

Company Registration No. 4362181 (England and Wales)

ENGLISH WINES GROUP PLC

ANNUAL REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2004



ENGLISH WINES GROUP PLC

DIRECTORS AND ADVISERS

Directors	P. Brett F.D. Thompson R.G. Balfour-Lynn (Appointed 24 November 2003) R.A.B. Woodhouse (Appointed 20 September 2004) N.W. Wray (Appointed 5 April 2004)
Secretary	R.A.B. Woodhouse
Company number	4362181
Registered office	Chapel Down Winery Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Creaseys 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
Bankers	Barclays Bank Plc Horsham Corporate Business Centre 51 Bishopric Horsham West Sussex RH12 1QJ
Registrars	Capita Registrars Northern House, Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Financial advisors	Ruegg and Co Limited 39 Cheval Place Knightsbridge London SW7 1EW
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES GROUP PLC

CONTENTS

	Page
Chairman's report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Statement of recognised gains and losses	8
Balance sheets	9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11 - 12
Notes to the financial statements	13 - 27

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

Introduction

I have pleasure in presenting the company's Annual Report and Financial Statements for the 15 months ending 31st December 2004.

Results for the year

As I mentioned in my previous statement made on 29th September 2004 we experienced a fire at our Tenterden winery in August 2004. Whilst the insurers have accepted liability, the loss of wine in the fire has required us to accelerate our strategy towards producing only premium wines under the Chapel Down brand. We have therefore increased our prices significantly and have improved packaging to add value to the brand. As part of our acceleration of this strategy, we have taken the opportunity to write off or write down the value of our non-premium wine stock by a total of £290,000. As explained in my previous statement we have also changed our accounting methodology to allocate central overheads to the profit and loss account as they are incurred, rather than absorb them into stock. This will also aid transparency but it does have an adverse effect on profit this year. We have also taken a prudent line in provisions for the year.

- The overall result for the group is a loss of £966,666, which includes exceptional items totalling £412,810.
- Exceptional items include the write down of stock unsuitable for Chapel Down branding. These are included in cost of sales.
- Underlying cost of sales are up as a result of lower harvests in 2002 and 2003 and new accounting methodology of not absorbing central overheads into stock.
- Central overheads are up as a result of the accounting methodology changes, increased marketing expenditure and marginally higher staff costs.
- Average selling price per bottle up 22%.
- Trade sales up 12% (as adjusted for an equivalent 12 month period).

Progress with our insurers has been satisfactory. The insurers have, of course issued us with confirmation that the cost of stock will be re-imbursed and this is provided for. We are currently negotiating Business Interruption claims. We have taken no credit for this in these accounts.

Operations

Having now focussed the business to its core activity of making and selling premium wines, your board is pleased with the progress on key targets:-

- Trade sales are up 12% (*).
- Tenterden shop sales up 24% (*).
- Average price per bottle is up 22% (*).
- Overheads are well controlled.
- Beer launch has been successful.
- Quality has never been higher, with a Gold medal at the International Wine Challenge
- Pricing has moved forward.
- Our mix of business is more attractive with little reliance on any individual customer.
- Press coverage continues to stimulate demand ahead of our ability to fully supply.

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

- Development of the Tenterden site as the Chapel Down Winery has been executed well and on budget.
- We have added a further 100 acres of sourcing for grapes over the past year and continue to look at new sourcing opportunities.

(*) - as adjusted for an equivalent 12 month period

The harvest of 2004 was a record in terms of quantity, and quality of the sparkling and white wine grapes (Bacchus in particular) was outstanding. It will produce excellent wines. Despite the warm weather of 2003 and to a lesser extent 2002, the harvest volume was not very high - although the quality good. The impact of these two low volume harvests has been to increase our cost of sales. However, from 2006 we shall see falls in our cost of sales as a result of the large harvest in 2004.

We have also seen some significant changes to the Board and management team. The Board is now just 5 members (3 non - executives plus the Managing and Finance Directors) with a new Finance Director, and the management team has been strengthened with a new Sales Director and Marketing Manager.

Outlook for the new year

It is your Board's view that the medium to long term prospects of the company continue to be excellent and that this period's result is an anomalous result in the company's progress.

Paul Brett

Chairman

ENGLISH WINES GROUP PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the period ended 31 December 2004.

