

**The Gaymer Group Europe Limited
and subsidiary undertakings**

Directors' report and financial statements

30 September 1992

Registered number 2661275

**COMPANIES HOUSE
CARD**

29 JUL 1993

RECEPTION DESK

The Gaymer Group Europe Limited and subsidiary undertakings

Directors' report and financial statements

| <i>Contents</i> | <i>Page</i> |
|--------------------------------------|-------------|
| Directors' report | 1 |
| Auditors' report | 5 |
| Consolidated profit and loss account | 6 |
| Consolidated balance sheet | 7 |
| Balance sheet | 8 |
| Consolidated cash flow statement | 9 |
| Notes | 10 |

The Gaymer Group Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the period from 7 November 1991 to 30 September 1992.

The company was incorporated as Quayshelf Co. 388 Limited on 7 November 1991. On 20 February 1992 it changed its name to The Gaymer Group Europe Limited.

Principal activities and business review

The value of sales of the Group after eliminating intra group transactions for the seven months to 30 September 1992 was £75.2m.

The Group profit and loss account on page 6 shows a profit before taxation and minority interest of £5,016,000 and a profit attributable to shareholders of £3,509,000.

Under an agreement dated 28 February 1992, The Gaymer Group Limited, the company's UK trading subsidiary, acquired the trade and undertakings of Vine Products and Whiteways and Showerings, divisions of The Hiram Walker Group Limited. On the same day the company's non-trading subsidiary, The Gaymer Group Overseas Holdings Limited, acquired 100% of the share capital of Erven Warnink B.V. a Dutch trading subsidiary undertaking of Allied-Lyons PLC.

The principal activity of the Group is the manufacture and distribution of ciders, perries, light British wines, British sherries and speciality drinks.

The Group accounts include the trading results of the company and its subsidiary undertakings for the period from 28 February 1992, the effective date of the acquisition, to 30 September 1992. The company did not trade between 7 November 1991 and 28 February 1992.

Both the level of business and the financial position at the end of the period were satisfactory, and the directors anticipate that the present level of activity will be at least sustained for the foreseeable future.

Research and development

Research and development of new products plays an important role in enlarging the Group's portfolio and enables the Group to take advantage of market opportunities.

Proposed dividend and transfer to reserves

After deducting dividends of £1,424,000, details of which are provided in note 10 to the accounts, the profit for the period retained in the Group is £2,085,000. The Articles of Association of the company do not permit the payment of a dividend on the 'A' or 'B' ordinary shares in respect of the period ended 30 September 1992.

Fixed assets

Information relating to fixed assets is given in note 11 to the financial statements.

The Gaymer Group Europe Limited

Directors' report *(continued)*

Market value of land and buildings

In the opinion of the directors, there were no material permanent differences between the market value of the land and buildings of the Group and their book value. The last valuation was carried out in December 1991 and has been used to arrive at the fair values at 28 February 1992 (see note 21).

Directors and directors' interests

The directors who held office during the period were as follows:

| | |
|--------------|--|
| M Dowdall | (appointed 28 February 1992) |
| JL Wilkinson | (appointed 28 February 1992) |
| A Burge | (appointed 28 February 1992) |
| SW Curran | (appointed 28 February 1992) |
| DW Lascelles | (appointed 28 February 1992) |
| M Melvin | (appointed 28 February 1992) |
| CD Nicholson | (appointed 28 February 1992) |
| CE Robinson | (appointed 28 February 1992) |
| ID Taylor | (appointed 28 February 1992) |
| R Woolf | (appointed 28 February 1992) |
| NQH Limited | (appointed 7 November 1991, resigned 28 February 1992) |

The directors who held office at the end of the financial period had the following interests in the ordinary shares of the company as recorded in the register of directors' share interests:

| | Class of share | At date of appointment | At 30 September 1992 |
|--------------|----------------------------|------------------------|----------------------|
| M Dowdall | 'A' ordinary shares of 1p | - | 10,000 |
| | 'B' ordinary shares of 1p | 1,333 | 1,333 |
| | 'A' preferred shares of 1p | 10,667 | 10,667 |
| JL Wilkinson | 'A' ordinary shares of 1p | 55,000 | 55,000 |
| A Burge | 'A' ordinary shares of 1p | 45,000 | 45,000 |
| DW Lascelles | 'A' ordinary shares of 1p | 45,000 | 45,000 |
| M Melvin | 'A' ordinary shares of 1p | 45,000 | 45,000 |
| CE Robinson | 'A' ordinary shares of 1p | 45,000 | 45,000 |
| R Woolf | 'A' ordinary shares of 1p | 45,000 | 45,000 |

Mr Wilkinson also held a non-beneficial interest in 1 share in each of 22 subsidiary undertakings as at 30 September 1992.

