

USW Limited

Accounts 31 October 1997

together with directors' and auditors' reports

Registered number: 3078335



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Directors' report

For the year ended 31 October 1997

The directors present their annual report on the affairs of the Company, together with the accounts and auditors' report for the year ended 31 October 1997.

Principal activity and business review

The principal activity of the Company continues to be the brewing, marketing and selling of specialised Indian lager and wines, in particular the Lal Toofan lager brand which is brewed under contract by Ushers of Trowbridge plc.

The prior period accounts cover the period from 11 July 1995 (date of incorporation) to 31 October 1996.

Sales of Lal Toofan increased steadily over the year due to an expansion of the customer base. Substantial marketing support has continued to be given to the brand and these costs contributed to the loss for the year.

The result for the year ended 31 October 1997 was as follows:

	£'000
Accumulated deficit at 31 October 1996	(199)
Loss for the financial year	(266)
Accumulated deficit at 31 October 1997	<u>(465)</u>

Directors and their interests

The directors of the Company who served during the period are as follows:

R R G North (Chairman)
S Walawalkar
T Lakhani
M D Coles
M R Chhabria
R K Jain

R R G North and M D Coles are representatives of Ushers of Trowbridge Group plc. M R Chhabria and R K Jain are representatives of Shaw Wallace Overseas Limited.

None of the directors held any beneficial interests in the share capital of the Company at the beginning or end of the year.

The directors' interests in the share capital of Ushers of Trowbridge Group plc, are disclosed in the accounts of that company. The directors had no interests during the year in Shaw Wallace Overseas Limited required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Auditors

A resolution will be placed before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Directors House
68 Fore Street
Trowbridge
Wiltshire
BA14 8JF

By order of the Board,



Andrew Green
Secretary

22 April 1999

Statement of directors' responsibilities

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

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- iv. prepare the accounts 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 accounts comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors House
68 Fore Street
Trowbridge
Wiltshire
BA14 8JF

By order of the Board,



Andrew Green
Secretary

22 April 1999

Auditors' report

Bristol

To the Shareholders of USW Limited:

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the Company's state of affairs at 31 October 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Broad Quay House
Broad Quay
Bristol
BS1 4DJ

22 April 1999

Profit and loss account

For the year ended 31 October 1997

	Note	1997 £'000	1996 £'000
Turnover	2	1,336	1,284
Cost of sales		(890)	(857)
Gross profit		446	427
Other operating expenses (net)	3	(680)	(606)
Operating loss	2	(234)	(179)
Interest receivable		-	2
Interest payable	4	(32)	(22)
Loss on ordinary activities before taxation	5	(266)	(199)
Taxation	7	-	-
Loss on ordinary activities after taxation, being loss for the period	14	(266)	(199)

There were no recognised gains or losses in either period other than the loss for the period.

The prior period accounts cover the period from 11 July 1995 (date of incorporation) to 31 October 1996. Trading commenced on 2 October 1995.

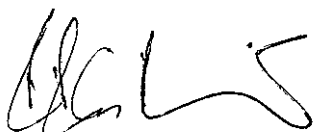
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 October 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Intangible assets	8	919	946
Tangible assets	9	294	264
		<u>1,213</u>	<u>1,210</u>
Current assets			
Stocks	10	143	151
Debtors	11	360	313
		<u>503</u>	<u>464</u>
Creditors: Amounts falling due within one year	12	<u>(931)</u>	<u>(623)</u>
Net current liabilities		<u>(428)</u>	<u>(159)</u>
Total assets less current liabilities		<u>785</u>	<u>1,051</u>
Net assets		<u>785</u>	<u>1,051</u>
Capital and reserves			
Called-up share capital	13	1,250	1,250
Profit and loss account	14	<u>(465)</u>	<u>(199)</u>
Equity shareholders' funds	15	<u>785</u>	<u>1,051</u>

Signed on behalf of the Board



R R G North - director



M D Coles - director

22 April 1999

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 October 1997

1 Accounting policies

Set out below is a summary of the Company's principal accounting policies.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis because Ushers of Trowbridge Group plc has confirmed that it intends to support the Company for the foreseeable future.

Goodwill, representing the excess of the consideration given over the fair value of the separable net assets acquired, is written off against reserves in the period in which it arises.

b) Intangible fixed assets

Expenditure on brand rights and know-how is capitalised under intangible fixed assets and amortised over the directors' estimate of the economic life of the underlying brand. In the case of Lal Toofan lager, the directors' estimate of the economic life is 20 years.

c) Tangible fixed assets

Tangible fixed assets are shown at historical cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment	8 years
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d) Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

Kegs and casks are stated at cost, with any replacements being charged to the profit and loss account as incurred.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is calculated on the liability method and is provided on timing differences which will probably reverse, at the rate of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Pension costs

The Company makes contributions to personal pension plans and the defined contribution section of the Ushers of Trowbridge Pension Scheme in respect of certain employees. The amount charged to the profit and loss account in respect of these costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. There are no assets held under finance leases or hire purchase contracts.

i) Cash flow statement

Under the provisions of Financial Reporting Standard No 1 (Revised), the Company has not prepared a cash flow statement because it is entitled to the exemptions available in sections 246 and 249 of the Companies Act 1985 for small companies when filing accounts with the Registrar of Companies.

