

Company Registration No. 547325 (England and Wales)

ALCOHOLS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998



ALCOHOLS LIMITED

COMPANY INFORMATION

Directors	A J Wallis R H Ling
Secretary	R H Ling
Company number	547325
Registered office	10 Charterhouse Square London EC1M 6LQ
Auditors	F W Stephens & Co 10 Charterhouse Square London EC1M 6LQ
Business address	Charringtons House The Causeway Bishop's Stortford Hertfordshire CM23 2EW
Bankers	National Westminster Bank plc 134 Aldersgate Street London EC1A 4LD
Solicitors	Whitehouse Gibson & Alton 25 Bedford Row London WC1R 4HE

ALCOHOLS LIMITED

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ALCOHOLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and financial statements for the year ended 31 December 1998.

Principal activities and review of the business

The principal activity of the company continued to be the manufacture of various alcohol products and the distribution of alcohols and solvents.

The company is a subsidiary of W.H.Palmer & Co.(Industries) Limited.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £33,000. The directors recommend payment of a final dividend amounting to £62,000.

Year 2000 issues

We have identified the key risks to the business and have developed a plan to minimise their impact. We have considered not only our own systems but also those of our major suppliers and customers. Although no organisation can guarantee that no year 2000 problems will arise, we believe that, having identified and removed the major risks to the business in accordance with the plan we have developed, it will be possible to quickly resolve any such problems as may arise without significant additional costs.

Future developments

After a successful 1998 the company will again concentrate on further development of its core activities of chemical distribution and gin distillation. It also continues to explore any opportunity which would enable it to enhance its excellent reputation in these trades.

Directors

The following directors have held office since 1 January 1998:

A J Wallis
R H Ling

In accordance with the company's Articles of Association, R H Ling retires by rotation and, being eligible, offers himself for re-election.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary of £1 each	
	31 December 1998	1 January 1998
A J Wallis	-	-
R H Ling	-	-

The directors' beneficial interests in the shares of the holding company are shown in the accounts of that company. The directors had no beneficial interest in the shares of any other company within the group.

ALCOHOLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that F W Stephens & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

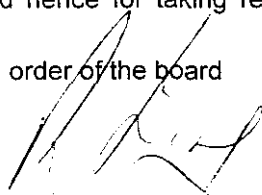
Directors' responsibilities

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 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



R H Ling
Director

21 May 1999

ALCOHOLS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF ALCOHOLS LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 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 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

FW Stephens & Co

F W Stephens & Co

24 May 1999

Chartered Accountants
Registered Auditor

10 Charterhouse Square
London
EC1M 6LQ

ALCOHOLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	2	9,904,370	11,383,057
Cost of sales		(7,085,499)	(8,956,915)
Gross profit		2,818,871	2,426,142
Distribution costs		(1,972,483)	(1,742,597)
Administrative expenses		(487,087)	(418,007)
Other operating income		476	-
Operating profit	3	359,777	265,538
Other interest receivable and similar income	4	71,828	50,728
Amounts written off investments	5	-	5,000
Interest payable and similar charges	6	(127)	(3,196)
Profit on ordinary activities before taxation		431,478	318,070
Tax on profit on ordinary activities	7	(134,050)	(66,750)
Profit on ordinary activities after taxation		297,428	251,320
Dividends	8	(95,000)	(85,000)
Retained profit for the year	17	202,428	166,320

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ALCOHOLS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	9	699,496		595,455	
Investments	10	121,500		121,500	
		<u>820,996</u>		<u>716,955</u>	
Current assets					
Stocks	11	795,477		880,522	
Debtors	12	1,477,431		1,929,589	
Cash at bank and in hand		1,126,281		904,252	
		<u>3,399,189</u>		<u>3,714,363</u>	
Creditors: amounts falling due within one year	13	<u>(1,338,707)</u>		<u>(1,743,268)</u>	
Net current assets		2,060,482		1,971,095	
Total assets less current liabilities		<u>2,881,478</u>		<u>2,688,050</u>	
Provisions for liabilities and charges	14	<u>(38,000)</u>		<u>(47,000)</u>	
		<u>2,843,478</u>		<u>2,641,050</u>	
Capital and reserves					
Called up share capital	16	1,000		1,000	
Other reserves	17	150,000		150,000	
Profit and loss account	17	2,692,478		2,490,050	
Shareholders' funds - equity interests	18	<u>2,843,478</u>		<u>2,641,050</u>	