Mr Nicholson has a beneficial interest in 761 'A' preferred shares of 1p each and 95 'B' ordinary shares of 1p each registered in the name of CIN Investors Nominees Limited.

Mr Taylor has a beneficial interest in 2,206 'A' preferred shares of 1p each, 276 'B' ordinary shares of 1p each and 1,428 'B' preferred shares of 1p each, registered in the name of Daytonian Limited.

The Gaymer Group Europe Limited

Directors' report *(continued)*

Directors and directors' interests *(continued)*

Mr Curren has a beneficial interest in 555 'A' preferred shares of 1p each and 68 'B' ordinary shares of 1p each, registered in the name of Candover (Trustees) Limited.

The Gaymer Group Europe Limited Employee Trust held 27,654 'A' ordinary shares of 1p each in the company as at 30 September 1992. As the executive directors of the company are amongst the potential beneficiaries of the trust, each is deemed to have a potential interest in the shares held by it, although none has received any benefit under the trust.

None of the other directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company or any other Group company were granted to any of the directors or their immediate families, or exercised by them during the financial period.

Employees

The Group encourages the involvement of employees in the Group's performance through an employee share scheme. During the period under review employees were invited to apply for share options and as a result 90% of the total available were granted.

The Group fully recognises its responsibility for the health, safety and welfare at work for all of its employees.

The Group endeavours to communicate information speedily and readily with employees on matters of concern to them. Communication is achieved by a variety of means including company newspapers, bulletins and briefing sessions. The Group is committed to providing appropriate training at all levels and to help employees acquire skills and experience which enable them to fulfil their role and develop their future potential.

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Every effort is made to continue to employ persons who become disabled while in the company's employment. Disabled persons share equally in opportunities for training, career development and promotion.

Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £3,110.

Liability insurance

During the period the company maintained liability insurance for its officers.

The Gaymer Group Europe Limited

Directors' report *(continued)*

Tax status

The company is a close company for the purposes of the Income and Corporation Taxes Act 1988.

Pension plans

The Group has established pension plans providing benefits based on final pensionable pay and has ensured the continuation of benefits enjoyed by members whilst in the Allied-Lyons PLC schemes.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



David Warren
Secretary

Whitchurch Lane
Bristol
BS14 0JZ

26TH January 1993

Richmond Park House
15 Pembroke Road
Clifton
Bristol BS8 3BG

Report of the auditors to the members of The Gaymer Group Europe Limited

We have audited the financial statements on pages 6 to 30 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 30 September 1992 and of its profit and cash flows for the period from 7 November 1991 (the date of incorporation) to 30 September 1992 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

26 January 1993

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated profit and loss account
for the period from 7 November 1991 to 30 September 1992*

| | Note | 1992 £000 |
|--|------|--------------|
| Turnover | 2 | 75,185 |
| Cost of sales | | (38,377) |
| Gross profit | | 36,808 |
| Distribution costs | | (4,666) |
| Administrative expenses | | (22,694) |
| Trading profit | | 9,448 |
| Other interest receivable and similar income | 3 | 392 |
| Interest payable and similar charges | 4 | (4,824) |
| Profit on ordinary activities before taxation | 5-7 | 5,016 |
| Tax on profit on ordinary activities | 8 | (1,520) |
| Profit on ordinary activities after taxation | | 3,496 |
| Minority interests | | 13 |
| Profit for the financial period | 9 | 3,509 |
| Dividends | 10 | (1,424) |
| Retained profit for the financial period | | 2,085 |

A statement of movements on reserves is given in notes 19 and 20.

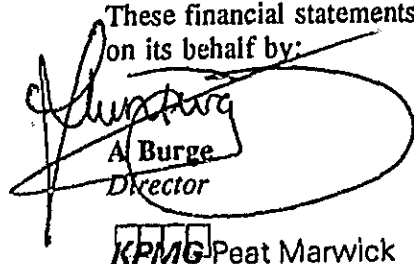
* The profit and loss account covers the statutory period from 7 November 1991, the date of incorporation, to 30 September 1992. Trading results are included from 1 March 1992.

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated balance sheet
at 30 September 1992

| | Note | 1992 £000 | 1992 £000 |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 11 | | 42,251 |
| Current assets | | | |
| Stocks | 13 | 30,662 | |
| Debtors | 14 | 43,028 | |
| Cash at bank and in hand | | 5,240 | |
| | | <u>78,930</u> | |
| Creditors: amounts falling due within one year | 15 | <u>(40,583)</u> | |
| Net current assets | | | |
| Due within one year | | 24,372 | |
| Debtors due after one year | 14 | <u>13,975</u> | |
| Total net current assets | | | <u>38,347</u> |
| Total assets less current liabilities | | | <u>80,598</u> |
| Creditors: amounts falling due after more than one year | 16 | | (68,745) |
| Provisions for liabilities and charges | 17 | | <u>(11,699)</u> |
| Net assets | | | <u>154</u> |
| Capital and reserves | | | |
| Called up share capital | 18 | | 38,724 |
| Share premium account | 19 | | 5,053 |
| Profit and loss account | 20 | | 1,203 |
| | | | <u>44,980</u> |
| Goodwill reserve | 19 | | <u>(44,784)</u> |
| | | | <u>196</u> |
| Minority interest | | | <u>(42)</u> |
| | | | <u>154</u> |