Directors

The following directors have held office since 1 October 2003:

P. Brett	
F.D. Thompson	
S.P. Hume-Kendall	(Resigned 7 October 2004)
C.K. Brown	(Resigned 20 September 2004)
A.P. Drewe	(Resigned 7 October 2004)
R.G. Balfour-Lynn	(Appointed 24 November 2003)
R.A.B. Woodhouse	(Appointed 20 September 2004)
N.W. Wray	(Appointed 5 April 2004)
P. Kraftman	(Resigned 7 October 2004)

Principal activities and review of the business

The principal activity of the group continued to be that of the producing and selling of wines. During the period, a decision was made to extend the company's year end to 31st December 2004. Please see the Chairman's report for full review of the 15 month period.

Results and dividends

The consolidated profit and loss account for the period is set out on page 7.

The directors do not recommend payment of an ordinary dividend.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Creaseys be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

English Wines Group PLC

	Ordinary Shares of 5p each	
	31 December 2004	1 October 2003
P. Brett	8,404,014	6,404,014
F.D. Thompson	14,000	14,000
R.G. Balfour-Lynn	4,050,000	-
R.A.B. Woodhouse	-	-
N.W. Wray	15,000,000	-

	Preference shares of £ 1 each	
	31 December 2004	1 October 2003
P. Brett	-	200,000
F.D. Thompson	-	-
R.G. Balfour-Lynn	-	-
R.A.B. Woodhouse	-	-
N.W. Wray	-	-

ENGLISH WINES GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

English Wines Plc

	Ordinary shares of 1p each	
	31 December 2004	1 October 2003
P. Brett	-	-
R.A.B. Woodhouse	-	-

	Preference shares of £ 1 each	
	31 December 2004	1 October 2003
P. Brett	-	-
R.A.B. Woodhouse	-	-

F.D. Thompson has share options for 1,968,450 ordinary shares, exercisable in tranches over the next three years at a price of 12.5p per share.

The following directors have interests in warrants over ordinary shares at an exercise price of 15p per share exercisable in the period 11 February 2003 to 11 February 2008:

P. Brett - 666,666.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Director

24 MAY 2005

ENGLISH WINES GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC

We have audited the financial statements of English Wines Group PLC on pages 7 to 27 for the period ended 31 December 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ENGLISH WINES GROUP PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2004 and of the group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor

26th May 2005

12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ENGLISH WINES GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2004

		Period ended 31 December 2004 £	Year ended 30 September 2003 £
	Notes		
Turnover	2		
Continuing operations		1,884,016	1,720,684
Discontinued activities		-	321,398
		<u>1,884,016</u>	<u>2,042,082</u>
Cost of sales		(1,879,486)	(1,262,492)
Gross profit		<u>4,530</u>	<u>779,590</u>
Administrative expenses		(914,775)	(701,912)
Operating (loss)/profit	3		
Continuing operations		(910,245)	146,619
Discontinued activities		-	(68,941)
		<u>(910,245)</u>	<u>77,678</u>
Other interest receivable and similar income		19,462	-
Interest payable and similar charges	4	(75,883)	(59,894)
(Loss)/profit on ordinary activities before taxation	3	<u>(966,666)</u>	<u>17,784</u>
Tax on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit on ordinary activities after taxation		<u>(966,666)</u>	<u>17,784</u>
Earnings/(loss) per share (pence)	7		
- basic		(3.13)	0.12
- diluted		(3.10)	0.12

ENGLISH WINES GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 2004

	Period ended 31 December 2004 £	Year ended 30 September 2003 £
(Loss)/profit for the financial period	(966,666)	17,784
Unrealised (deficit)/surplus on revaluation of properties	-	9,400
Total recognised gains and losses relating to the period	966,666	27,184

Note of historical cost profits and losses

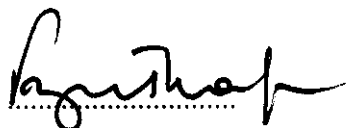
	Period ended 31 December 2004 £	Year ended 30 September 2003 £
Reported (loss)/profit on ordinary activities before taxation	(966,666)	17,784
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	3,681	1,068
Historical cost (loss)/profit on ordinary activities before taxation	(962,985)	18,852
Historical cost (loss)/profit for the period retained after taxation, extraordinary items and dividends	(962,985)	18,852

