Company Registration No. 4362181 (England and Wales)

ENGLISH WINES GROUP PLC

ANNUAL REPORT

FOR THE YEAR ENDED

30 SEPTEMBER 2003

ENGLISH WINES GROUP PLC

DIRECTORS AND ADVISERS

Directors	P. Brett F. Thompson S.P. Hume-Kendall C.K. Brown A.P. Drewe R.G. Balfour-Lynn (Appointed 24 November 2003) P. Kraftman
Secretary	C.K. Brown
Company number	4362181
Registered office	Tenterden Vineyard Park,Small Hythe 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 SW17 1EW
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

ENGLISH WINES GROUP PLC

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ENGLISH WINES GROUP PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

The directors present their report and financial statements for the year ended 30 September 2003.

Directors
The following directors have held office since 1 October 2002:

P. Brett	
F. Thompson	
S.P. Hume-Kendall	
C.K. Brown	
A.P. Drewe	
R.G. Balfour-Lynn	(Appointed 24 November 2003)
P. Kraftman	

Principal activities and review of the business
The principal activity of the group continued to be the producing and selling wines. Please see the Chairman's report for full review of the year.

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.

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	
	30 September 2003	1 October 2002
P. Brett	6,404,014	5,331,080
S.P. Hume-Kendall	14,000	14,000
F. Thompson	14,000	14,000
C.K. Brown	192,058	125,000
A.P. Drewe	14,000	14,000
P. Kraftman	785,940	625,000

	Preference shares of £ 1 each	
	30 September 2003	1 October 2002
P. Brett	200,000	-
S.P. Hume-Kendall	-	-
F. Thompson	-	-
C.K. Brown	-	-
A.P. Drewe	-	-
P. Kraftman	-	-

English Wines Plc

	Ordinary shares of 1p each	
	30 September 2003	1 October 2002
A.P. Drewe	-	-
P. Brett	-	-
C.K. Brown	-	-

	Preference shares of £ 1 each	
	30 September 2003	1 October 2002
A.P. Drewe	-	-
P. Brett	-	-
C.K. Brown	-	-

S. Hume-Kendall is associated with Connaught Investments & Properties Limited which holds 2,666,667 Ordinary Shares. A. Drewe is associated with Oakover Holdings Limited which holds 2,666,667 Ordinary Shares and 200,000 preference shares. S. Hume-Kendall, A. Drewe and C. Brown are all associated with Drewe and Hume-Kendall Investments Limited which holds 358,096 Ordinary Shares.

F. Thompson has share options for 1,968,450 ordinary shares, exercisable in tranches over the next four 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, C. Brown - 41,666, P. Kraftman - 100,000. S. Hume-Kendall, A. Drewe and C. Brown also have an interest in warrants over 250,000 ordinary shares by way of their interest in Lamberhurst Vineyards (2000) Limited.

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 group and of the profit or loss of the group for that year. 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

.... 27 / 2 / 04

ENGLISH WINES GROUP PLC

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

Introduction

I have pleasure in presenting your company's Annual Report and Financial Statements for the year ended 30th September 2003.

Results for the year

The Group made a small profit of £17,784 for the year, and excluding the losses made on discontinued operation, the Group made a profit of £86,725 on its core activities.

Our continued success is, of course, dependent on our ability to maintain strong sales growth and develop profitable sales channels. Sales have grown by 38% in the year with a modest price rise which came at a time when duty was also increased by 4p per bottle.

Our brands, Curious Grape and Chapel Down, are performing well. Indeed, such has been the demand for our Chapel Down sparkling wines, Curious Grape red wines and Curious Grape Bacchus that we have to face rationing these lines and will be increasing prices further. We are well advanced in our plans to improve supply over the coming years.

The quality of our wines remains exceptional. This year, our winemaker, Owen Elias won the Winemaker of the Year for 2003 for the second year running. An outstanding 2003 harvest as a result of the wonderful English summer means that our wines will continue to attract a very high profile with the trade and consumer alike. The future looks extremely encouraging.

Operations

Your Board has continued the process of developing and strengthening the Operations and Balance Sheet of the Company over the past year. This has been driven by a desire to focus the business and management on the production, marketing and sales of our core product, English Wine. This has enabled the company to significantly reduce its overheads through transferring or releasing people, reduce gearing, add resource into sales, streamline our vineyard operations and free up management time to improve performance.