These financial statements were approved by the board of directors on 26 January 1993 and were signed on its behalf by:


A. Burge
Director

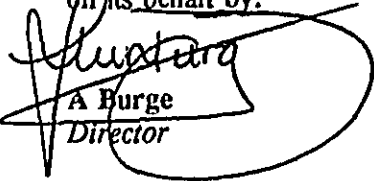
KPMG Peat Marwick

The Gaymer Group Europe Limited

Balance sheet
at 30 September 1992

| | Note | 1992 £000 | 1992 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Investments | 11 | | - |
| Current assets | | | |
| Debtors | 14 | 118,262 | |
| Creditors: amounts falling due within one year | 15 | (6,485) | |
| Net current assets | | | |
| Due within one year | | (561) | |
| Debtors due after one year | 14 | 112,338 | |
| Total net current assets | | | 111,777 |
| Creditors: amounts falling due after more than one year | 16 | | (68,000) |
| Net assets | | | 43,777 |
| Capital and reserves | | | |
| Called up share capital | 18 | | 38,724 |
| Share premium account | 19 | | 5,053 |
| | | | 43,777 |

These financial statements were approved by the board of directors on 26 January 1993 and were signed on its behalf by:


A Burge
Director

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated cash flow statement for the period ended 30 September 1992

| | Note | 1992 £000 | £000 |
|---|------|--------------|----------|
| Net cash inflow from operating activities | 25 | | 408 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 392 | |
| Interest paid | | (3,345) | |
| Dividends paid | | - | |
| | | | |
| Net cash outflow from returns on investments and servicing of finance | | | (2,953) |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (1,707) | |
| Purchase of businesses and subsidiary undertakings (net of cash equivalents acquired) | 28 | (78,672) | |
| Sale of tangible fixed assets | | 152 | |
| | | | |
| Net cash outflow from investing activities | | | (80,227) |
| Net cash outflow before financing | | | (82,772) |
| Financing | | | |
| Issue of ordinary share capital | | | (45,099) |
| Cost of issue of ordinary share capital | | | 1,321 |
| New bank loans | | | (48,000) |
| Cost of raising new bank loans | | | 3,830 |
| Finance leases | | | (64) |
| | | | |
| Net cash inflow from financing | | | (88,012) |
| Increase in cash and cash equivalents | 26 | | 5,240 |
| | | | |
| | | | (82,772) |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings. These financial statements are made up to 30 September 1992.

The acquisition method of accounting is adopted. Under this method, the results of subsidiary undertakings and businesses acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal.

Goodwill arising on consolidation and purchased goodwill is written off direct to the Goodwill reserve on acquisition. The Goodwill reserve is amortised over 20 years on a straight line basis by transfer from the profit and loss account reserve.

Fair values are attributed to the net tangible assets of businesses acquired. Amendments may be made in the following accounting period to the fair value adjustments, including taxation, with a corresponding adjustment to goodwill, in the light of post acquisition experience.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided by the Group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|------------------------------|---|---------------------|
| Freehold buildings | - | 50 years |
| Leasehold land and buildings | - | period of the lease |
| Plant and machinery | - | 7 to 10 years |
| Vats and tanks | - | 20 years |
| Cars | - | 4 years |
| Commercial vehicles | - | 7 years |
| Fixtures and fittings | - | 7 to 8 years |
| Computer software | - | 2 years |

Leasehold buildings are professionally valued every three years on the basis of open market value for existing use, with the exception of specialist buildings which are valued on a depreciated replacement cost basis. No depreciation is provided on freehold land.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. The profit and loss accounts of such undertakings are translated at a weighted average rate of exchange, calculated on a monthly basis. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The Group operates pension plans in the UK providing benefits based on final pensionable pay. The assets of the plans are held separately from those of the Group. Contributions to the plans are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. Overseas, the Group operates defined benefit pension arrangements.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of work in progress and finished goods manufactured by the company is taken as the cost of raw materials, customs and excise duties (where applicable) and an appropriate proportion of attributable overheads.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (including Customs and Excise duty, excluding value added tax) derived from the provision of goods and services to third party customers during the period, net of all discounts.

