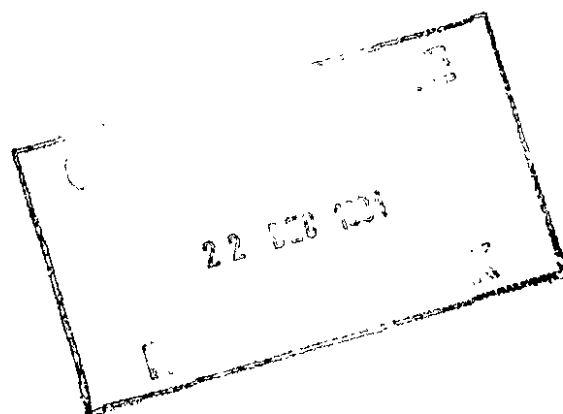


**The Gaymer Group Europe Limited
and subsidiary undertakings**

Directors' report and financial statements

28 February 1994

Registered number 2661275



The Gaymer Group Europe Limited and subsidiary undertakings

Directors' report and financial statements

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The Gaymer Group Europe Limited

Directors' report

The directors present their report and the audited financial statements for the year to 28 February 1994.

Principal activities and business review

The principal activity of the group is the manufacture of Ciders, Perries, Light British Wines, British Sherries and speciality drinks.

On 16 July 1993 the group disposed of its distribution business and certain assets at net book value for gross consideration of £1.6 million.

The turnover of the group for the year to 28 February 1994 was £145,175,000 (*5 months to 28 February 1993 : £64,503,000*). The group profit and loss account on page 6 shows a profit before taxation and minority interest of £8,160,000 (*5 months to 28 February 1993 : £3,885,000*) and a profit attributable to shareholders of £6,291,000 (*5 months to 28 February 1993 : £2,690,000*).

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

In accordance with Schedule 4 of the Companies Act 1985, corresponding amounts for the five months to 28 February 1993 have been included, being the last audited accounts prepared. However, the seasonal nature of the business of the group means that the trading results for the two periods are not strictly comparable.

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 £4,461,000 (*5 months to 28 February 1993 : £1,408,000*), details of which are provided in note 11 to the accounts, the profit for the year retained in the group is £1,830,000 (*5 months to 28 February 1993 : £1,282,000*).

Fixed assets

Information relating to fixed assets is given in note 12 to the financial statements.

Market value of land and buildings

In the opinion of the directors, there were no material differences between the market value of the land and buildings of the group and their book value.

The Gaymer Group Europe Limited

Directors' report *(continued)*

Directors and directors' interests

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

M Dowdall	(Chairman)
JL Wilkinson	(Deputy chairman)
A Burge	
SW Curran	
PG Evans	(appointed 25 February 1994)
DW Lascelles	(resigned 30 June 1994)
M Melvin	
CD Nicholson	
CE Robinson	
ID Taylor	
R Woolf	(resigned 30 June 1994)

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

	Class of share	Number of shares	
		At 28 February 1994	At 1 March 1993
M Dowdall	'A' ordinary shares of 1p	10,000	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 of one share in two subsidiary undertakings as at 28 February 1994. Mr Nicholson has a beneficial interest in 760.5 'A' preferred shares of 1p each, and 95.1 'B' ordinary shares of 1p each. 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. Mr Curran has a beneficial interest in 555 'A' preferred shares of 1p each and 68 'B' ordinary shares of 1p each.

The Gaymer Group Europe Limited Employee Trust held 5,628 'A' ordinary shares of 1p each in the company as at 28 February 1994. 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 no interest in any shares in the trust has been transferred to any of the executive directors.

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.

The Gaymer Group Europe Limited

Directors' report *(continued)*

Employees

The group encourages the involvement of employees in the group's performance through an employee share option scheme.

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 group made no political contributions during the year. Donations to UK charities amounted to £10,407.


