

Company Registration No. 1302718 (England and Wales)

EHRMANN'S LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



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 Ueberior House 11 Earl Grey Street Edinburgh EH3 9BN
Solicitors	Olswang 90 High Holborn London WC1V 6XX

EHRMANN'S LIMITED

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EHRMANN'S LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report and financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The company's principal activity is the supply of wines, beers and spirits to the major retail groups. For a review of the group performance please see the financial statements of the parent company, Ehrmann's Holdings Limited.

The directors are satisfied with the results for the year, and consequently look to the future with confidence.

Results and dividends

The results for the year are set out on page 4. The Directors would note that the Profit on Ordinary Activities after Taxation of £3,121,206 (2004 - £845,786) includes a write back of bad debt provisions of £2,675,579 (2004 - £364,122). Before making an adjustment for this one off item, the comparable Profit on Ordinary Activities after Taxation would respectively be £445,627 (2004 - £481,664).

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 April 2004:

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

Directors' interests

The directors had no interest in the share capital of Ehrmann's Limited at the beginning or end of the year.

The directors interests in the ultimate parent company, Ehrmann's Holdings Limited, at the start and end of the year were as follows:

		Shares as at 31 March 2005	Shares as at 1 April 2004
H.A. Campbell	Deferred shares of 1p each	6,780	6,780
	New B Ordinary shares of £1 each	7,500	7,500
M.W.W. Jarzebowski	New B Ordinary shares of £1 each	7,500	7,500
K.A. Lay	Deferred shares of 1p each	6,780	6,780
	New B Ordinary shares of £1 each	7,500	7,500

The interests of P Dauthieu, J.M. Chapman and N.R. Day, who are also directors of the ultimate parent company, are disclosed in the financial statements of that company.

EHRMANN'S LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

Auditors

On 1 June 2005 Goodman Jones, the company's auditors, transferred its business to Goodman Jones LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly, Goodman Jones resigned as auditors on 9 June 2005 and the directors appointed Goodman Jones LLP as its successor. A resolution to reappoint Goodman Jones LLP as auditors will be proposed at the next Annual General Meeting.


Directors' responsibilities

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


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Date: 5 October 2005

EHRMANNS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EHRMANNS LIMITED

We have audited the financial statements of Ehrmanns Limited on pages 4 to 16 for the year ended 31 March 2005. 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

As described in the statement of directors' responsibilities on page 2 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Goodman Jones LLP

12/10/05

Chartered Accountants
Registered Auditor

29/30 Fitzroy Square
London
W1T 6LQ

EHRMANN'S LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	20,714,342	20,429,468
Cost of sales		(18,147,461)	(17,540,582)
Gross profit		<u>2,566,881</u>	<u>2,888,886</u>
Administrative expenses - recurring		(2,139,098)	(2,436,525)
Administrative expenses - non recurring		2,675,579	364,122
Other operating income		-	41,714
Operating profit	3	<u>3,103,362</u>	<u>858,197</u>
Other interest receivable and similar income	4	16,030	14,115
Interest payable and similar charges	5	(37,528)	(26,526)
Profit on ordinary activities before taxation		<u>3,081,864</u>	<u>845,786</u>
Tax on profit on ordinary activities	6	<u>39,342</u>	-
Profit on ordinary activities after taxation	15	<u><u>3,121,206</u></u>	<u><u>845,786</u></u>

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 2005

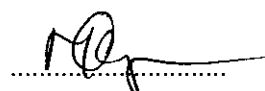
	2005	2004
	£	£
Profit for the financial year	3,121,206	845,786
Unrealised (deficit)/surplus on revaluation of properties	-	357,089
Total recognised gains and losses relating to the year	<u>3,121,206</u>	<u>1,202,875</u>