2 Analysis of turnover and profit on ordinary activities before taxation

The directors believe that the Group has only one class of business, as defined in note 12. Accordingly, the following analysis is given by geographical market:

| | United Kingdom £000 | Europe £000 | Rest of World £000 | Total £000 |
|--|---------------------------|----------------|--------------------------|-----------------|
| Turnover (by destination) | | | | |
| Sales to third parties | <u>71,818</u> | <u>2,964</u> | <u>403</u> | <u>75,185</u> |
| Turnover (by origin) | | | | |
| Total sales | 73,648 | 2,704 | - | 76,352 |
| Inter-segment sales | <u>-</u> | <u>(1,167)</u> | <u>-</u> | <u>(1,167)</u> |
| Sales to third parties | <u>73,648</u> | <u>1,537</u> | <u>-</u> | <u>75,185</u> |
| Trading profit | <u>9,338</u> | <u>110</u> | <u>-</u> | <u>9,448</u> |
| Net interest | | | | <u>(4,432)</u> |
| Group profit before taxation and minority interests | | | | <u>5,016</u> |
| Segment net assets | <u>69,827</u> | <u>3,327</u> | <u>-</u> | <u>73,154</u> |
| Group borrowings | | | | <u>(73,000)</u> |
| | | | | <u>154</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

| | | |
|---|---|-------------------|
| 3 | Other interest receivable and similar income | 1992 £000 |
| | Interest receivable | 375 |
| | Exchange gains | 17 |
| | | <hr/> 392 <hr/> |
| 4 | Interest payable and similar charges | 1992 £000 |
| | On bank loans, overdrafts and other loans wholly repayable within five years | 2,936 |
| | On all other loans | 1,817 |
| | Finance charges payable in respect of finance leases | 71 |
| | | <hr/> 4,824 <hr/> |
| 5 | Profit on ordinary activities before taxation | 1992 £000 |
| | <i>Profit on ordinary activities before taxation is stated</i> | £000 |
| | <i>after charging</i> | |
| | Depreciation and other amounts written off tangible and intangible fixed assets: | |
| | Owned | 2,941 |
| | Leased | 105 |
| | Hire of other assets - operating leases | 391 |
| | Research and development expenditure | 171 |
| | Auditors' remuneration: | |
| | As auditors | 91 |
| | Other services | 897 |
| | Less: charged to reserves | (879) |
| | | <hr/> 18 <hr/> |
| | <i>after crediting</i> | |
| | Rents receivable from property | <hr/> 1 <hr/> |

The total amount charged to revenue for the hire of plant and machinery amounted to £57,000. This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charges.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

6 Remuneration of directors

| | 1992 £000 |
|---|--------------|
| Directors' emoluments: | |
| As directors | 27 |
| Remuneration as executives | 255 |
| Payable to third parties for services of a person as director of the company | 14 |
| Pensions - for services as directors | 10 |
| | <hr/> |
| | 306 |
| | <hr/> |

The emoluments, excluding pension contributions, of the chairman were £20,417 and those of the highest paid director were £54,067.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

| | Number of directors 1992 |
|-------------------|-----------------------------|
| £ 0 - £ 5,000 | 3 |
| £ 5,001 - £10,000 | 1 |
| £20,001 - £25,000 | 1 |
| £35,001 - £40,000 | 2 |
| £40,001 - £45,000 | 3 |
| £50,001 - £55,000 | 1 |
| | <hr/> |

7 Staff numbers and costs

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

| | Number of employees 1992 |
|----------|--------------------------------|
| UK | 1,089 |
| Overseas | 51 |
| | <hr/> |
| | 1,140 |
| | <hr/> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

7 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

| | 1992 £000 |
|-----------------------------------|---------------|
| Wages and salaries | 12,671 |
| Social security costs | 932 |
| Other pension costs (see note 24) | 148 |
| | <u>13,751</u> |

8 Taxation

| | 1992 £000 |
|---|--------------|
| UK corporation tax at 33% on the profit for the period on ordinary activities including deferred taxation (see note 16) | 1,494 |
| Overseas taxation | 26 |
| | <u>1,520</u> |

9 Profit attributable to parent company

| | 1992 £000 |
|---|--------------|
| Profit for the financial period dealt with: in the company's accounts, including dividends received from subsidiary undertaking | 1,424 |
| in the accounts of the subsidiary undertakings | 2,085 |
| | <u>3,509</u> |

10 Dividends

| | 1992 £000 |
|----------------------|--------------|
| Proposed dividends | |
| 'A' preferred shares | 403 |
| 'B' preferred shares | 8 |
| Preference shares | 1,013 |
| | <u>1,424</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