Liability insurance

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

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

3rd October 1994

The Gaymer Group Europe Limited and subsidiary undertakings

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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 statement on pages 6 to 34.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 28 February 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

3rd October 1994

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated profit and loss account

	Note	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Turnover			
Continuing operations		143,296	62,685
Discontinued operations		1,879	1,818
Total turnover	2	145,175	64,503
Cost of sales	3	(77,004)	(33,977)
Gross profit		68,171	30,526
Distribution costs	3	(8,556)	(3,521)
Administrative expenses - ordinary	3	(43,194)	(20,430)
- exceptional	3	(1,282)	-
Operating profit			
Continuing operations		14,865	6,468
Discontinued operations		274	107
Total operating profit	2	15,139	6,575
Provision for diminution in value of properties in discontinued operations		(569)	-
Profit on ordinary activities before interest		14,570	6,575
Interest receivable and similar income	4	159	519
Interest payable and similar charges	5	(6,569)	(3,209)
Profit on ordinary activities before taxation	6-8	8,160	3,885
Tax on profit on ordinary activities	9	(1,891)	(1,201)
Profit on ordinary activities after taxation		6,269	2,684
Equity minority interests		22	6
Profit for the financial period	10	6,291	2,690
Dividends paid and proposed	11	(4,461)	(1,408)
Retained profit for the financial period		1,830	1,282

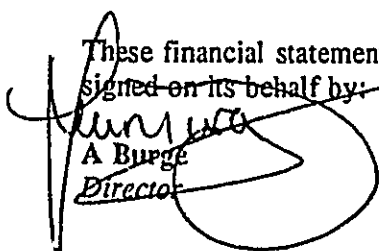
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The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated balance sheet

	Note	28 February 1994		28 February 1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		40,540		40,595
Current assets					
Stocks	14	27,465		24,115	
Debtors	15	38,164		36,538	
Cash at bank and in hand		3,202		8,534	
Creditors: due within one year	16	68,831		69,187	
		(39,272)		(31,643)	
Net current assets					
Due within one year		11,112		23,378	
Debtors due after one year	15	18,447		14,166	
Total net current assets			29,559		37,544
Total assets less current liabilities			70,099		78,139
Creditors: due after one year	17		(58,681)		(65,415)
Provisions for liabilities and charges	18		(5,748)		(9,352)
Net assets			5,670		3,372
Capital and reserves					
Called up share capital	19		38,725		38,725
Share premium account	20		5,114		5,114
Profit and loss account	21		1,039		1,646
Goodwill reserve	20		44,878		45,485
			(39,138)		(42,065)
Shareholders' funds					
Equity interests			(37,420)		(39,740)
Non-equity interests			43,160		43,160
Total shareholders' funds			5,740		3,420
Equity minority interest			(70)		(48)
			5,670		3,372

These financial statements were approved by the board of directors on 3rd October 1994 and were signed on its behalf by:

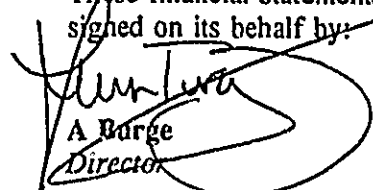

A Burge
Director

The Gaymer Group Europe Limited

Balance sheet

	Note	28 February 1994 £000	28 February 1993 £000
Fixed assets			
Investments	13	-	-
Current assets			
Debtors	15	113,907	115,747
Creditors: due within one year	16	(11,450)	(7,408)
Net current assets			
Debtors due after one year	15	102,457	108,339
Total net current assets		102,457	108,339
Creditors: due after one year	17	(56,500)	(64,500)
Net assets		45,957	43,839
Capital and reserves			
Called up share capital	19	38,725	38,725
Share premium account	20	5,114	5,114
Profit and loss account	21	2,118	-
Shareholders' funds		45,957	43,839
Analysed:			
Equity interests		2,797	679
Non-equity interests		43,160	43,160
Shareholders' funds		45,957	43,839

These financial statements were approved by the board of directors on 3rd October 1994 and were signed on its behalf by:


