU. We are hopeful that further punitive duty increases are unlikely given the current success of the industry and the economic benefits of its continuing growth. Regardless of future duty increases, maintaining a strong brand is our best defence. However, we will be further broadening our geographic reach through exports of our sparkling wines.

There is a risk that, through extreme weather events, we suffer a poor harvest. The Company maintains the highest standards of viticulture, has rigorous site selection and uses technology to mitigate risk. We source from a wide geographic area to minimise micro-climate risks.

Competition in English wines is extensive. English Wines Plc continues to invest in its people, brands and distribution to ensure the business can continue to thrive.

OUTLOOK

The team was delighted to secure £3.95m of new funding into the Parent Company (Chapel Down Group Plc) in September 2014 at what was the prevailing share price. The new funds will ensure the Company continues to thrive. We have already made progress on exciting developments. We have secured new vineyards, new equipment, developed new products and hired great people to ensure we continue selling more wine, making better returns and building a long term brand and value.

Our assets are extremely strong: land – and high quality vined land in particular - continues to appreciate as evidenced by recent transactions. In addition, our brand assets are more valuable than ever and our limited stock more in demand than ever.

With an excellent management team, a very strong balance sheet enhanced by a superb crowd-funding campaign, many new and enthusiastic shareholders and customers and more stock of sparkling wine to become available, we remain confident that the prospects for the Company are excellent.



Frazer Thompson
Director

23 April 2015

*Excludes the effect of the FRS20 share option accounting adjustment

ENGLISH WINES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Directors

The following directors have held office since 1 January 2014:

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 5.

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 2014

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 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 auditor are aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to read 'R.A.B. Woodhouse', written in a cursive style.

R.A.B. Woodhouse

23 April 2015

ENGLISH WINES PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENGLISH WINES PLC FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of English Wines Plc for the year ended 31 December 2014, 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 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 2014 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 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 Auditor

4 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1EE

23 April 2015

ENGLISH WINES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover	2	4,365,150	3,813,371
Cost of sales		<u>(2,712,291)</u>	<u>(2,296,359)</u>
Gross profit		1,652,859	1,517,012
Administrative expenses before share based payment	(1,352,828)	(1,235,208)	
Share based payment	<u>(172,704)</u>	<u>(44,149)</u>	
Administrative expenses after share-based payment		<u>(1,525,532)</u>	<u>(1,279,357)</u>
Operating profit	3	127,327	237,655
Other interest receivable and similar income	4	33	44
Interest payable and similar charges	5	<u>(276,335)</u>	<u>(233,939)</u>
(Loss)/profit on ordinary activities before taxation		(148,975)	3,760
Tax on (loss)/profit on ordinary activities	6	<u>44,414</u>	<u>4,191</u>
(Loss)/profit on ordinary activities after taxation	14	<u><u>(104,561)</u></u>	<u><u>7,951</u></u>
Profit on ordinary activities before taxation - excluding FRS 20 share based payments		<u><u>23,729</u></u>	<u><u>47,909</u></u>
EBITDA excl FRS20 adj.		<u><u>398,293</u></u>	<u><u>358,452</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 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7		1,163,179		906,831
Current assets					
Stocks	8	3,989,704		3,234,506	
Debtors	9	1,285,259		1,061,068	
Cash at bank and in hand		<u>508,013</u>		<u>551,544</u>	
		5,782,976		4,847,118	
Creditors: amounts falling due within one year	10	<u>(1,549,354)</u>		<u>(1,221,705)</u>	
Net current assets			<u>4,233,622</u>		<u>3,625,413</u>
Total assets less current liabilities			5,396,801		4,532,244
Creditors: amounts falling due after more than one year	11		(4,505,279)		(3,664,451)
Provisions for liabilities					
Deferred tax	12		(44,995)		(89,409)
			<u>846,527</u>		<u>778,384</u>
Capital and reserves					
Called up share capital	13		50,000		50,000
Other reserves	14		449,835		320,473
Profit and loss account	14		<u>346,692</u>		<u>407,911</u>
Shareholders' funds - equity interests	15		<u>846,527</u>		<u>778,384</u>