11 Tangible fixed assets

| | Land and buildings | Plant and machinery | Commercial and private vehicles | Fixtures and fittings | Total |
|-------------------------------|-----------------------|---------------------------|--|-----------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Group | | | | | |
| <i>Cost</i> | | | | | |
| Additions on 28 February 1992 | 22,614 | 15,658 | 2,161 | 3,012 | 43,445 |
| Other additions | 199 | 681 | 118 | 709 | 1,707 |
| Disposals | - | (3) | (174) | (3) | (180) |
| Exchange movement | 141 | 116 | - | 23 | 280 |
| At end of period | <u>22,954</u> | <u>16,452</u> | <u>2,105</u> | <u>3,741</u> | <u>45,252</u> |
| <i>Depreciation</i> | | | | | |
| Charge for the period | 187 | 1,705 | 532 | 622 | 3,046 |
| On disposals | - | - | (45) | - | (45) |
| At end of period | <u>187</u> | <u>1,705</u> | <u>487</u> | <u>622</u> | <u>3,001</u> |
| <i>Net book value</i> | | | | | |
| At 30 September 1992 | <u>22,767</u> | <u>14,747</u> | <u>1,618</u> | <u>3,119</u> | <u>42,251</u> |

The net book value of land and buildings comprises:

| | 1992 £000 |
|-----------------|---------------|
| Freehold | 21,797 |
| Long leasehold | 775 |
| Short leasehold | 195 |
| | <u>22,767</u> |

The cost of land and buildings includes £17,935,000 of depreciable assets.

Details included above in respect of assets held under finance leases are:

| | Net book value £000 | Depreciation for the period £000 |
|---------------------------------|---------------------------|--|
| Plant and machinery | 76 | 26 |
| Commercial and private vehicles | 310 | 36 |
| Fixtures and fittings | <u>650</u> | <u>43</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

12 Fixed asset investments

Company

On 27 February 1992 the company acquired 100% of the share capital of The Gaymer Group Limited and The Gaymer Group Overseas Holdings Limited, each for £2.

On 28 February 1992 The Gaymer Group Limited acquired 90% of the share capital of Fentimans Limited for a nominal consideration and The Gaymer Group Overseas Holdings Limited acquired 100% of the share capital of Erven Warnink BV. Details of the consideration given for the purchase of Erven Warnink BV are provided in note 21.

The principal subsidiary undertakings are as follows:

| | Country of registration or incorporation | Principal activity | Class of shares held | Percentage of shares held Group Company | |
|--|--|------------------------|----------------------------|--|------|
| The Gaymer Group Limited | England | Trading | Ordinary | 100% | 100% |
| The Gaymer Group Overseas Holdings Limited | England | Holding company | Ordinary | 100% | 100% |
| Erven Warnink BV | The Netherlands | Trading | Ordinary | 100% | - |
| Fentimans Limited | England | Product development | Ordinary | 90% | - |

The principal activity of the Group's trading subsidiary undertakings is the manufacture and distribution of ciders, perries, light British wines, British sherries and speciality drinks.

In addition, the company owns 100% of the ordinary share capital of 20 dormant companies, registered in England.

13 Stocks

| | Group 1992 £000 |
|-------------------------------------|-----------------------|
| Raw materials and consumables | 5,218 |
| Work in progress | 10,937 |
| Finished goods and goods for resale | 14,507 |
| | <hr/> 30,562 <hr/> |

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

14 Debtors

| | 1992 | | |
|--------------------------------|-----------------------------------|----------------------------------|-------------------|
| | Due within one year £000 | Due after one year £000 | Total £000 |
| Group | | | |
| Trade debtors | 23,219 | - | 23,219 |
| Other debtors | 4,939 | - | 4,939 |
| Taxation | - | 475 | 475 |
| Prepayments and accrued income | 895 | - | 895 |
| Pension plans prepayment | - | 13,500 | 13,500 |
| | <u>29,053</u> | <u>13,975</u> | <u>43,028</u> |

| | 1992 | | |
|---|-----------------------------------|----------------------------------|-------------------|
| | Due within one year £000 | Due after one year £000 | Total £000 |
| Company | | | |
| Amounts owed by subsidiary undertakings | 1,424 | 112,338 | 113,762 |
| Other debtors | 4,500 | - | 4,500 |
| | <u>5,924</u> | <u>112,338</u> | <u>118,262</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

15 Creditors: amounts falling due within one year

| | £000 | 1992 £000 |
|--|-------|--------------|
| Group | | |
| Bank loans (see note 16) | | 5,153 |
| Obligations under finance leases and hire purchase contracts (see note 16) | | 336 |
| Trade creditors | | 11,012 |
| Other creditors including taxation and social security: | | |
| Corporation tax | 879 | |
| Other taxes and social security | 4,888 | |
| | <hr/> | |
| Taxation and social security | 5,767 | |
| Other creditors | 8,202 | |
| | <hr/> | |
| | | 13,969 |
| Accruals and deferred income | | 8,689 |
| Dividends payable | | 1,424 |
| | | <hr/> |
| | | 40,583 |
| | | <hr/> |
| Company | | |
| Bank loans (see note 16) | | 5,000 |
| Other creditors | | 61 |
| Dividends payable | | 1,424 |
| | | <hr/> |
| | | 6,485 |
| | | <hr/> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

16 Creditors: amounts falling due after more than one year

| | Group 1992 £000 | Company 1992 £000 |
|---|-----------------------|-------------------------|
| Bank and other loans | 43,000 | 43,000 |
| 11% secured subordinated loan note 1999 | 15,000 | 15,000 |
| 10% unsecured subordinated loan note 1999 | 10,000 | 10,000 |
| Obligations under finance leases | 736 | - |
| Other creditors | 9 | - |
| | <u>68,745</u> | <u>68,000</u> |

The bank loans and the 11% secured subordinated loan note 1999 are secured by fixed and floating charges over the assets of the Group and its subsidiary undertakings. The obligations under finance leases are secured on the assets to which they relate.

