

COMPANY NO: 2710556

# **PETER LEHMANN WINES (EUROPE) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 2004**



**PETER LEHMANN WINES (EUROPE) LIMITED**  
**REPORT AND FINANCIAL STATEMENTS 2004**

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**PETER LEHMANN WINES (EUROPE) LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R W Christopher (Chairman)  
W I Whigham (Managing Director)  
R V Edwards  
H T Astrom

**SECRETARY**

A De Pasquale Wood

**REGISTERED OFFICE**

Godmersham Park  
Godmersham  
Canterbury  
Kent CT4 7DT

**BANKERS**

Lloyds TSB Bank Plc

**AUDITORS**

KPMG LLP  
Chartered Accountants  
Registered Auditors

## **PETER LEHMANN WINES (EUROPE) LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

#### **1 ACTIVITIES**

The company's principal activity is dealing with the distribution in the United Kingdom and Ireland of wines produced and exported from Australia by Peter Lehmann Wines Limited.

The company also acted as distributor for Australian producer Chateau Tahbilk and Chilean producer Vina Bisquertt during the year.

#### **2 REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

In September/October 2003, an unconditional offer for the shares of Peter Lehmann Wines Limited was made by the family owned Swiss based Hess Group AG through its wholly owned subsidiary Hess Group Australia Pty Limited, the offer being accepted in respect of 85.67% of those shares.

Trading conditions continued to be difficult during the year. Nevertheless, case sales of the Peter Lehmann range grew by over 23%, but at a cost of price concessions and substantial promotional support.

The company continued to extend its customer base and, with the introduction of new wines, it is anticipated that demand in the United Kingdom for the Peter Lehmann range will remain strong. From July 2004, the company will act as distributor for South African producer Glen Carlou.

#### **3 DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of dividend in respect of the year (2003 - nil). The loss after taxation for the year of £105,863 (2003 – Profit £16,652) has been transferred to reserves.

#### **4 CHARITABLE AND POLITICAL DONATIONS**

Donations to charities amounted to £535 (2003 - £412). No political donations were made (2003 – nil).

## PETER LEHMANN WINES (EUROPE) LIMITED

### REPORT OF THE DIRECTORS (Continued)

#### 5 DIRECTORS

The names of the present directors of the company are listed on page 2 and they all served throughout the year. None of the directors had any interest in the shares of the company. The interests of the directors in office at the year end in the share capitals of the holding companies are shown below:-

	Hess Group AG		Peter Lehmann Wines Limited	
	Shares		Ordinary Shares	
	1 July 2003	30 June 2004	1 July 2003	30 June 2004
	No.	No.	No.	No.
R W Christopher	Nil	Nil	51,672	Nil
W I Whigham	Nil	Nil	39,185	Nil
R V Edwards	Nil	Nil	56,415	Nil
H T Astrom	Nil	Nil	10,000	Nil

During the year, R V Edwards exercised options to subscribe for ordinary shares of Peter Lehmann Wines Limited, 25,000 at the exercise price of A\$1.22 per share, and 75,000 at the exercise price of A\$2.01.

#### 6 AUDITORS

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

Approved by the Board of Directors  
and signed on behalf of the Board

  
R W CHRISTOPHER  
Director

12 August 2004

## **PETER LEHMANN WINES (EUROPE) LIMITED**

### **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 of the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

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



KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT  
United Kingdom

### **Report of the independent auditors to the members of Peter Lehmann Wines (Europe) Limited**

We have audited the financial statements on pages 7 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

12 August 2004

**PETER LEHMANN WINES (EUROPE) LIMITED**

**PROFIT AND LOSS ACCOUNT**

Year ended 30 June 2004

	Note	2004 £	2003 £
Turnover: continuing operations	1 (g)	4,726,339	3,905,686
Cost of sales		<u>(4,075,829)</u>	<u>(3,226,937)</u>
Gross profit		650,510	678,749
Selling expenses		(427,347)	(332,735)
Administrative expenses		<u>(345,662)</u>	<u>(331,113)</u>
Operating profit: continuing operations		(122,499)	14,901
Interest receivable	4	10,356	7,884
Interest payable	5	<u>(112)</u>	<u>(103)</u>
(Loss)/Profit on ordinary activities before taxation	3	(112,255)	22,682
Tax on (loss)/profit on ordinary activities	6	<u>6,392</u>	<u>(6,030)</u>
(Loss)/Profit on ordinary activities after taxation		(105,863)	16,652
Profit and loss account brought forward		731,308	714,656
Profit and loss account carried forward		<u>£ 625,445</u>	<u>£ 731,308</u>

The company made no recognised gains or losses (2003 - nil) other than the profit/loss for the years stated above.

