

INCH'S CIDER LIMITED

DIRECTORS' REPORT

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The directors present their report and the accounts for the period 8th September 1989 to 30th September 1990.

1 PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company was incorporated on 2nd May 1989, as Childome Limited, and changed it's name to Inch's Cider Limited on 8th September 1989.

The principal activity of the company is that of manufacturing and distribution of cider related products.

The company acquired the existing business of Inch's Cider on 8th September 1989 and has substantially increased the level of turnover by introducing new product lines and obtaining a large number of new retail outlets.

The losses incurred in this first trading period were substantially affected by costs connected with the 'start-up' of the company.

The directors expect that the level of activity will show further considerable growth during the present financial year, and that the company will move to a profitable trading situation.

2 DIVIDENDS AND TRANSFER TO RESERVES

In view of the company's current and future requirements for the maintenance and development of its business, the directors do not recommend that a dividend be declared but that the loss for the period of £ 341,425 be deducted from reserves.

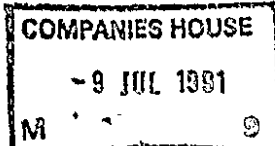
3 FIXED ASSETS

Expenditure of £ 1,053,404 was incurred on fixed assets as per notes 8 and 9 in the accounts.

4 DIRECTORS AND INTERESTS IN SHARES

The directors at 30th September 1990, together with their interests, as defined by the Companies Act 1985, in shares of the company at that date and at the respective dates of appointment were as follows:-

Ordinary Shares of £ 1 each			
		30th September 1990	Date of appointment
S. P. Conway	(appointed 29.8.89)	50,000	-
R. J. Jackson	(" 2.5.89)	50,000	-
J. W. F. McIlwraith	(" 2.5.89)	50,000	-
T. P. H. Lachelin	(" 30.11.89)	-	-



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DIRECTORS' REPORT (continued)

5 AUDITORS

Hazlewoods were appointed by the directors as first auditors of the company and now offer themselves for re-appointment under the provisions of the Companies Act 1985.

By Order of the Board

A handwritten signature in cursive script, appearing to read 'R. J. Jackson', is written over the printed name.

R. J. JACKSON
Secretary

8th January 1991

To the directors of

INCH'S CIDER LIMITED

PURSUANT TO
PARAGRAPH 10 OF SCHEDULE 8
TO THE COMPANIES ACT 1985

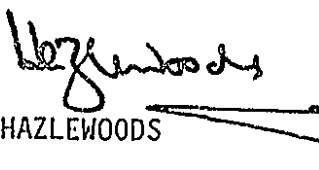
We have examined the modified accounts on pages 4 to 14 together with the full accounts of Inch's Cider Limited for the period 2nd May 1989 to 30th September 1990. The scope of our work for the purpose of this report was limited to confirming that the directors are entitled to deliver modified accounts and that the modified accounts have been properly prepared from the full accounts.

In our opinion the directors are entitled under sections 247 to 249 of the Companies Act 1985 to deliver modified accounts in respect of the period 2nd May 1989 to 30th September 1990, and the modified accounts on pages 4 to 14 have been properly prepared in accordance with Schedule 8 to that Act.

On 8th January 1991 we reported, as auditors of Inch's Cider Limited, to the members on the full accounts prepared under section 227 of the Companies Act 1985 for the period 2nd May 1989 to 30th September 1990, and our audit report was as follows:

'We have audited the accounts on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September 1990 and of its loss and source and application of funds for the period 2nd May 1989 to 30th September 1990 and have been properly prepared in accordance with the Companies Act 1985.'


HAZLEWOODS

Tewkesbury

8th January 1991

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PROFIT AND LOSS ACCOUNT for the period ended 30th September 1990

Note

GROSS PROFIT		505,263
Distribution and administrative costs	2	578,691
		<hr/>
		(73,428)
Interest payable	3	194,983
		<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL COSTS AND TAXATION		(268,411)
Exceptional costs	4	73,014
		<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(341,425)
Tax on loss on ordinary activities	7	-
		<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(341,425)
Dividends		-
		<hr/>
LOSS FOR PERIOD		<u>£ (341,425)</u>

INCH'S CIDER LIMITED

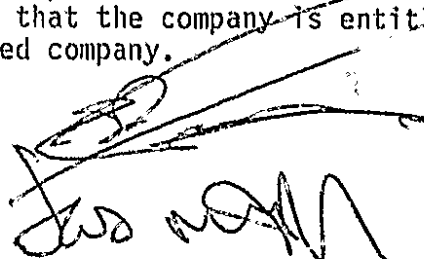
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BALANCE SHEET
30th September 1990

	Note	1990
FIXED ASSETS		
Intangible assets		22,292
Tangible assets		1,154,044
		<hr/>
		1,176,336
		<hr/>
CURRENT ASSETS		
Stocks		442,099
Debtors		741,434
Cash at bank and in hand		1,280
		<hr/>
		1,184,813
CREDITORS		
due within one year		1,342,366
		<hr/>
NET CURRENT LIABILITIES		(157,553)
TOTAL ASSETS		<hr/>
LESS CURRENT LIABILITIES		1,018,783
CREDITORS		
due after more than one year	2	774,143
		<hr/>
		£ 244,640
		<hr/>
CAPITAL AND RESERVES		
Called up share capital	3	392,000
Revaluation reserves		194,065
Profit and loss account		(341,425)
		<hr/>
		£ 244,640
		<hr/>

We have relied on Sections 247 to 249 of the Companies Act 1985 as entitling us to deliver modified accounts on the ground that the company is entitled to the benefit of those sections as a medium-sized company.