A Burge
Director

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated cash flow statement

	Note	Year to 28 February 1994 £000	£000	5 months to 28 February 1993 £000	£000
Net cash inflow from operating activities	26		17,117		5,039
Returns on investments and servicing of finance					
Interest received		164		519	
Interest paid		(6,587)		(3,027)	
Interest element of finance lease rental payments		(155)		(57)	
Dividends paid		(1,419)		(1,424)	
Net cash outflow from returns on investments and servicing of finance			(7,997)		(3,989)
Taxation					
Advance corporation tax paid			(906)		-
Investing activities					
Purchase of tangible fixed assets		(7,164)		(1,014)	
Purchase of businesses and subsidiary undertakings (net of cash equivalents acquired)		-		5,500	
Sale of business	28	1,198		-	
Sale of tangible fixed assets		256		361	
Net cash (outflow)/inflow from investing activities			(5,710)		4,847
Net cash inflow before financing			2,504		5,897
Financing					
Issue of ordinary share capital			-		(62)
Repayment of bank loans			7,000		2,500
Capital element of finance lease rental payments			294		165
Prepayment of financing costs			542		-
Net cash inflow from financing			7,836		2,603
(Decrease)/increase in cash and cash equivalents	27		(5,332)		3,294
			2,504		5,897

The Gaymer Group Europe Limited and subsidiary undertakings

Consolidated statement of total recognised gains and losses

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Profit for the financial period	6,291	2,690
Currency translation differences on foreign currency net investments	(344)	318
Total recognised gains and losses relating to the year	5,947	3,008
Prior year adjustment (as explained in note 21)	(372)	
Total gains and losses recognised since last financial statements	5,575	

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. Comparative information has been restated in compliance with Financial Reporting Standard 3: Reporting Financial Performance.

The financial statements have been prepared in accordance with the new Financial Reporting Standard 4: Capital Instruments and comparative information has been adjusted where necessary (note 21).

In accordance with Schedule 4 of the Companies Act 1985, corresponding amounts for the five months to 28 February 1993 have been included, being the last audited accounts prepared. However, the seasonal nature of the business of the group means that the trading results for the two periods are not strictly comparable.

Consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings, made up to 28 February.

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 or to the date control passes.

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 periods 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.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

1 Accounting policies (continued)

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

Land and buildings are professionally valued every three years on the basis of open market value for existing use. No depreciation is provided on freehold land.

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.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

1 Accounting policies (continued)

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.

Deferred tax has been accounted for on the pension surplus recorded as a prepayment on the acquisition of the businesses. Deferred tax is not provided on the future net pension credits/charges arising from the requirements of SSAP 24 because these do not constitute timing differences for deferred tax purposes.

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.

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 where levied, excluding value added tax) derived from the provision of goods and services to third party customers during the period, net of all discounts.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

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 13. Accordingly, the following analysis is given by geographical origin and market for the year to 28 February 1994 and the five months to 28 February 1993:

	United Kingdom		Europe		Rest of the World		Total	
	1994	1993	1994	1993	1994	1993	1994	1993
	£000	£000	£000	£000	£000	£000	£000	£000
(a) Turnover								
by destination								
Continuing	136,859	59,864	5,005	1,947	1,432	874	143,296	62,685
Discontinued	1,879	1,818	-	-	-	-	1,879	1,818
Sales to third parties	138,738	61,682	5,005	1,947	1,432	874	145,175	64,503
by origin								
Continuing	139,702	61,073	8,187	3,167	-	-	147,889	64,240
Inter-segment sales	-	-	(4,593)	(1,555)	-	-	(4,593)	(1,555)
Discontinued	1,879	1,818	-	-	-	-	1,879	1,818
Sales to third parties	141,581	62,891	3,594	1,612	-	-	145,175	64,503
(b) Operating profit	14,055	6,308	1,084	267	-	-	15,139	6,575
Provision for diminution in value of property							(569)	-
Net interest							(6,410)	(2,690)
Group profit before taxation and minority interests							8,160	3,885
(c) Segment net assets	68,338	69,518	832	4,434	-	-	69,170	73,872
Group borrowings							(63,500)	(70,500)
							5,670	3,372