ENGLISH WINES GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 2004

	Notes	Group 2004 £	2003 £	Company 2004 £	2003 £
Fixed assets					
Intangible assets	8	201,980	222,275	201,980	222,275
Tangible assets	9	1,760,279	1,485,103	1,431,248	1,367,837
Investments	10	-	-	50,000	50,000
		<u>1,962,259</u>	<u>1,707,378</u>	<u>1,683,228</u>	<u>1,640,112</u>
Current assets					
Stocks	11	1,434,961	1,467,405	-	-
Debtors	12	513,333	210,931	1,889,752	768,951
Cash at bank and in hand		<u>445,275</u>	<u>3,639</u>	<u>418,517</u>	<u>3,639</u>
		2,393,569	1,681,975	2,308,269	772,590
Creditors: amounts falling due within one year	13	<u>(1,066,159)</u>	<u>(823,295)</u>	<u>(138,529)</u>	<u>(126,157)</u>
Net current assets		<u>1,327,410</u>	<u>858,680</u>	<u>2,169,740</u>	<u>646,433</u>
Total assets less current liabilities		<u>3,289,669</u>	<u>2,566,058</u>	<u>3,852,968</u>	<u>2,286,545</u>
Creditors: amounts falling due after more than one year	14	<u>(587,871)</u>	<u>(728,738)</u>	<u>(457,748)</u>	<u>(628,651)</u>
		<u>2,701,798</u>	<u>1,837,320</u>	<u>3,395,220</u>	<u>1,657,894</u>
Capital and reserves					
Called up share capital	15	2,009,067	1,231,567	2,009,067	1,231,567
Share premium account	16	1,576,019	522,375	1,576,019	522,375
Revaluation reserve	16	261,861	265,542	9,400	9,400
Profit and loss account	16	<u>(1,145,149)</u>	<u>(182,164)</u>	<u>(199,266)</u>	<u>(105,448)</u>
Shareholders' funds	17	<u>2,701,798</u>	<u>1,837,320</u>	<u>3,395,220</u>	<u>1,657,894</u>

The financial statements were approved by the board on 24 MAY 2005



Director



Director

ENGLISH WINES GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2004

	Period ended 31 December 2004 £	Year ended 30 September 2003 £
Net cash outflow from operating activities	(790,735)	(157,439)
Returns on investments and servicing of finance		
Interest received	19,462	-
Interest paid	(75,883)	(59,894)
Net cash outflow for returns on investments and servicing of finance	(56,421)	(59,894)
Capital expenditure		
Payments to acquire intangible assets	-	(24,596)
Payments to acquire tangible assets	(336,782)	(22,228)
Receipts from sales of tangible assets	67,513	84,682
Net cash outflow for capital expenditure	(269,269)	37,858
Net cash outflow before management of liquid resources and financing	(1,116,425)	(179,475)
Financing		
Issue of ordinary share capital	1,831,144	453,457
Issue of preference share capital	-	400,000
Issue of shares	1,831,144	853,457
New long term bank loan	-	237,237
Other new long term loans	-	673,195
Other new short term loans	18,290	25,000
Repayment of long term bank loan	(55,950)	(120,725)
Repayment of other long term loans	(126,283)	(1,081,222)
Repayment of other short term loans	-	(311,473)
Capital element of hire purchase contracts	(22,381)	(21,239)
Net cash inflow from financing	1,644,820	254,230
Increase in cash in the period	528,395	74,755

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2004

1	Reconciliation of operating (loss)/profit to net cash outflow from operating activities	2004	2003
		£	£
	Operating (loss)/profit	(910,245)	77,678
	Depreciation of tangible assets	67,307	48,491
	Amortisation of intangible assets	20,295	16,236
	Profit on disposal of tangible assets	-	(31,117)
	Decrease/(increase) in stocks	32,444	(143,556)
	Increase in debtors	(302,402)	(63,814)
	Increase/(decrease) in creditors within one year	301,866	(61,357)
	Net cash outflow from operating activities	(790,735)	(157,439)

2	Analysis of net debt	1 October 2003	Cash flow	Other non- 31 December cash changes	2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,639	441,636	-	445,275
	Bank overdrafts	(86,759)	86,759	-	-
		<u>(83,120)</u>	<u>528,395</u>	<u>-</u>	<u>445,275</u>
	Bank deposits	-	-	-	-
	Finance leases	(35,034)	22,381	(73,214)	(85,867)
	Debts falling due within one year	(184,576)	(18,290)	-	(202,866)
	Debts falling due after one year	(707,818)	182,233	-	(525,585)
		<u>(927,428)</u>	<u>186,324</u>	<u>(73,214)</u>	<u>(814,318)</u>
	Net debt	(1,010,548)	714,719	(73,214)	(369,043)

