

**H. P. BULMER LIMITED**  
**Reg. No. 150832**

**DIRECTORS' REPORT AND ACCOUNTS**  
**for the 11 months ended 28th March, 2003**



## **H. P. BULMER LIMITED**

### **REPORT OF THE DIRECTORS for the 11 months ended 28th March, 2003**

The directors have pleasure in submitting the audited accounts for the 11 months ended 28th March, 2003.

#### **ACTIVITIES**

The company's principal activities are the manufacture and sale of cider and the distribution of beers.

#### **YEAR END**

The financial year of the company has been changed to end on the last Friday in March. Previous periods comprised either 52 or 53 weeks, ending on the last Friday in April of each year.

#### **RESULTS**

The loss for the 11 months ended 28th March, 2003 was £48,085,000 (2002: profit of £1,584,000). The directors do not propose the payment of a dividend (2002: £nil).

It has been an extraordinarily difficult period for the company, which saw the restatement of its accounts for the year ended 26 April 2002. On 19 December 2002, H. P. Bulmer Holdings PLC and its subsidiaries ("the Group") announced a turnaround plan for the Group, the principal elements of which were concentration of resources on the UK drinks business, focus on Strongbow and San Miguel, significant range reduction, streamlining and tightening of promotion policy, re-shaping of the international business, reduction in innovation for all but key brand Strongbow, debt reduction through asset sales, and headcount reduction.

#### **POST BALANCE SHEET EVENTS**

On 28 April 2003 a recommended offer for the Group was made by Scottish & Newcastle plc, which was declared unconditional on 1 July 2003. The Group has received confirmation from Scottish & Newcastle plc that it will provide financial support to the Group to enable it to meet its debts as they fall due for a period not less than 12 months from the date of approval of the Group accounts.

#### **DIRECTORS**

The directors holding office during the year were:

D. E. Bulmer	
R. M. Daniels	(resigned 25 <sup>th</sup> May 2003)
T. J. Gregory	(resigned 30 <sup>th</sup> June 2003)
M. H. Templeman	(appointed 3 <sup>rd</sup> January 2003)
J. P. Eggleton	(appointed 30 <sup>th</sup> September 2002)
J-F. Jamet	(appointed 30 <sup>th</sup> September 2002)
C. D. Hitchiner	(appointed 18 <sup>th</sup> December 2002)
C. C. C. Brown	(appointed 11 <sup>th</sup> September 2002)
R. J. Pennycook	(appointed 5 <sup>th</sup> February 2003)
A. C. Flockhart	(resigned 15 <sup>th</sup> October 2002)
M. J. Hughes	(resigned 11 <sup>th</sup> September 2002)

## DIRECTORS' INTERESTS IN SHARES

No director had any interest in the issued shares of the company during the period. H. P. Bulmer Holdings PLC owns the whole of the issued share capital of H. P. Bulmer Limited. The directors had the following interests in the issued shares of H. P. Bulmer Holdings PLC at the dates shown:

		At 28 <sup>th</sup> March 2003	At 26th April 2002
D. E. Bulmer	- Ordinary	4,217,027	4,217,027
	- Ordinary non-beneficial	7,047,611	7,047,611
R. M. Daniels	- Ordinary	6,250	6,250
	- Ordinary options	115,689	115,689
T. J. Gregory	- Ordinary	4,943	4,943
	- Ordinary options	59,876	59,876
C. D. Hitchiner	- Ordinary	500	500
	- Ordinary options	34,196	34,196
C. C. C. Brown	- Ordinary	2,175	2,175
J. P. Eggleton	- Ordinary options	61,132	61,132
J-F. Jamet	- Ordinary	65,497	65,497

R J Pennycook and M H Templeman are also directors of the parent company, H.P.Bulmer Holdings PLC, and their interests in the company are disclosed in the consolidated financial statements of that company.

