

Company Registration No. 04362181 (England and Wales)

CHAPEL DOWN GROUP PLC

ANNUAL REPORT

**FOR THE YEAR ENDED
31 DECEMBER 2011**

TUESDAY



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COMPANIES HOUSE

CHAPEL DOWN GROUP PLC

DIRECTORS AND ADVISERS

Directors	P Brett F D Thompson R A B Woodhouse N W Wray
Secretary	R A B Woodhouse
Company number	04362181
Registered office	Chapel Down Winery, Small Hythe Road Tenterden Kent TN30 7NG
Registered auditors	Crowe Clark Whitehill LLP Chartered Accountants & Statutory Auditors Jaeger House 5 Clannicarde Gardens Tunbridge Wells Kent TN1 1PE
Bankers	Barclays Bank Plc Kent Business Centre 17 North Street Ashford Kent BX3 2BB
Registrars	Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU
Financial advisers	Rivington Street Corporate Finance Limited 3rd Floor 3 London Wall Buildings London Wall London EC2M 5SY
Solicitors	Thomson Snell & Passmore 3 Lonsdale Gardens Tunbridge Wells Kent TN1 1NX

CHAPEL DOWN GROUP PLC

CONTENTS

	Page
Chairman's statement	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Consolidated profit and loss account	7
Statement of recognised gains and losses	8
Balance sheets	9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11
Notes to the financial statements	12 - 25

CHAPEL DOWN GROUP PLC

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Summary

I have pleasure in presenting the Company's Annual Report and Financial Statements for the 12 months ending 31st December 2011

Turnover up 41% at £3,758,898 (2010 £2,668,249) almost entirely accounted for by an increase in volume of wine sold

Gross profit up 31% at £1,652,335 (2010 £1,260,992) Gross profit margin was 44% compared to 47% in the comparative period reflecting the impact of higher raw material and fuel costs, and unfavourable exchange rates

Operating profit up 82% at £367,847 compared with an operating profit of £202,172 in the same period last year

Pre-tax profit up 158% at £218,079 compared with a profit of £84,557 in the comparative period excluding the effect of the FRS20 share option provisions *

Average selling price (excluding duty and VAT) is 3% above prior year This is in spite of the increase in VAT to 20% and a 7% increase in duty

We are working with the official Olympic suppliers of wine – Bibendum – to supply Chapel Down over the Olympic period to Olympic and other venues

We have obtained further listings of our wines at high profile restaurants including Pearl Restaurant, RAC Club and Gordon Ramsay Holdings

Recent awards, including a coveted Gold Medal for Chapel Down Rose Brut at the International Wine Challenge 2011, along with favourable media coverage for our wines have helped us build awareness and a premium brand positioned for future growth

Chairman's statement

I am delighted to report that in spite of a very challenging trading environment and intense competitive activity, your Company continues to attract important new customers, significantly improve its trading performance and build the Chapel Down brand into a very valuable asset

We have made excellent progress in building the business and securing its future by improving product quantity and quality through improved vineyard management, new grape suppliers and further investment in the winery We have continued to improve the brand experience at our retail and tourism facility at Tenterden If you have not visited our facility at Tenterden before, then I would urge you to do so to experience the professionalism and passion that is driving the industry forwards

In the year to December 2011, the Group made a pre-tax profit of £218,079 compared to £84,557 in the 12 months to December 2010, an increase of 158% *

Net Turnover increased by 41% to £3 76m with a gross profit of £1 65m (44%) Higher raw material costs, rising fuel costs and unfavourable Euro exchange rates were unavoidable Higher rates of duty and VAT pushed the selling price of our wine in the UK up by around 50p for still wines and £1 for sparkling wines, both of which put increased pressure on the industry Nevertheless, the strength of our brand was such that we were able to increase our prices, and our throughputs in existing accounts continued to rise It has been a constant theme in my statements to say that demand for our wines exceeds our ability to supply It is our mission to ensure that this remains the case even as we increase supply and we will continue to invest in our brand to ensure we are best placed to thrive

Discussions continue with existing and new growers to increase their acreage of vines to fuel the growth in future sales of high quality, high margin wines, whilst over the coming years we also await the shake out of new entrants who have planted speculatively

Further wine awards, the most prestigious of which was a Gold medal for our Chapel Down Rose Brut at the International Wine Challenge 2011, along with extensive and very positive press coverage continued to build our brand's image for high quality

CHAPEL DOWN GROUP PLC

CHAIRMAN'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

We are a brand-led business and we continue to build Chapel Down as a highly desirable premium brand. Chapel Down is supported by some of England's great chefs, including Gordon Ramsay, Gary Rhodes and Jamie Oliver as well as the UK's leading retailers such as Majestic, Mornson's, Marks and Spencer, Waitrose and Selfridges.