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

3 Reconciliation of net cash flow to movement in net debt	2004	2003
	£	£
Increase in cash in the period	528,395	74,755
Cash outflow from decrease in debt	186,324	618,868
	<hr/>	<hr/>
Change in net debt resulting from cash flows	714,719	693,623
New finance lease	(73,214)	(19,641)
	<hr/>	<hr/>
Movement in net debt in the period	641,505	673,982
Opening net debt	(1,010,548)	(1,684,530)
	<hr/>	<hr/>
Closing net debt	(369,043)	(1,010,548)
	<hr/>	<hr/>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

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

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

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

1.5 Intellectual property and goodwill

Acquired goodwill is written off in equal annual instalments over 15 years, its estimated useful economic life.

1.6 Tangible fixed assets and depreciation

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

Freehold buildings	Straight line over 50 years on the buildings
Land and buildings Leasehold	Straight line over the period of the lease on the buildings
Plant and machinery	5% Straight line
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% Reducing balance

1.7 Leasing

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.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

1 Accounting policies (continued)

1.9 Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

1.10 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.

2 Turnover

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

3 Operating (loss)/profit	2004 £	2003 £
Operating (loss)/profit is stated after charging:		
Depreciation of intangible assets	20,295	16,236
Depreciation of tangible assets	67,307	48,491
Operating lease rentals	31,169	71,951
Auditors' remuneration (company £3,500 (2003 - £3,800))	7,700	7,250
Remuneration of auditors for non-audit work	20,016	3,575

The operating loss for the group for the period excluding exceptional items was £497,435. Exceptional items include the write down of stock not suitable for the Chapel Down Brand, costs associated with the re-branding and provisions considered prudent by the Board.

4 Interest payable	2004 £	2003 £
On bank loans and overdrafts	67,467	60,008
Lease finance charges	3,778	(114)
Other interest	4,638	-
	75,883	59,894

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

5	Taxation	2004 £	2003 £
	Current tax charge	-	-
	Factors affecting the tax charge for the period		
	(Loss)/profit on ordinary activities before taxation	(966,666)	17,784
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	(290,000)	5,335
	Effects of:		
	Non deductible expenses	6,167	2,192
	Depreciation	26,281	18,199
	Tax losses utilised	(2,955)	(32,636)
	Chargeable disposals	-	7,899
	Unutilised losses carried forward	260,507	-
	Profit on disposal of assets	-	(9,335)
	Other tax adjustments	-	8,346
		290,000	(5,335)
	Current tax charge	-	-

6 Loss for the financial period

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial period is made up as follows:

	2004 £	2003 £
Holding company's loss for the financial period	(93,818)	(77,916)

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

7 Earnings per share

The calculation of basic earnings per share is based on the profit after tax and on a weighted average number of ordinary shares in issue during the period. The diluted earnings per share allows for the full exercise of outstanding share purchase options and warrants and adjusted earnings.

Basic and diluted earnings per share are calculated as follows:

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2004 £	2003 £	2004	2003	2004 pence	2003 pence
Basic	(966,666)	17,784	30,861,334	14,878,584	(3.13)	0.12
Outstanding share options	-	-	328,075	328,075	0.03	-
Diluted	(966,666)	17,784	31,189,409	15,206,659	(3.10)	0.12

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

8 Intangible fixed assets Group

	Intellectual property and goodwill £
Cost	
At 1 October 2003 & at 31 December 2004	<u>243,594</u>
Amortisation	
At 1 October 2003	21,319
Charge for the period	<u>20,295</u>
At 31 December 2004	<u>41,614</u>
Net book value	
At 31 December 2004	<u>201,980</u>
At 30 September 2003	<u>222,275</u>

Intangible fixed assets (continued) Company

	Intellectual property and goodwill £
Cost	
At 1 October 2003 & at 31 December 2004	<u>243,594</u>
Amortisation	
At 1 October 2003	21,319
Charge for the period	<u>20,295</u>
At 31 December 2004	<u>41,614</u>
Net book value	
At 31 December 2004	<u>201,980</u>
At 30 September 2003	<u>222,275</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

