

Company Registration No 1302718 (England and Wales)

EHRMANN'S LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007



EHRMANN'S LIMITED

COMPANY INFORMATION

Directors	P Dauthieu J M Chapman N R Day H A Campbell M W W Jarzebowski K A Lay
Secretary	J M Chapman
Company number	1302718
Registered office	29 Corsica Street London N5 1JT
Auditors	Goodman Jones LLP 29/30 Fitzroy Square London W1T 6LQ
Business address	29 Corsica Street London N5 1JT
Bankers	Bank of Scotland plc 4th Floor New Usher House 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors	Olswang 90 High Holborn London WC1V 6XX

EHRMANNS LIMITED

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EHRMANN'S LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007

Principal activities and review of the business

The company's principal activity is the import and distribution of wines from a variety of countries for sale to customers in all sectors of the UK wine retail market, from national grocers to independent wine shops

The year has been one of continued progress for the Company. On the 1st April 2006 the parent Company of the Group, Ehrmann's Holding Limited, entered into a joint venture with a leading South African producer, The Company of Wine People Pty Limited. This joint venture which includes the Amiston Bay brand has significantly expanded the Group's wine portfolio and branded offering to the benefit of the business as a whole. In addition to the new joint venture the Group has benefited from a full year of trading for the agencies of Domaine Boyar and Keo Wines which had been secured last year.

After a review of operations the Directors decided that the activities undertaken by the Company's Spanish subsidiary, Vinibena SA, were non core. Vinibena SA had been loss making for a number of years and the Directors considered that the resources required to return Vinibena SA to profit would be better utilized on developing its UK operations. Therefore on the 1st April 2006 the Company disposed of its loss making Spanish subsidiary Vinibena SA for £1.

In the Director's opinion the drinks market, although growing, remains highly competitive with supply exceeding demand in a number of producer countries.

In light of this, the directors continue to undertake careful planning and monitoring to control costs and retain a competitive price and margin. The directors consider that the Company's multi channel service will continue to be highly relevant to producers looking to sell wine into all sectors of the UK market and that it will continue to develop its current agencies and attract new producer partners to complement the existing portfolio. In this respect the Directors expect to see Turnover continue to grow over the coming years.

	2007	2006	2005	2004
Turnover (£ millions)	24.8	20.4	20.7	20.4

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors and loans to other group companies. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. The company makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the continual monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend payment of an ordinary dividend.

EHRMANN'S LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Directors

The following directors have held office since 1 April 2006

P Dauthieu
J M Chapman
N R Day
H A Campbell
M W W Jarzebowski
K A Lay

Charitable donations	2007	2006
	£	£
During the year the company made the following payments		
Charitable donations	-	767
	<hr/>	<hr/>

Auditors

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

EHRMANN'S LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,
- 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 proper accounting records which 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 1985. 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

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



J M CHAHMAN

COMPANY SECRETARY

18/01/2007

EHRMANNS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EHRMANNS LIMITED

We have audited the financial statements of Ehrmanns Limited on pages 8 to 18 for the year ended 31 March 2007. 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 therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 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.

EHRMANNS LIMITED

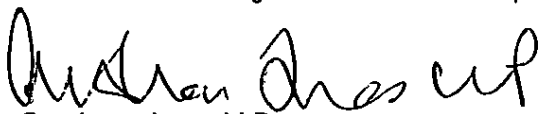
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF EHRMANNS LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Goodman Jones LLP

22/10/07

Chartered Accountants

Registered Auditor

29/30 Fitzroy Square
London
W1T 6LQ

EHRMANN'S LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Turnover	2	24,817,534	20,365,227
Cost of sales		(22,232,596)	(17,888,418)
Gross profit		2,584,938	2,476,809
Administrative expenses		(2,332,727)	(2,100,186)
Other operating income		1,194	-
Operating profit	3	253,405	376,623
Loss on disposal of subsidiary undertaking		(38,999)	-
Profit on ordinary activities before interest		214,406	376,623
Other interest receivable and similar income	4	22,347	19,151
Interest payable and similar charges	5	(24,684)	(27,539)
Profit on ordinary activities before taxation		212,069	368,235
Tax on profit on ordinary activities	6	-	(49,705)
Profit for the year		212,069	318,530

The profit and loss account has been prepared on the basis that all operations are continuing operations

EHRMANN'S LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Profit for the financial year		212,069	318,530
Unrealised surplus on revaluation of properties		150,209	-
Total recognised gains and losses relating to the year		<u><u>362,278</u></u>	<u><u>318,530</u></u>