2 Segmental reporting

The Company's turnover and operating loss arose from the brewing (carried out by Ushers of Trowbridge plc under contract), distribution and sale of specialist Indian lager and wines in the United Kingdom.

3 Other operating expenses (net)

	1997 £'000	1996 £'000
Distribution	55	46
Selling and marketing	402	418
Administration	240	152
Other operating income	(17)	(10)
	<u>680</u>	<u>606</u>

4 Interest payable

	1997 £'000	1996 £'000
On bank overdraft repayable within five years, by instalments	<u>32</u>	<u>22</u>

Notes to accounts (continued)

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	1997 £'000	1996 £'000
Amortisation of intangible fixed assets	53	54
Depreciation of tangible fixed assets	41	27
Operating lease rentals		
- property	11	10
- plant and machinery	10	20
Auditors' remuneration		
- audit fees	5	5
	<hr/>	<hr/>

6 Staff costs

Particulars of employees (including full-time directors) are shown below:

	1997 £'000	1996 £'000
Employee costs during the period amounted to:		
Wages and salaries	174	163
Social security costs	17	13
Other pension costs	10	10
	<hr/>	<hr/>
	201	186
	<hr/>	<hr/>

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

	1997 Number	1996 Number
Selling and marketing	6	6
	<hr/>	<hr/>

Notes to accounts (continued)

6 Staff costs (continued)

Directors' remuneration in respect of directors of the Company was as follows:

	1997 £'000	1996 £'000
Emoluments	115	111
Company contributions to money purchase schemes	8	8
	<u>123</u>	<u>119</u>

Four directors (1996 – four) are members of money purchase pension schemes.

7 Taxation

No tax charge arose during the period as a result of the Company's trading loss.

8 Intangible fixed assets

Intangible fixed assets represent brand rights and commercial know-how associated with Lal Toofan lager.

The movement in the year was as follows:

	1997 £'000
Cost	
At beginning of year	1,000
Additions	26
At end of year	<u>1,026</u>
Amortisation	
At beginning of year	54
Charge for the year	53
At end of year	<u>107</u>
Net book value	
At beginning of year	<u>946</u>
At end of year	<u>919</u>

Notes to accounts (continued)

9 Tangible fixed assets

The movement in the year was as follows:

	Plant and equipment £'000
Cost	
At beginning of year	291
Additions	71
At end of year	<u>362</u>
Depreciation	
At beginning of year	27
Charge for the year	41
At end of year	<u>68</u>
Net book value	
At beginning of year	<u>264</u>
At end of year	<u>294</u>

10 Stocks

	1997 £'000	1996 £'000
Finished goods	25	33
Kegs and casks	118	118
	<u>143</u>	<u>151</u>

11 Debtors: Amounts falling due within one year

	1997 £'000	1996 £'000
Trade debtors	326	296
Other debtors	34	17
	<u>360</u>	<u>313</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdraft – secured	439	202
Trade creditors	46	37
Amounts owed to Ushers of Trowbridge plc	197	174
Amount owed to Shaw Wallace Overseas Limited	191	191
Other creditors	7	8
Accruals and deferred income	51	11
	<u>931</u>	<u>623</u>

The bank overdraft is secured by a fixed and floating charge over the Company's assets.

13 Called-up share capital

	1997 £'000	1996 £'000
<i>Authorised, allotted and called-up</i>		
1,250,000 ordinary shares of £1 each	<u>1,250</u>	<u>1,250</u>

On 2 October 1995 the Company issued 624,999 £1 ordinary shares and transferred one existing share to each of Ushers of Trowbridge Group plc and Shaw Wallace Overseas Limited.

The consideration receivable was as follows:

	£'000
Assets associated with the trade of marketing and selling Lal Toofan lager brand	625
Assignment of a debtor balance to the Company	377
Cash	248
	<u>1,250</u>

The directors do not consider that the Company was controlled by either Ushers of Trowbridge Group plc or Shaw Wallace Overseas Limited during the year ended 30 September 1997.

Notes to accounts (continued)

14 Reserves

	Profit and loss account £'000
Balance at beginning of the year	(199)
Loss for the financial year	(266)
Balance at end of the year	<u>(465)</u>

15 Reconciliation of movements in shareholders' funds

	£'000
Shareholders' funds at beginning of the year	1,051
Loss for the financial year	(266)
Shareholders' funds at end of the year	<u>785</u>

16 Guarantees and other financial commitments

a) Capital commitments

The Company had no capital commitments at the end of either period.

b) Lease commitments

The Company has entered into non-cancellable leases in respect of property and plant and machinery. The total annual rental for the period was £11,000 for property and £10,000 for plant and machinery.

The minimum annual rentals under the foregoing leases are as follows:

	Property £'000	Plant and machinery £'000
Operating leases which expire		
- within 1 year	2	-
- within 2-5 years	5	10
	<u>7</u>	<u>10</u>

17 Related party transactions

During the year the Company made purchases of £778,000 from Ushers of Trowbridge plc. Details of amounts owed to Ushers of Trowbridge plc and Shaw Wallace Overseas Limited can be found in note 12, Creditors: amounts falling due within one year.

In addition USW Limited's finance function is provided by Ushers of Trowbridge plc for which no charge is made.