The options referred to above are options granted under the H. P. Bulmer Holdings PLC 2001 and 1998 Executive Share Option Schemes to acquire ordinary shares in H. P. Bulmer Holdings PLC. Grants made under the Schemes have vested automatically on the takeover of the Group and will lapse automatically one month following notification to the option holders that Scottish & Newcastle plc has become bound or entitled to compulsorily acquire any minority shareholdings in H. P. Bulmer Holdings PLC.

The shareholdings include interests, if any, held by a director as trustee or by a director's wife or infant children.

Save as disclosed above, none of the directors held shares in the company's parent company or in subsidiaries of the company's parent company.

## RESEARCH, DEVELOPMENT & QUALITY ASSURANCE ACTIVITIES

During the period the Group reviewed its strategy on new product development and decided that it should concentrate its development activity on its core cider brands rather than develop a wider range of products.

## EMPLOYMENT POLICIES

The company's employment policies are designed to create an environment which attracts, retains and

motivates the very best people.

The company recognises that this can only be achieved through offering equal opportunities regardless of sex, race, religion or disability. Employees with disabilities are encouraged to develop their skills to their full potential. Under the equal opportunities policies operated by the company, every effort is made to meet their individual needs and to harness their contribution.

Success for the company is dependent upon the quality and performance of its employees and the company continues to ensure, by means of internal communications and review, that employees understand the business strategy and are able to contribute to its achievement.

The company's Learning Centre at Hereford enables employees to pursue development programmes tailored to their needs. Trained staff are available to help them.

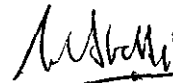
#### TERMS OF PAYMENT

The company agrees terms of payment with its suppliers and abides by them. Trade creditors on 28th March 2003 represent 26.0 days purchases (2002: 32.5 days).

#### AUDITORS

In the UK an agreement for the partners and personnel of Arthur Andersen to join Deloitte & Touche has recently been concluded. Completion of this transaction occurred on 1 August 2002. Arthur Andersen resigned as auditors to the Company with effect from 31 July 2002. Following the resignation the Board appointed Deloitte & Touche to fill the casual vacancy, and a resolution was put to the Annual General Meeting to appoint Deloitte & Touche as auditors.

**By Order of the Board**



**W G Stebbings  
Secretary**

18<sup>th</sup> July, 2003

The Cider Mills  
Plough Lane,  
Hereford

## **H. P. BULMER LIMITED**

### **STATEMENT OF 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 as at the end of the financial period 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 the system of internal control, the safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **H. P. BULMER LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **To the shareholders of H P Bulmer Limited**

We have audited the financial statements of H P Bulmer Limited for the 11 month period ended 28<sup>th</sup> March 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 25. 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 the company's affairs as at 28<sup>th</sup> March 2003 and of its loss for the 11 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
London

18<sup>th</sup> July 2003

**H. P. BULMER LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the 11 months ended 28th March, 2003**

	Notes	11 months ended 28th March, 2003 £000	12 months ended 26 <sup>th</sup> April, 2002 £000
Turnover	(2)	247,861	290,530
Operating costs	(2)	(246,469)	(269,917)
Exceptional operating costs	(7)	(42,492)	(8,458)
		<u>(41,100)</u>	<u>12,155</u>
Interest payable, less receivable	(6)	(20,392)	(9,456)
Loss on ordinary activities before taxation & exceptionals		<u>(61,492)</u>	<u>2,699</u>
Profit on sale of fixed assets	(7)	2,484	-
(Loss)/profit on ordinary activities before taxation	(3)	<u>(59,008)</u>	<u>2,699</u>
Taxation on loss/profit on ordinary activities	(8)	10,923	(1,115)
(Loss)/profit for the financial period		<u>(48,085)</u>	<u>1,584</u>
Ordinary dividends		-	-
Retained (loss)/profit for the period	(20)	<u>(48,085)</u>	<u>1,584</u>

The results of the company for the period and prior period all arise from continuing operations.

