

EHRMANNS GROUP PLC

COMPANY NUMBER:1302718

FINANCIAL STATEMENTS

- for the year ended -

30 SEPTEMBER 1996

GOODMAN JONES  
Chartered Accountants  
29/30 Fitzroy Square,  
London, W1P 6LQ

Reference MPGA/3841/SIW



# **EHRMANN'S GROUP PLC**

## **DIRECTORS**

P.D. Dauthieu  
W.L. Page  
J.M. Blatt  
Major N. Chamberlayne-MacDonald

## **SECRETARY**

R. Vadher FCCA

## **BUSINESS ADDRESS**

29 Corsica Street,  
London,  
N5 1JT.

## **REGISTERED OFFICE**

29 Corsica Street,  
London,  
N5 1JT.

## **AUDITORS**

Goodman Jones,  
Chartered Accountants  
29/30 Fitzroy Square,  
London,  
W1P 6LQ

## **PRINCIPAL BANKERS**

Barclays Bank PLC,  
1-3, Arlington Street  
London  
SW1A 1RA

**EHRMANN'S GROUP PLC**

**INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996**

1. Report of the Directors
3. Report of the Auditors
4. Consolidated Profit and Loss Account
5. Statement of Total Recognised Gains and Losses
6. Consolidated Balance Sheet
7. Balance Sheet
8. Consolidated Cashflow Statement
9. Notes to the Financial Statements

## **EHRMANN'S GROUP PLC**

### **REPORT OF THE DIRECTORS**

### **FINANCIAL STATEMENTS**

The directors present their report and the audited financial statements for the year ended 30 September 1996.

### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The company is a holding company and also carries on the business of importers, wholesalers and distributors of wines, beers and spirits.

During the year under review group turnover increased by 16% to £40,591,909 and together with an increase of 31% in profit before tax to £930,008 the results for the year are considered satisfactory.

The group continues to be innovative in product supply, both in terms of wine-maker projects and the spread of geographical areas of supply, which now extends to some twenty countries.

With a very dedicated and knowledgeable group of employees, the board see the group growing further both in terms of turnover and profitability, and look forward to the future with confidence.

### **DIVIDENDS**

An interim dividend amounting to £26,538 has been paid and a final dividend of the same sum is proposed.

### **POLICY ON PAYMENT OF TRADE CREDITORS**

The group agrees terms and conditions with suppliers before business takes place. The groups' policy is to pay agreed invoices in accordance with the terms of payment.

### **DIRECTORS**

The directors who held office during the year and their interests in the company were as stated below.

		<b>Number of shares</b>	
	<b>Class of shares</b>	<b>1996</b>	<b>1995</b>
P.D. Dauthieu	Ordinary shares	36,960	36,960
	"A" Ordinary shares	-	-
D. Harris	Ordinary shares	28,780	113,750
	"A" Ordinary shares	-	-
W.L. Page	Ordinary shares	-	-
	"A" Ordinary shares	3,000	3,000
J.M. Blatt	Ordinary shares	-	-
	"A" Ordinary shares	-	-
Major N. Chamberlayne-MacDonald	Ordinary shares	-	-
	"A" Ordinary shares	-	-

D. Harris resigned as a director on 31 October 1996. J.M. Blatt was appointed as a director on 3 June 1996.

## **EHRMANN'S GROUP PLC**

### **REPORT OF THE DIRECTORS (Continued)**

#### **DIRECTORS (Continued)**

Under an agreement dated 1 July 1993, Mr and Mrs D Harris had a put and call option requiring the company to purchase, and for them to sell their interest in the company at a price of £6.65 per share. The option was varied during the year, extending the option period from April 1996 to September 1997, and the price payable to £7.95 per share. In May 1996, the option was exercised in respect of 84,970 shares for a total consideration of £675,510.

W.L. Page and J.M. Blatt have options to subscribe for up to 28,000 'B' ordinary shares each at a price of £1 per share at any time up to 3 June 2003. The option held by W.L. Page was varied to reflect the extended period to 2003.

#### **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 group and of the profit and loss of the group for that period. In preparing those accounts, 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 a going concern basis unless it is inappropriate to presume that the group or the company will continue in business.
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the notes to the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence taking reasonable steps for the prevention and detection of fraud and any other irregularities.