**PETER LEHMANN WINES (EUROPE) LIMITED**

**BALANCE SHEET**  
**As at 30 June 2004**

	Note	2004	2003
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	7	5,030	9,160
Investments	8	-	6,224
		<u>5,030</u>	<u>15,384</u>
<b>CURRENT ASSETS</b>			
Stock	9	48,123	68,295
Debtors	10	1,548,795	1,578,469
Cash at bank and in hand		<u>217,576</u>	<u>414,683</u>
		<u>1,814,494</u>	<u>2,061,447</u>
<b>CREDITORS: amounts falling due within one year</b>			
Trade creditors		207,582	169,130
Amount owed to group companies		835,707	950,662
Other creditors including taxation and social security	11	12,797	23,343
Accruals and deferred income		<u>87,993</u>	<u>152,388</u>
		<u>1,144,079</u>	<u>1,295,523</u>
<b>NET CURRENT ASSETS</b>		<u>670,415</u>	<u>765,924</u>
<b>NET ASSETS</b>		<u>£ 675,445</u>	<u>£ 781,308</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	50,000	50,000
Profit and loss account		<u>625,445</u>	<u>731,308</u>
<b>SHAREHOLDERS' FUNDS</b>	13	<u>£ 675,445</u>	<u>£ 781,308</u>

These financial statements were approved by the Board of Directors on 12 August 2004.  
Signed on behalf of the Board of Directors.



W.I. WHIGHAM  
Director

**PETER LEHMANN WINES (EUROPE) LIMITED**

**CASH FLOW STATEMENT**

Year ended 30 June 2004

	2004		2003	
	£	£	£	£
<b>Net cash (outflow) from operating activities (note 1)</b>		(198,482)		(24,412)
<b>Returns on investments and servicing of finance</b>				
Interest received	10,356		7,884	
Interest paid	<u>(112)</u>		<u>(103)</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>		10,244		7,781
<b>Taxation</b>				
UK corporation tax paid		(6,374)		(34,479)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets	(850)		(7,708)	
Proceeds of sale of tangible fixed assets	<u>300</u>		<u>-</u>	
		(550)		(7,708)
<b>Net cash (outflow) before use of liquid resources and financing</b>		<u>(195,162)</u>		<u>(58,818)</u>
<b>Reconciliation of net cash flow to movement in net debt (note 2)</b>				
Net cash (outflow) in the year		(195,162)		(58,818)
Translation difference		<u>(1,945)</u>		<u>19,846</u>
Change in net cash		(197,107)		(38,972)
Net cash at 1 July 2003		414,683		453,655
Net cash at 30 June 2004		<u>£ 217,576</u>		<u>£ 414,683</u>

**PETER LEHMANN WINES (EUROPE) LIMITED**

**CASH FLOW STATEMENT (continued)**

Year ended 30 June 2004

**Note 1**

**Net cash flow from operating activities:**

	<u>2004</u> £	<u>2003</u> £
Operating (loss)/profit	(122,499)	14,901
(Profit)/loss on Sale of Fixed Asset	(300)	-
Depreciation	4,980	8,153
Decrease/(Increase) in stock	20,172	(10,351)
Decrease/(Increase) in debtors	36,048	(27,026)
(Decrease)/Increase in creditors	(138,828)	9,757
Adjustment for foreign currency rate change	1,945	(19,846)
<b>Net cash (outflow) from operating activities</b>	<u>£ (198,482)</u>	<u>£ (24,412)</u>

**Note 2**

**Analysis of changes in net debt**

	At 1/7/03	Cash flows	Exchange movement	At 30/6/04
	£	£	£	£
Cash at bank	414,683	(195,162)	(1,945)	217,596
<b>Total</b>	<u>414,683</u>	<u>(195,162)</u>	<u>(1,945)</u>	<u>217,596</u>

## PETER LEHMANN WINES (EUROPE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2004

#### 1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the applicable accounting standards. The particular accounting policies adopted are described below:-

- a) Accounting convention  
The financial statements are prepared under the historical cost convention.
- b) Basis of preparation  
The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of Peter Lehmann Wines Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Peter Lehmann Wines Limited, within which this company is included, can be obtained from the address given in note 13.