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



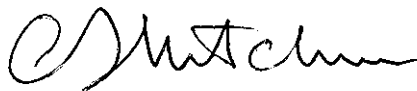
**H. P. BULMER LIMITED**  
**BALANCE SHEET as at 28th March, 2003**

	Notes	11 months ended 28th March, 2003 £000	12 months ended 26th April, 2002 £000
Fixed assets			
Tangible fixed assets	(9)	91,158	102,811
Intangible assets	(11)	-	747
Investments	(12)	58,660	67,021
		<hr/> 149,818	<hr/> 170,579
Current assets			
Stocks	(13)	15,217	18,729
Debtors	(14)	36,021	69,763
Cash at bank and in hand		1,980	33,458
		<hr/> 53,218	<hr/> 121,950
Creditors: amounts falling due within one year			
Borrowings	(15)	(46,963)	(6,922)
Other creditors	(16)	(118,536)	(193,933)
Net current liabilities		<hr/> (112,281)	<hr/> (78,905)
Total assets less current liabilities		<hr/> 37,537	<hr/> 91,674
Creditors: amounts falling due after more than one year	(16)	(50,679)	(48,045)
Provisions for liabilities and charges	(17)	(5,436)	(14,280)
		<hr/> (18,578)	<hr/> 29,349
Financed by:			
Capital and reserves			
Called up share capital	(19)	2,693	2,693
Share premium account	(20)	195	195
Revaluation reserve	(20)	11,796	11,822
Profit and loss account	(20)	(33,262)	14,639
Equity shareholders' (deficit)/funds		<hr/> (18,578)	<hr/> 29,349

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

These accounts were approved by the Board on 18<sup>th</sup> July, 2003.

**C D Hitchiner**  
**Director**



**H. P. BULMER LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the 11 months ended 28th March, 2003**

	<b>11 months ended 28th March 2003 £000</b>	<b>12 months ended 26<sup>th</sup> April 2002 £000</b>
(Loss)/profit for the financial period	(48,085)	1,584
Unrealised surplus on revaluation of properties	-	1,166
Foreign exchange gain/(loss) on intercompany loan	158	(177)
Total recognised gains and losses relating to the period	<u>(47,927)</u>	<u>2,573</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**For the 11 months ended 28th March, 2003**

	<b>11 months ended 28th March 2003 £000</b>	<b>12 months ended 26th April 2002 £000</b>
Reported (loss)/profit on ordinary activities before taxation	(59,008)	2,699
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	24	109
Realisation of property revaluation gains of previous years	2	42
Historical cost (loss)/profit on ordinary activities before taxation	<u>(58,982)</u>	<u>2,850</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(48,059)</u>	<u>1,735</u>

## **H. P. BULMER LIMITED**

### **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**For the 11 months ended 28th March, 2003**

	<b>11 months ended 28<sup>th</sup> March 2003 £000</b>	<b>12 months ended 26<sup>th</sup> April 2002 £000</b>
(Loss)/profit for the financial period	(48,085)	1,584
Dividends	-	-
Revaluation surplus	-	1,166
Foreign exchange gain/(loss) on intercompany loan	158	(177)
Net movement in shareholders' funds	(47,927)	2,573
Opening shareholders' funds	29,349	26,776
Closing shareholders' (deficit)/funds	(18,578)	29,349

## **H. P. BULMER LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **1. ACCOUNTING POLICIES**

##### **Accounting Basis**

These accounts have been prepared under the historical cost convention as modified by the revaluation of properties and in accordance with applicable accounting standards.

Consolidated accounts are not prepared and the accounts do not include a cash flow statement, as these accounts are included within the consolidated accounts of H. P. Bulmer Holdings PLC. Accordingly these accounts present information about the company only and not about its group.

The company has not disclosed related party transactions with group companies, as permitted by Financial Reporting Standard 8, as it is a wholly owned subsidiary of H. P. Bulmer Holdings PLC.

