



CHAPEL DOWN

World class wines from England

Company Registration No. 4362181 (England and Wales)

ENGLISH WINES GROUP PLC

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2007**

ENGLISH WINES GROUP PLC

DIRECTORS AND ADVISERS

Directors	P. Brett F.D. Thompson R.G. Balfour-Lynn R.A.B. Woodhouse N.W. Wray
Secretary	R.A.B. Woodhouse
Company number	4362181
Registered office	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Creaseys LLP 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
Bankers	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
Registrars	Capita Registrars Northern House, Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Financial advisors	Lion Capital Corporation 3 rd Floor 5-11 Worship Street London EC2A 2BH
Solicitors	Thomson Snell and Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES GROUP PLC

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ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

Introduction

I have pleasure in presenting the company's Annual Report and Financial Statements for the 12 months ending 31st December 2007.

Results for the year

The Group made a pre-tax profit of £157,543 compared with a loss of (£89,579) in the previous year.*

Gross profit is up 28% at £1,048,240.

Overall turnover has gone up 10% at £2,476,026 due in part to an 18% increase in the average selling price (excluding duty) of premium wines along with a 5% increase in overall volume of wine sold.

Costs have been well maintained in a year of increasing raw material and fuel prices. Overall, cost of sales are down 1% and the underlying average cost per bottle is down 5%.

Administration and marketing expenses are down 10% on a like for like basis at £820,029 due to lower marketing costs mainly due to the efficient use of PR and the internet.

Other operating income of £15,629 relates to amounts received from insurers for the business income interruption element of our claim following the fire in August 2004, being recompense for stock that would have been sold in 2007. All income relating to the business income interruption claim has now been fully recognised.

Operations

We continue to make good progress on our key targets:-

- Pricing continues to move forward resulting in an 18% increase in average selling price (excluding duty) of premium wines without impacting demand growth
- Volumes are in line with expectations
- Customer relationships are well managed and demand remains very strong
- Strong support from Conran restaurants, Gordon Ramsay, Gary Rhodes, Selfridges, Fortnum and Mason, Konstam, Roast and other well known premium accounts is driving improved awareness and attitudes
- Strong support and interest from key national accounts including Waitrose, Sainsbury and Marks & Spencer
- Export opportunities are growing
- Overheads continue to be well controlled
- Media coverage and marketing continues to stimulate demand ahead of our ability to supply
- We continue to attract new growers to supply premium grapes
- We are in the process of acquiring 116 acres of freehold land in the North Downs, of which 72 acres will be planted with Chardonnay and Pinot Noir in May 2008

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Risks and Uncertainties

Harvest failure:

The risk of harvest failure is partially mitigated by the spread of contracted vineyards across the South East of England.

Credit risk:

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual terms.

Outlook

The 2007 harvest was affected by the adverse summer weather. However, although volumes were lower than expectations, the fruit was of high quality, with very good to outstanding white and sparkling wine to come. New acreage added since 2005 (of 125 acres) will become productive in 2008, enabling us to sell more premium wines from 2010 onwards, and adding significantly to profitability.

We continue to be approached by existing and new growers seeking to plant more vines for us and demand for our wines from quality sustainable accounts continues to be strong at premium pricing. It is therefore your Board's view that the medium to long term prospects of the company remain excellent.

Paul Brett

Chairman

Note

* FRS 20 accounting standard requires us to restate our profit to attribute a notional cost of non-cash share option agreements to the business. After adopting FRS20, the accounts show a reduction in profit of £71,075 (2006: £76,024) resulting in a Group pre-tax profit of £86,468 (2006: loss of £165,603).

ENGLISH WINES GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

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

Directors

The following directors have held office since 1 January 2007:

P. Brett
F.D. Thompson
R.G. Balfour-Lynn
R.A.B. Woodhouse
N.W. Wray

Principal activities and review of the business

The principal activity of the group continued to be that of the producing and selling of wines. A review of the business appears in the Chairman's statement on pages 1 and 2.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Creditor payment policy

The company's payment policy concerning the payment of trade creditors is to:

- establish the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts;
and
- pay in accordance with the company's contractual and other legal obligations.