#### **TAXATION STATUS**

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

#### **AUDITORS**

The auditors, Goodman Jones, Chartered Accountants, are willing to be re-appointed in accordance with section 385 of the Companies Act 1985.

By order of the Board

  
R. Vadher

Date: 14 January 1997

Company Secretary

**EHRMANNS GROUP PLC**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF EHRMANNS GROUP PLC**

We have audited the financial statements on pages 4 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

**Respective responsibilities of the directors and auditors**

As described in the Directors' Report the group'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 financial statements and to report our opinion to you.

**Basis of opinion**

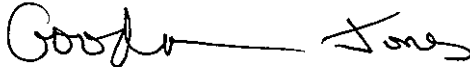
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 misstatements, 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 of the group as at 30 September 1996 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**GOODMAN JONES**



**Registered Auditors  
Chartered Accountants**

29/30 Fitzroy Square,  
London,  
W1P 6LQ

Date: 15 January 1997

**EHRMANNS GROUP PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	NOTES	1996 £	1995 £
<b>TURNOVER</b>		40,591,909	35,082,854
Cost of sales		<u>(36,670,881)</u>	<u>(31,739,648)</u>
<b>GROSS PROFIT</b>		3,921,028	3,343,206
Administrative expenses		(2,987,087)	(2,607,231)
Other operating income		<u>12,498</u>	<u>36,602</u>
<b>OPERATING PROFIT</b>	<b>2</b>	946,439	772,577
Interest receivable	<b>3</b>	75,074	46,154
Interest payable	<b>4</b>	<u>(91,505)</u>	<u>(110,836)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		930,008	707,895
Tax on profit on ordinary activities	<b>7</b>	<u>(294,684)</u>	<u>(222,064)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>	<b>8</b>	635,324	485,831
Dividends	<b>9</b>	<u>(53,076)</u>	<u>(53,076)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>20</b>	<u><u>£582,248</u></u>	<u><u>£432,755</u></u>

None of the Group's activities were acquired or discontinued in the above two financial years.

The notes on pages 9 to 22 form a part of these financial statements.

**EHRMANN'S GROUP PLC**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

		<b>1996 £</b>	<b>1995 £</b>
<b>PROFIT FOR THE YEAR</b>	<b>20</b>	582,248	432,755
Movement arising from foreign exchange differences		(21,121)	25,012
<b>TOTAL RECOGNISED NET GAINS</b>		<u>£561,127</u>	<u>£457,767</u>

The notes on pages 9 to 22 form a part of these financial statements.



**EHRMANN'S GROUP PLC**

**CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 1996**

	NOTES	1996	1995
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	10	270,244	239,035
Tangible assets	11	822,667	760,655
		<u>1,092,911</u>	<u>999,690</u>
<b>CURRENT ASSETS</b>			
Stocks	13	1,233,917	1,329,102
Investments	12	-	4,788
Debtors	14	9,896,866	12,416,502
Cash at bank and in hand		869,903	2,727,853
		<u>12,000,686</u>	<u>16,478,245</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(9,891,329)</u>	<u>(14,786,295)</u>
<b>NET CURRENT ASSETS</b>		<u>2,109,357</u>	<u>1,691,950</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,202,268</u>	<u>2,691,640</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	<u>(717,643)</u>	<u>(92,632)</u>
		<u><u>£2,484,625</u></u>	<u><u>£2,599,008</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	222,890	265,375
Share premium		147,299	147,299
Capital redemption reserve	19	78,535	36,050
Profit and loss account	20	2,035,901	2,150,284
		<u><u>£2,484,625</u></u>	<u><u>£2,599,008</u></u>

The financial statements were approved by the board on 14 January 1997 and signed on its behalf by

W.L. Page

The notes on pages 9 to 22 form a part of these financial statements.