We're also delighted to be working with the official Olympic suppliers of wine – Bibendum – to supply Chapel Down over the Olympic period to Olympic and other venues. All this activity continues to drive awareness and improve attitudes to Chapel Down. It's a brand very much on the ascendancy and winning fans across the country and internationally. Indeed, we are proud and excited to be sole wine and beer suppliers to Jamie Oliver's exciting new Union Jacks restaurants concept.

During the period, we established our latest venture, Curious Brew beer, in which your company holds a 70% stake and in which our senior executives have invested 30% of the start-up capital. Curious Brew beer already has international awards to its name and is available in well known venues including, The Globe Theatre and The Royal Opera House as well as a host of other well known premium accounts who see us as a perfect partner for a special, English occasion. It creates a very strong offer to customers with our wines and has great potential for growth.

The growth in the value of our brand is also supported by strong net assets. The quality of the wines we have in stock (at cost) has never been higher, more valuable or saleable. The property and hard assets of the business are also very sound and well maintained.

The 2011 crop was lower than we would have wished due to a combination of frost, a wet flowering season and low yields. However, the quality is truly outstanding, especially for still wines and we are confident that 2012 will bring more awards success for our wines.

Your Board is pleased with the performance and looks forward to an exciting 2012 with Jubilee, Olympic and other activities all helping to boost our business. We remain confident that the medium to long term prospects for the company are excellent.

Paul Brett

Chairman

Note

*Excludes the effect of the FRS20 share option accounting adjustment

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Directors

The following directors have held office since 1 January 2011

P Brett
F D Thompson
R A B Woodhouse
N W Wray

Principal activities and review of the business

The principal activity of the company continues to be that of producing and selling wine. 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 current 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

- the average creditor days at the year end were 39 days.

Financial risk management

The group uses various financial instruments. These include loans, cash and various items such as trade debtors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

While risks may be considered to have a financial impact, the management of the company's financial resources is key to ensuring sufficient funds are available to meet financial commitments as and when they fall due. The main risk arising from the financial instrument is third party credit risk.

Harvest risk

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

Credit risk

The company'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 2010 harvest was encouraging and will enable us to substantially increase volumes of still wine sales in 2011 and sparkling wine sales from 2013. The new acreage added at our site at Kit's Coty will become fully productive from 2011 enabling us to sell more premium wines from 2012 onwards.

CHAPEL DOWN GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Going Concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the Company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

During the year Crowe Clark Whitehill LLP were appointed as Statutory auditors of the company.

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Crowe Clark Whitehill LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of Directors' responsibilities

The directors are responsible for preparing the directors report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the company and of the profit or loss of the company for that period. In preparing these 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 UK 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 company will continue in business.

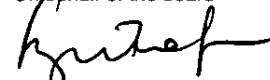
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company.

Provision of information to auditors

Each of the persons who are directors at the time when the directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

On behalf of the board



F D Thompson
Director
17 April 2012

CHAPEL DOWN GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENGLISH WINES GROUP PLC FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the group and parent company financial statements of Chapel Down Group Plc for the year ended 31 December 2011, set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditors' 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 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profits for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

CHAPEL DOWN GROUP PLC

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ENGLISH WINES GROUP PLC (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Crowe Clark Whitehill LLP

Mark Anderson (Senior Statutory Auditor)

For and on behalf of

Crowe Clark Whitehill LLP
Statutory Auditors

Jaeger House
5 Clannacarde Gardens
Tunbridge Wells
Kent
TN1 1PE

17 April 2012

CHAPEL DOWN GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	3,758,898	2,668,249
Cost of sales		<u>(2,106,564)</u>	<u>(1,407,257)</u>
Gross profit		1,652,334	1,260,992
Administrative expenses before share based payment	(1,240,786)	(1,007,605)	
Share based payment (FRS 20)	<u>(43,701)</u>	<u>(51,215)</u>	
Administrative expenses after share based payment		<u>(1,284,487)</u>	<u>(1,058,820)</u>
Operating profit	3	367,847	202,172
Other interest receivable and similar income		134	285
Interest payable and similar charges	4	<u>(193,603)</u>	<u>(169,115)</u>
Profit on ordinary activities before taxation		174,378	33,342
Tax on profit/(loss) on ordinary activities	5	<u>(6,977)</u>	<u>-</u>
Profit on ordinary activities after taxation		167,401	33,342
Minority interest		<u>14,043</u>	<u>-</u>
Retained profit for the year		<u>181,444</u>	<u>33,342</u>
Profit on ordinary activities before taxation - excluding FRS 20 share based payments		<u>218,079</u>	<u>84,557</u>

