Thresher Wines Group Limited

Annual report and financial statements
for the period ended 1 March 2003

Registered number: 04355190

Directors' report

For the period ended 1 March 2003

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the 58 week period ended 1 March 2003.

Principal activities and business review

The company was incorporated on 17 January 2002 and acquired 100% of the shares in Thresher Wines Acquisitions Limited on 26 April 2002. The principal activity of the company is that of an intermediate holding company and as such does not trade. The subsidiary undertakings held by the company are listed in note 6 to the financial statements.

Results and dividends

The audited financial statements for the 58 weeks ended 1 March 2003 are set out on pages 6 to 14.

The directors do not recommend the payment of a dividend on the ordinary shares. The finance cost of the 11% cumulative preference shares was accrued in the period and has been transferred to other reserves in accordance with FRS 4.

Directors

The directors who served during the period were as follows:

Huntsmoor Limited	(appointed 17 January 2002, resigned 17 January 2002)
Huntsmoor Nominees Limited	(appointed 17 January 2002, resigned 17 January 2002)
M Fresson	(appointed 17 January 2002)
C M Rowlinson	(appointed 17 January 2002; resigned 23 September 2003)

C O'Haire was appointed a director on 23 September 2003.

No director held interest in the shares of the company or any other group company at the year-end.

Charitable and political contributions

During the period the company made no charitable donations or political donations.

Auditors

On 31 July 2002 Arthur Andersen resigned as auditors and Deloitte and Touche were appointed in their place.

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

By order of the Board,

29 September 2003

M Fresson Director

Directors' responsibilities

United Kingdom Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the system of internal control, the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the members of Thresher Wines Group Limited

We have audited the financial statements of Thresher Wines Group Limited for the 58 week period ended 1 March 2003, which comprise the profit and loss account, balance sheet, the statement of accounting policies and the related notes numbered 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company at 1 March 2003 and of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London

29 September 2003

Profit and loss account

For the period ended 1 March 2003

	Notes	58 weeks ended 1 March 2003 £'000
Finance cost of non-equity shares	5	(3,393)
Retained loss for the period	9,10	(3,393)

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

The loss for the period is reported under the historical cost convention.

Balance sheet
1 March 2003

	Notes	2003 £'000
Fixed assets		
Investments	6	35,159
Current assets		
Debtors: Amounts falling due within one year	7	1
Net current assets		1
Net assets		35,160
Capital and reserves		
Called-up share capital	8	35,160
Other reserves	9	3,393
Profit and loss account	9	(3,393)
Shareholders' funds	10	35,160
Shareholders' funds may be analysed as:		
Equity interests		(3,392)
Non-equity interests		38,552
		35,160

The financial statements were approved by the board of directors on 15 July 2003 and signed on its behalf by:

M Fresson Director

29 September 2003

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of accounting

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

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Thresher Wines Holdings plc which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS 1 to present a cash flow statement.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are held at a different value to historic cost unless by the balance sheet date there is a binding agreement to sell the assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Finance costs

Finance costs of non-equity shares are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount. Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

1 Auditors' remuneration

Auditors' remuneration in the period was borne by First Quench Retailing Limited, a subsidiary of the company.

2 Staff costs

With the exception of the directors, the company employed no staff during the period.

3 Directors' remuneration and transactions

The directors received no remuneration for their services to the company.

4 Tax on loss on ordinary activities

There is no charge for UK corporation tax due to the fact the company does not trade.

5 Finance cost of preference shares

FRS 4 "capital instruments" requires the full finance cost of non-equity shares to be shown as appropriated from profits, even if the company does not have sufficient distributable reserves to pay the dividend at that time.

As the company has insufficient distributable reserves to support a dividend on the 11% cumulative preference shares of £1 each, the appropriation, and the interest accrued on the unpaid dividend, has been classified as a finance cost of preference shares and charged to other reserves in accordance with FRS 4.

6 Fixed asset investments

Subsidiary undertakings

	Country of incorporation or principal business address	Principal activity	Holding	%
Thresher Wines Acquisitions Limited*	England and Wales	Holding company	'A' Ordinary and preference share capital	100%
First Quench Retailing Limited	England and Wales	Drinks retailing	Ordinary and preference share capital	100%

** Held directly by Thresher Wines Group Limited*

	£'000
Cost and net book value	
At 17 January 2002	-
Additions	35,159
At 1 March 2003	35,159

The shares in Thresher Wines Acquisitions Limited were acquired on 26 April 2002 as described in Note 8.