The directors have classified the disposal of its divisions: Allied Distribution Services and Tachograph Services as discontinued under Financial Reporting Standard 3 as the removal of 20% of the workforce and termination of the group's distribution activities has a material effect on the nature and focus of its operations. These divisions had turnover representing approximately 5% of group turnover net of Customs and Excise duty.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

3 Profit and loss account analysis

	Year to 28 February 1994			5 months to 28 February 1993 (as restated)		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Cost of sales	75,241	1,763	77,004	32,270	1,707	33,977
Distribution costs	8,714	(158)	8,556	3,517	4	3,521
Administrative expenses	44,476	-	44,476	20,430	-	20,430

The exceptional administrative expenses of £1,282,000 relate to a proposed financial restructuring which did not proceed.

4 Interest receivable and similar income

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Interest receivable	159	517
Exchange gains	-	2
	<u>159</u>	<u>519</u>

5 Interest payable and similar charges

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
On bank loans, overdrafts and other loans wholly repayable within five years	5,901	2,924
On all other loans	513	215
Finance charges payable in respect of finance leases	155	57
Exchange losses	-	13
	<u>6,569</u>	<u>3,209</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before
taxation is stated

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
<i>after charging</i>		
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	4,054	1,665
Leased	317	138
Hire of other assets - operating leases	505	171
- property rentals	211	263
Research and development expenditure	547	302
Auditors' remuneration:		
As auditors	115	92
Other services	84	107
<i>after crediting</i>		
Net pension credit/(debit) (included in arriving at operating profit)	1,385	(41)
Rents receivable from property	363	149

The inclusion of the net pension credit in the profit and loss account may, since its recovery is anticipated over an extended period, be a departure from the requirement of the Companies Act 1985 that only realised profits should be so included. However, the credit has been calculated in accordance with the requirements of Statement of Standard Accounting Practice 24: Accounting for Pension Costs, and the directors consider that compliance with the standard constitutes a special reason to depart from the Act.

The net pension credit for the year to 28 February 1994 includes £272,000 relating to the period from 1 March 1992 to 28 February 1993.

The total amount charged to revenue for the hire of plant and machinery amounted to £88,000 (5 months to 28 February 1993 : £37,000). 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)

7 Remuneration of directors

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Directors' emoluments:		
As directors	52	20
Remuneration as executives (including motor vehicle, medical insurance and loan interest benefits)	468	288
Payable to third parties for services of persons as directors of the company	24	10
	<u>544</u>	<u>318</u>

The emoluments, excluding pension contributions, of the chairman were £40,386 (5 months to 28 February 1993 : £14,583) and those of the highest paid director were £95,323 (5 months to 28 February 1993 : £60,933).

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

		Number of directors	
		Year to 28 February 1994	5 months to 28 February 1993
£ 0	- £ 5,000	1	3
£ 5,001	- £ 10,000	-	-
£10,001	- £ 15,000	3	1
£20,001	- £ 25,000	-	-
£40,001	- £ 45,000	1	2
£45,001	- £ 50,000	-	3
£60,001	- £ 65,000	-	1
£65,001	- £ 70,000	1	-
£70,001	- £ 75,000	1	-
£75,001	- £ 80,000	3	-
£95,001	- £100,000	1	-

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

7 Remuneration of directors (continued)

On 8 April 1993 the benefit of certain interest free housing loans made to the directors listed below by their previous employer was assigned to an overseas subsidiary, Erven Warnink BV, further to which, on 31 August 1993 the interest free loan to A Burge was increased by £14,000 to £46,500. The liabilities of the directors to Erven Warnink BV under the terms of the loans are as follows:

	At 28 February 1994 £	At 28 February 1993 £
A Burge	46,500	Nil
DW Lascelles	38,000	Nil
M Melvin	24,000	Nil
CE Robinson	14,852	Nil
R Woolf	30,000	Nil

The maximum amount of the liability of each director during the period was as disclosed at 28 February 1994.