Analysis

| | Group and company 1992 £000 |
|--|-----------------------------------|
| Amount repayable by instalments In the second to fifth year | <u>28,000</u> |
| Amount repayable, other than by instalments, after more than five years: | <u>40,000</u> |

Interest is payable on the bank loans at between 2¼% and 3½% above LIBOR.

The 10% unsecured subordinated loan note 1999 bears an interest rate of the lower of 10% per annum and LIBOR on the first day of the relevant interest period.

The 11% secured subordinated loan note 1999 bears an interest rate of 0% until 28 February 1993, 5% per annum in respect of the period 1 March 1993 to 28 February 1994 and thereafter the lower of 11% and LIBOR on the first day of the relevant interest period.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

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

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | Group 1992 £000 |
|------------------------------|-----------------------|
| Within one year | 430 |
| In the second to fifth years | 833 |
| After five years | 22 |
| | <hr/> |
| | 1,285 |
| Less: future finance charges | (213) |
| | <hr/> |
| | 1,072 |
| | <hr/> |

17 Provisions for liabilities and charges

| | £000 |
|--------------------------|---------|
| Group | |
| Reorganisation provision | 16,337 |
| Utilised during period | (4,638) |
| | <hr/> |
| At end of period | 11,699 |
| | <hr/> |

The deferred tax asset arising on the acquisition, included in debtors in note 21, has been utilised during the period. The amounts provided for deferred taxation and the amounts not provided are set out below:

| | 1992 Provided £000 | 1992 Unprovided £000 |
|--|--------------------------|----------------------------|
| Difference between accumulated depreciation and amortisation and capital allowances | (483) | - |
| Other timing differences | 483 | - |
| | <hr/> | <hr/> |
| | - | - |
| | <hr/> | <hr/> |

There is no deferred tax for the company.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

18 Called up share capital

| | No | 1992 £000 |
|---|-------------------|---------------|
| <i>Authorised</i> | | |
| 'A' ordinary shares of 1p each | 500,000 | 5 |
| 'B' ordinary shares of 1p each | 400,000 | 4 |
| | <u>900,000</u> | <u>9</u> |
| Cumulative convertible participating | | |
| 'A' preferred ordinary shares of 1p each | 1,600,000 | 16 |
| Cumulative convertible participating | | |
| 'B' preferred ordinary shares of 1p each | 200,000 | 2 |
| | <u>1,800,000</u> | <u>18</u> |
| Redeemable cumulative preference shares of 90p each | 43,000,000 | 38,700 |
| | <u>45,700,000</u> | <u>38,727</u> |
| <i>Allotted, called up and fully paid</i> | | |
| 'A' ordinary shares of 1p each | 500,000 | 5 |
| 'B' ordinary shares of 1p each | 200,000 | 2 |
| | <u>700,000</u> | <u>7</u> |
| Cumulative convertible participating | | |
| 'A' preferred ordinary shares of 1p each | 1,600,000 | 16 |
| Cumulative convertible participating | | |
| 'B' preferred ordinary shares of 1p each | 123,333 | 1 |
| | <u>1,723,333</u> | <u>17</u> |
| Redeemable cumulative preference shares of 90p each | 43,000,000 | 38,700 |
| | <u>45,423,333</u> | <u>38,724</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

18 Called up share capital (continued)

All shares in issue were allotted during the period.

The consideration received was as follows:

| | £000 |
|---|---------------|
| 'A' ordinary shares of 1p each | 500 |
| 'B' ordinary shares of 1p each | 200 |
| Cumulative convertible participating | |
| 'A' preferred ordinary shares of 1p each | 1,300 |
| Cumulative convertible participating | |
| 'B' preferred ordinary shares of 1p each | 99 |
| Redeemable cumulative preference shares of 90p each | 43,000 |
| | <u>45,099</u> |

The redeemable cumulative preference shares are redeemable at the company's option at any time between 31 December 1996 and 31 December 2000, with redemption required at the latter date of any shares then still outstanding. Other than at 31 December 2000, redemption may take place only with the consent of the holders of the majority of preference shares in the Company or with the approval of 75% of the holders of the preference shares if the Company is in default in relation to the preference shares or the Company's bank or mezzanine loan facilities. No premium is payable on redemption above the amount paid for the shares.