S. P. CONWAY)
J. McILWRAITH) Directors
 8th January 1991



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NOTES TO THE ACCOUNTS for the period ended 30th September 1990

1 ACCOUNTING POLICIES

a) ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold property.

b) DEPRECIATION

Depreciation is calculated to write off the cost or valuation of tangible assets over their estimated useful lives at the following rates:

Freehold land and buildings	nil
Plant and equipment	15/20% of cost per annum
Motor vehicles	25% of cost per annum

Depreciation has not been provided in respect of freehold buildings as the directors are of the opinion that the ongoing maintenance is such that the residual value of the property at the end of its useful life to the company will not be materially less than the valuation in these accounts.

Purchased goodwill, including that attributable to trademarks which are not separately distinguishable from goodwill, is written off over a period of 10 years. This period is considered by the directors to be the minimum useful economic life.

c) STOCKS

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is represented by raw materials and direct labour together with appropriate amounts of fixed and variable overheads. Net realisable value is estimated selling price less costs to completion.

d) DEFERRED TAXATION

No provision has been made for deferred taxation as the directors are of the opinion that an actual liability will not arise in the foreseeable future.

e) OPERATING LEASES

The cost of operating leases has been charged to profit and loss account on a straight line basis over the lease term.

f) HIRE PURCHASE AND FINANCE LEASES

Assets acquired under hire purchase and finance leases have been recorded in the balance sheet as tangible fixed assets at their equivalent capital value. The corresponding liability has been included under creditors due within or after one year. The interest element is charged to profit and loss account and represents a constant proportion of the balance of capital repayments outstanding.

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NOTES TO THE ACCOUNTS (continued) for the period ended 30th September 1990

2 DISTRIBUTION AND ADMINISTRATIVE COSTS

Distribution costs	153,592
Administrative expenses	425,099

£ 578,691

3 INTEREST PAYABLE

On bank loans and overdrafts and loans wholly repayable within 5 years	113,283
On other loans	42,496
Hire purchase and finance lease charges	15,507
Other interest	23,697

£ 194,983

4 EXCEPTIONAL COSTS

Set-up costs	£ 73,014
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5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities is
stated after charging: £

Amortisation of goodwill	2,708
Depreciation of fixed assets - owned assets	38,273
- leased assets	30,152
Directors' emoluments	119,408
Auditors' remuneration	6,500
Hire of vehicles	18,582

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NOTES TO THE ACCOUNTS (continued) for the period ended 30th September 1990

6 EMPLOYEES

The average number of persons (including directors) employed by the company during the period was as follows:

Production	7
Selling and distribution	10
Administration	6
	<hr/>
	23
	<hr/>

Staff costs (including directors):

Wages and salaries	258,177
Social security costs	23,842
	<hr/>
	£ 282,019
	<hr/>

The emoluments of the directors were as follows:

Chairman	Nil
Highest paid director	45,520

Others:

£	1990 No.	
30,001-35,000	1	32,560
40,001-45,000	1	41,328
		<hr/>
		£ 119,408
		<hr/>

In addition to the above, the Chairman Mr. T. P. H. Lachelin received £ 3,125 by way of management consultancy fees.

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NOTES TO THE ACCOUNTS (continued) for the period ended 30th September 1990

7 TAX ON LOSS ON ORDINARY ACTIVITIES

No charge for taxation arises upon the trading results of the period. There are tax losses to carry forward and for off-set against future trading profits of approximately £ 390,000.

8 INTANGIBLE FIXED ASSETS	Purchased goodwill and trade-marks
Cost	
Additions	25,000
	<hr/>
At 30th September 1990	25,000
	<hr/>
Amortisation	
Charge for period	2,708
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At 30th September 1990	2,708
	<hr/>
Net book value	
At 30th September 1990	£ 22,292
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NOTES TO THE ACCOUNTS (continued)
for the period ended 30th September 1990

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9 TANGIBLE FIXED ASSETS

Cost	Land and buildings	Plant and equipment	Motor vehicles	Total
Additions	555,935	442,469	30,000	1,028,404
Revaluation	194,065	-	-	194,065
At 30th September 1990	750,000	442,469	30,000	1,222,469
Depreciation				
Charge for period	-	60,300	8,125	68,425
At 30th September 1990	-	60,300	8,125	68,425
Net book value				
At 30th September 1990	£ 750,000	£ 382,169	£ 21,875	£ 1,154,044
Included in net book values are the following amounts in respect of leased assets:-				
At 30th September 1990	£ -	£ 176,286	£ 2,400	£ 178,686

Freehold land and buildings (valued at £ 750,000 in 1990) determined according to the historical cost convention are as follows:

Cost	555,935
Depreciation	-
Net book value	£ 555,935

An independent professional valuation of the freehold land and buildings was carried out in April 1990. The valuation stated that the current market value of the property, with vacant possession and continuation of existing use, was £750,000.