EHRMANN'S LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	7	1,019,992		1,025,960	
Investments	8	39,999		39,999	
		<u>1,059,991</u>		<u>1,065,959</u>	
Current assets					
Stocks	9	398,211	454,798		
Debtors	10	7,386,799	4,057,754		
Cash at bank and in hand		235,877	123,856		
		<u>8,020,887</u>	<u>4,636,408</u>		
Creditors: amounts falling due within one year	11	(6,043,205)	(5,785,900)		
Net current assets/(liabilities)		<u>1,977,682</u>		<u>(1,149,492)</u>	
Total assets less current liabilities		<u>3,037,673</u>		<u>(83,533)</u>	
Capital and reserves					
Called up share capital	14	339,111	339,111		
Share premium account	15	831,847	831,847		
Revaluation reserve	15	355,304	357,089		
Other reserves	15	92,925	92,925		
Profit and loss account	15	1,418,486	(1,704,505)		
Shareholders' funds	16	<u>3,037,673</u>		<u>(83,533)</u>	
Equity interests		2,983,673	(137,533)		
Non-equity interests		54,000	54,000		
		<u>3,037,673</u>	<u>(83,533)</u>		

The financial statements were approved by the Board on 15 SEPTEMBER 2005



Director

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

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	1% 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 2005

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

	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	37,575	62,689
Loss on foreign exchange transactions	-	58,209
Operating lease rentals	9,048	31,633
Auditors' remuneration	15,000	16,700
Remuneration of auditors for non-audit work	3,824	3,707
and after crediting:		
Profit on disposal of tangible assets	(20)	-
Profit on disposal of intangible assets	-	(9,994)
Profit on foreign exchange transactions	(25,955)	-
Writeback of provision on inter-company loan	(2,675,579)	-

4 Investment income

	2005	2004
	£	£
Bank interest	15,161	13,677
Other interest	869	438
	16,030	14,115

5 Interest payable

	2005	2004
	£	£
Bank loans and overdrafts	37,528	26,526

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

6	Taxation	2005 £	2004 £
	Domestic current year tax		
	Adjustment for prior years	10,363	-
	Deferred tax		
	Deferred tax charge/credit current year	(49,705)	-
		<u>(39,342)</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>3,081,864</u>	<u>845,786</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>924,559</u>	<u>253,736</u>
	Effects of:		
	Non deductible expenses	(788,403)	8,261
	Depreciation add back	11,273	18,808
	Capital allowances	(10,661)	(11,055)
	Tax losses utilised	(136,769)	(269,750)
	Adjustments to previous periods	<u>10,363</u>	<u>-</u>
		<u>(914,197)</u>	<u>(253,736)</u>
	Current tax charge	<u>10,363</u>	<u>-</u>

The company has estimated trading losses of £ 261,605 (2004: £ 679,972) available for carry forward against future profits.

The tax charge in future periods may be affected by a deferred tax asset of £201,609 (2004: £201,609) arising mainly 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.

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

7 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2004	975,000	398,195	28,317	1,401,512
Additions	-	31,607	-	31,607
Disposals	-	(97,330)	-	(97,330)
At 31 March 2005	975,000	332,472	28,317	1,335,789
Depreciation				
At 1 April 2004	-	347,235	28,317	375,552
On disposals	-	(97,330)	-	(97,330)
Charge for the year	5,729	31,846	-	37,575
At 31 March 2005	5,729	281,751	28,317	315,797
Net book value				
At 31 March 2005	969,271	50,721	-	1,019,992
At 31 March 2004	975,000	50,960	-	1,025,960

The freehold land and buildings were valued at £975,000 as at 31 March 2004 by Copping Joyce Chartered Surveyors. This valuation is based on a market value for current use, according to current RICS standards.