The financial statements were approved by the Board on 23 April 2015



R.A.B. Woodhouse
Director

ENGLISH WINES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Cash Flow Notes	2014 £	2013 £
Net cash outflow from operating activities	1	(240,808)	(71,303)
Returns on investments and servicing of finance			
Interest received	33	44	
Interest paid	<u>(276,335)</u>	<u>(233,939)</u>	
Net cash outflow for returns on investments and servicing of finance		(276,302)	(233,895)
Taxation		-	16,790
Capital expenditure			
Payments to acquire tangible assets	(354,610)	(280,125)	
Proceeds from sale of tangible assets	<u>-</u>	<u>-</u>	
Net cash outflow for capital expenditure		(354,610)	(280,125)
Net cash outflow before management of liquid resources and financing		(871,720)	(568,533)
Financing			
Repayment of short term loan	-	(33,643)	
Increase in other long term loans	<u>828,189</u>	<u>402,589</u>	
Net cash inflow from financing	2	828,189	368,946
Decrease in cash in year	2	(43,531)	(199,587)

ENGLISH WINES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities			2014	2013
				£	£
	Operating profit			127,327	237,655
	Depreciation of tangible assets			98,262	76,648
	Share-based payments			172,704	44,149
	Increase in stocks			(755,198)	(511,343)
	Increase in debtors			(224,191)	(415,700)
	Increase in creditors			340,288	497,288
	Net cash outflow from operating activities			(240,808)	(71,303)

2	Analysis of net debt	1 January 2014	Cash flow	Other non-cash changes	31 December 2014
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	551,544	(43,531)	-	508,013
		551,544	(43,531)	-	508,013
	Debt:				
	Finance leases	-	-	-	-
	Debts falling due within one year	-	-	-	-
	Debts falling due after one year	(3,643,835)	(828,189)	-	(4,472,024)
		(3,643,835)	(828,189)	-	(4,472,024)
	Net debt	(3,092,291)	(871,720)	-	(3,964,011)

3	Reconciliation of net cash flow to movement in net debt	2014	2013
		£	£
	Decrease in cash in the year	(43,531)	(199,588)
	Cash inflow from increase in debt and lease financing	(828,189)	(368,946)
	Movement in net debt in the year	(871,720)	(568,534)
	Opening net debt	(3,092,291)	(2,523,757)
	Closing net debt	(3,964,011)	(3,092,291)

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 the point of despatch and retail sales at the point of customer purchase.

1.4 Tangible fixed assets and depreciation

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

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

1.5 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.

1.6 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.

Deferred tax assets and liabilities are not discounted.

1.7 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.

1.8 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.

1.9 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.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

2 Turnover

	Turnover	
	2014	2013
	£	£
Geographical segment		
UK	4,337,733	3,777,205
Other EU	8,268	4,909
Non EU	19,149	31,257
	<u>4,365,150</u>	<u>3,813,371</u>

3 Operating profit

	2014	2013
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	98,262	76,648
Loss on foreign exchange transactions	1,598	12,053
Operating lease rentals		
- Land and buildings	24,000	24,000
- Other	49,657	67,108
Fees payable to the company's auditor for the audit of the company's annual accounts	11,735	10,450
Fees payable to the company's auditor for taxation services	3,422	2,750
Fees payable to the company's auditor for other services	220	(290)
	<u>220</u>	<u>(290)</u>

4 Interest receivable

	2014	2013
	£	£
Other interest	33	44
	<u>33</u>	<u>44</u>

5 Interest payable

	2014	2013
	£	£
On bank loans and overdrafts	-	7,865
Other interest	276,335	226,074
	<u>276,335</u>	<u>233,939</u>