The financial statements were approved by the Board on 21 May 1999


A J Wallis
Director


R H Ling
Director

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a wholly owned subsidiary, and its' results are included in the consolidated financial statements.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	over the lease term
Plant and machinery	5%, 10%, 15% and 20% per annum
Fixtures, fittings & equipment	15%, 20% and 25% per annum
Motor vehicles	20%, 25% and 33 1/3% per annum

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the contracted rates of exchange. Transactions in foreign currencies are recorded at the contracted rates of exchange. All differences are taken to profit and loss account.

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of W H Palmer & Co (Industries) Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

2 Turnover

Geographical market

	Turnover	
	1998	1997
	£	£
United Kingdom	9,101,736	11,108,393
Rest of the world	802,634	274,664
	<u>9,904,370</u>	<u>11,383,057</u>

3 Operating profit

	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	140,376	112,933
Operating lease rentals	167,797	154,980
Auditors' remuneration	9,000	9,000
	<u></u>	<u></u>

4 Other interest receivable and similar income

	1998	1997
	£	£
Bank interest	71,828	50,728
	<u></u>	<u></u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

5	Amounts written off investments	1998	1997
		£	£
	Amounts written off fixed asset investments:		
	- permanent diminution in value	-	14,000
	Amounts written off investments in prior years written back:		
	- fixed assets	-	(19,000)
		<hr/>	<hr/>
		-	(5,000)
		<hr/>	<hr/>
6	Interest payable	1998	1997
		£	£
	On other loans wholly repayable within 5 years	127	1,601
	Hire purchase interest	-	1,595
		<hr/>	<hr/>
		127	3,196
		<hr/>	<hr/>
7	Taxation	1998	1997
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 31% (1997 - 31%)	143,050	110,000
	Deferred taxation	(9,000)	(43,250)
		<hr/>	<hr/>
		134,050	66,750
		<hr/>	<hr/>
8	Dividends	1998	1997
		£	£
	Ordinary interim paid	33,000	30,000
	Ordinary final proposed	62,000	55,000
		<hr/>	<hr/>
		95,000	85,000
		<hr/>	<hr/>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

9 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 1998	101,911	1,044,552	169,461	153,583	1,469,507
Additions	-	105,106	15,633	123,867	244,606
Disposals	-	-	(195)	(39,905)	(40,100)
At 31 December 1998	101,911	1,149,658	184,899	237,545	1,674,013
Depreciation					
At 1 January 1998	51,795	615,565	109,179	97,513	874,052
On disposals	-	-	(6)	(39,905)	(39,911)
Charge for the year	4,781	70,363	24,672	40,560	140,376
At 31 December 1998	56,576	685,928	133,845	98,168	974,517
Net book value					
At 31 December 1998	45,335	463,730	51,054	139,377	699,496
At 31 December 1997	50,116	428,987	60,282	56,070	595,455

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

10 Fixed asset investments

	Unlisted investments £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 January 1998 & at 31 December 1998	15,000	125,500	140,500
Provisions for diminution in value			
At 1 January 1998 & at 31 December 1998	14,000	5,000	19,000
Net book value			
At 31 December 1998	1,000	120,500	121,500
At 31 December 1997	1,000	120,500	121,500

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Alcohols (North West) Limited	England & Wales	Ordinary	100
Lang-Met Distillers Limited	England & Wales	Ordinary	100
Langley Distillery Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Alcohols (North West) Limited	92,011	-
Lang-Met Distillers Limited	28,500	-
Langley Distillery Limited	-	-

The subsidiary undertakings did not trade during the year.