On 30 September 1992, under The Gaymer Group Europe Limited Share Option Scheme, options over 179,390 'B' ordinary shares of 1p each were granted at a price of £1.00 per share. The options are exercisable at any time during the 21 days prior to the first to occur of any one of the following events; the sale of the company, a flotation on the unlisted securities market or full market of the Stock Exchange, or 30 September 1996.

The cumulative convertible participating 'A' and 'B' preferred ordinary shares are convertible into 'A' ordinary shares on a sale or listing of the company prior to 30 September 1996, or in any event on the publication of the audited consolidated accounts of the Company for the financial year ending 30 September 1996 at a rate which is determined by reference to the profits or market capitalisation of the Group on the date of conversion.

19 Reserves

Share premium account

| | Group and company |
|----------------------------|-------------------|
| | £000 |
| Arising on issue of shares | 6,374 |
| Less: costs | (1,321) |
| At end of period | <u>5,053</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

19 Reserves (continued)

Goodwill reserve

| | Group £000 |
|---|-----------------|
| Goodwill on acquisition (see note 21) | (46,099) |
| Transfer to profit and loss account reserve | 1,315 |
| At end of period | <u>(44,784)</u> |

The cumulative amount of goodwill resulting from acquisitions in the current financial period which has been written off is £46,099,000.

20 Profit and loss account

| | Group £000 | Company £000 |
|----------------------------------|---------------|-----------------|
| Profit and loss account | 2,085 | - |
| Exchange difference arising | 433 | - |
| Amortisation of goodwill reserve | (1,315) | - |
| At end of period | <u>1,203</u> | <u>-</u> |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

21 Fair value

On 28 February 1992 The Gaymer Group Limited acquired the businesses of two divisions of The Hiram Walker Group Limited, and The Gaymer Group Overseas Holdings Limited acquired 100% of the share capital of Erven Warnink BV.

The consideration given for the businesses and the shares had a fair value of £131 million, including non-cash consideration of £25 million.

| | £000 |
|---|---------|
| Paid by | |
| The Gaymer Group Limited for the businesses | 127,000 |
| The Gaymer Group Overseas Holdings Limited for Erven Warnink BV | 4,000 |
| | <hr/> |
| | 131,000 |

The fair value of the net assets acquired was £89,134,000 (see table on page 26).

The goodwill arising has been written off to the goodwill reserve. It is analysed as follows:

| | £000 |
|---|----------|
| Purchase consideration | 131,000 |
| Acquisition costs | 4,233 |
| Less: fair value of net assets acquired | (89,134) |
| | <hr/> |
| Goodwill arising | 46,099 |

The purchase consideration is based on completion accounts that have not been finalised with the vendor. The fair value of net assets acquired includes the directors' estimates of certain reorganisation costs. Any adjustment to the estimated consideration or the estimated fair values will be reflected through goodwill in the year to 30 September 1993.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

21 Fair value (continued)

| | Book value at 28 February 1992 | Revaluations | Pension | Provisions for reorganisation | Accounting policy alignment | Other major items | Fair value to the Group at 28 February 1992 |
|--------------------------|--------------------------------------|------------------|---------------|-------------------------------------|-----------------------------------|-------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | | | |
| Tangible | 39,700 | 4,187 (a) | - | - | (442) (b) | - | 43,445 |
| Minority interest | - | - | - | - | - | 29 | 29 |
| Current assets | | | | | | | |
| Stock | 28,456 | (554) (c) | - | - | - | - | 27,902 |
| Debtors | 21,816 | (306) (d) | 13,500 (e) | - | (651) (f) | 1,494 (g) | 35,853 |
| Cash | 27,732 | - | - | - | - | - | 27,732 |
| Total assets | 117,704 | 3,327 | 13,500 | - | (1,093) | 1,523 | 134,961 |
| Provisions | 82 | - | - | 16,255 (h) | - | - | 16,337 |
| Creditors | 27,672 | 1,581 (i) | - | 326 (j) | (89) (k) | - | 29,490 |
| Total liabilities | 27,754 | 1,581 | - | 16,581 | (89) | - | 45,827 |
| Net assets | 89,950 | 1,746 | 13,500 | (16,581) | (1,004) | 1,523 | 89,134 |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

21 Fair value (continued)

The principal adjustments are as follows:

| | Note |
|--------------|---|
| Fixed assets | <p>a Increases in the value of freehold and leasehold properties arising from a professional valuation, together with the write down of some items of plant and machinery.</p> <p>b Change in some rates of depreciation.</p> |
| Stock | c Write down following reassessment of realisable value of stock. |
| Debtors | <p>d Write down in value of certain receivables.</p> <p>e Recognition of pension plans' surplus, calculated by the Group's actuary.</p> <p>f Provision for doubtful debts.</p> <p>g Recognition of a deferred tax asset arising from some fair value adjustments.</p> |
| Provisions | h Provision made by the Group for future reorganisation costs. |
| Creditors | <p>i Increase in certain accruals.</p> <p>j Provision for deferred income at the date of acquisition.</p> <p>k Change in policy for the timing of recognition of advertising expenditure.</p> |

22 Contingent liabilities

The company, together with its subsidiary undertakings, has contingent liabilities in respect of bank guarantees and forward contracts of £6,000,000 and £4,882,000 respectively.