- c) Depreciation  
Depreciation is provided in equal instalments over the estimated useful lives of the assets and is calculated on the cost of the assets. The following rate is used:-  
Fixtures and Equipment - 25% - 33% per annum
- d) Taxation  
The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.
- e) Investments  
Investments are stated at cost less any provision for permanent diminution in value.
- f) Stocks  
Stocks of Peter Lehmann wines are shipped to the company on a consignment basis. Ownership does not transfer to the company until those stocks are sold. The company is responsible for costs relating to the maintenance of such stocks held in the United Kingdom from the time of arrival and until sale. Such costs relating to unsold stocks at accounting dates are classified as deferred costs in the balance sheet. Agency stocks for resale owned by the company are valued at lower of cost and net realisable value.
- g) Turnover  
Turnover represents sales and commission on sales by the company of wines to customers, including customs and excise duties where applicable, but excluding value added tax.
- h) Foreign exchange  
Transactions denominated in foreign currencies are translated into sterling at an average expected rate at the transaction date and the rate ruling at the date of settlement of transaction, save that amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date or at agreed fixed rates. All translation differences are dealt with in the profit and loss account.
- i) Leases  
Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the periods of the lease.

**PETER LEHMANN WINES (EUROPE) LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

Year ended 30 June 2004

**2 REMUNERATION OF DIRECTORS AND STAFF**

	<u>2004</u> £	<u>2003</u> £
Directors' remuneration:-		
Emoluments	119,139	120,263
Company contribution to money purchase pension scheme	9,297	8,172
	<u>£ 128,436</u>	<u>£ 128,435</u>

One director is accruing retirement benefits under a money purchase scheme. (2003 - 1)

The average number of persons employed by the company (including directors) during the year was 10. (2003 - 10). The aggregate payroll costs of these persons were as follows:

	<u>2004</u> £	<u>2003</u> £
Wages and Salaries	302,564	287,915
Social security costs	36,553	38,647
Other pension costs	20,131	19,190
	<u>£ 359,248</u>	<u>£ 345,752</u>

**3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

(Loss)/Profit on ordinary activities before taxation is after charging:

	<u>2004</u> £	<u>2003</u> £
Depreciation - owned assets	4,980	8,153
Auditors' remuneration	10,100	9,494
Exchange differences	1,945	(19,846)
Operating lease rentals	<u>20,490</u>	<u>4,989</u>

**4 INTEREST RECEIVABLE**

	<u>2004</u> £	<u>2003</u> £
Bank interest	10,347	7,848
Other interest	9	36
	<u>£ 10,356</u>	<u>£ 7,884</u>

**PETER LEHMANN WINES (EUROPE) LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 June 2004**

**5 INTEREST PAYABLE**

	<u>2004</u> £	<u>2003</u> £
Bank interest	£ 112	£ 103

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2004</u> £	<u>2003</u> £
United Kingdom corporation tax at 19% (2003 - 19%) based on the (loss)/profit for the year (Overprovision) of prior year	(6,374) (18) £ (6,392)	6,392 (362) £ 6,030

Factors affecting the tax charge for the current period:

(Loss)/Profit on ordinary activities before taxation	£ (112,255)	£ 22,682
Corporation Tax at 19% (2003 - 19%)	(21,328)	4,310
Losses to be set against future profits	12,340	-
Expenses not deductible	2,544	2,626
Prior period adjustment	18	(362)
Capital allowances in excess of depreciation	34	(544)
	£ (6,392)	£ 6,030

There is a potential deferred tax asset of £19,350 (2003: liability £454), due to tax losses available for offset against future profits. This has not been provided due to uncertainties over its recovery in the foreseeable future.