8 Staff numbers and costs

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

	Number of employees	
	Year to 28 February 1994	5 months to 28 February 1993
UK	910	1,073
Overseas	51	51
	<u>961</u>	<u>1,124</u>

The aggregate payroll costs of these persons were as follows:

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Wages and salaries	18,363	8,405
Social security costs	1,692	695
Other pension costs (note 25)	(1,411)	103
	<u>18,644</u>	<u>9,203</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

9 Taxation

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
UK corporation tax at 33 % on the profit for the period on ordinary activities: deferred taxation (note 18)	1,531	1,095
Overseas taxation	360	106
	<u>1,891</u>	<u>1,201</u>

The tax charge has been reduced by £1.1 million because of timing differences which are not expected to reverse in the foreseeable future. There is no tax charge on the net pension credit.

The tax credit on the provision of £569,000 for diminution in value of property in discontinued operations amounts to £Nil.

10 Profit attributable to parent company

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Profit for the financial period dealt with in:		
The company	6,579	1,408
Subsidiary undertakings	(288)	1,282
	<u>6,291</u>	<u>2,690</u>

11 Proposed dividends

	Year to 28 February 1994	5 months to 28 February 1993
'A' preferred shares	787	328
'B' preferred shares	13	5
Preference shares	3,661	1,075
	<u>4,461</u>	<u>1,408</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

12 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>					
At 28 February 1993	22,392	17,486	2,020	3,370	45,268
Adjustment (note 20)	(1,400)	-	-	-	(1,400)
Additions	48	6,262	404	1,351	8,065
Disposals	(409)	(348)	(1,286)	(148)	(2,191)
Exchange movement	(144)	(311)	-	(52)	(507)
At 28 February 1994	<u>20,487</u>	<u>23,089</u>	<u>1,138</u>	<u>4,521</u>	<u>49,235</u>
<i>Depreciation</i>					
At 28 February 1993	404	2,765	703	801	4,673
Charge for the year	355	2,822	452	742	4,371
Provision for diminution in value	569	-	-	-	569
On disposals	(12)	(51)	(651)	115	(599)
Exchange movement	(46)	(238)	-	(35)	(319)
At 28 February 1994	<u>1,270</u>	<u>5,298</u>	<u>504</u>	<u>1,623</u>	<u>8,695</u>
<i>Net book value</i>					
At 28 February 1994	<u>19,217</u>	<u>17,791</u>	<u>634</u>	<u>2,898</u>	<u>40,540</u>
At 28 February 1993	<u>21,988</u>	<u>14,721</u>	<u>1,317</u>	<u>2,569</u>	<u>40,595</u>

The net book value of land and buildings comprises:

	28 February 1994 £000	28 February 1993 £000
Freehold	18,306	20,743
Long leasehold	901	1,233
Short leasehold	10	12
	<u>19,217</u>	<u>21,988</u>

The cost of land and buildings includes £18,531,000 (1993 : £20,251,000) of depreciable assets.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

12 Tangible fixed assets (continued)

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

	Net book value £000	Depreciation for the year £000
Plant and machinery	62	28
Commercial and private vehicles	475	178
Fixtures and fittings	214	111
	<hr/>	<hr/>

13 Fixed asset investments

	1994 £000	1993 £000
Company	-	-
	<hr/>	<hr/>

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	Trading	Ordinary	90%	-

The principal activity of the group's trading subsidiary undertakings is the manufacture of Ciders, Perries, Light British Wines, British Sherries and speciality drinks.