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

Profit per share (pence)	7		
- basic		0 37	0 08
- diluted		0 36	0 08

CHAPEL DOWN GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

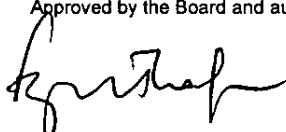
	2011 £	2010 £
Profit for the financial year	181,444	33,342
Total gains and losses recognised since last financial statements	<u>181,444</u>	<u>33,342</u>
Note of historical cost profits and losses		
	2011 £	2011 £
Reported profit on ordinary activities before taxation	174,378	33,342
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>38,631</u>	<u>38,631</u>
Historical cost profit on ordinary activities before taxation	<u>213,009</u>	<u>71,973</u>
Historical cost profit for the year retained after taxation, extraordinary items and dividends	<u>213,009</u>	<u>71,973</u>

CHAPEL DOWN GROUP PLC
COMPANY REGISTRATION NO. 04362181 (ENGLAND AND WALES)

BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Intangible assets	8	88,317	104,557	88,317	104,557
Tangible assets	9	4,996,245	4,945,516	4,223,196	4,324,016
Investments	10	-	-	120,000	50,000
		<u>5,084,562</u>	<u>5,050,073</u>	<u>4,431,513</u>	<u>4,478,573</u>
Current assets					
Stocks	11	2,956,081	2,636,047	-	-
Debtors	12	658,052	371,990	3,433,042	2,839,121
Cash at bank and in hand		835,391	370,985	127,079	799
		<u>4,449,524</u>	<u>3,379,022</u>	<u>3,560,121</u>	<u>2,839,920</u>
Creditors amounts falling due within one year	13	<u>(1,260,444)</u>	<u>(1,033,685)</u>	<u>(111,855)</u>	<u>(109,452)</u>
Net current assets		<u>3,189,080</u>	<u>2,345,337</u>	<u>3,448,266</u>	<u>2,730,468</u>
Total assets less current liabilities		<u>8,273,642</u>	<u>7,395,410</u>	<u>7,879,779</u>	<u>7,209,041</u>
Creditors amounts falling due after more than one year	14	<u>(3,106,478)</u>	<u>(2,803,804)</u>	<u>(3,055,243)</u>	<u>(2,709,355)</u>
		<u>5,167,164</u>	<u>4,591,606</u>	<u>4,824,536</u>	<u>4,499,686</u>
Capital and reserves					
Called up share capital	16	2,240,948	2,116,234	2,240,948	2,116,234
Share premium account	17	2,000,094	1,790,352	2,000,094	1,790,352
Revaluation reserve	17	1,376,438	1,415,069	1,204,581	1,234,885
Other reserves	17	418,994	375,293	-	-
Minority interest	17	15,957	-	-	-
Profit and loss account	17	(885,267)	(1,105,342)	(621,087)	(641,785)
Shareholders' funds	18	<u>5,167,164</u>	<u>4,591,606</u>	<u>4,824,536</u>	<u>4,499,686</u>

