

# Tough Developments Limited

## REPORT AND FINANCIAL STATEMENTS

for the period ended  
25 June 2004



# Tough Developments Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

AHG Laithwaite  
BA Laithwaite  
DT Ash

Joint Chairman  
Joint Chairman  
Deputy Chairman

### SECRETARY

O Garland

### REGISTERED OFFICE

New Aquitaine House  
Exeter Way  
Theale  
Reading  
Berkshire RG7 4PL

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

### BANKERS

Barclays Bank plc  
3/5 King Street  
Reading  
Berkshire RG1 2HD

### SOLICITORS

Nabarro Nathanson  
50 Stratton Street  
London W1X 6NX

# Tough Developments Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Tough Developments Limited for the period ended 25 June 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the company during the period were running a wine bar and importing and distributing wine.

### REVIEW OF THE BUSINESS

The company was incorporated on 2 July 2003 and incurred a loss of £227,548 in its first period of trading. The directors believe that it is in a good position to take advantage of future opportunities.

### RESULTS AND DIVIDENDS

A loss for the period of £227,548 prevents the directors from recommending a dividend.

### DIRECTORS

The following directors have held office during the period:

AHG Laithwaite	(appointed 2 July 2003)
BA Laithwaite	(appointed 28 July 2003)
DT Ash	(appointed 2 July 2003)
Alpha Direct Limited	(appointed and resigned 2 July 2003)

### DIRECTORS' INTERESTS IN SHARES

The directors had no interest in the share capital of the company. The interests of the directors in the shares of Direct Wines Limited, the ultimate parent company, are shown in that company's accounts.

### AUDITORS

Baker Tilly, Chartered Accountants, were appointed as auditors by the directors for the first accounting period. A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

On behalf of the board



D T Ash  
Director

# Tough Developments Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOUGH DEVELOPMENTS LIMITED

We have audited the financial statements on pages 5 to 13.

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 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 the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

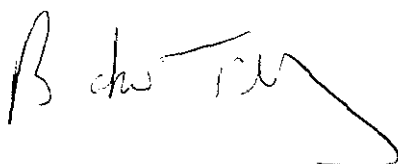
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 25 June 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY  
Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST



20 April 2005

# Tough Developments Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 25 June 2004

	Note:	2004 £
TURNOVER	1	217,160
Cost of sales		(154,761)
Gross profit		<u>62,399</u>
Other operating expenses (net)	2	(289,947)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(227,548)</u>
Taxation	5	-
RETAINED LOSS FOR THE PERIOD	13	<u><u>(227,548)</u></u>

The operating loss for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Tough Developments Limited

## BALANCE SHEET

25 June 2004

	Notes	2004 £
FIXED ASSETS		
Intangible assets	6	-
Tangible assets	7	46,457
		<u>46,457</u>
CURRENT ASSETS		
Stocks	8	16,954
Debtors	9	65,054
Cash at bank and in hand		45,960
		<u>127,968</u>
CREDITORS: Amounts falling due within one year	10	(45,904)
NET CURRENT ASSETS		<u>82,064</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		128,521
CREDITORS: Amounts falling due after more than one year	11	(356,068)
		<u>(227,547)</u>
CAPITAL AND RESERVES		
Called up share capital	12	1
Profit and loss account	13	(227,548)
SHAREHOLDERS' FUNDS	14	<u>(227,547)</u>

Approved by the board on **20 April 2005**

 D T Ash - Director

# Tough Developments Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and on the going concern basis despite the excess of liabilities over assets as the parent company has indicated its willingness to continue to support the company in order that it may continue to trade and meet its liabilities as they fall due.

### PURCHASED GOODWILL

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective.

Provision is made for any impairment in the value of goodwill.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures and fittings	over 3 years
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### STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow-moving items.

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate 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.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.



# Tough Developments Limited

## ACCOUNTING POLICIES

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### RETIREMENT BENEFITS

The company participates in the Direct Wines (Windsor) Limited Retirement Benefits Plan and the pension charge represents the amount payable by the company to the Plan in respect of the period.

### TURNOVER

Turnover represents the value of goods invoiced to customers during the period less returns excluding Value Added Tax.