6 Taxation

	2014	2013
	£	£
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for year	-	(14,280)
Adjustments in respect of prior years	-	(2,509)
	<u>-</u>	<u>(16,789)</u>
Deferred tax		
Origination and reversal of timing differences	7,352	22,689
Adjustment in respect of prior periods	(51,766)	2,736
Effect of change in deferred tax rate	-	(12,827)
Total deferred tax	<u>(44,414)</u>	<u>12,598</u>
Tax on profit on ordinary activities	<u>(44,414)</u>	<u>(4,191)</u>

Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 21.49% (2013: 23%).

The differences are explained below:

Profit per accounts	(148,975)	3,760
Tax on profit on ordinary activities at standard CT rate of 21.49% (2013: 23%)	(32,015)	865
Effects of:		
Capital allowances in excess of depreciation	(63,397)	(53,865)
Ineligible depreciation and amortisation	4,075	3,883
Expenses not deductible for tax purposes	40,111	14,194
(Utilisation of tax losses)/unused losses	60,741	35,069
Share option exercise relief	(28,485)	(16,568)
Adjustments to tax charge in respect of prior year	-	(2,509)
Losses carried back at lower tax rate	-	2,142
Group relief (received)/surrendered for nil payment	18,970	-
	<u>-</u>	<u>(16,789)</u>
Current tax charge	<u>-</u>	<u>(16,789)</u>

English Wines Plc has £476,895 (2013: £152,475) losses to carry forward. £445,097 (2013: £133,005) of the losses can be carried forward to set against future profits of the same trade and £31,798 (2013: £19,470) can be set against future non-trading profits.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

7 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2014	195,324	923,913	263,718	13,781	1,396,736
Additions	<u>27,627</u>	<u>289,328</u>	<u>37,655</u>	<u>-</u>	<u>354,610</u>
At 31 December 2014	<u>222,951</u>	<u>1,213,241</u>	<u>301,373</u>	<u>13,781</u>	<u>1,751,346</u>
Depreciation					
At 1 January 2014	58,696	225,589	192,354	13,266	489,905
Charge for the year	<u>18,963</u>	<u>51,209</u>	<u>27,961</u>	<u>129</u>	<u>98,262</u>
At 31 December 2014	<u>77,659</u>	<u>276,798</u>	<u>220,315</u>	<u>13,395</u>	<u>588,167</u>
Net book value					
At 31 December 2014	<u>145,292</u>	<u>936,443</u>	<u>81,058</u>	<u>386</u>	<u>1,163,179</u>
At 31 December 2013	<u>136,628</u>	<u>698,324</u>	<u>71,364</u>	<u>515</u>	<u>906,831</u>

8 Stocks and work in progress

	2014 £	2013 £
Work in progress	3,712,036	3,166,705
Finished goods and goods for resale	<u>277,668</u>	<u>67,801</u>
	<u>3,989,704</u>	<u>3,234,506</u>

9 Debtors

	2014 £	2013 £
Trade debtors	1,205,825	955,614
Other debtors	30,158	45,093
Prepayments and accrued income	34,997	46,082
Corporation tax	14,279	14,279
	<u>1,285,259</u>	<u>1,061,068</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

10	Creditors : amounts falling due within one year	2014 £	2013 £
	Trade creditors	978,194	589,531
	Taxes and social security costs	291,769	294,072
	Other creditors	229,059	282,074
	Accruals and deferred income	50,332	56,028
		<u>1,549,354</u>	<u>1,221,705</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	2014 £	2013 £
	Amounts owed to parent company	4,472,024	3,643,835
	Accruals and deferred income	33,255	20,616
		<u>4,505,279</u>	<u>3,664,451</u>
	Analysis of loans		
	Not wholly repayable within five years other than by instalments:		
	Amounts owed to parent company	<u>4,472,024</u>	<u>3,643,835</u>
	Loan maturity analysis		
	In more than five years	<u>4,472,024</u>	<u>3,643,835</u>