No provision has been made for the potential liability to corporation tax of £ 48,500 which would arise the event of disposal of freehold land and buildings at the valuation included in these accounts.

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NOTES TO THE ACCOUNTS (continued) for the period ended 30th September 1990

10 STOCKS

Raw materials and consumables	120,928
Work in progress	225,483
Finished goods and goods for resale	95,688
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	£ 442,099
	<hr/>

11 DEBTORS

Trade debtors	722,045
Other debtors	1,674
Prepayments	17,715
	<hr/>
	£ 741,434
	<hr/>

12 CREDITORS - due within one year

Bank overdraft	203,043
Other loan	60,000
Payments received on account	405,767
Trade creditors	447,954
Hire purchase and finance leases	32,830
Taxation and social security	70,304
Excise duty	87,981
Accruals	34,487
	<hr/>
	£ 1,342,366
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The loans and bank overdraft are secured by fixed and floating charges over the assets of the company.

The payments received on account represent advances made in respect of book debts and are secured on those book debts.

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NOTES TO THE ACCOUNTS (continued)
for the period ended 30th September 1990

13 CREDITORS - due after more than one year

Bank loan	400,000
Other loans	238,000
Hire purchase and finance leases	136,143
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	£ 774,143
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Loans which are secured by fixed and floating charges on the company's freehold land and buildings and other assets are repayable as follows:

(i) In more than five years time otherwise than by instalments - at 16.5% interest per annum (variable) and repayable on 31st December 1995, or earlier on demand	60,000
(ii) By instalments - at 16.5% interest per annum (variable) repayable in 16 equal instalments from 31st March 1992 (of which £ 69,000 is repayable in more than five year's time).	138,000
(iii) By instalments - at 14.25% interest per annum repayable in fourteen equal instalments from 31st March 1992 (of which £ 42,858 is repayable in more than five year's time).	100,000
(iv) By instalments - at 16.25% interest per annum (variable) repayable over fifteen years from September 1991 (of which £ 286,667 is repayable in more than five year's time).	400,000
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	£ 698,000
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Hire purchase and finance leases are repayable as follows:

(i) in two to five years	136,143
(ii) in more than five years	-
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	£ 136,143
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NOTES TO THE ACCOUNTS (continued)
for the period ended 30th September 1990

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14 SHARE CAPITAL

Authorised, allotted and fully paid:

150,000 ordinary shares of £ 1 each	150,000
92,000 'A' ordinary shares of £ 1 each	92,000
10.5% fixed cumulative preference shares of £ 1 each	150,000
	<hr/>
	£ 392,000

All the shares were issued at par during the year in connection with the acquisition of the business.

The company has agreed with Mr. T. P. H. Lachelin whereby he has the option to acquire 7,500 shares in the company at a price of £ 1 per share.

The company has also entered into an agreement with 3i Plc under which they have the right to acquire 47,500 'A' shares in the company at a price of £ 1 per share. The option may be exercised at any time up to 31st December 1998.

The redeemable Preference Shares may be redeemed at any time by the company failing which they will be redeemed in fixed redemption instalments of 30,000 shares on the due dates of 31st December 1991 - 1995. The shares shall be redeemed for the sum of £ 1 each.

The 'A' ordinary shares carry a 10.5% cumulative preferential dividend or 7% of net profits, whichever is the greater. The 'A' ordinary shares are redeemable subject to certain levels of profitability, however it is not expected that they will be redeemed within the next two years.

The arrears of fixed cumulative dividends as at 30th September 1990 are:

Fixed cumulative preference shares	16,699
'A' ordinary shares	10,242
	<hr/>
	£ 26,941

INCH'S CIDER LIMITED

NOTES TO THE ACCOUNTS (continued)
for the period ended 30th September 1990

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15 REVALUATION RESERVES

Balance at beginning of period	-
Surplus arising on revaluation during period	194,065

Balance at end of period	<u>£ 194,065</u>
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16 CONTINGENT LIABILITIES

The company has acquired plant and machinery during the period which is the subject of a claim against the manufacturers due to an operating fault. Once this matter is resolved and assuming that the company takes ownership of the asset, the company has a liability to pay the balance of the purchase price of the machine which is £ 41,960 plus VAT.

17 OTHER FINANCIAL COMMITMENTS

The company has commitments in respect of operating leases (not in respect of property) payable in the next twelve months of £ 17,160, expiring in two to five year's.