EHRMANN'S LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	7	1,146,210		1,016,154	
Investments	8	1,000		39,999	
		<u>1,147,210</u>		<u>1,056,153</u>	
Current assets					
Stocks	9	619,569		692,099	
Debtors	10	8,630,667		7,223,500	
Cash at bank and in hand		282,681		882,880	
		<u>9,532,917</u>		<u>8,798,479</u>	
Creditors amounts falling due within one year	11	<u>(6,961,646)</u>		<u>(6,498,429)</u>	
Net current assets		<u>2,571,271</u>		<u>2,300,050</u>	
Total assets less current liabilities		<u>3,718,481</u>		<u>3,356,203</u>	
Capital and reserves					
Called up share capital	13	339,111		339,111	
Share premium account		831,847		831,847	
Revaluation reserve		500,846		353,218	
Other reserves		92,925		92,925	
Profit and loss account		1,953,752		1,739,102	
Shareholders' funds	15	<u>3,718,481</u>		<u>3,356,203</u>	

Approved by the Board and authorised for issue on 18TH October 2007



Director

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom accounting standards

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

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

Land and buildings Freehold	2% on value
Fixtures, fittings & equipment	15-25% on cost
Motor vehicles	25% on cost

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.6 Investments

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

1.7 Stock

Stock is valued at the lower of cost and net realisable value

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17. These contributions are held separately from the company assets

1.9 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

The deferred tax liability arising from the revaluation of the freehold property has not been provided for, as the company does not intend to sell the asset

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies (continued)

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 profit and loss account.

1 11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Ehrmann's Holdings Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

2 Turnover

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

3 Operating profit	2007 £	2006 £
Operating profit is stated after charging		
Depreciation of tangible assets	34,488	40,614
Loss on disposal of tangible assets	102	1,002
Loss on foreign exchange transactions	-	8,022
Operating lease rentals		
- Plant and machinery	8,760	6,175
Auditors' remuneration (including expenses and benefits in kind)	16,000	16,500
and after crediting		
Profit on foreign exchange transactions	(46,907)	-

4 Investment income	2007 £	2006 £
Bank interest	15,049	18,282
Other interest	7,298	869
	22,347	19,151

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

5	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	24,684	27,539
		<u> </u>	<u> </u>
6	Taxation	2007	2006
		£	£
	Current tax charge	-	-
	Deferred tax		
	Deferred tax charge/credit current year	-	49,705
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	212,069	368,235
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	63,621	110,471
		<u> </u>	<u> </u>
	Effects of		
	Non deductible expenses	6,345	7,764
	Depreciation add back	10,346	12,184
	Capital allowances	(9,340)	(12,529)
	Tax losses utilised	(70,972)	(78,482)
	Other tax adjustments	-	(39,408)
		<u> </u>	<u> </u>
		(63,621)	(110,471)
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>

The tax charge in future periods may be affected by a deferred tax asset of £201,609 (2006 £201,609) arising as a result of non-trading losses of £672,030 incurred in previous periods. This asset has not been recognised because the directors are uncertain when these non-trading losses will be fully utilised.

The company's current year tax charge has been mitigated by group relief from its parent company. The company's future tax liabilities will be affected by the level of group relief available.

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

7 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2006	975,000	327,583	28,317	1,330,900
Additions	-	14,436	-	14,436
Revaluation	125,000	-	-	125,000
Disposals	-	(96,959)	-	(96,959)
At 31 March 2007	1,100,000	245,060	28,317	1,373,377
Depreciation				
At 1 April 2006	15,469	270,960	28,317	314,746
Revaluation	(25,209)	-	-	(25,209)
On disposals	-	(96,858)	-	(96,858)
Charge for the year	9,740	24,748	-	34,488
At 31 March 2007	-	198,850	28,317	227,167
Net book value				
At 31 March 2007	1,100,000	46,210	-	1,146,210
At 31 March 2006	959,531	56,623	-	1,016,154

The freehold land and buildings were valued at £1,100,000 as at the 8th October 2007 by the Directors. This interim valuation is based on the sales price of similar properties which have recently been sold. If the property was sold for the revalued amount, it is not anticipated that any tax charge would arise.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 April 2006 & at 31 March 2007	716,901
Depreciation based on cost	
At 1 April 2006	113,318
Charge for the year	7,159
At 31 March 2007	120,477
Net book value	
At 31 March 2007	596,424
At 31 March 2006	603,583

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 April 2006	242,550
Disposals	(241,550)
	<hr/>
At 31 March 2007	1,000
	<hr/>
Provisions for diminution in value	
At 1 April 2006	202,551
On disposals	(202,551)
	<hr/>
At 31 March 2007	-
	<hr/>
Net book value	
At 31 March 2007	1,000
	<hr/>
At 31 March 2006	39,999
	<hr/>

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	Class	Shares held %
Subsidiary undertakings			
Ehrmanns International Limited	England	Ordinary	100
Italian Wine Brands Limited	England	Ordinary	100