In addition, the company owns 100% of the ordinary share capital of 21 dormant companies, registered in England.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

14 Stocks

	Group	
	28 February 1994 £000	28 February 1993 £000
Raw materials and consumables	4,296	3,378
Work in progress	9,649	10,018
Finished goods and goods for resale	13,520	10,719
	<u>27,465</u>	<u>24,115</u>

15 Debtors

	Group		Company	
	28 February 1994 £000	28 February 1993 £000	28 February 1994 £000	28 February 1993 £000
Amounts falling due within one year				
Trade debtors	17,627	20,772	-	-
Amounts owed by subsidiary undertakings	-	-	10,168	7,408
Other debtors	524	282	-	-
Prepayments and accrued income	1,566	687	-	-
Pension plans prepayment	-	107	-	-
Deferred tax asset (note 18)	-	524	-	-
	<u>19,717</u>	<u>22,372</u>	<u>10,168</u>	<u>7,408</u>
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	103,739	108,339
Taxation	-	884	-	-
Pension plans prepayment	18,447	13,282	-	-
	<u>18,447</u>	<u>14,166</u>	<u>103,739</u>	<u>108,339</u>
Total debtors	<u>38,164</u>	<u>36,538</u>	<u>113,907</u>	<u>115,747</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

16 Creditors: amounts falling due within one year

Group	28 February 1994		28 February 1993	
	£000	£000	£000	£000
Bank loans (note 17)		7,000		6,000
Obligations under finance leases and hire purchase contracts (note 17)		264		283
Trade creditors		11,248		7,636
Other creditors including taxation and social security:				
Corporation tax	1,937		1,404	
Other taxes and social security	1,942		3,570	
Taxation and social security	3,879		4,974	
Other creditors	3,166		2,299	
		7,045		7,273
Accruals and deferred income		9,265		9,043
Dividends payable		4,450		1,408
		39,272		31,643
Company	28 February 1994		28 February 1993	
	£000	£000	£000	£000
Bank loans (note 17)		7,000		6,000
Dividends payable		4,450		1,408
		11,450		7,408

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

17 Creditors: amounts falling due after more than one year

Group	28 February 1994 £000	28 February 1993 £000
Bank and other loans	31,500	39,500
11 % secured subordinated loan note 1999	15,000	15,000
10 % unsecured subordinated loan note 1999	10,000	10,000
Obligations under finance leases	566	906
Other creditors	1,615	9
	<u>58,681</u>	<u>65,415</u>
Company	28 February 1994 £000	28 February 1993 £000
Bank and other loans	31,500	39,500
11 % secured subordinated loan note 1999	15,000	15,000
10 % unsecured subordinated loan note 1999	10,000	10,000
	<u>56,500</u>	<u>64,500</u>

The bank loans and the 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 28 February 1994 £000	28 February 1993 £000
Amount repayable by instalments		
In the second to fifth year	<u>16,500</u>	<u>24,500</u>
Amount repayable, other than by instalments:		
In the second to fifth year	15,000	15,000
After more than five years	<u>25,000</u>	<u>25,000</u>
	<u>40,000</u>	<u>40,000</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

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

Interest is payable on the bank loans at between $2\frac{3}{16}\%$ and $3\frac{1}{2}\%$ above LIBOR.

The 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 provided certain profit levels are achieved. No interest has been provided for since 1 October 1992.

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

	Group	
	28 February 1994 £000	28 February 1993 £000
Within one year	359	442
In the second to fifth years	624	1,001
After five years	-	-
	<hr/>	<hr/>
	983	1,443
Less: future finance charges	(153)	(254)
	<hr/>	<hr/>
	830	1,189
	<hr/>	<hr/>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

18 Provisions for liabilities and charges

	Reorganisation £000	Group Deferred tax £000	Total £000
At beginning of year	9,258	94	9,352
Offset of deferred tax asset	-	(524)	(524)
Utilised	(3,838)	-	(3,838)
Charge to profit and loss account	-	1,531	1,531
Advance corporation tax recoverable	-	(2,002)	(2,002)
Exchange movement	-	(20)	(20)
Goodwill adjustment - pensions	-	1,249	1,249
At end of year	5,420	328	5,748

The amounts provided for deferred taxation and the amounts not provided are set out below:

	28 February 1994		28 February 1993	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	-	1,037	(313)	-
Other timing differences	(176)	-	(430)	-
Pension prepayment	5,667	-	4,418	-
Provisions	(2,037)	-	(2,353)	-
Losses carried forward	(1,124)	-	(1,752)	-
Advance corporation tax recoverable	(2,002)	-	-	-
	328	1,037	(430)	-

The deferred taxation balance is analysed as follows:

	28 February 1994		28 February 1993	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Deferred tax liability (above)	328	1,037	94	-
Deferred tax asset (note 15)	-	-	(524)	-
	328	1,037	(430)	-

There is no deferred tax for the company.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

19 Called up share capital

Group and company At 28 February 1994 and 1993

	No	£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	15
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>45,500,000</u>	<u>38,725</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

19 Called up share capital (continued)

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.

As at 28 February 1994, under 'The Gaymer Group Europe Limited Share Option Scheme, there were options over 138,306 'B' ordinary shares of 1p each. The options 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 June 1996, or in any event on the publication of the audited consolidated accounts of the company for the financial year ending 29 February 1996 at a rate which is determined by reference to the profits or market capitalisation of the group on the date of conversion.

20 Reserves

Share premium account

Group and company
£000

At beginning and end of year	<u>5,114</u>
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Goodwill reserve

Group
£000

At beginning of year	(42,065)
Adjustments relating to acquisitions:	
Pension prepayment	2,424
Fixed assets	(1,400)
Stamp duty	(190)
Transfer to profit and loss account reserve	<u>2,093</u>
At end of year	<u>(39,138)</u>

The adjustments relate to the acquisition of the businesses of two divisions of Hiram Walker Group Limited on 28 February 1992.

The cumulative amount of goodwill resulting from acquisitions which has been written off is £43,487,000 (1993 : £44,320,000).

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

21 Profit and loss account

	Group £000	Company £000
At beginning of year		
As previously reported	2,018	-
Prior year adjustment	(372)	-
At beginning of year as restated	1,646	-
Profit and loss account	1,830	2,118
Exchange difference arising	(344)	-
Amortisation of goodwill reserve	(2,093)	-
At end of year	1,039	2,118

The prior year adjustment of £372,000 arises on the application of Financial Reporting Standard 4: Capital Instruments for interest on the 11% secured subordinated loan note 1999 (see note 17). The five month comparative to 28 February 1993 has been adjusted by £155,000 and the balance of £217,000 relates to the seven month period to 30 September 1992.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

22 Reconciliation of movements in shareholders' funds

Group	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Profit for the financial period	6,291	2,845
Prior year adjustment for the application of FRS 4	-	(155)
Dividends	6,291 (4,461)	2,690 (1,408)
New share capital subscribed:	1,830	1,282
Nominal value	-	1
Share premium	-	61
Goodwill:	-	62
Pension prepayment adjustment	2,424	-
Reduction in purchase consideration	-	1,000
Deferred taxation adjustment	-	1,536
Fixed asset adjustments	(1,400)	(1,257)
Release of provisions	-	500
Stamp duty adjustment	(190)	-
Exchange difference arising	834 (344)	1,779 318
Net addition to shareholders' funds	2,320	3,441
Opening shareholders' funds	3,420	196
Prior year adjustment for the application of FRS 4	-	(217)
Closing shareholders' funds	3,420 5,740	(21) 3,420
Company		
Profit for the financial period	6,579	1,408
Dividends	(4,461)	(1,408)
New share capital subscribed (including premium)	2,118 -	- 62
Net addition to shareholders' funds	2,118	62
Opening shareholders' funds	43,839	43,777
Closing shareholders' funds	45,957	43,839

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

23 Contingent liabilities

The company, together with its subsidiary undertakings, has contingent liabilities in respect of bank guarantees of £6,469,731 (1993 : £6,400,000).