9 Tangible fixed assets Group

	Freehold buildings	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 October 2003	780,000	36,598	706,362	24,404	23,046	1,570,410
Additions	104,256	-	268,884	36,856	-	409,996
Disposals	-	-	(77,513)	-	-	(77,513)
At 31 December 2004	884,256	36,598	897,733	61,260	23,046	1,902,893
Depreciation						
At 1 October 2003	-	4,066	68,309	4,092	8,840	85,307
On disposals	-	-	(10,000)	-	-	(10,000)
Charge for the period	11,125	-	47,154	4,933	4,095	67,307
At 31 December 2004	11,125	4,066	105,463	9,025	12,935	142,614
Net book value						
At 31 December 2004	873,131	32,532	792,270	52,235	10,111	1,760,279
At 30 September 2003	780,000	32,532	638,053	20,312	14,206	1,485,103

The freehold land and buildings were valued by Strutt & Parker, Chartered Surveyors on 28 November 2003 on the basis of open market value and were carried out in accordance with RICS appraisal and valuation standards. The historical cost of freehold land and buildings is £704,256 (2003: £600,000). The plant and machinery was valued by Edward Symmons and Partners, Surveyors on 26 February 2002. The historical cost of the plant and machinery is £842,991 (2003: £651,620). The directors consider that the value of the property as shown in the financial statements is held at market value.

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

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 December 2004	137,642	-	6,857	144,499
At 30 September 2003	57,190	-	9,480	66,670
Depreciation charge for the period				
31 December 2004	5,680	-	2,623	8,303
30 September 2003	2,401	-	3,153	5,554

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

9 Tangible fixed assets (continued)

Company

	Freehold buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 October 2003	780,000	635,500	1,415,500
Additions	104,256	77,513	181,769
Disposals	-	(77,513)	(77,513)
At 31 December 2004	884,256	635,500	1,519,756
Depreciation			
At 1 October 2003	-	47,663	47,663
On disposals	-	(10,000)	(10,000)
Charge for the period	11,125	39,720	50,845
At 31 December 2004	11,125	77,383	88,508
Net book value			
At 31 December 2004	873,131	558,117	1,431,248
At 30 September 2003	780,000	587,837	1,367,837

The freehold land and buildings were valued by Strutt & Parker, Chartered Surveyors on 28 November 2003 on the basis of open market value and were carried out in accordance with RICS appraisal and valuation standards. The historical cost of freehold land and buildings is £704,256 (2003: £600,000). The plant and machinery was valued by Edward Symmons and Partners, Surveyors on 26 February 2002. The historical cost of the plant and machinery for the group is £842,991 (2003: £651,620). The directors consider that the value of the property as shown in the financial statements is held at market value.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

10 Fixed asset investments

Company

Shares in
group
undertakings

£

Cost or valuation

At 1 October 2003 & at 31 December 2004

50,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
English Wines PLC	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial period was as follows:

	Principal activity
English Wines PLC	Manufacture and sale of wine

11 Stocks and work in progress

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Work in progress	1,362,510	1,378,860	-	-
Finished goods and goods for resale	72,451	88,545	-	-
	<u>1,434,961</u>	<u>1,467,405</u>	<u>-</u>	<u>-</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	258,606	193,539	-	-
Amounts owed by group undertakings	-	-	1,886,427	768,951
Other debtors	250,737	401	3,325	-
Prepayments and accrued income	3,990	16,991	-	-
	<u>513,333</u>	<u>210,931</u>	<u>1,889,752</u>	<u>768,951</u>

Amounts falling due after more than one year and included in the debtors above are:

Amounts owed by group undertakings	-	-	1,886,427	768,951
------------------------------------	---	---	-----------	---------

13 Creditors : amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	202,866	271,335	135,029	122,076
Net obligations under finance lease and hire purchase contracts	23,581	14,114	-	-
Trade creditors	434,608	293,329	-	-
Taxes and social security costs	355,951	233,407	-	-
Other creditors	41,453	-	-	-
Accruals and deferred income	7,700	11,110	3,500	4,081
	<u>1,066,159</u>	<u>823,295</u>	<u>138,529</u>	<u>126,157</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