Auditors

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

ENGLISH WINES GROUP PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 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 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 judgments 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 of a company must, in determining how amounts are presented in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practice or principles.

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 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) 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 group's auditors are aware of that information.

On behalf of the board

F.D. Thompson

Director

24 April 2008

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 30 for the year ended 31 December 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 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 December 2007 and of the group's loss 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.

Creaseys LLP

24 April 2008

Chartered Accountants

Registered Auditor

12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ENGLISH WINES GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007	2006
	Notes	£	£
Turnover	2	2,476,026	2,257,327
Cost of sales		(1,427,786)	(1,438,595)
Gross profit		1,048,240	818,732
Administrative expenses before share based payment		(820,029)	(910,631)
Share based payment (FRS20)		(71,075)	(76,024)
Administrative expenses after share based payment		(891,104)	(986,655)
Other operating income	3	15,629	79,174
Operating profit/(loss)	3	172,765	(88,749)
Other interest receivable and similar income		1,895	-
Interest payable and similar charges	4	(88,192)	(76,854)
Profit/(loss) on ordinary activities before taxation		86,468	(165,603)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(loss) on ordinary activities after taxation		86,468	(165,603)

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

Profit/(loss) per share (pence)	7		
- basic		0.21	(0.41)
- diluted		0.21	(0.40)

ENGLISH WINES GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	£	£
Profit/(loss) for the financial year	86,468	(165,603)
Prior year adjustment	-	(34,829)
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	86,468	(200,432)
	<hr/> <hr/>	<hr/> <hr/>
 Note of historical cost profits and losses		
	2007	2006
	£	£
Reported profit/(loss) on ordinary activities before taxation	86,468	(165,603)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	62,477	12,781
	<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation	148,945	(152,822)
	<hr/> <hr/>	<hr/> <hr/>
Historical cost profit/(loss) for the year retained after taxation, extraordinary items and dividends	148,945	(152,822)
	<hr/> <hr/>	<hr/> <hr/>

ENGLISH WINES GROUP PLC

BALANCE SHEETS

AS AT 31 DECEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8	153,272	169,508	153,272	169,508
Tangible assets	9	3,321,849	2,046,648	2,918,603	1,647,048
Investments	10	-	-	50,000	50,000
		<u>3,475,121</u>	<u>2,216,156</u>	<u>3,121,875</u>	<u>1,866,556</u>
Current assets					
Stocks	11	1,596,919	1,662,805	-	-
Debtors	12	330,276	224,474	2,544,886	2,125,969
Cash at bank and in hand		683,292	74,025	614	366
		<u>2,610,487</u>	<u>1,961,304</u>	<u>2,545,500</u>	<u>2,126,335</u>
Creditors: amounts falling due within one year	13	<u>(844,178)</u>	<u>(866,651)</u>	<u>(135,650)</u>	<u>(47,511)</u>
Net current assets		<u>1,766,309</u>	<u>1,094,653</u>	<u>2,409,850</u>	<u>2,078,824</u>
Total assets less current liabilities		<u>5,241,430</u>	<u>3,310,809</u>	<u>5,531,725</u>	<u>3,945,380</u>
Creditors: amounts falling due after more than one year	14	<u>(963,648)</u>	<u>(809,587)</u>	<u>(916,979)</u>	<u>(776,100)</u>
		<u>4,277,782</u>	<u>2,501,222</u>	<u>4,614,746</u>	<u>3,169,280</u>
Capital and reserves					
Called up share capital	15	2,103,734	2,013,234	2,103,734	2,013,234
Share premium account	16	1,765,352	1,584,352	1,765,352	1,584,352
Revaluation reserve	16	1,530,962	245,922	1,325,797	9,400
Other reserves	16	181,928	110,853	-	-
Profit and loss account	16	(1,304,194)	(1,453,139)	(580,137)	(437,706)
Shareholders' funds	17	<u>4,277,782</u>	<u>2,501,222</u>	<u>4,614,746</u>	<u>3,169,280</u>