In my last Statement I informed shareholders that we were considering ways to streamline our retail operation, and to this end we have now completed that exercise by assigning the leasehold properties to various operations, with certain long term agreements ensuring continued or increasing sales at improved margins to EWG.

In November our lease on the Westfield shop expired and we did not seek renewal. We have ceased to operate the Lamberhurst shop and the lease has been assigned to a third party who will not only be tied to wines, but also incentivised to continue to grow wine sales at the site. Similarly the lease of the Swan has been sold to the incumbent management couple as tenants tied to the sale of English Wines. The Lamberhurst vineyard lease has been relinquished with a supply agreement with the owners to purchase premium grapes at market pricing. The rented warehouse and bond facilities at Lamberhurst will be partly vacated over the coming months as the pressure from harvest becomes less, and stock relocated to Tenterden.

As can be seen from the accounts, discontinuing the operating responsibility of these units has already permitted the Company to make significant overhead reductions and allowed senior management to concentrate their efforts on the core activity.

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

The retail outlet within our Headquarters at Tenterden continues to perform well, absorbing negligible management effort.

At Tenterden we have attracted a quality new tenant for the Garden Centre, which has improved the standards and appearance of the site considerably. Similarly we have awarded the lease of the bistro to a local restaurateur who will increase standards and improve visitor traffic. The full benefit of these changes will be seen in next years profit performance.

Outlook for the new year

The new year has certainly begun well and with the exceptional 2003 vintage early white wines available from May we are confident of continued success.

Paul Brett

Chairman

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 28 for the year ended 30 September 2003. 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 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 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.

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 30 September 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Creaseys

27th February 2004

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 30 SEPTEMBER 2003

			2003		2002
		Continuing operations	**Discontinued operations**	**Total**	
	Notes	**£**	**£**	**£**	£
Turnover	**2**	**1,720,684**	**321,398**	**2,042,082**	1,470,927
Cost of sales		**(971,937)**	**(290,555)**	**(1,262,492)**	(862,081)
Gross profit		**748,747**	**30,843**	**779,590**	608,846
Administrative expenses		**(602,128)**	**(99,784)**	**(701,912)**	(576,850)
Other operating income		**-**	**-**	**-**	368
Operating profit	4	**146,619**	**(68,941)**	**77,678**	32,364
Interest payable and similar charges	**5**			**(59,894)**	(44,788)
Profit/(loss) on ordinary activities before taxation				**17,784**	(12,424)
Tax on profit/(loss) on ordinary activities	**6**			**-**	-
Profit/(loss) on ordinary activities after taxation				**17,784**	(12,424)
Earnings per share (pence) - basic and diluted	**8**			**0.12**	(0.10)

ENGLISH WINES GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2003

	2003 £	2002 £
Profit/(loss) for the financial year	**17,784**	(12,424)
Unrealised surplus on revaluation of properties	**9,400**	159,656
Total recognised gains and losses relating to the year	**27,184**	147,232

Note of historical cost profits and losses

	2003 £	2002 £
Reported profit/(loss) on ordinary activities before taxation	**17,784**	(12,424)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	**1,068**	2,446
Historical cost profit/(loss) on ordinary activities before taxation	**18,852**	9,978
Historical cost profit/(loss) for the year retained after taxation, extraordinary items and dividends	**18,852**	9,978