**EHRMANN'S GROUP PLC**

**BALANCE SHEET AT 30 SEPTEMBER 1996**

	NOTES	1996	1995
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	10		1,590
Tangible assets	11	724,849	663,937
Investments	12	755,855	682,130
		<u>1,481,892</u>	<u>1,347,657</u>
<b>CURRENT ASSETS</b>			
Stock	13	381,201	417,568
Investments	12	-	4,788
Debtors	14	7,845,182	10,516,341
Cash at bank and in hand		845,641	2,437,243
		<u>9,072,024</u>	<u>13,375,940</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(8,469,867)</u>	<u>(12,969,873)</u>
<b>NET CURRENT ASSETS</b>		<u>602,157</u>	<u>406,067</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,084,049</u>	<u>1,753,724</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	<u>(717,643)</u>	<u>(92,632)</u>
		<u>£1,366,406</u>	<u>£1,661,092</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	222,890	265,375
Share premium		147,299	147,299
Capital redemption reserve	19	78,535	36,050
Profit and loss account	20	917,682	1,212,368
		<u>£1,366,406</u>	<u>£1,661,092</u>

The financial statements were approved by the board on 14 January 1997 and signed on its behalf by

W.L. Page

The notes on pages 9 to 22 form a part of these financial statements.

**EHRMANN GROUP PLC**

**CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	NOTES	1996 £	1995 £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>21</b>	<b>(1,837,916)</b>	<b>3,210,756</b>
<b>Return on investments and servicing of finance:</b>			
Interest received		75,074	46,154
Interest paid		(84,651)	(90,836)
Dividends paid		<u>(53,076)</u>	<u>(55,498)</u>
<b>NET CASH OUTFLOWS FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(62,653)</b>	<b>(100,180)</b>
<b>Taxation:</b>			
UK Corporation tax paid		(166,287)	(182,974)
Overseas taxation paid		<u>(61,195)</u>	<u>(56,326)</u>
<b>TAX PAID</b>		<b>(227,482)</b>	<b>(239,300)</b>
<b>Investing activities:</b>			
Purchase of tangible assets		(193,830)	(188,321)
Purchase of subsidiary undertaking (net of cash & cash equivalents acquired)			-
Additional consideration due on purchase of subsidiary undertaking	<b>12</b>	(73,725)	(39,628)
Purchase of other investments			(4,788)
Receipts from sale of tangible assets		<u>89,019</u>	<u>46,485</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(178,536)</b>	<b>(186,252)</b>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		<b><u>(£2,306,587)</u></b>	<b><u>£2,685,024</u></b>
<b>Financing:</b>			
Repayment of capital on hire purchase and finance lease contracts		11,014	12,176
Bank loan advanced		(645,000)	-
Bank loan repayment		<u>34,990</u>	<u>46,316</u>
<b>NET CASH (INFLOW) FROM FINANCING BEFORE REPURCHASE OF SHARES</b>	<b>24</b>	<b>(598,996)</b>	<b>58,492</b>
<b>REPURCHASE OF SHARES</b>		<b>675,510</b>	<b>-</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22</b>	<b><u>(2,383,101)</u></b>	<b><u>2,626,532</u></b>
		<b><u>(£2,306,587)</u></b>	<b><u>£2,685,024</u></b>

The notes on pages 9 to 22 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

1. ACCOUNTING POLICIES

*Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

*Turnover*

Turnover represents the total invoice value, excluding value added tax, of the sale of wines, spirits and beers during the year.

*Stocks*

Stocks are valued at the lower of cost and estimated net realisable value.

*Depreciation*

Depreciation is provided using the following rates and bases to reduce by annual installments the cost of fixed assets over their estimated useful lives.

Trade marks	Straight line over ten years
Freehold property	Straight line over one hundred years
Freehold improvements	Straight line over remaining life of the freehold
Plant and machinery	25% Straight line
Fixtures, fittings and equipment	15% & 25% Straight line
Motor vehicles	25% Reducing balance and straight line

*Deferred tax*

Deferred tax is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

*Leasing and hire purchase*

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

# EHRMANN'S GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

### 1 ACCOUNTING POLICIES (continued)

#### *Consolidation*

The consolidated profit and loss account and balance sheet comprise the financial statements of the holding company and its subsidiaries at 30 September 1996.

The cost of investment is recorded in the holding company's books at the nominal value of shares issued.

On consolidation the excess of the cost of investment over the nominal value of the shares in the subsidiary is disclosed as goodwill on consolidation.

Goodwill arising on consolidation, which is not written off directly to reserves, and representing the excess of the purchase price over the fair value of the net assets acquired, is amortised over 10 years from the start of the financial year or its estimated useful economic life if less than 10 years.

No profit and loss account is presented for Ehrmann's Group PLC as provided by section 230 of the Companies Act 1985.