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12	Deferred taxation	2014	2013
	The movement in deferred tax are as follows:		
	At 1 January 2014	89,409	76,811
	(Released)/charged during year	<u>(44,414)</u>	<u>12,598</u>
	At 31 December 2014	<u>44,995</u>	<u>89,409</u>
	The deferred tax (asset)/liability is made up as follows:		
	Accelerated capital allowances	174,615	116,010
	Losses	(95,380)	(26,601)
	Share Options	(34,240)	-
		<u>44,995</u>	<u>89,409</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.		
13	Share capital	2014	2013
		£	£
	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	Share option reserve	Profit and loss account
		£	£
	Balance at 1 January 2014	320,473	407,911
	Retained loss for the period	-	(104,561)
	Transfer on exercise of share options	(43,342)	43,342
	Share based payment	172,704	-
	Balance at 31 December 2014	<u>449,835</u>	<u>346,692</u>
15	Reconciliation of movements in shareholders' funds	2014	2013
		£	£
	(Loss)/profit for the financial year	(104,561)	7,951
	Movement on share option reserve	172,704	44,149
	Net addition to shareholders' funds	<u>68,143</u>	<u>52,100</u>
	Opening shareholders' funds	778,384	726,284
	Closing shareholders' funds	<u>846,527</u>	<u>778,384</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 £nil (2013 : £1,789,061).		
17	Financial commitments		
	At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases to 31 December 2015 as follows:		
		Land and buildings	Other
		2014	2013
		£	£
	Operating leases which expire:		
	Within one year	24,000	3,374
	Between two and five years	-	51,442
		<u>24,000</u>	<u>54,816</u>
		<u>24,000</u>	<u>30,075</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

18	Directors' emoluments		2014 £	2013 £
	Emoluments for qualifying services			
	- directors of this company	Salaries	235,000	208,256
		Benefits	29,331	39,164
			<u>264,331</u>	<u>247,420</u>

2 (2013: 2) directors are entitled to receive shares under long term incentive schemes and exercised share options during the year.

The highest paid director received remuneration of £156,109 (2013 - £153,637) and was entitled to receive shares under long term incentive schemes. This director also exercised share options during the year.

19 Employees

Number of employees

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

	2014 Number	2013 Number
Administration	10	9
Production	13	14
Directors	2	2
Retail	14	13
	<u>39</u>	<u>38</u>

Employment costs	2014 £	2013 £
Wages and salaries	971,994	866,229
Social security costs	102,854	89,041
	<u>1,074,848</u>	<u>955,270</u>
Share based payments	<u>172,704</u>	<u>44,149</u>

Employment costs include £172,704 (2013:£44,149) relating to the effect of adopting the FRS20 accounting standard. This standard requires the directors 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

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 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.

22 Capital commitments

At 31 December 2014 the company had no commitments (2013: £nil).

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

23 Share options

During the period ended 31 December 2014, 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
Date of grant	11 February 2003	27 January 2006	27 January 2006	11 December 2009	15 November 2013
Number granted	1,968,450	3,000,000	3,239,997	3,000,000	11,000,000
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%.

ENGLISH WINES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

23 Share options

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

	2003		2006 Variable price		2006 Fixed price		2009 Fixed price		2013 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	3,000,000	9.0p	928,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercised	-	-	(400,000)	12.5p	(460,000)	15.0p	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-
Outstanding at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	11,000,000	17.0p
Exercisable at end of year	788,124	12.5p	2,600,000	9.0p	468,526	15.0p	1,491,800	10.0p	-	-

The options outstanding at 31 December 2014 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 3.5 years (2013: 4.5 years).

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price	2013 Fixed Price
Expense arising from share based payment transactions : share option plans 2014	172,704	-	-	-	-	172,704
2013	44,149	-	-	-	21,910	22,239