ENGLISH WINES GROUP PLC

BALANCE SHEETS
AS AT 30 SEPTEMBER 2003

		Group		Company	
		2003	2002	**2003**	2002
	Notes	**£**	£	**£**	£
Fixed assets					
Intangible assets	**9**	**222,275**	213,915	**222,275**	213,915
Tangible assets	**10**	**1,485,103**	1,535,890	**1,367,837**	1,390,213
Investments	**11**	**-**	-	**50,000**	50,000
		1,707,378	1,749,805	**1,640,112**	1,654,128
Current assets					
Stocks	**12**	**1,467,405**	1,323,849	**-**	-
Debtors	**13**	**210,931**	147,117	**768,951**	161,925
Cash at bank and in hand		**3,639**	-	**3,639**	-
		1,681,975	1,470,966	**772,590**	161,925
Creditors: amounts falling due within one year	**14**	**(823,295)**	(1,246,638)	**(126,157)**	(153,683)
Net current assets		**858,680**	224,328	**646,433**	8,242
Total assets less current liabilities		**2,566,058**	1,974,133	**2,286,545**	1,662,370
Creditors: amounts falling due after more than one year	**15**	**(728,738)**	(1,017,454)	**(628,651)**	(789,417)
		1,837,320	956,679	**1,657,894**	872,953
Capital and reserves					
Called up share capital	**16**	**1,231,567**	643,450	**1,231,567**	643,450
Share premium account	**17**	**522,375**	257,035	**522,375**	257,035
Revaluation reserve	**17**	**265,542**	257,210	**9,400**	-
Profit and loss account	**17**	**(182,164)**	(201,016)	**(105,448)**	(27,532)
Shareholders' funds	**18**	**1,837,320**	956,679	**1,657,894**	872,953

The financial statements were approved by the board on 27/2/04

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Director

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Director

ENGLISH WINES GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

		2003 £		2002 £
Net cash outflow from operating activities		**(157,439)**		(451,203)
Returns on investments and servicing of finance				
Interest paid	**(59,894)**		(44,788)	
Net cash outflow for returns on investments and servicing of finance		**(59,894)**		(44,788)
Capital expenditure				
Payments to acquire intangible assets	**(24,596)**		(66,498)	
Payments to acquire tangible assets	**(22,228)**		(108,677)	
Receipts from sales of tangible assets	**84,682**		17,172	
Net cash inflow/(outflow) for capital expenditure		**37,858**		(158,003)
Net cash outflow before management of liquid resources and financing		**(179,475)**		(653,994)
Bank deposits	**-**		-	
Financing				
Issue of ordinary share capital	**453,457**		878,368	
Issue of preference share capital	**400,000**		-	
Issue of shares	**853,457**		878,368	
New long term bank loan	**237,237**		402,523	
Other new long term loans	**673,195**		386,894	
Other new short term loans	**25,000**		433,549	
Repayment of long term bank loan	**(120,725)**		(483,729)	
Repayment of other long term loans	**(1,081,222)**		(834,584)	
Repayment of other short term loans	**(311,473)**		(176,667)	
Capital element of hire purchase contracts	**(21,239)**		(36,976)	
Decrease in debt	**(599,227)**		(308,990)	
Net cash inflow from financing		**254,230**		569,378
Increase/(decrease) in cash in the year		**74,755**		(84,616)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2003

1 Reconciliation of operating profit to net cash outflow from operating activities

	2003	2002
	£	£
Operating profit	**77,678**	32,364
Depreciation of tangible assets	**48,491**	43,665
Amortisation of intangible assets	**16,236**	9,250
Profit on disposal of tangible assets	**(31,117)**	(17,172)
Increase in stocks	**(143,556)**	(682,465)
Increase in debtors	**(63,814)**	(256)
(Decrease)/Increase in creditors within one year	**(61,357)**	163,411
Net cash outflow from operating activities	**(157,439)**	(451,203)

2 Analysis of net debt

	1 October 2002	Cash flow	Other non-cash changes	30 September 2003
	£	£	£	£
Net cash:				
Cash at bank and in hand	-	3,639	-	3,639
Bank overdrafts	(157,875)	71,116	-	(86,759)
	(157,875)	74,755	-	(83,120)
Bank deposits	-	-	-	-
Finance leases	(6,901)	40,880	(19,641)	14,338
Debts falling due within one year	(471,049)	286,473	-	(184,576)
Debts falling due after one year	(999,333)	291,515	-	(707,818)
	(1,477,283)	618,868	(19,641)	(878,056)
Net debt	(1,635,158)	693,623	(19,641)	(961,176)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2003

3	**Reconciliation of net cash flow to movement in net debt**	**2003**	2002
		£	£
	Increase/(decrease) in cash in the year	**74,755**	(84,616)
	Cash outflow from decrease in debt	**618,868**	306,721
	Change in net debt resulting from cash flows	**693,623**	222,105
	New finance lease	**(19,641)**	(29,731)
	Movement in net debt in the year	**673,982**	192,374
	Opening net debt	**(1,635,158)**	(1,827,532)
	Closing net debt	**(961,176)**	(1,635,158)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

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 30 September 2003. 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.