Approved by the Board and authorised for issue on 24 April 2008

F.D. Thompson
Director

R.A.B. Woodhouse
Director

ENGLISH WINES GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	£	2007 £	£	2006 £
Net cash inflow/(outflow) from operating activities		220,434		322,927
Returns on investments and servicing of finance				
Interest received	1,895		-	
Interest paid	(88,192)		(76,854)	
	<hr/>		<hr/>	
Net cash outflow for returns on investments and servicing of finance		(86,297)		(76,854)
Capital expenditure				
Payments to acquire tangible assets	(19,508)		(26,825)	
	<hr/>		<hr/>	
Net cash outflow for capital expenditure		(19,508)		(26,825)
		<hr/>		<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing		114,629		219,248
Exercise of share warrants		271,499		-
Financing				
New long term bank loan	140,880		-	
New short term bank loan	93,997		-	
Other new long term debt	14,400		-	
Repayment of long term bank loan	-		(26,217)	
Repayment of other short term loans	-		(73,741)	
Capital element of hire purchase contracts	(26,137)		(21,877)	
	<hr/>		<hr/>	
Net cash (outflow)/inflow from financing		223,140		(121,835)
		<hr/>		<hr/>
Increase/(decrease) in cash in the year		609,268		97,413
		<hr/> <hr/>		<hr/> <hr/>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		2007	2006
			£	£
	Operating profit/(loss)		172,765	(88,749)
	Depreciation of tangible assets		120,233	94,561
	Amortisation of intangible assets		16,236	16,236
	Loss on disposal of tangible assets		7,052	1,932
	Share based payments		71,075	76,024
	(Increase)/decrease in stocks		65,886	(31,991)
	(Increase)/decrease in debtors		(105,802)	93,978
	Increase/(decrease) in creditors within one year		(127,011)	160,936
			<u>220,434</u>	<u>322,927</u>
	Net cash inflow/(outflow) from operating activities		220,434	322,927
2	Analysis of net debt		Other non-cash changes	31 December 2007
	1 January 2007	Cash flow	£	£
	£	£		
	Net cash:			
	Cash at bank and in hand		-	683,293
	<u>74,025</u>	<u>609,268</u>	<u>-</u>	<u>683,293</u>
	74,025	609,268	-	683,293
	<u>(54,700)</u>	<u>26,137</u>	<u>(35,461)</u>	<u>(64,024)</u>
	Finance leases			
	Debts falling due within one year		-	(123,847)
	(29,850)	(93,997)	-	(931,378)
	Debts falling due after one year		-	
	(776,100)	(155,278)		
	<u>(860,650)</u>	<u>(223,138)</u>	<u>(35,461)</u>	<u>(1,119,249)</u>
	Net debt		(35,461)	(435,956)
	<u>(786,625)</u>	<u>386,130</u>	<u>(35,461)</u>	<u>(435,956)</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

3 Reconciliation of net cash flow to movement in net debt	2007	2006
	£	£
Increase/(decrease) in cash in the year	609,268	97,413
Cash outflow/(inflow) from decrease/(increase) in debt	(223,138)	121,835
	<hr/>	<hr/>
Change in net debt resulting from cash flows	386,130	219,248
New finance lease	(35,461)	-
	<hr/>	<hr/>
Movement in net debt in the year	350,669	219,248
Opening net debt	(786,625)	(1,005,873)
	<hr/>	<hr/>
Closing net debt	(435,956)	(786,625)
	<hr/> <hr/>	<hr/> <hr/>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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.