Approved by the Board and authorised for issue on 17 April 2012



F D Thompson
 Director



R A B Woodhouse
 Director

CHAPEL DOWN GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Cash Flow Notes	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	1	268,104	(168,848)
Returns on investments and servicing of finance			
Interest received		134	285
Interest paid		<u>(193,603)</u>	<u>(188,955)</u>
Net cash outflow for returns on investments and servicing of finance		(193,469)	(188,670)
Capital expenditure			
Payments to acquire tangible assets		<u>(293,311)</u>	<u>(255,573)</u>
Net cash outflow for capital expenditure		(293,311)	(255,573)
Net cash outflow before management of liquid resources and financing		(218,676)	(613,091)
Financing			
Issue of ordinary share capital		<u>364,456</u>	-
Issue of shares		364,456	-
New long term loans		456,126	-
Increase in deferred income		1,811	205
Repayment of long term bank loan		(155,263)	(108,995)
Repayment of short term bank loan		15,952	1,338
Capital element of hire purchase contracts		<u>-</u>	<u>(7,187)</u>
Net cash inflow/(outflow) from financing	2	<u>318,626</u>	<u>(114,639)</u>
Increase/(decrease) in cash in year	2	<u>464,406</u>	<u>(727,730)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2011	2010
		£	£
	Operating profit	367,847	202,172
	Depreciation of tangible assets	185,829	148,668
	Loss on disposal of assets	56,754	476
	Amortisation of intangible assets	16,240	16,239
	Share based payments	43,701	51,215
	Increase in stocks	(320,034)	(709,129)
	Increase in debtors	(293,039)	(5,745)
	Increase in creditors within one year	210,806	127,256
	Net cash inflow/(outflow) from operating activities	<u>268,104</u>	<u>(168,848)</u>

2	Analysis of net debt	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
		£	£	£	£
	Net cash				
	Cash at bank and in hand	370,985	464,406	-	835,391
		<u>370,985</u>	<u>464,406</u>	<u>-</u>	<u>835,391</u>
	Finance leases	-	-	-	-
	Debts falling due within one year	(109,205)	(15,952)	-	(125,157)
	Debts falling due after one year	(2,803,804)	(302,674)	-	(3,106,478)
		<u>(2,913,009)</u>	<u>(318,626)</u>	<u>-</u>	<u>(3,231,635)</u>
	Net debt	<u>(2,542,024)</u>	<u>145,780</u>	<u>-</u>	<u>(2,396,244)</u>

3	Reconciliation of net cash flow to movement in net debt	2011	2010
		£	£
	Increase/(decrease) in cash in the year	464,406	(727,730)
	Cash (inflow)/outflow from (increase)/decrease in debt	(318,626)	114,639
	Movement in net debt in the year	<u>145,780</u>	<u>(613,091)</u>
	Opening net debt	(2,542,024)	(1,928,933)
	Closing net debt	<u>(2,396,244)</u>	<u>(2,542,024)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 and in accordance with applicable accounting standards

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 2011. 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. Revenue for trade sales is recognised at point of despatch and retail sales at point of customer purchase.

1.5 Intellectual property and goodwill

Acquired goodwill is written off in equal 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 and buildings	Straight line over 50 years on the buildings and 20 years on Kils Coty Vineyard
Plant and machinery	Between 5% - 20% straight line
Fixtures, fittings and equipment	15% reducing balance
Motor vehicles	25% reducing balance

Freehold land and buildings are revalued in accordance with FRS 15 which requires a full valuation every five years and an interim valuation every third year.

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 permanent diminution in value.

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 the wine stock. The directors consider that this method is most appropriate for the nature of the company's activities.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not 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 the profit and loss account.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 12 Convertible loan stock

On 1st July 2009 the company issued convertible loan notes amounting to £1,100,000 which include the option to convert to equity. Under FRS 25 the directors are required to fair value the liability and any excess over the amount issued is treated as equity. The directors have carried out a valuation and as the difference is insignificant no adjustment has been made in the financial statements. These notes incur an interest rate of 8% and are repayable or convertible between June 2012 and June 2014. The conversion exercise price is 10p.

1 13 Going Concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors believe that the Company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the Company has positive reserves and cash balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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:

	2011	2010
	£	£
Geographical segment		
UK	3,744,876	2,658,491
Other EU	259	1,302
Non EU	13,763	8,456
	<u>3,758,898</u>	<u>2,668,249</u>
3 Operating profit/(loss)	2011	2010
	£	£
Operating profit is stated after charging		
Depreciation of intangible assets	16,240	16,239
Depreciation of tangible assets	185,829	148,668
Loss on foreign exchange transactions	14,135	121
Operating lease rentals	53,544	47,156
Fees payable to the company's auditor for the audit of the company's annual accounts	5,000	4,650
Fees payable to the company's auditor for other services		
- The audit of the company's subsidiaries	12,500	7,944
- Other services pursuant to legislation	5,472	2,228
- Tax services	3,950	636
	<u>3,950</u>	<u>636</u>
4 Interest payable	2011	2010
	£	£
On bank loans and overdrafts	193,603	168,153
Hire purchase interest	-	962
	<u>193,603</u>	<u>169,115</u>
Loss to date on effective hedge loan	-	-
Interest Paid	<u>193,603</u>	<u>169,115</u>