#### *Foreign exchange*

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

#### *Pensions*

Pension contributions are charged to the profit & loss account so as to spread the cost of the pensions over the employee's working lives with the group. These contributions are invested separately from the group's assets.

### 2 OPERATING PROFIT

	1996 £	1995 £
The operating profit is stated after charging:-		
Amortisation	42,503	32,537
Depreciation	56,265	91,925
Auditors' remuneration	39,113	38,495
Non-audit remuneration	17,286	17,187
Lease rentals - land and buildings	23,230	28,000
- other	16,890	7,225

### 3 INCOME FROM INVESTMENTS

	1996 £	1995 £
Bank and other interest receivable	74,889	46,057
Income from investments	185	97
	<u>£75,074</u>	<u>£46,154</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

## 4 INTEREST PAYABLE

	1996 £	1995 £
On bank loans and overdrafts and on loans repayable in full within five years	87,549	88,970
On overdue tax	150	-
Hire purchase charges	614	-
Other interest	3,192	21,866
	<u>£91,505</u>	<u>£110,836</u>

## 5 DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Staff costs		
Wages and salaries	1,344,546	1,297,822
Social security costs	133,396	126,909
Other pension costs	90,334	31,636
	<u>£1,568,276</u>	<u>£1,456,367</u>

The average number of persons employed by the group is analysed as follows:-

	Number	Number
Administration and sales	<u>45</u>	<u>49</u>

Directors' emoluments for the year:  
Remuneration for management services  
(including pension costs)

<u>£466,733</u>	<u>£347,755</u>
-----------------	-----------------

The division of directors' emoluments, excluding pension contributions, is as follows:-

Chairman	<u>£89,500</u>	<u>£121,299</u>
Highest paid director	<u>£103,624</u>	<u>N/A</u>

Other directors:-

Nil - £5,000  
£30,001 - £35,000  
£90,001 - £95,000

	Number	Number
Nil - £5,000	1	1
£30,001 - £35,000	1	-
£90,001 - £95,000	-	1
	<u>2</u>	<u>2</u>

## 6 PENSION COSTS

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions payable by the group amounted to £90,334 (1995:£31,636). All contributions were paid in the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

	1996 £	1995 £
<b>7 TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
The taxation charge based on the profit before tax comprises:-		
U.K. corporation tax at 33% (1995: 33%)	233,270	173,310
Overseas taxation	61,195	56,326
Adjustment in respect of prior years	219	(7,572)
	<u>£294,684</u>	<u>£222,064</u>

**8 PROFIT FOR THE FINANCIAL YEAR**

The amount of profit dealt with in the accounts of the holding company after tax is £433,900 (1995: £333,775).

	1996 £	1995 £
<b>9 DIVIDENDS</b>		
Ordinary shares and ordinary "A" shares:		
- Interim dividend paid 21 June 1996	26,538	26,538
- Final dividend proposed	26,538	26,538
	<u>£53,076</u>	<u>£53,076</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

## 10 INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill</u> £	<u>Trade Marks</u> £	<u>Total</u> £
<u>Cost</u>			
At beginning of year	411,245	8,118	419,363
Additions	73,725	-	73,725
Exchange difference	-	(110)	(110)
At end of year	<u>484,970</u>	<u>8,008</u>	<u>492,978</u>
<u>Amortisation</u>			
At beginning of year	174,265	6,063	180,328
Exchange difference	-	(97)	(97)
Provided in year	41,708	795	42,503
At end of year	<u>215,973</u>	<u>6,761</u>	<u>222,734</u>
<u>Net book value</u>			
At end of year	<u>£268,997</u>	<u>£1,247</u>	<u>£270,244</u>
At beginning of year	<u>£236,980</u>	<u>£2,055</u>	<u>£239,035</u>

Goodwill which has been fully amortised at the beginning of the year amounting to £254,084 has been written off and excluded from brought forward figures.