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 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 2007. 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 land & buildings	Straight line over 50 years on the buildings
Plant & machinery	5% Straight line
Fixtures, fittings & equipment	15% Reducing balance
Motor vehicles	25% Reducing balance

1.7 Leasing and hire purchase commitments

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 YEAR ENDED 31 DECEMBER 2007

1 Accounting policies (continued)

1.9 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.

1.10 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.

1.11 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.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2007	2006
	£	£
Geographical segment		
UK	2,429,007	2,175,128
Other EU	3,839	46,458
Non EU	43,180	35,741
	<u>2,476,026</u>	<u>2,257,327</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

3 Operating loss

	2007	2006
	£	£
Operating loss is stated after charging:		
Depreciation of intangible assets	16,236	16,236
Depreciation of tangible assets	120,233	94,561
Loss on disposal of tangible assets	7,052	1,932
Loss on foreign exchange transactions	5,135	855
Operating lease rentals	31,960	30,299
Auditors' remuneration (company £3,550; 2006: £3,825)	10,500	8,600
Auditors' remuneration – additional fee for prior year	4,625	-
Remuneration of auditors for non-audit work	2,076	2,400
and after crediting:		
Insurance claims receivable	(15,629)	(79,174)

The other operating income relates to monies received from the group's insurers as part of the business interruption element of the insurance claim, a result of the fire at the group's premises in 2004, being recompense for the stock that would have been sold in the year.

4 Interest payable

	2007	2006
	£	£
On bank loans and overdrafts	83,510	72,754
Hire purchase interest	4,682	4,100
	<u>88,192</u>	<u>76,854</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

5 Taxation	2007 £	2006 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	86,468	(165,603)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006: 30.00%)	25,941	(49,681)
Effects of:		
Non deductible expenses	57,048	24,709
Depreciation add back	21,567	33,240
Tax losses utilised	(130,876)	(28,681)
Chargeable disposals	-	19,834
Unutilised losses carried forward	24,204	-
Loss on disposal of assets	2,116	579
	(25,941)	49,681
Current tax charge	-	-

6 Loss for the financial year

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 year is made up as follows:

	2007 £	2006 £
Holding company's loss for the financial year	(173,551)	(131,272)

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

7 Earnings per share

The calculation of basic earnings per share is based on the loss 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.

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2007 £	2006 £	2007	2006	2007 pence	2006 pence
Basic earnings	86,468	(165,603)	40,830,083	40,264,667	0.21	(0.41)
Outstanding share options	-	-	994,742	994,742	-	0.01
Diluted earnings	<u>86,468</u>	<u>(165,603)</u>	<u>41,824,825</u>	<u>41,259,409</u>	<u>0.21</u>	<u>(0.40)</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

8 Intangible fixed assets

Group

	Intellectual property and goodwill £
Cost	
At 1 January 2007 & at 31 December 2007	243,594
Amortisation	
At 1 January 2007	74,086
Charge for the year	16,236
At 31 December 2007	90,322
Net book value	
At 31 December 2007	153,272
At 31 December 2006	169,508

Goodwill was revalued in 2002 on a fair value basis. The historical cost of goodwill is £216,094 (2006: £216,094). The provision for amortisation based on historical cost would have been £78,866 (2006: £64,463) and the charge for the year would have been £14,403.

Company

	Intellectual property and goodwill £
Cost	
At 1 January 2007 & at 31 December 2007	243,594
Amortisation	
At 1 January 2007	74,086
Charge for the year	16,236
At 31 December 2007	90,322
Net book value	
At 31 December 2007	153,272
At 31 December 2006	169,508