**7 TANGIBLE FIXED ASSETS**

	<b>Fixtures and Equipment</b>
Cost:	£
At 1 July 2003	29,879
Additions	850
Disposals	(1,976)
At 30 June 2004	£ 28,753
Depreciation:	
At 1 July 2003	20,719
Charge for year	4,980
Disposals	(1,976)
At 30 June 2003	£ 23,723
Net Book Value:	
At 30 June 2004	£ 5,030
At 30 June 2003	£ 9,160

**PETER LEHMANN WINES (EUROPE) LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

Year ended 30 June 2004

**8 INVESTMENTS**

	<b>2004</b>	<b>2003</b>
	£	£
Vine Vale Trustees Limited (a)	-	1
Peter Lehmann Wines Limited (b)	-	6,223
	<u>£ -</u>	<u>£ 6,224</u>

(a) The company owned 100% of the ordinary share capital of Vine Vale Trustees Limited. That company's sole activity was acting as trustee of the Peter Lehmann Wines (Europe) Limited Employee Share Ownership Plan which was terminated upon acceptance of an offer for its holding of shares of Peter Lehmann Wines Limited. Vine Vale Trustees Limited was dissolved on 29 June 2004.

(b) With the consent of the participating employees, the Trustees accepted the offer to acquire the shares of Peter Lehmann Wines Limited purchased and allocated to employees of the company as Free Shares under the Rules of the Peter Lehmann Wines (Europe) Limited Employee Share Ownership Plan.

**9 STOCK**

	<b>2004</b>	<b>2003</b>
	£	£
Goods held for re-sale	<u>£ 48,123</u>	<u>£ 68,295</u>

**10 DEBTORS**

	<b>2004</b>	<b>2003</b>
	£	£
Trade debtors	1,470,445	1,525,087
Other debtors	27,823	17,313
Prepayments	30,239	5,843
Corporation Tax recoverable	6,374	-
Deferred costs attributable to stocks held on consignment (see note 1 (f) )	13,914	30,226
	<u>£ 1,548,795</u>	<u>£ 1,578,469</u>

**11 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	<b>2004</b>	<b>2003</b>
	£	£
Corporation tax	-	6,392
PAYE and social security	12,797	10,728
Provision for unconditional vesting of Free Shares under Rules of Peter Lehmann Wines (Europe) Limited Employee Share Ownership Plan	-	6,223
	<u>£ 12,797</u>	<u>£ 23,343</u>

**12 CALLED UP SHARE CAPITAL**

	<b>2004</b>	<b>2003</b>
	£	£
Authorised, allotted, called up and fully paid: 50,000 ordinary shares of £1 each	<u>£ 50,000</u>	<u>£ 50,000</u>

**13 RECONCILIATION OF SHAREHOLDER'S FUNDS**

	<b>2004</b>	<b>2003</b>
	£	£
(Loss)/Profit for year after taxation	(105,863)	16,652
Net (decrease)/increase in shareholder's funds	(105,863)	16,652
Shareholder's funds at beginning of year	781,308	764,656
Shareholder's funds at end of year	<u>£ 675,445</u>	<u>£ 781,308</u>

## PETER LEHMANN WINES (EUROPE) LIMITED

### NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 30 June 2004

#### 14 HOLDING COMPANIES

The immediate holding company is Peter Lehmann Wines Limited, incorporated in the State of South Australia.

Copies of the financial statements of Peter Lehmann Wines Limited may be obtained from the Company Secretary at PO Box 315, Para Road, Tanunda 5352, South Australia.

The ultimate holding company is Hess Group AG, incorporated in Switzerland.

#### 15 CONTINGENT LIABILITIES

(a) The company has given a guarantee, secured by a fixed and floating charge over its assets, to National Australia Bank Limited as partial security for banking facilities of up to A\$36,700,000 (2003 - A\$34,200,000) granted to Peter Lehmann Wines Limited. In addition, the company, its immediate holding company and a fellow subsidiary are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

b) In certain circumstances, following upon the change of control of the immediate holding company, a director may become entitled to a termination package of up to £207,263.

#### 16 OPERATING LEASE COMMITMENTS

At the year end the company had commitments to make payments during the next year under operating leases which expire as follows:

	<b>2004</b>		<b>2003</b>	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Within one year	-	2,495	-	-
In the second to fifth years inclusive	15,757	2,238	15,498	4,989
Over five years	-	-	-	-
	<u>£ 15,757</u>	<u>£ 4,733</u>	<u>£ 15,498</u>	<u>£ 4,989</u>