11 Stocks

	1998 £	1997 £
Finished goods and goods for resale	795,477	880,522

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

12 Debtors	1998 £	1997 £
Trade debtors	1,426,207	1,840,550
Other debtors	1,000	6,318
Prepayments and accrued income	50,224	82,721
	<u>1,477,431</u>	<u>1,929,589</u>
13 Creditors: amounts falling due within one year	1998 £	1997 £
Trade creditors	562,817	1,160,274
Amounts owed to parent and fellow subsidiary undertakings	23,516	9,864
Amounts owed to subsidiary undertakings	120,511	50,203
Corporation tax	147,575	117,820
Other taxes and social security costs	45,392	25,328
Other creditors	-	7,731
Accruals and deferred income	376,896	317,048
Proposed dividend	62,000	55,000
	<u>1,338,707</u>	<u>1,743,268</u>
Debt due within one year	<u>-</u>	<u>7,731</u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

14 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 January 1998	47,000
Profit and loss account	(9,000)
Balance at 31 December 1998	<u>38,000</u>

Deferred tax is provided at 31% (1997 - 31%) analysed over the following timing differences:

	1998 £	Fully provided 1997 £
Accelerated capital allowances	86,000	84,000
Other timing differences	(48,000)	(37,000)
	<u>38,000</u>	<u>47,000</u>

15 Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age funding method. The most recent valuation was at 1st June 1996.

The assumptions made by the actuary which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The actuary has reviewed these assumptions for the purposes of SSAP 24 and his best estimates are that the return on investments would be 9.5% per annum, that salary increases would average 7% per annum and that current employees' pensions up to pensionable age would increase with commensurate benefit. The scheme is not index-linked for those already in receipt of pensions.

The most recent actuarial valuation showed that the market value of the scheme's assets was £2.28 million and that the actuarial value of those assets represented 147% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Due to the actuarial surplus within the fund, the company has not made any contributions to the fund since 1993. However, a charge of £19,742 (1997 - £19,250) has been made to the profit and loss account in order to achieve a substantially level rate of pension cost based on the actuarial assumptions for the purposes of SSAP 24. The company's normal annual contribution would amount to 13.4% of the pensionable payroll. This contribution has been reduced to 3.6% due to the amortisation of the actuarial surplus over the average remaining service lives of the current employees in the scheme. The pension scheme is non-contributory for employees.

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

16 Share capital	1998	1997
	£	£
Authorised		
1,000 Ordinary of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1,000 Ordinary of £1 each	1,000	1,000
	<u> </u>	<u> </u>
17 Statement of movements on reserves		
	Other reserves	Profit and loss account
	£	£
Balance at 1 January 1998	150,000	2,490,050
Retained profit for the year	-	202,428
	<u> </u>	<u> </u>
Balance at 31 December 1998	150,000	2,692,478
	<u> </u>	<u> </u>
18 Reconciliation of movements in shareholders' funds	1998	1997
	£	£
Profit for the financial year	297,428	251,320
Dividends	(95,000)	(85,000)
	<u> </u>	<u> </u>
Net addition to shareholders' funds	202,428	166,320
Opening shareholders' funds	2,641,050	2,474,730
	<u> </u>	<u> </u>
Closing shareholders' funds	2,843,478	2,641,050
	<u> </u>	<u> </u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

19 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	1998	1997	1998	Other 1997
	£	£	£	£
Expiry date:				
Within one year	-	-	-	6,809
Between two and five years	11,050	11,050	9,992	20,994
In over five years	130,733	125,733	-	-
	<u>141,783</u>	<u>136,783</u>	<u>9,992</u>	<u>27,803</u>

20 Capital commitments

1998	1997
£	£

At 31 December 1998 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	-	27,204
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21 Directors' emoluments

1998	1997
£	£

Emoluments for qualifying services	138,734	111,874
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The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (1997 - 2).

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1998 Number	1997 Number
Administration and management	7	6
Operational, selling and distribution	32	28
	<u>39</u>	<u>34</u>

Employment costs

	£	£
Wages and salaries	754,119	659,119
Social security costs	65,877	55,455
Other pension costs	24,150	23,658
	<u>844,146</u>	<u>738,232</u>

23 Control

The ultimate parent company is W H Palmer & Co (Industries) Limited, a company registered in England and Wales.

W H Palmer & Co (Industries) Limited prepares group financial statements and copies can be obtained from 10 Charterhouse Square, London, EC1M 6LQ.