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

9 Tangible fixed assets Group

	Freehold land & buildings	Plant & machinery	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2007	1,232,283	931,687	185,618	13,781	2,363,369
Additions	-	46,122	8,847	-	54,969
Revaluation	1,304,315	-	-	-	1,304,315
Disposals	-	-	(12,086)	-	(12,086)
At 31 December 2007	2,536,598	977,809	182,379	13,781	3,710,567
Depreciation					
At 1 January 2007	53,774	196,642	56,381	9,924	316,721
Revaluation	(43,202)	-	-	-	(43,202)
On disposals	-	-	(5,034)	-	(5,034)
Charge for the year	47,439	47,223	24,607	964	120,233
At 31 December 2007	58,011	243,865	75,954	10,888	388,718
Net book value					
At 31 December 2007	2,478,587	733,944	106,425	2,893	3,321,849
At 31 December 2006	1,178,509	735,045	129,237	3,857	2,046,648

The freehold land and buildings were valued by Michael Parkes Surveyors Ltd on 19 February 2007 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 £1,052,283 (2006: £1,052,283). 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 £956,447 (2006: £910,325). The provision for depreciation based on historical cost would have been freehold land and buildings £60,425 (2006: £45,604), plant and machinery £237,457 (2006: £191,302). The depreciation charge for the year based on historical cost would have been freehold land and buildings £14,821 and plant and machinery £46,155. 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 YEAR ENDED 31 DECEMBER 2007

9 Tangible fixed assets

Group (continued)

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

	Plant & machinery	Total
	£	£
Net book values		
At 31 December 2007	199,996	199,996
At 31 December 2006	104,892	104,892
	<u> </u>	<u> </u>
Depreciation charge for the year		
At 31 December 2007	9,113	9,113
At 31 December 2006	5,964	5,964
	<u> </u>	<u> </u>

Company

	Freehold land & buildings	Plant & machinery	Total
	£	£	£
Cost or valuation			
At 1 January 2007	1,195,685	635,500	1,831,185
Revaluation	1,304,315	-	1,304,315
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007	2,500,000	635,500	3,135,500
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 January 2007	43,202	140,935	184,137
On revaluation	(43,202)	-	(43,202)
Charge for the year	44,186	31,776	75,962
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2007	44,186	172,711	216,897
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 2007	2,455,814	462,789	2,918,603
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	1,152,483	494,565	1,647,048
	<u> </u>	<u> </u>	<u> </u>

The freehold land and buildings and plant and machinery were transferred to the company from its subsidiary English Wines plc in 2002. Disclosure of the cost of the property is shown in the group fixed assets summary.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

10 Fixed asset investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2007 and 31 December 2007	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 year was as follows:

	Principal activity
English Wines Plc	Manufacture and sale of wine

11 Stocks and work in progress

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Work in progress	1,506,027	1,579,149	-	-
Finished goods and goods for resale	90,892	83,656	-	-
	<u>1,596,919</u>	<u>1,662,805</u>	<u>-</u>	<u>-</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

12 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	195,697	204,143	-	-
Amounts owed by group undertakings	-	-	2,479,887	2,125,969
Other debtors	1,739	1,989	-	-
Prepayments and accrued income	132,840	18,342	64,999	-
	<u>330,276</u>	<u>224,474</u>	<u>2,544,886</u>	<u>2,125,969</u>

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

	2007	2006	2007	2006
Amounts owed by group undertakings	-	-	2,479,887	2,125,969
	<u>-</u>	<u>-</u>	<u>2,479,887</u>	<u>2,125,969</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	123,847	29,850	123,847	29,850
Net obligations under finance lease and hire purchase contracts	31,754	21,213	-	-
Trade creditors	261,770	357,413	-	-
Taxes and social security costs	254,285	295,330	-	-
Other creditors	136,769	133,896	9,643	13,836
Accruals and deferred income	35,753	28,949	2,160	3,825
	<u>844,178</u>	<u>866,651</u>	<u>135,650</u>	<u>47,511</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

14 Creditors : amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	916,979	776,100	916,979	776,100
Net obligations under finance leases and hire purchase agreements	32,269	33,487	-	-
Accruals and deferred income	14,400	-	-	-
	<u>963,648</u>	<u>809,587</u>	<u>916,979</u>	<u>776,100</u>