1 .9 Stock

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

1 **Accounting policies** **(continued)**

1 .10 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

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

3 Discontinued operations

During the year the group discontinued its activity of the operation of public houses and vineyard shops to focus on its wine production.

4 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of intangible assets	**16,236**	9,250
Depreciation of tangible assets	**48,491**	43,665
Operating lease rentals	**71,783**	47,740
Auditors' remuneration (company £2,750)	**7,250**	10,075

5 Interest payable

	2003	2002
	£	£
On bank loans and overdrafts	**49,936**	16,701
Lease finance charges	**(114)**	6,570
Other interest	**10,072**	21,517
	59,894	44,788

6 Taxation

	2003	2002
	£	£
Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	**17,784**	(12,424)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00 % (2002 : 30.00 %)	**5,335**	(3,727)
Effects of:		
Non deductible expenses	**2,192**	597
Depreciation	**18,199**	15,875
Capital allowances	-	(41,335)
Tax losses utilised	**(32,636)**	-
Chargeable disposals	**7,899**	-
Dividends and distributions received	-	15,832
Profit on disposal of assets	**(9,335)**	-
Other tax adjustments	**8,346**	12,758
	(5,335)	3,727
Current tax charge	-	-

7 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:

	2003	2002
	£	£
Holding company's loss for the financial year	**(77,916)**	(27,532)

8 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 year. 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**	
	2003	2002	**2003**	2002	**2003**	2002
	£	£			**pence**	pence
Basic	**17,784**	(12,424)	**14,878,584**	12,869,000	**0.12**	(0.10)
Outstanding share options	**-**	-	**328,075**	328,075	**-**	-
Diluted	**17,784**	(12,424)	**15,206,659**	13,197,075	**0.12**	(0.10)

9 Intangible fixed assets

Group

	Intellectual property and goodwill £
Cost	
At 1 October 2002	218,998
Additions	24,596
At 30 September 2003	243,594
Amortisation	
At 1 October 2002	5,083
Charge for the year	16,236
At 30 September 2003	21,319
Net book value	
At 30 September 2003	222,275
At 30 September 2002	213,915

Intangible fixed assets (continued)

Company

	Intellectual property and goodwill £
Cost	
At 1 October 2002	218,998
Additions	24,596
At 30 September 2003	243,594
Amortisation	
At 1 October 2002	5,083
Charge for the year	16,236
At 30 September 2003	21,319
Net book value	
At 30 September 2003	222,275
At 30 September 2002	213,915

10 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 2002	775,000	67,988	686,721	31,569	23,046	1,584,324
Additions	-	-	19,641	22,228	-	41,869
Revaluation	5,000	-	-	-	-	5,000
Disposals	-	(31,390)	-	(29,393)	-	(60,783)
At 30 September 2003	780,000	36,598	706,362	24,404	23,046	1,570,410
Depreciation						
At 1 October 2002	4,400	3,015	34,132	2,775	4,112	48,434
Revaluation	(4,400)	-	-	-	-	(4,400)
On disposals	-	(5,007)	-	(2,211)	-	(7,218)
Charge for the year	-	6,058	34,177	3,528	4,728	48,491
At 30 September 2003	-	4,066	68,309	4,092	8,840	85,307
Net book value						
At 30 September 2003	780,000	32,532	638,053	20,312	14,206	1,485,103
At 30 September 2002	770,600	64,973	652,589	28,794	18,934	1,535,890

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 £600,000 (2002: £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 £651,620 (2002: £631,979).