<u>Company</u>	<u>Trade Marks</u> £	<u>Total</u> £
<u>Cost</u>		
At beginning of year and end of year	<u>4,020</u>	<u>4,020</u>
<u>Amortisation</u>		
At beginning of year	2,430	2,430
Provided in year	402	402
At end of year	<u>2,832</u>	<u>2,832</u>
<u>Net book value</u>		
At end of year	<u>£1,188</u>	<u>£1,188</u>
At beginning of year	<u>£1,590</u>	<u>£1,590</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

## 11 TANGIBLE ASSETS

<u>Group</u>	Freehold property and improvements	Plant and machinery	Equipment, fixtures and fittings	Motor vehicles	Total
<u>Cost</u>	£	£	£	£	£
At beginning of year	604,592	-	265,418	308,596	1,178,606
Exchange difference	-	-	(2,182)	(829)	(3,011)
Additions	61,767	8,835	35,841	117,387	223,830
Disposals	-	-	(23,706)	(179,089)	(202,795)
At end of year	<u>666,359</u>	<u>8,835</u>	<u>275,371</u>	<u>246,065</u>	<u>1,196,630</u>
<u>Depreciation</u>					
At beginning of year	40,634	-	200,657	176,660	417,951
Exchange difference	-	-	(1,743)	(827)	(2,570)
On disposals	-	-	(23,346)	(74,337)	(97,683)
Charge for year	6,616	273	24,351	25,025	56,265
At end of year	<u>47,250</u>	<u>273</u>	<u>199,919</u>	<u>126,521</u>	<u>373,963</u>
<u>Net book values</u>					
At end of year	<u>£619,109</u>	<u>£8,562</u>	<u>£75,452</u>	<u>£119,544</u>	<u>£822,667</u>
At beginning of year	<u>£563,958</u>	<u>-</u>	<u>£64,761</u>	<u>£131,936</u>	<u>£760,655</u>

In the opinion of the directors the market value with full vacant possession of the freehold property is £475,000 (1995: £400,000).

Included above are assets held under finance leases or hire purchase contracts as follows:

<u>Motor Vehicles</u>	1996 £	1995 £
Net book value	<u>£22,500</u>	<u>£15,041</u>
Depreciation charge for the year	<u>£7,500</u>	<u>£2,149</u>

Net obligations under finance leases or hire purchase contracts are secured on the assets acquired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

## 11 TANGIBLE ASSETS (continued)

<u>Company</u>	Freehold property and improv- ements	Equipment, fixtures and fittings	Motor vehicles	Total
<u>Cost</u>	£	£	£	£
At beginning of year	604,592	78,307	137,946	820,845
Additions	61,767	25,326	46,002	133,095
Disposals	-	-	(51,110)	(51,110)
At end of year	666,359	103,633	132,838	902,830
<u>Depreciation</u>				
At beginning of year	40,634	45,144	71,130	156,908
Charge for the year	6,616	10,864	19,372	36,852
On disposals	-	-	(15,779)	(15,779)
At end of year	47,250	56,008	74,723	177,981
<u>Net book values</u>				
At end of year	£619,109	£47,625	£58,115	£724,849
At beginning of year	£563,958	£33,163	£66,816	£663,937

In the opinion of the directors the market value with full vacant possession of the freehold property is £475,000 (1995: £400,000).

Included above are assets held under finance leases or hire purchase contracts as follows:

<u>Motor Vehicles</u>	1996 £	1995 £
Net book value	£22,500	-
Depreciation charge for the year	£7,500	-

Net obligations under finance leases or hire purchase contracts are secured on the assets acquired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

## 12 INVESTMENTS

GroupCost

	Other Investments (other than loans) £	Group Undertaking £
At beginning of year	4,788	-
Disposals	(4,788)	-
At end of the year	£ -	£ -

CompanyCost

	£	£
At beginning of year	4,788	682,130
Additions	-	73,725
Disposals	(4,788)	-
At end of year	-	755,855

Net Book Values

At end of year	£ -	£755,855
At beginning of year	£4,788	£682,130

The following were subsidiaries at the balance sheet date:-

Subsidiary undertakings	Description and proportion of share capital owned	Country of incorporation	Nature of Business
Viniberia S.A	Ordinary 100%	Spain	Wine, beer and spirit distributors
Ehrmanns Wine Shippers Limited	Ordinary 100%	England	Dormant
Viniberia Limited*	Ordinary 100%	England	Dormant
G. Belloni & Co. Limited	Ordinary 100%	England	Wine, beer and spirit distributors

\*This investment is held via Ehrmanns Wine Shippers Limited.