At 31 December 2011 the group and company held a 5 year interest swap that reduced the company's exposure to variability in cash-flows resulting from movements in base rate. This interest rate swap expires on 5 July 2012. During the period to 31 December 2011 no amount was recognised for the loss or gain to date on the effective hedge.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

5 Taxation

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Current tax				
Uk corporation tax charge on profit for year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	43,747	-	9,086	-
Adjustments in respect of prior periods	(35,744)	-	(28,477)	-
Effect of change in deferred tax rate	(1,026)	-	(648)	-
Total deferred tax	<u>6,977</u>	<u>-</u>	<u>(20,039)</u>	<u>-</u>
Tax on profit on ordinary activity	<u>6,977</u>	<u>-</u>	<u>(20,039)</u>	<u>-</u>
Factors affecting the tax charge for the year				
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (26.5%)				
The differences are explained below				
Profit per accounts	<u>167,401</u>	<u>33,342</u>	<u>(29,645)</u>	<u>(36,980)</u>
Tax on profit on ordinary activities at standard CT rate of 26.5%	46,211	9,335	(7,856)	(10,355)
Effects of				
Capital allowances in excess of depreciation	(45,465)	-	(8,918)	24,499
Ineligible depreciation and amortisation	27,166	(14,754)	25,186	-
Expenses not deductible for tax purposes	20,468	24,110	3,907	4,547
(Utilisation of tax losses)/unused losses	(48,380)	(18,691)	(12,319)	(18,691)
Current tax charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Estimated tax losses carried forward are £112,562 which can be set against future profits arising from the same trade

6 Loss for the financial period

As permitted by section 408 of the Companies Act 2006, 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

	2011	2010
	£	£
Holding company's loss for the financial period	<u>(9,606)</u>	<u>(36,980)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

7 Earnings per share

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

	Profit/(loss) after tax		Weighted average number of shares		Earnings per share	
	2011 £	2010 £	2011	2010	2011 pence	2010 pence
Basic earnings	167,401	33,342	44,818,946	42,324,664	0.37	0.08
Outstanding share options	-	-	1,994,742	1,994,742	-	-
Diluted earnings	<u>167,401</u>	<u>33,342</u>	<u>46,813,688</u>	<u>44,319,406</u>	<u>0.36</u>	<u>0.08</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

8	Intangible fixed assets	
	Group	Intellectual property and goodwill £
	Cost	
	At 1 January 2011 and at 31 December 2011	<u>243,594</u>
	Amortisation	
	At 1 January 2011	139,037
	Charge for the year	16,240
	At 31 December 2011	<u>155,277</u>
	Net book value	
	At 31 December 2011	<u><u>88,317</u></u>
	At 31 December 2010	<u><u>104,557</u></u>

Goodwill was revalued in 2002 on a fair value basis. The historical cost of goodwill is £216,094 (2010: £216,094). The provision for amortisation based on historical cost would have been £132,785 (2010: £119,119) and the charge for the year would have been £13,666.

	Company	Intellectual property and goodwill £
	Cost	
	At 1 January 2011 and at 31 December 2011	<u>243,594</u>
	Amortisation	
	At 1 January 2011	139,037
	Charge for the year	16,240
	At 31 December 2011	<u>155,277</u>
	Net book value	
	At 31 December 2011	<u><u>88,317</u></u>
	At 31 December 2010	<u><u>104,557</u></u>

CHAPEL DOWN GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011**

**9 Tangible fixed assets
Group**

	Freehold land and buildings	Plant and machinery
	£	£
Cost or valuation		
At 1 January 2011	4 255 213	1 249 497
Additions	16,161	257 636
Disposals	-	(56,288)
At 31 December 2011	4,271,374	1,450,845
Depreciation		
At 1 January 2011	246 148	409 157
Charge for the year	86,272	78 041
Eliminated on disposal	-	(1 685)
At 31 December 2011	332,420	485,513
Net book value		
At 31 December 2011	3,938,954	965,332
At 31 December 2010	4,009,065	840,340

	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 2011	225 521	13 781	5 744,012
Additions	19 514	-	293 311
Disposals	(5 602)	-	(61 890)
At 31 December 2011	239,433	13,781	5,975,434
Depreciation			
At 1 January 2011	130 631	12 560	798,496
Charge for the year	21 211	305	185,829
Eliminated on disposal	(3,451)	-	(5 136)
At 31 December 2011	148,391	12,865	979,189
Net book value			
At 31 December 2011	91,042	916	4,996,245
At 31 December 2010	94,890	1,221	4,945,516