14 Creditors : amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans	525,585	581,535	457,748	502,368
Other loans	-	126,283	-	126,283
Net obligations under finance leases and hire purchase agreements	62,286	20,920	-	-
	587,871	728,738	457,748	628,651
Analysis of loans				
Not wholly repayable within five years by instalments:				
Commercial mortgage	491,656	482,870	491,656	482,870
Not wholly repayable within five years other than by instalments:				
Shareholder loans	-	110,487	-	126,283
Wholly repayable within five years	236,795	299,037	101,121	141,574
	728,451	892,394	592,777	750,727
Included in current liabilities	(202,866)	(184,576)	(135,029)	(122,076)
	525,585	707,818	457,748	628,651
Instalments not due within five years	322,116	356,090	322,116	356,090
Loan maturity analysis				
In more than one year but not more than two years	101,745	229,430	33,908	166,930
In more than two years but not more than five years	101,724	101,424	101,724	101,424
In more than five years	322,116	166,490	322,116	166,090

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

14 Creditors : amounts falling due after more than one year

(continued)

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.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	27,873	16,090	-	-
Repayable between one and five years	74,285	24,348	-	-
	<u>102,158</u>	<u>40,438</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(16,291)	(5,404)	-	-
	<u>85,867</u>	<u>35,034</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(23,581)	(14,114)	-	-
	<u>62,286</u>	<u>20,920</u>	<u>-</u>	<u>-</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

15 Share capital	2004 £	2003 £
Authorised		
43,000,000 Ordinary shares of 5p each	2,150,000	2,150,000
400,000 Preference shares of £1 each	400,000	400,000
	<u>2,550,000</u>	<u>2,550,000</u>
 Allotted, called up and fully paid		
40,181,340 Ordinary Shares of 5p each	2,009,067	831,567
- Preference shares of £1 each	-	400,000
	<u>2,009,067</u>	<u>1,231,567</u>

During the period 19,050,000 ordinary 5p shares were issued at 10p per share and 500,000 ordinary 5p shares were issued at 13p per share for cash consideration.

A further 4,000,000 shares were issued on conversion from preference shares for a cost of 10p per share.

1,968,450 unissued ordinary shares of 5p each are covered by a share option agreement and these are exercisable at 12.5p per share over the next three years.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

16 Statement of movements on reserves

Group

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 2003	522,375	265,542	(182,164)
Retained loss for the period	-	-	(966,666)
Transfer from revaluation reserve to profit and loss account	-	(3,681)	3,681
Premium on shares issued during the period	1,053,644	-	-
	<u>1,576,019</u>	<u>261,861</u>	<u>(1,145,149)</u>

Company

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 2003	522,375	9,400	(105,448)
Retained loss for the period	-	-	(93,818)
Premium on shares issued during the period	1,053,644	-	-
	<u>1,576,019</u>	<u>9,400</u>	<u>(199,266)</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

17 Reconciliation of movements in shareholders' funds	2004	2003
Group	£	£
(Loss)/Profit for the financial period	(966,666)	17,784
Other recognised gains and losses	-	9,400
Proceeds from issue of shares	1,831,144	853,457
Net addition to shareholders' funds	864,478	880,641
Opening shareholders' funds	1,837,320	956,679
Closing shareholders' funds	2,701,798	1,837,320
	2004	2003
Company	£	£
Loss for the financial period	(93,818)	(77,916)
Other recognised gains and losses	-	9,400
Proceeds from issue of shares	1,831,144	853,457
Net addition to shareholders' funds	1,737,326	784,941
Opening shareholders' funds	1,657,894	872,953
Closing shareholders' funds	3,395,220	1,657,894

18 Financial commitments

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	-	-	5,456	3,713
Between two and five years	-	-	5,189	5,456
In over five years	15,000	22,000	-	-
	<u>15,000</u>	<u>22,000</u>	<u>10,645</u>	<u>9,169</u>

The company had no annual operating commitments under non-cancellable operating leases at the balance sheet date.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

19 Directors' emoluments	2004 £	2003 £
Emoluments for qualifying services	<u>134,333</u>	<u>76,632</u>

20 Employees

Number of employees

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

	2004 Number	2003 Number
Administration	3	4
Production	8	10
Directors	6	6
Retail	5	32
	<u>22</u>	<u>52</u>

Employment costs

	£	£
Wages and salaries	531,488	577,681
Social security costs	<u>50,259</u>	<u>47,665</u>
	<u>581,747</u>	<u>625,346</u>

21 Related party transactions

During the period, the group sold a total of £101,500 of wine to P. Brett and at the balance sheet date owed him £nil (2003: £101,500).