EHRMANN'S GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

13 STOCK	1996 £	1995 £
<u>Group</u>		
Goods for resale	<u>£1,233,917</u>	<u>£1,329,102</u>
<u>Company</u>		
Goods for resale	<u>£381,201</u>	<u>£417,568</u>
 14 DEBTORS	 1996 £	 1995 £
<u>Group</u>		
Trade debtors	9,383,722	12,274,550
Other debtors	216,241	11,910
Advance corporation tax recoverable	6,634	6,634
Prepayments	290,269	123,408
	<u>£9,896,866</u>	<u>£12,416,502</u>
 <u>Company</u>		
Trade debtors	7,480,282	10,344,472
Amounts owed by subsidiary undertakings	84,122	33,470
Other debtors	199,391	11,243
Advance corporation tax recoverable	6,634	6,634
Prepayments	74,753	120,522
	<u>£7,845,182</u>	<u>£10,516,341</u>
 Other Debtors - Group and Company		

Other debtors includes a loan of £180,952 to Mrs Y. Harris, wife of D. Harris who was a director of the company at the balance sheet date and who has since resigned. The maximum amount of the loan was £228,571. The loan has been repaid since the year end together with relevant interest.

**EHRMANN'S GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996**

<b>15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>1996 £</b>	<b>1995 £</b>
<u>Group</u>		
Bank loans and overdrafts (Secured)	651,244	126,094
Trade creditors	8,048,369	8,398,530
Proposed dividend	26,538	26,538
Corporation tax	239,904	172,702
Other taxes and social security costs	517,876	5,226,796
Hire purchase	9,000	5,014
Other creditors	224,727	192,889
Accruals	173,671	637,732
	<u>£9,891,329</u>	<u>£14,786,295</u>
<u>Company</u>		
Bank loans and overdrafts (Secured)	444,575	46,316
Trade creditors	7,247,559	7,197,671
Proposed dividend	26,538	26,538
Corporation tax	239,534	172,702
Other taxes and social security costs	284,970	5,068,217
Hire purchase	9,000	-
Other creditors	164,192	191,441
Accruals	53,499	266,988
	<u>£8,469,867</u>	<u>£12,969,873</u>
<b>16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - Group and Company</b>	<b>1996 £</b>	<b>1995 £</b>
Bank loan (Secured)	702,643	92,632
Net obligations under finance leases and hire purchase contracts	15,000	-
	<u>£717,643</u>	<u>£92,632</u>
<b>17 BORROWINGS</b>	<b>1996 £</b>	<b>1995 £</b>
<u>Group</u>		
The group's borrowings are repayable as follows:		
In one year, or less or on demand	651,244	172,410
Between one and two years	46,316	46,316
Between two and five years	656,327	46,316
	<u>£1,353,887</u>	<u>£265,042</u>
<u>Company</u>		
The company's borrowings are repayable as follows:		
In one year, or less or on demand	444,575	46,316
Between one and two years	46,316	46,316
Between two and five years	656,327	46,316
	<u>£1,147,218</u>	<u>£138,948</u>

The bank loans and overdrafts are secured by a charge over the freehold property owned by the holding company, by a floating charge on certain assets of the group, and by cross guarantees between certain group companies.

# EHRMANN'S GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

### 18 SHARE CAPITAL

	1996 £	1995 £
<b>Authorised</b>		
<b>Equity interests:</b>		
2,750,000 ordinary shares of 50p each	1,375,000	1,375,000
250,000 ordinary "A" shares of 50p each	125,000	125,000
1,000,000 ordinary "B" shares of 50p each	500,000	500,000
	<u>£2,000,000</u>	<u>£2,000,000</u>
<b>Allotted, called up and fully paid</b>		
<b>Equity interests:</b>		
442,780 ordinary shares of 50p each (1995 : 527,750)	221,390	263,875
3,000 ordinary "A" shares of 50p each	1,500	1,500
	<u>£222,890</u>	<u>£265,375</u>

On 22 May 1996, the shareholders approved the repurchase and subsequent cancellation of 84,970 ordinary shares, of 50p each, at a price of £7.95 per ordinary share. The total cost of the repurchase including expenses was £675,510.

### Class rights of shares

The Ordinary Shares have the right to receive dividends, to vote and to participate in the winding up of the company and are irredeemable.