Analysis of loans

Not wholly repayable within five years by instalments:

Commercial mortgage	1,040,826	805,950	1,040,826	805,950
	<u>1,040,826</u>	<u>805,950</u>	<u>1,040,826</u>	<u>805,950</u>
Included in current liabilities	(123,847)	(29,850)	(123,847)	(29,850)
	<u>916,979</u>	<u>776,100</u>	<u>916,979</u>	<u>776,100</u>
Instalments not due within five years	<u>297,742</u>	<u>537,300</u>	<u>297,742</u>	<u>537,300</u>

Loan maturity analysis

In more than one year but not more than two years	247,695	59,700	247,695	59,700
In more than two years but not more than five years	371,542	179,100	371,542	179,100
In more than five years	<u>297,742</u>	<u>537,300</u>	<u>297,742</u>	<u>537,300</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 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.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

14 Creditors : amounts falling due after more than one year (continued)

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	37,012	25,114	-	-
Repayable between one and five years	37,236	39,649	-	-
	<u>74,248</u>	<u>64,763</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(10,225)	(10,063)	-	-
	<u>64,023</u>	<u>54,700</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(31,754)	(21,213)	-	-
	<u>32,269</u>	<u>33,487</u>	<u>-</u>	<u>-</u>

15 Share capital

	2007 £	2006 £
Authorised		
200,000,000 Ordinary Shares of 5p each	10,000,000	10,000,000
400,000 Preference shares of £1 each	400,000	400,000
	<u>10,400,000</u>	<u>10,400,000</u>
Allotted, called up and fully paid		
42,074,665 Ordinary Shares of 5p each	2,103,734	2,013,234
	<u>2,103,734</u>	<u>2,013,234</u>

1,809,998 Ordinary 5p shares were allotted, issued and fully paid during the year, with an aggregate nominal value of £90,500. A further consideration of 10p per share (total: £181,000) was received in respect of share premium.

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. A further 6,239,997 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at between 5p and 15p per share after 1 July 2010.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

16 Statement of movements on reserves Group

	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Profit & loss account £
Balance at 1 January 2007	1,584,352	245,922	110,853	(1,453,139)
Profit for the year	-	-	-	86,468
Revaluation	-	1,347,517	-	-
Transfer from revaluation reserve to profit and loss account	-	(62,477)	-	62,477
Movement during the year	-	-	71,075	-
Issue of share warrants	181,000	-	-	-
	<u>1,765,352</u>	<u>1,530,962</u>	<u>181,928</u>	<u>(1,304,194)</u>
Balance at 31 December 2007	<u>1,765,352</u>	<u>1,530,962</u>	<u>181,928</u>	<u>(1,304,194)</u>

Other reserves

Reserves arising from share based payments

Balance at 1 January 2007	110,853
Other reserve movement	71,075
	<u>181,928</u>
Balance at 31 December 2007	<u>181,928</u>

Company

	Share premium account £	Revaluation reserve £	Profit & loss account £
Balance at 1 January 2007	1,584,352	9,400	(437,706)
Retained loss for the year	-	-	(173,551)
Exercise of share warrants	181,000	-	-
Revaluation	-	1,347,517	-
Transfer from revaluation reserve to profit and loss account	-	(31,120)	31,120
	<u>1,765,352</u>	<u>1,325,797</u>	<u>(580,137)</u>
Balance at 31 December 2007	<u>1,765,352</u>	<u>1,325,797</u>	<u>(580,137)</u>