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 30 September 2003	**57,190**	-	**9,480**	**66,670**
At 30 September 2002	39,951	-	12,634	52,585
Depreciation charge for the year				
30 September 2003	**2,401**	-	**3,153**	**5,554**
30 September 2002	1,467	-	1,149	2,616

10 Tangible fixed assets (continued)

Company

	Freehold buildings	Plant and machinery	Total
	£	£	£
Cost or valuation			
At 1 October 2002	**775,000**	**635,500**	**1,410,500**
Revaluation	**5,000**	-	**5,000**
At 30 September 2003	**780,000**	**635,500**	**1,415,500**
Depreciation			
At 1 October 2002	**4,400**	**15,887**	**20,287**
Revaluation	**(4,400)**	-	**(4,400)**
Charge for the year	-	**31,776**	**31,776**
At 30 September 2003	-	**47,663**	**47,663**
Net book value			
At 30 September 2003	**780,000**	**587,837**	**1,367,837**
At 30 September 2002	770,600	619,613	1,390,213

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 to the group is £600,000 (2002: £600,000).

11 Fixed asset investments

Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 October 2002 & at 30 September 2003	**50,000**
At 30 September 2002	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.

12 Stocks and work in progress

	Group		Company	
	2003	2002	**2003**	2002
	£	£	£	£
Work in progress	**1,378,860**	1,230,109	-	-
Finished goods and goods for resale	**88,545**	93,740	-	-
	1,467,405	1,323,849	-	-

13 Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£	£	£	£
Trade debtors	**193,539**	124,118	-	-
Amounts owed by group undertakings	-	-	**768,951**	161,925
Called up share capital not paid	-	1,400	-	-
Other debtors	**401**	1,059	-	-
Prepayments and accrued income	**16,991**	20,540	-	-
	210,931	147,117	**768,951**	161,925
Amounts falling due after more than one year and included in the debtors above are:				
Amounts owed by group undertakings	-	-	**768,951**	161,925

14 Creditors : amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	£	£	**£**	£
Bank loans and overdrafts	**271,335**	348,924	**122,076**	153,683
Net obligations under finance lease and hire purchase contracts	**14,114**	18,511	-	-
Trade creditors	**293,329**	385,011	-	-
Taxes and social security costs	**233,407**	175,989	-	-
Other creditors	-	311,403	-	-
Accruals and deferred income	**11,110**	6,800	**4,081**	-
	823,295	1,246,638	**126,157**	153,683

During the year the group converted £400,000 of shareholder loans into preference shares. In addition wine stock was sold to the shareholders totalling £290,000, reducing the balance of the loans. All loans are now classified as falling due in more than one year.

15 Creditors : amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	£	£	**£**	£
Bank loans	**581,535**	465,023	**502,368**	402,523
Other loans	**126,283**	534,310	**126,283**	386,894
Net obligations under finance leases and hire purchase agreements	**20,920**	18,121	**-**	-
	728,738	1,017,454	**628,651**	789,417
Analysis of loans				
Not wholly repayable within five years by instalments:				
Commercial mortgage	**482,870**	434,444	**482,870**	434,444
Not wholly repayable within five years other than by instalments:				
Shareholder loans	**110,487**	386,984	**110,487**	386,984
Wholly repayable within five years	**299,037**	648,954	**157,370**	121,538
	892,394	1,470,382	**750,727**	942,966
Included in current liabilities	**(184,576)**	(471,049)	**(122,076)**	(153,549)
	707,818	999,333	**628,651**	789,417
Instalments not due within five years	**356,090**	279,307	**356,090**	279,307
Loan maturity analysis				
In more than one year but not more than two years	**229,430**	31,921	**166,930**	31,921
In more than two years but not more than five years	**101,424**	379,915	**101,424**	127,683
In more than five years	**166,490**	271,327	**166,090**	271,327

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

Net obligations under finance leases and hire purchase contracts				
Repayable within one year	**16,090**	18,867	-	-
Repayable between one and five years	**24,348**	19,939	-	-
	40,438	38,806	-	-
Finance charges and interest allocated to future accounting periods	**(5,404)**	(2,174)	-	-
	35,034	36,632	-	-
Included in liabilities falling due within one year	**(14,114)**	(18,511)	-	-
	20,920	18,121	-	-

16 Share capital	**2003**	2002
	£	£
Authorised		
43,000,000 Ordinary shares of 5p each	**2,150,000**	2,550,000
400,000 Preference shares of £ 1 each	**400,000**	-
	2,550,000	2,550,000
Allotted, called up and fully paid		
16,631,340 Ordinary Shares of 5p each	**831,567**	643,450
400,000 Preference shares of £ 1 each	**400,000**	-
	1,231,567	643,450

On 3 December 2002, 1,200,000 ordinary 1p shares were issued at par in redemption of shareholder loans of £12,000. In addition a further 70,000 ordinary 1p shares were issued at par for cash consideration. On 30 December 2002 875,000 ordinary shares of 1p each were issued at a premium of 1.8p per share for cash consideration.