A valuation was carried out by Savills Plc on the 17 April 2012 on the basis of open market value in accordance with RICS appraisal and valuation standards. No adjustment has been made to the financial statements because in the opinion of the directors the current market valuation is not significantly different to the carrying value as at 31 December 2010 and 2011. The historical cost of freehold land and buildings is £2 787 059 (2010 £2,770,899). 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 £1 420,751 (2010 £1,228,134). The provision for depreciation based on historical cost would have been freehold land and buildings £199,799 (2010 £147,282), plant and machinery £464,791 (2010 £395 843). The depreciation charge for the year based on historical cost would have been freehold land and buildings £52 517 plant and machinery £70 632. Assets costing £655 098 and with accumulated depreciation £50 724 are held for use in operating leases.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

9 Tangible fixed assets (continued)

Company	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2011	4,176,592	635,500	4,812,092
Additions	9,758	-	9,758
Disposals	-	-	-
At 31 December 2011	4,186,350	635,500	4,821,850
Depreciation			
At 1 January 2011	220,037	268,039	488,076
Charge for the year	78,802	31,776	110,578
	-	-	-
At 31 December 2011	298,839	299,815	598,654
Net book value			
At 31 December 2011	3,887,511	335,685	4,223,196
At 31 December 2010	3,956,555	367,461	4,324,016

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.

10 Fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2011	50,000
Additions	70,000
At 31 December 2011	120,000

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	Class	Shares held %
Subsidiary undertakings			
English Wines Plc	England and Wales	Ordinary	100
Curious Drinks Limited	England and Wales	Ordinary	70

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

Company	Principal activity
English Wines Plc	Manufacture and sale of wine
Curious Drinks Limited	Sale of beer

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

11 Stocks and work in progress

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Work in progress	2 689,473	2,373,129	-	-
Finished goods and goods for resale	266,608	262,918	-	-
	<u>2,956,081</u>	<u>2,636,047</u>	<u>-</u>	<u>-</u>

12 Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	587,911	296 258	-	-
Amounts owed by group undertakings	-	-	3,413,003	2,839,121
Other debtors	4,360	4,903	-	-
Prepayments and accrued income	40,680	38,751	-	-
Deferred tax (refer to note 15)	25,101	32 078	20 039	-
	<u>658,052</u>	<u>371,990</u>	<u>3,433,042</u>	<u>2,839,121</u>

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

	2011	2010	2011	2010
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>3,413,003</u>	<u>2,839,121</u>

13 Creditors amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	125,157	109,205	80,132	64,180
Trade creditors	360,153	534,289	-	-
Taxes and social security costs	189,048	152,599	-	-
Other creditors	534,935	196,173	26,323	40,078
Accruals and deferred income	51,151	41,419	5 400	5 194
	<u>1,260,444</u>	<u>1,033,685</u>	<u>111,855</u>	<u>109,452</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee given by English Wines Plc. A debenture has been given in favour of Chapel Down Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

14 Creditors amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans	1,988,886	1,688,023	1,955,243	1,609,355
Loan notes	1,100,000	1,100,000	1,100,000	1,100,000
Accruals and deferred income	17,592	15,781	-	-
	<u>3,106,478</u>	<u>2,803,804</u>	<u>3,055,243</u>	<u>2,709,355</u>
Analysis of loans				
Not wholly repayable within five years by instalments				
Commercial mortgage	808,727	530,776	808,727	530,776
Shareholder loans	1,100,000	1,100,000	1,100,000	1,100,000
Wholly repayable within five years	<u>1,305,316</u>	<u>1,266,452</u>	<u>1,226,648</u>	<u>1,142,759</u>
	3,214,043	2,897,228	3,135,375	2,773,535
Included in current liabilities	<u>(125,157)</u>	<u>(109,205)</u>	<u>(80,132)</u>	<u>(64,180)</u>
	<u>3,088,886</u>	<u>2,788,023</u>	<u>3,055,243</u>	<u>2,709,355</u>
Instalments not due within five years	<u>808,727</u>	<u>530,776</u>	<u>808,727</u>	<u>530,776</u>
Loan maturity analysis				
In more than one year but not more than two years	115,797	110,825	82,154	65,799
In more than two years but not more than five years	1,064,362	2,146,422	1,064,362	1,012,780
In more than five years	<u>808,727</u>	<u>530,776</u>	<u>808,727</u>	<u>530,776</u>

The bank loans and overdraft are secured by a charge over the assets of the company and by way of a cross guarantee given by English Wines Plc. A debenture has been given in favour of Chapel Down Group Plc over the assets of the company. This debenture ranks secondary behind security given to Barclays Bank Plc.