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

	£
Cost	
At 1 April 2004 & at 31 March 2005	716,901
Depreciation based on cost	
At 1 April 2004	98,990
Charge for the year	7,169
At 31 March 2005	106,159
Net book value	
At 31 March 2005	610,742
At 31 March 2004	617,911

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 April 2004 & at 31 March 2005	242,550
Provisions for diminution in value	
At 1 April 2004 & at 31 March 2005	202,551
Net book value	
At 31 March 2005	39,999
At 31 March 2004	39,999

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			
Viniberia SA	Spain	Ordinary	100
Ehrmanns International Limited	England	Ordinary	100
Italian Wine Brands Limited	England	Ordinary	100

9 Stocks	2005 £	2004 £
Finished goods and goods for resale	398,211	454,798

10 Debtors	2005 £	2004 £
Trade debtors	4,359,705	3,749,515
Amounts owed by parent and fellow subsidiary undertakings	2,870,501	-
Other debtors	1,647	15,035
Prepayments and accrued income	105,241	293,204
Deferred tax asset (see note 12)	49,705	-
	7,386,799	4,057,754

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

11 Creditors: amounts falling due within one year	2005 £	2004 £
Trade creditors	4,630,427	4,678,051
Amounts owed to subsidiary undertakings	747,009	817,286
Taxes and social security costs	552,625	118,089
Other creditors	16,269	9,757
Accruals and deferred income	96,875	162,717
	<u>6,043,205</u>	<u>5,785,900</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 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 10) is made up as follows:

	2005 £	2004 £
Profit and loss account	<u>(49,705)</u>	
	2005 £	2004 £
Tax losses available	<u>(49,705)</u>	<u>-</u>

13 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 £2,815 (2004: £3,105) were outstanding.

	2005 £	2004 £
Contributions payable by the company for the year	<u>58,506</u>	<u>61,438</u>

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

14 Share capital	2005 £	2004 £
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 Deferred shares of 50p each	54,000	54,000
	<u>339,111</u>	<u>339,111</u>

15 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2004	831,847	357,089	92,925	(1,704,505)
Retained profit for the year	-	-	-	3,121,206
Transfer from revaluation reserve to profit and loss account	-	(1,785)	-	1,785
Balance at 31 March 2005	<u>831,847</u>	<u>355,304</u>	<u>92,925</u>	<u>1,418,486</u>
 Other reserves				
Capital redemption reserve				
Balance at 1 April 2004 & at 31 March 2005			<u>92,925</u>	

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

16 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Profit for the financial year	3,121,206	845,786
Other recognised gains and losses	-	357,089
	<hr/>	<hr/>
Net addition to shareholders' funds	3,121,206	1,202,875
Opening shareholders' funds	(83,533)	(1,286,408)
	<hr/>	<hr/>
Closing shareholders' funds	3,037,673	(83,533)
	<hr/>	<hr/>

17 Contingent liabilities

The company has a guarantee to H M Customs & Excise for £275,000.

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.

18 Financial commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Expiry date:		
Within one year	500	258
Between two and five years	3,836	7,605
	<hr/>	<hr/>
	4,336	7,863
	<hr/>	<hr/>

EHRMANN'S LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2005

19 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	399,757	348,663
Company pension contributions to money purchase schemes	31,863	29,050
Other emoluments including benefits in kind	4,882	4,224
	<u>436,502</u>	<u>381,937</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2004- 5).

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

Emoluments for qualifying services	98,100	98,100
Other emoluments including benefits in kind	946	903
Company pension contributions to money purchase schemes	10,350	10,350
	<u></u>	<u></u>

20 Employees

Number of employees

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

	2005 Number	2004 Number
Management	6	3
Sales	16	22
Administration	5	6
	<u>27</u>	<u>31</u>

Employment costs

	£	£
Wages and salaries	1,162,906	1,217,596
Social security costs	142,251	147,268
Other pension costs	58,506	61,438
	<u>1,363,663</u>	<u>1,426,302</u>

EHRMANNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2005**

21 Control

The company is wholly owned by Ehrmanns Holding Limited, a company registered in England and Wales. Ehrmanns Holding Company 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.