On 6 February 2003 the 255,000,000 authorised ordinary shares of 1p each were consolidated into 43,000,000 5p ordinary shares, 200,000 "A" £1 preference shares and 200,000 "B" £1 preference shares. All 1p ordinary shares in issue at that date were converted into the equivalent number of 5p ordinary shares.

On 16 February 2003 200,000 "A" and 200,000 "B" preference shares were issued at par following the conversion of shareholder loans.

Finally, in March 2003 the company was floated on Ofex, where a further 3,333,334 ordinary shares of 5p each were issued for cash consideration of £500,000 at a premium of 10p per share to provide additional working capital.

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 four years.

17 Statement of movements on reserves

Group

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 2002	257,035	257,210	(201,016)
Retained profit for the year	-	-	17,784
Transfer from revaluation reserve to profit and loss account	-	(1,068)	1,068
Premium on shares issued during the year	265,340	-	-
Revaluation during the year	-	9,400	-
Balance at 30 September 2003	522,375	265,542	(182,164)

Company

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 2002	257,035	-	(27,532)
Retained loss for the year	-	-	(77,916)
Premium on shares issued during the period	265,340	-	-
Revaluation during the year	-	9,400	-
Balance at 30 September 2003	522,375	9,400	(105,448)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2003

18 Reconciliation of movements in shareholders' funds

Group	2003 £	2002 £
Profit/(Loss) for the financial year	**17,784**	(12,424)
Other recognised gains and losses	**9,400**	159,656
Proceeds from issue of shares	**853,457**	900,485
Net addition to shareholders' funds	**880,641**	1,047,717
Opening shareholders' funds	**956,679**	(91,038)
Closing shareholders' funds	**1,837,320**	956,679

Company	2003 £	2002 £
Loss for the financial year	**(77,916)**	(27,532)
Other recognised gains and losses	**9,400**	-
Proceeds from issue of shares	**853,457**	900,485
Net addition to shareholders' funds	**784,941**	872,953
Opening shareholders' funds	**872,953**	-
Closing shareholders' funds	**1,657,894**	872,953

19 Financial commitments

At 30 September 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003 £	2002 £
Expiry date:		
In over five years	**22,000**	67,000
	22,000	67,000

20 Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	**76,632**	71,883

During the year, C.K. Brown invoiced the group £20,340 (2002: £7,962) for the provision of accounting services as finance director.

21 Employees

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

	2003	2002
	Number	Number
Administration	**4**	4
Production	**10**	10
Directors	**6**	7
Tourism, marketing and sales	**32**	31
	52	52

Employment costs

	£	£
Wages and salaries	**577,681**	522,926
Social security costs	**47,665**	37,583
	625,346	560,509

22 Related party transactions

During the year, the group has had the following related party transactions:

Purchases:

Lamberhurst Vineyards (2000) Ltd (100% subsidiary of shareholder) - £14,998 (2002: £20,951)
Carr Taylor Ltd (fellow subsidiary of this company) - £ nil (2002: £26,657)
Oakover Properties (Lamberhurst) Ltd (sister company of LV(2000) Ltd) - £62,160 (2002: £23,891)
Oakover Properties Ltd (parent company of LV(2000) Ltd) - £ nil (2002: £40,417)

Sales:

Lamberhurst Vineyards (2000) Ltd - £23,288 (2002: £ nil)

Additionally, the group sold a total of £290,000 of wine in equal amounts to Lamberhurst Vineyards (2000) Ltd and P. Brett.

At the year end the group owed the following amounts:

P. Brett (shareholder and director) - £101,500 (2002: £432,500)
Lamberhurst Vineyards (2000) Ltd - £8,987 (2002: £381,810)
Carr Taylor Ltd - £ nil (2002: £47,480)
Oakover Properties (Lamberhurst) Ltd - £16,489 (2002: £14,115)
Oakover Properties Ltd - £ nil (2002: £30,000).