23 Commitments

(i) Capital commitments at the end of the financial period for which no provision has been made.

| | Group 1992 £000 | Company 1992 £000 |
|-------------------------------|-----------------------|-------------------------|
| Contracted | - | - |
| Authorised but not contracted | 448 | - |

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

23 Commitments (continued)

(ii) Annual commitments under non-cancellable operating leases are as follows:

| | Land and buildings | Other |
|---|-----------------------|----------------|
| | 1992 | 1992 |
| | £000 | £000 |
| Operating leases which expire: | | |
| Within one year | 108 | - |
| In the second to fifth years inclusive | - | 18 |
| Over five years | 697 | - |
| | <hr/> 805 <hr/> | <hr/> 18 <hr/> |

24 Pension scheme

As explained in the accounting policies set out on page 11, the Group operates pension plans providing benefits based on final pensionable pay. The costs of providing benefits are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

The pension plans in the UK have been set up and are due a transfer of assets from the Allied-Lyons schemes. The transfer of assets has not yet been finalised, but for the purpose of the accounts, however, an estimate has been made, by a qualified actuary, which indicates that the plans will have adequate resources to meet their liabilities. The actuary has prepared an initial report, dated 28 February 1992, which has examined only future service funding and has not considered the past service position. The contributions have been provisionally determined using the projected unit credit method.

The assumptions used by the actuary which have the most significant effect on the cost to be charged to the profit and loss account may be expressed relative to price inflation as follows:

| | |
|-------------------|------------|
| Interest | 4.5% above |
| Dividend growth | Equal to |
| Salary growth | 2% above |
| Pension increases | 0.5% below |

The pension charge for the period was £148,000, being £70,000 for the UK and £78,000 for overseas pension arrangements. The continuing pension cost in the UK comprises a regular cost of 9.5% of pensionable pay and interest income at 10% per annum on the prepayment of £13,500,000, which represents the estimated pension surplus acquired from Allied-Lyons PLC and is included in debtors. The Group is taking a reduction in employer contributions to utilise the pension surplus.

At 30 September 1992 contributions amounting to £78,000 were payable to the plans and are included in creditors.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

25 Reconciliation of trading profit to net cash inflow from operating activities

| | 1992 £000 |
|---|--------------|
| Trading profit | 9,448 |
| Depreciation charges | 3,046 |
| Profit on sale of tangible fixed assets | (17) |
| Exchange differences | 152 |
| Increase in stocks | (2,760) |
| Increase in debtors | (8,194) |
| Increase in creditors | 3,371 |
| Decrease in provisions | (4,638) |
| Net cash inflow from operating activities | <u>408</u> |

26 Changes in cash and cash equivalents during the period

| | 1992 £000 |
|---|--------------|
| Cash at 7 November 1991 | - |
| Net cash inflow | <u>5,240</u> |
| Cash at bank and in hand at 30 September 1992 | <u>5,240</u> |

27 Major non-cash transactions

During the period the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £191,000.

Part of the consideration for the acquisitions that occurred during the period comprised loan notes. Further details are set out in notes 28 and 29.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

28 Purchase of businesses and subsidiary undertakings

| | 1992 £000 |
|--|----------------|
| Net assets acquired: | |
| Tangible fixed assets | 43,445 |
| Stocks | 27,902 |
| Debtors | 34,359 |
| Cash at bank and in hand | 27,732 |
| Creditors | (28,481) |
| Obligations under finance leases | (1,008) |
| Minority interest | 29 |
| Acquisition provisions | (16,337) |
| Deferred taxation | 1,494 |
| Goodwill (including £3,830,000 cost of raising loan finance) | 46,099 |
| | <u>135,234</u> |
| Satisfied by | |
| Cash | 110,234 |
| Loan notes | 25,000 |
| | <u>135,234</u> |

29 Analysis of the net outflow of cash and cash equivalents in respect of the purchases of businesses and subsidiary undertakings

| | 1992 £000 |
|---|---------------|
| Cash consideration | 110,234 |
| Cash at bank and in hand acquired | (27,732) |
| Cost of raising loan finance | (3,830) |
| | <u>78,672</u> |
| Net outflow of cash and cash equivalents in respect of purchase of businesses and subsidiary undertakings | |
| | <u>78,672</u> |