The 'A' Ordinary Shares are to be sold back to the company at a price to be determined by the company's auditor's upon the cessation of employment of the shareholder, and subject to this provision shall rank pari passu in all respects with the existing Ordinary Shares.

The holders of 'B' Ordinary Shares shall have no right to receive notice of or to attend or to vote at any general meeting of the company and shall have no right to receive any dividend but shall otherwise rank pari passu in all respects with the Ordinary Shares of the company.

### 19 CAPITAL REDEMPTION RESERVE - Group and Company

	1996 £	1995 £
At beginning of year	36,050	36,050
Shares cancelled during the year (Note 18)	42,485	-
	<u>£78,535</u>	<u>£36,050</u>
At end of year		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

20 PROFIT AND LOSS ACCOUNT

	1996 £	1995 £
<u>Group</u>		
At beginning of year	2,150,284	1,692,517
Profit for the financial year	582,248	432,755
	<hr/>	<hr/>
	2,732,532	2,125,272
Repurchase of shares	(675,510)	-
Exchange difference	(21,121)	25,012
	<hr/>	<hr/>
At end of year	£2,035,901	£2,150,284
	<hr/>	<hr/>
<u>Company</u>		
At beginning of year	1,212,368	931,669
Profit for the financial year	380,824	280,699
	<hr/>	<hr/>
	1,593,192	1,212,368
Purchase of own shares	(675,510)	-
	<hr/>	<hr/>
At end of year	£917,682	£1,212,368
	<hr/>	<hr/>

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	946,439	772,577
Depreciation	56,265	92,329
Amortisation	42,503	32,537
Loss on disposal of fixed assets	20,881	-
Exchange difference	(20,667)	24,266
Decrease in stocks	95,185	(277,885)
Decrease in debtors	2,519,636	(5,339,527)
Decrease in creditors due within one year	(5,498,158)	8,123,213
Decrease in other creditors and accruals due after more than one year	-	(216,754)
	<hr/>	<hr/>
	(£1,837,916)	£3,210,756
	<hr/>	<hr/>

22 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £	1995 £
Cash at bank and in hand at beginning of year	2,727,853	999,513
Cash at bank and in hand at end of year	869,903	2,727,853
	<hr/>	<hr/>
Net movement	(1,857,950)	1,728,340
	<hr/>	<hr/>
Bank overdraft at beginning of year	(79,778)	(977,970)
Bank overdraft at end of year	(604,929)	(79,778)
	<hr/>	<hr/>
Net movement	(525,151)	898,192
	<hr/>	<hr/>
	(£2,383,101)	£2,626,532
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996 £	1995 £
Profit on ordinary activities after taxation	635,324	485,831
Dividends	(53,076)	(53,076)
	582,248	432,755
Share capital repurchased	(675,510)	-
Exchange difference	(21,121)	25,012
<b>NET ADDITION TO SHAREHOLDERS' FUNDS</b>	<b>(114,383)</b>	<b>457,767</b>
Opening shareholders funds	2,599,008	2,141,241
Closing shareholders funds	<u>£2,484,625</u>	<u>£2,599,008</u>
Represented by:-		
Equity interests	<u>£2,484,625</u>	<u>£2,599,008</u>

24 ANALYSIS OF CHANGES IN FINANCING

	1996 £	1995 £
At beginning of year	143,962	185,264
New capital leases additions	30,000	17,190
Net inflow from financing	598,996	(58,492)
At end of year	<u>£772,958</u>	<u>£143,962</u>

25 MAJOR NON-CASH TRANSACTION

During the year the group entered into finance lease arrangements in respect of certain fixed assets with a capital value on inception of £30,000 (1995: £17,190).

26 CONTINGENT LIABILITIES

The company and its subsidiaries are party to a composite line of credit with their bankers. Under this facility the bankers have a full debenture over the assets of the Group. At the balance sheet date the holding company's liability amounted to £nil (1995: £79,776).

An indemnity has been given to the group's bankers in respect of guarantees given by them on behalf of the group to H. M. Customs and Excise amounting to £930,000



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

27 REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	Land and buildings		Other	
	1996	1995	1996	1995
	£	£	£	£
Expiry date:				
Between one and two years	-	£28,000	-	-
Between two and five years	-	-	£45,890	-
After more than five years	<u>£37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>