9 Stocks	2007 £	2006 £
Finished goods and goods for resale	619,569	692,099
	<hr/>	<hr/>

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

10 Debtors	2007 £	2006 £
Trade debtors	5,293,730	3,921,425
Amounts owed by parent and fellow subsidiary undertakings	3,119,532	3,164,833
Other debtors	85,547	4,568
Prepayments and accrued income	131,858	132,674
	<u>8,630,667</u>	<u>7,223,500</u>

11 Creditors, amounts falling due within one year	2007 £	2006 £
Bank loans and overdrafts	159,709	190,999
Trade creditors	6,182,375	5,413,507
Amounts owed to subsidiary undertakings	-	431,952
Taxes and social security costs	410,487	359,599
Other creditors	68,638	11,529
Accruals and deferred income	140,437	90,843
	<u>6,961,646</u>	<u>6,498,429</u>

The bank loans and overdrafts are secured by a charge over the freehold property owned by the company, by a floating charge over the assets of Ehrmann's Limited and by a cross guarantee between group companies

12 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. At the balance sheet date, contributions totalling £1,416 (2006 £4,877) were outstanding

	2007 £	2006 £
Contributions payable by the company for the year	<u>58,645</u>	<u>53,301</u>

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

13 Share capital	2007 £	2006 £
Authorised		
2,650,000 Ordinary shares of 50p each	1,325,000	1,325,000
250,000 Ordinary shares 'A' of 50p each	125,000	125,000
1,000,000 Ordinary shares 'B' of 50p each	500,000	500,000
500,000 Deferred shares of 50p each	250,000	250,000
	<u>2,200,000</u>	<u>2,200,000</u>
Allotted, called up and fully paid		
570,222 Ordinary shares of 50p each	285,111	285,111
108,000 Ordinary shares 'A' of 50p each	54,000	54,000
	<u>339,111</u>	<u>339,111</u>

14 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2006	831,847	353,218	92,925	1,739,102
Profit for the year	-	-	-	212,069
Transfer from revaluation reserve to profit and loss account	-	(2,581)	-	2,581
Revaluation during the year	-	150,209	-	-
Balance at 31 March 2007	<u>831,847</u>	<u>500,846</u>	<u>92,925</u>	<u>1,953,752</u>

Other reserves

Capital redemption reserve

Balance at 1 April 2006 & at 31 March 2007

92,925

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

15 Reconciliation of movements in shareholders' funds	2007 £	2006 £
Profit for the financial year	212,069	318,530
Other recognised gains and losses	150,209	-
	<hr/>	<hr/>
Net addition to shareholders' funds	362,278	318,530
Opening shareholders' funds	3,356,203	3,037,673
	<hr/>	<hr/>
Closing shareholders' funds	3,718,481	3,356,203
	<hr/>	<hr/>

16 Contingent liabilities

The company has issued a debenture to act as security for £450,000 0% Secured Loan Stock issued by Ehrmann's Holdings Limited, the ultimate parent company. This stock is repayable only on the sale or listing of the Parent Company.

17 Financial commitments

At 31 March 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008:

	2007 £	2006 £
Operating leases which expire		
Within one year	-	236
Between two and five years	3,836	3,836
	<hr/>	<hr/>
	3,836	4,072
	<hr/>	<hr/>

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

18 Directors' emoluments	2007 £	2006 £
Emoluments for qualifying services	442,412	399,757
Company pension contributions to money purchase schemes	34,784	31,863
Other emoluments including benefits in kind	4,061	4,059
	<u>481,257</u>	<u>435,679</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2006- 5)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	110,750	98,100
Other emoluments including benefits in kind	705	826
Company pension contributions to money purchase schemes	<u>12,707</u>	<u>10,350</u>

19 Employees

Number of employees

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

	2007 Number	2006 Number
Management	5	6
Sales	19	14
Administration	6	5
	<u>30</u>	<u>25</u>

Employment costs	2007 £	2006 £
Wages and salaries	1,341,810	1,117,214
Social security costs	153,744	134,077
Other pension costs	58,645	53,301
	<u>1,554,199</u>	<u>1,304,592</u>

EHRMANNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

20 Control

The company is wholly owned by Ehrmanns Holding Limited, a company registered in England and Wales. Ehrmanns Holdings Limited is the ultimate parent company and is also the largest and smallest group which includes the company and for which group accounts are prepared. Copies of the group financial statements are available from 29 Corsica Street, London N5 1JT.

In accordance with paragraph 3 of FRS 8, the company has taken advantage of the exception available to 90% owned subsidiaries not to disclose related party transactions with group members.

21 Related party transactions

During the year, the company recharged the Company of Wine People, Europe Ltd, an associated undertaking of Ehrmanns Holdings Ltd, overhead and promotional expenses totalling £379,452.

At the balance sheet date, the company owed £68,638 to Company of Wine People, Europe Ltd.