# Tough Developments Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 25 June 2004

### 1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activities. Sales were made in the following geographical markets:

	2004 £
United Kingdom	217,160

### 2 OTHER OPERATING EXPENSES (NET)

	2004 £
Administration expenses	289,947

### 3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £
Loss on ordinary activities before taxation is stated after charging:	
Depreciation and amounts written off tangible fixed assets:	
Charge for the period	
owned assets	13,577
Operating lease rentals:	
Land and buildings	22,391
Auditors' remuneration	2,000

### 4 EMPLOYEES

	2004 No.
The average monthly number of persons (including directors) employed by the company during the period was:	
Office and management	8
Selling and distribution	1
	9

	2004 £
Staff costs for above persons:	
Wages and salaries	73,246
Social security costs	5,446
Other pension costs	2,025
	80,717

### DIRECTORS' REMUNERATION

As explained in note 17, DT Ash, a director of the company, was paid £27,500 in the period in respect of professional services as a management consultant. No other directors were paid any remuneration in the period.

**Tough Developments Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 25 June 2004

5	TAXATION	2004 £
	Current tax:	
	UK corporation tax on profits of the period	-
	Total current tax	-
	Factors affecting tax charge for period:	2004 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:	
	Loss on ordinary activities before tax	(227,548)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30%	(68,264)
	Effects of:	
	Expenses not deductible for tax purposes	2,642
	Capital allowances in excess of depreciation	964
	Tax losses not utilised	64,658
	Tax charge for period	-
6	INTANGIBLE FIXED ASSES	Goodwill £
	Cost:	
	At incorporation	-
	Additions	72,468
	25 June 2004	72,468
	Amounts written off:	
	Charged in the period - impairments	72,468
	25 June 2004	72,468
	Net book value:	
	25 June 2004	-

# Tough Developments Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 25 June 2004

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### 6 INTANGIBLE FIXED ASSETS (*continued*)

Acquired goodwill represents:

	Wine of the Month Club £	Redheads £
Net assets acquired	-	26,969
Goodwill	64,437	8,031
	<u>64,437</u>	<u>35,000</u>
Discharged by		
Cash paid	<u>64,437</u>	<u>35,000</u>

### 7 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £
Cost	
On incorporation	-
Additions	60,034
25 June 2004	<u>60,034</u>
Depreciation	
On incorporation	-
Charged in the period	13,577
25 June 2004	<u>13,577</u>
Net book value	
25 June 2004	<u>46,457</u>

### 8 STOCKS

	2004 £
Goods for resale	<u>16,954</u>

**Tough Developments Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 25 June 2004

9	DEBTORS	2004 £
	Trade debtors	44,799
	Prepayments	20,255
		<u>65,054</u>
10	CREDITORS: Amounts falling due within one year	2004 £
	Trade creditors	21,983
	Other taxation and social security costs	18,264
	Amount due to parent company	3,467
	Accruals	2,190
		<u>45,904</u>
11	CREDITORS: Amounts falling due after more than one year	2004 £
	Amount due to parent company	<u>356,068</u>
12	SHARE CAPITAL	2004 £
	Authorised: 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>
	Allotted, issued and fully paid: 1 ordinary share of £1	<u>1</u>
	1 ordinary share of £1 was issued at par on 10 September 2003 in order to provide the company's initial share capital.	
13	PROFIT AND LOSS ACCOUNT	2004 £
	On incorporation	-
	Loss for the financial year	(227,548)
	25 June 2004	<u>(227,548)</u>

# Tough Developments Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 25 June 2004

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14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2004 £
	Loss for the financial period	(227,548)
	New share capital subscribed	1
	Net reduction to shareholders' funds	(227,547)
	Opening shareholders' funds	-
	Closing shareholders' funds	(227,547)

### 15 COMMITMENTS UNDER OPERATING LEASES

At 25 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £
Land and buildings expiring after five years	25,000

### 16 CONTINGENT LIABILITIES

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debt in this connection.

### 17 RELATED PARTY DISCLOSURES

During the period the company purchased goods with a value of £17,875, and received advances of working capital, from Direct Wines Limited, its ultimate parent company. At 25 June 2004 the company owed a total of £359,535 to Direct Wines Limited.

DT Ash, a director, provides professional services as a management consultant on normal commercial terms. The amount of fees charged in the period was £27,500.

During the period the company purchased wine on normal commercial terms for a total of £7,180 from H Laithwaite. H Laithwaite is the son of AHG Laithwaite and BA Laithwaite who are directors of the company.

### 18 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Direct Wines Limited. Copies of the parent company's accounts can be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.