The bank loans are due to be repaid over varying periods between April 2013 and June 2022. The loans are at commercial rates linked to the Bank of England base rate. The shareholders loan of £1,100,000 incurs an interest rate of 8% and is repayable or convertible between June 2012 and June 2014.

15 Deferred taxation

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
The movements in deferred tax are as follows				
At 1 January 2011	(32,078)	(32,078)	-	-
(Released)/charged during year	6,977	-	(20,039)	-
At 31 December 2011	<u>(25,101)</u>	<u>(32,078)</u>	<u>(20,039)</u>	<u>-</u>
The deferred tax (asset)/liability is made up as follows				
	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Accelerated capital allowances	81,837	39,882	8,101	-
Losses	<u>(106,938)</u>	<u>(71,960)</u>	<u>(28,140)</u>	<u>-</u>
	<u>(25,101)</u>	<u>(32,078)</u>	<u>(20,039)</u>	<u>-</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

16	Share capital	2011	2010
		£	£
	Allotted, called up and fully paid		
	44 818 946 Ordinary shares of 5p each	<u>2 240 948</u>	<u>2 116 234</u>
		<u>2,240,948</u>	<u>2,116,234</u>

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.

A further 3 000 000 unissued ordinary shares of 5p each are covered by various share option agreements and these are exercisable at 10p per share after 1 July 2013.

In addition, 11,000 000 unissued ordinary shares of 5p each are covered by a convertible loan note issued on 1st July 2009 which is exercisable between 1st July 2012 and 1st July 2014 at an exercise price of 10p.

Company

	Share capital	2011	2010
		£	£
	Allotted, called up and fully paid		
	44,818 946 Ordinary shares of 5p each	<u>2,240,948</u>	<u>2,116,234</u>
		<u>2,240,948</u>	<u>2,116,234</u>

17 Statement of movements on reserves Group

	Share premium account	Revaluation reserve	Other reserves (see below)	Minority interest	Profit and loss account
	£	£	£	£	£
Balance at 1 January 2011	1 790 352	1 415 069	375 293	-	(1 105,342)
Profit for the year	-	-	-	-	181 444
Transfer from revaluation reserve to profit and loss account	-	(38 631)	-	-	38 631
Share capital	209,742	-	-	30 000	-
Minority interest	-	-	-	(14 043)	-
Movement during the year	-	-	43 701	-	-
Balance at 31 December 2011	<u>2,000,094</u>	<u>1,376,438</u>	<u>418,994</u>	<u>15,957</u>	<u>(885,267)</u>

Other reserves

Reserves arising from share based payments

Balance at 1 January 2011	375 293
Other reserve movement	43,701
Balance at 31 December 2011	<u>418,994</u>

Company

	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
Balance at 1 January 2011	1,790,352	1,234 885	(641 785)
Loss for the year	-	-	(9 606)
Transfer from revaluation reserve to profit and loss account	-	(30 304)	30 304
Share capital	209,742	-	-
Balance at 31 December 2011	<u>2,000,094</u>	<u>1,204,581</u>	<u>(621,087)</u>

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

18	Reconciliation of movements in shareholders' funds	2011	2010
	Group	£	£
	Profit for the financial year	181,444	33,342
	Other recognised gains and losses	-	-
	Proceeds from issue of shares	364,456	-
	Minority interest	(14,043)	-
	Movements on other reserves	<u>43,701</u>	<u>51,215</u>
	Net increase in shareholders' funds	575,558	84,557
	Opening shareholders' funds	<u>4,591,606</u>	<u>4,507,049</u>
	Closing shareholders' funds	<u>5,167,164</u>	<u>4,591,606</u>
		2011	2011
	Company	£	£
	Loss) for the financial year	(9,606)	(36,980)
	Other recognised gains and losses	-	-
	Proceeds from issue of shares	<u>364,456</u>	<u>-</u>
	Net (depletion)/increase in shareholders' funds	354,850	(36,980)
	Opening shareholders' funds	<u>4,499,686</u>	<u>4,536,666</u>
	Closing shareholders' funds	<u>4,854,536</u>	<u>4,499,686</u>