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

17 Reconciliation of movements in shareholders' funds

Group	2007	2006
	£	£
Profit/(loss) for the financial year	86,468	(165,603)
Proceeds from issue of shares	271,500	-
Movements on revaluation reserve	1,347,517	-
Movements on other reserves	71,075	76,024
	<hr/>	<hr/>
Net increase/(depletion) in shareholders' funds	1,776,560	(89,579)
Opening shareholder's funds	2,501,222	2,590,801
	<hr/>	<hr/>
Closing shareholder's funds	<u>4,277,782</u>	<u>2,501,222</u>
	<hr/>	<hr/>
Company	2007	2006
	£	£
Loss for the financial year	(173,551)	(131,272)
Proceeds from issue of shares	271,500	-
Movements on revaluation reserve	1,347,517	-
	<hr/>	<hr/>
Net increase/(depletion) in shareholders' funds	1,445,466	(131,272)
Opening shareholder's funds	3,169,280	3,300,552
	<hr/>	<hr/>
Closing shareholder's funds	<u>4,614,746</u>	<u>3,169,280</u>
	<hr/>	<hr/>

18 Financial commitments

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date:				
Within one year			1,380	
Between two and five years	-	-	34,526	8,278
In over five years	14,000	15,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>14,000</u>	<u>15,000</u>	<u>35,906</u>	<u>8,278</u>
	<hr/>	<hr/>	<hr/>	<hr/>

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 YEAR ENDED 31 DECEMBER 2007

19 Directors' emoluments	2007	2006
	£	£
Emoluments for qualifying services	169,000	154,500
	<u> </u>	<u> </u>

20 Employees

Number of employees

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

	2007	2006
	Number	Number
Administration	3	4
Production	9	9
Directors	5	5
Retail	6	8
	<u> </u>	<u> </u>
	23	26
	<u> </u>	<u> </u>

Employment costs

	2007	2006
	£	£
Wages and salaries	585,724	602,737
Social security costs	57,000	60,240
	<u> </u>	<u> </u>
	642,724	662,977
	<u> </u>	<u> </u>
Share based payments	71,075	76,024
	<u> </u>	<u> </u>

Employment costs include £71,075 (2006: £76,024) relating to the effect of adopting the FRS20 accounting standard. This standard requires us to attribute a notional cost of non-cash share option agreements to the business.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

21 Share options

During the period ended 31 December 2007, the company and group had three share based payment arrangements, which are described below.

	2003	2006	2006
Date of grant	11 February 2003	Variable price 27 January 2006	Fixed price 27 January 2006
Number granted	1,968,450	3,000,000	3,986,663
Contractual life	3.7 years	4.4 years	4.4 years
Vesting conditions	Service ranging from 9 months to 3 years 9 months. *	4.4 years' service **	4.4 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 on OFEX 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 3,986,663 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%.

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

21 Share options

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

	2003		2006 Variable price		2006 Fixed 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	1,968,450	12.5p	3,000,000	9.0p	3,239,997	15.0p
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding at end of year	1,968,450	12.5p	3,000,000	9.0p	3,239,997	15.0p
Exercisable at end of year	1,968,450	12.5p	0	9.0p	0	15.0p

The options outstanding at 31 December 2007 had exercise prices of 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 2 years (2006: 2.7 years).

	Total	2003	2006 Variable price	2006 Fixed price
Expense arising from share based payment transactions: share option plans				
2007	71,075	-	45,466	25,609
2006	76,024	10,012	42,227	23,785

ENGLISH WINES GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

22 Capital commitments

At the balance sheet date, the Group was committed to the purchase of land at Aylesford in Kent. The total purchase price of the land is £550,480 and a deposit of £55,048 had been paid before the balance sheet date (included in Prepayments). The date of exchange of contracts is expected to be April 2008.

Prepayments also include a deposit of £23,529 paid in the year in respect of machinery to be delivered after the balance sheet date. The total value of the commitment to machinery purchases at the balance sheet date was £106,750.

23 Ultimate Controlling Party

The Directors consider that there is no one ultimate controlling party.

Come and visit us



General enquiries and orders

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Wine Bar and Bistro

Tel: 01580 761616

Chapel Down Wine and Fine Food Store

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