7 Debtors: Amounts falling due within one year

	2003 £'000
Amounts owed by group undertakings	1

8 Called-up share capital

	2003 £'000
Authorised	
100,055 ordinary 'A' shares of £0.01 each	1
11,045 ordinary 'B' shares of £0.01 each	-
35,159,041 11% cumulative redeemable preference shares of £1 each	35,159
	35,160
Allotted, called-up and fully-paid	
100,055 ordinary 'A' shares of £0.01 each	1
10,375 ordinary 'B' shares of £0.01 each	-
35,159,041 11% cumulative redeemable preference shares of £1 each	35,159
	35,160

The company was incorporated with an initial authorised share capital of £33,731,216, divided into 1,000 ordinary shares of £1 each and 33,730,216 11% cumulative redeemable preference shares of £1 each.

On 24 April 2002 the authorised share capital was increased to £35,160,041 by the creation of 1,428,825 additional 11% cumulative redeemable preference shares of £1 each. This was increased further to £35,160,152 by the creation of 11,100 'B' ordinary shares of £0.01 each.

During the period the company allotted 1,000 ordinary shares with a nominal value of £1 each for cash consideration of £1,000. On 26 April 2002 these shares were converted into 100,000 'A' ordinary shares of £0.01 each. Holders of the shares have the right to receive notice of and to attend, speak and vote at all general meetings of the company.

On 26 April 2002 the company allotted 10,430 'B' Ordinary shares with a nominal value of £0.01 for cash consideration of £104.30. Holders of the shares have the right to receive notice of and to attend and speak at all general meetings of the company, but have no right to vote.

On 26 April 2002 the company allotted 35,159,041 11% redeemable preference shares as fully paid to Thresher Wines Holdings plc, the immediate parent company, as consideration for the acquisition of 100% of the issued share capital of Thresher Wines Acquisitions Limited. These shares carry an entitlement to a fixed cumulative cash dividend at the rate of 11p per £1 of fully paid up share capital per annum. Where the shares remain partly paid up, the shares carry an entitlement pro rated according to the amount paid up during the period in respect of which the dividend is paid.

8 Called-up share capital (continued)

The preference shares may be redeemed at the option of the company for £1, together with a sum equal to all arrears and accruals of dividend on the share, at any time, provided not less than 14 days written notice is given to the holders of the preference shares. No preference share may be redeemed unless it is fully paid.

Holders of the preference shares have the right to receive notice of and to attend and speak at all general meetings of the company, but have no right to vote.

Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividend.

9 Reserves

	Other reserves £'000	Profit and loss account £'000
At 17 January 2002	-	-
Retained loss for the period	-	(3,393)
Finance cost of non-equity shares (note 5)	3,393	-
At 1 March 2003	3,393	(3,393)

10 Reconciliation of movements in shareholders' funds

	£'000
New shares issued	35,160
Loss for the period	(3,393)
Finance cost of non-equity shares transferred to other reserve	3,393
Net increase in shareholders' funds	35,160
Opening shareholders' funds	-
Closing shareholders' funds	35,160

11 Related party transactions

As a wholly owned subsidiary undertaking of Thresher Wines Holdings plc, in accordance with FRS 8 "Related party disclosures", the company is not required to disclose transactions with other member of the group.

The directors consider the Nomura Group of companies, of which Nomura International plc is the principal UK subsidiary, as a related party as during the year it had the ability to exercise a controlling influence over the company through its holding of warrants to subscribe for ordinary shares in Thresher Wines Holdings plc.

On 27 March 2002, the interest of Nomura International plc in the warrants was contributed to Terra Firma Capital Partners I, a Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited. The directors therefore consider these two entities as related parties.

None of these related parties trades with or has provided loans to the company.

The directors also consider Thresher Wines Capital Limited a related party. During the year Thresher Wines Capital fully paid up the preference share capital it held in a parent company, Thresher Wines Holdings plc, and then transferred its interests in the company to Terra Firma Investments (GP) Limited.

12 Contingent liabilities

Two subsidiaries of the company, First Quench Retailing Limited and Thresher Wines Acquisitions have guaranteed certain borrowings facilities of other subsidiaries of the Thresher Wines Holdings Limited plc, totalling £171.5 million. The aggregate amount outstanding under these arrangements at the balance sheet date was £139,830,000.

13 Ultimate controlling party

The immediate parent of the company is Thresher Wines Group plc, a company incorporated in England and Wales.

The directors regard Terra Firma Capital Partners Holdings Limited, a company incorporated in Guernsey, as the ultimate controlling party and the ultimate parent entity.

Thresher Wines Holdings plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Carmelite, 50 Victoria Embankment, Blackfriars, London, EC4Y 0DX.