19 Financial commitments

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as follow

	Land and buildings		Other	
	2011	2010	2011	2010
Expiry date	£	£	£	£
Within one year	14,000	-	36,807	267
Between two and five years	<u>42,000</u>	<u>14,000</u>	<u>49,641</u>	<u>23,662</u>
	<u>56,000</u>	<u>14,000</u>	<u>86,448</u>	<u>23,929</u>

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

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

20	Directors' emoluments	2011	2010
		£	£
	Emoluments for qualifying services	<u>220,883</u>	<u>201,969</u>

2 Directors are entitled to receive shares under long term incentive schemes

The highest paid director received remuneration of £138,222 (2010 - £129,586) and was entitled to receive shares under long term incentive schemes

21 Employees

Number of employees

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

	2011	2010
	Number	Number
Administration	6	5
Production	12	12
Directors	2	2
Retail	12	11
	<u>32</u>	<u>30</u>

	Employment costs	2011	2010
		£	£
	Wages and salaries	696,369	657,368
	Social security costs	<u>70,985</u>	<u>69,178</u>
		<u>767,354</u>	<u>726,546</u>
	Share based payments	<u>43,701</u>	<u>51,215</u>

Employment costs include £43,701 (2010 £51,215) 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.

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

22 Share options

During the period ended 31 December 2011, the company and the group had four share based payment arrangements, which are described below

	2003	2006	2006	2009
		Variable price	Fixed price	Fixed price
Date of grant	11 February 2003	27 January 2006	27 January 2006	11 December 2009
Number granted	1,968,450	3,000,000	3,986,663	3,000,000
Contractual life	3.7 years	4.4 years	4.4 years	3.6 years
Vesting conditions	Service ranging from 9 months to 3 years 9 months *	4.4 years' service **	4.4 years' service	3.6 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 PLUS 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%

The estimated fair value of each of the 3,000,000 share options granted in 2009 is 5.2p 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 10p, expected volatility of 9%, no expected dividends, contractual life of 3.6 years and a risk free interest rate of 0.50%

CHAPEL DOWN GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

22 Share options

Further details of the four share option plans are as follows

	2003		2006 Variable price		2006 Fixed price		2009 Fixed price	
	Number of options	Weighted average exercise 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	3,000,000	10.0p
Granted	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	(920,000)	15.0p	-	-
Outstanding at end of year	<u>1,968,450</u>	<u>12.5p</u>	<u>3,000,000</u>	<u>9.0p</u>	<u>2,319,997</u>	<u>15.0p</u>	<u>3,000,000</u>	<u>10.0p</u>
Exercisable at end of year	<u>1,968,450</u>	<u>12.5p</u>	<u>3,000,000</u>	<u>9.0p</u>	<u>2,319,997</u>	<u>15.0p</u>	-	10.0p

The options outstanding at 31 December 2011 had exercise prices of 10p, 15p, 12.5p and 5-15p, and a weighted average remaining contractual life of 1 year (2010: 1 year)

	Total	2003	2006 Variable Price	2006 Fixed Price	2009 Fixed Price
Expense arising from share based payment transactions - share option plans					
2011	<u>43,701</u>	-	<u>24,595</u>	<u>(26,990)</u>	<u>46,096</u>
2010	<u>51,215</u>	-	<u>24,595</u>	<u>(19,476)</u>	<u>46,096</u>

23 Ultimate Controlling Party

The Directors consider that there is no one ultimate controlling party

24 Related party transactions

During the year English Wines Plc made sales of £14,439 (2010: £83,756) to Hush Heath Estate in respect of contract winemaking services. Hush Heath is owned by Richard Balfour-Lynn, one of the major shareholders of Chapel Down Group Plc.

For operational efficiency all the sales and direct purchases relating to the "Cunous" range of beers are processed through English Wines PLC a 100% subsidiary of Chapel Down Group PLC which in turn owns 70% of Curious Drinks Limited (Company No. 04456158). The sales and purchases are then transferred to Curious Drinks Limited via an intercompany charge from Chapel Down Group PLC. In addition, Chapel Down Group PLC recharges Curious Drinks Limited a proportion of the overheads incurred by English Wines PLC. The total amount owing by Curious Drinks Limited at 31 December 2011 was £85,132.

25 Capital commitments

At 31 December 2011 the company had a commitment of £35,700 for the purchase of vines in 2013.