24 Commitments

- (i) Capital commitments at the end of the financial period for which no provision has been made are as follows:

	28 February 1994		28 February 1993	
	Group £000	Company £000	Group £000	Company £000
Authorised but not contracted	<u>3,165</u>	<u>-</u>	<u>3,711</u>	<u>-</u>
Authorised and contracted	<u>1,919</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	28 February 1994		28 February 1993	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	32	69	38	25
In the second to fifth years inclusive	-	472	4	370
Over five years	<u>608</u>	<u>-</u>	<u>715</u>	<u>-</u>
	<u>640</u>	<u>541</u>	<u>757</u>	<u>395</u>

25 Pension scheme

The group operates two pension plans in the UK which are funded by means of contributions paid by members and the group (as necessary) so that the plans can meet their expected benefit obligations.

Full actuarial valuations of the plans were carried out by independent actuaries as at 30 June 1993. These valuations, which were carried out on the projected unit method, indicated a level of funding of 186% for the main pension plan and 161% for the executive pension plan, and estimated the market value of the plans' assets at £40 million.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

25 Pension scheme (continued)

The principal assumptions used by the actuary for accounts purposes are as follows:

Long term investment return	10%
Dividend growth	5.5%
Salary growth	7.25%
Pension increases	4.5%

The pension cost for the period was a credit of £1,272,000 (1993: charge of £103,000), being a credit of £1,385,000 (February 1993: charge of £41,000) for the UK and a charge of £113,000 (February 1993: charge of £62,000) for overseas pension arrangements. The credit in the UK is net of a regular cost of providing benefits to pension plan members of £1,128,000 (1993: £622,000).

The pension credit has arisen because of the increased surplus revealed by the recent actuarial valuations and a change in the assumptions with effect from 1 March 1993 as follows:

Salary growth	0.25% reduction
Pension increases	0.5% reduction
Withdrawal allowance	introduced at 8% per annum

The group's continuing pension cost for accounts purposes in the UK comprises:

- a regular cost of 8.9% of pensionable pay for members;
- interest income at 10% per annum on the surplus.

The group is taking a contribution holiday to utilise the pension surplus which is estimated to continue for more than ten years.

At 28 February 1994 no contributions (1993 : £Nil) were payable to the plans.

The element of the total pension cost relating to overseas schemes has been determined in accordance with local best practice and regulations.

The Gaymer Group Europe Limited and subsidiary undertakings

Notes (continued)

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

	Year to 28 February 1994 £000	5 months to 28 February 1993 £000
Operating profit	15,139	6,575
Depreciation charges	4,371	1,803
Profit on sale of tangible fixed assets	(63)	(84)
Exchange differences	-	138
(Increase)/decrease in stocks	(3,623)	6,547
Decrease in debtors	987	2,923
Increase/(decrease) in creditors	4,144	(11,009)
Decrease in provisions	(3,838)	(1,854)
Net cash inflow from operating activities	<u>17,117</u>	<u>5,039</u>

27 Changes in cash and cash equivalents during the period

	Group £000
Cash at bank and in hand at 28 February 1993	8,534
Net cash flow	<u>(5,332)</u>
Cash at bank and in hand at 28 February 1994	<u>3,202</u>

28 Sale of business

	£000
Net assets disposed of:	
Fixed assets	1,399
Stocks	171
Debtors	156
Creditors and accruals	<u>(528)</u>
	<u>1,198</u>
Satisfied by:	
Cash	1,558
Creditors at 28 February 1994	<u>(360)</u>
	<u>1,198</u>

The Gaymer Group Europe Limited and subsidiary undertakings

Notes *(continued)*

28 Sale of business *(continued)*

The business sold during the year contributed £349,000 to the group's net operating cash flows, received £4,000 in respect of net returns on investments and servicing of finance and used £38,000 for investing activities.

No goodwill is attributed to the businesses sold during the year.

One of the properties used by the businesses sold during the year was retained by the group but is now held for disposal. It has been written down by £321,000 to its estimated realisable amount.

29 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 £310,000 (*5 months to 28 February 1993 : £282,000*).