##### **Financial Years**

The financial year of the company has been changed to end on the last Friday of March. The financial years of the company comprise either 52 or 53 weeks ending on the last Friday in April of each year.

##### **Turnover**

Turnover represents the amount derived from the provision of goods and services, including Excise Duty and sales to other group companies but excluding Value Added Tax.

##### **Development Expenditure**

All development expenditure is written off in the year in which it is incurred.

##### **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.

##### **Tangible Fixed Assets**

Properties are professionally valued every three years on the basis of open market value for existing use with the exception of certain non-operational properties which are valued on an open market value basis and the main office building which is valued on a depreciated replacement cost basis. A professional opinion is also obtained of the expected useful lives of buildings.

Surpluses and deficits arising on revaluation are included as movements on the revaluation reserve and shown in the Statement of Total Recognised Gains & Losses, other than losses

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

caused by a clear consumption of economic benefits, which are charged to the profit and loss account. In subsequent periods transfers are made to retained profits in order to amortise such surpluses over the remaining useful lives of the properties. On disposal the difference between proceeds and the carrying value in the accounts is taken to the profit and loss account.

Interest costs relating to the financing of significant tangible fixed assets in the course of construction, including new orchard developments, are capitalised as part of their cost up to the date of completion of the project.

Costs incurred in the development of new orchards are capitalised until the orchard achieves a pre-determined production yield. These costs are then amortised over the remaining useful life of the orchard.

Tangible fixed assets are depreciated over their expected useful lives on a straight line basis. Freehold, and certain long leasehold, buildings are depreciated over their expected useful Lives not exceeding 50 years. Other leasehold properties are written off over the periods of the leases.

**Plant, vehicles and equipment**

General plant	-	5% to 10%
Cars and office equipment	-	20% to 33 <sup>1</sup> / <sub>3</sub> %
Information technology systems	-	14%
Commercial vehicles	-	13%
Kegs	-	5%
Storage vats	-	2% to 4%
Stainless steel vessels	-	4%

Assets in the course of construction are not depreciated until they are brought into use.

Components of UK keg cider installations are depreciated at rates between 10% and 25% per annum. Movements in the components of keg cider installations are included within capital additions and disposals.

Assets which have been funded through finance leases are recorded as tangible fixed assets and depreciated over their estimated useful lives. Future lease obligations, net of finance charges, are included in creditors. Rentals payable are apportioned between the capital element, reducing the obligation to the lessor, and the finance element which is charged to the profit and loss account in proportion to the capital balance outstanding.

**Intangible fixed assets**

Goodwill arising on acquisition of businesses is held as an intangible fixed asset and amortised over its useful economic life, not exceeding 20 years. Acquired brands are included at cost and amortised over their useful economic life, not exceeding 20 years. Provision is made for any impairment in value.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**Fixed Asset Investments**

Shares in subsidiaries are stated at cost less provisions for any impairment in value.

**Government Grants**

Grants related to expenditure on tangible fixed assets are credited to profit over a period approximating to the lives of qualifying assets. The balance of grants received less the amounts credited to profit is included in the balance sheet as deferred income.

**Stocks**

Stocks are valued at the lower of cost and net realisable value on the following bases:

Raw materials and consumables, and work in progress - at unit cost where this is identifiable; otherwise at cost on a first in first out (FIFO) basis.

Finished stocks - manufactured stock at average cost, including production overheads; factored stock at cost on a FIFO basis.

Container stocks - at cost on a FIFO basis, or in the case of returnable containers, at net realisable value if lower than cost. Net realisable value for this purpose is taken to be the deposit value chargeable to customers.

**Pensions**

For defined benefit schemes, the expected cost of providing pensions to employees is charged to the profit and loss account so as to spread this cost over the service lives of employees in the company's pension schemes. Variations from the regular cost are spread over the average remaining service lives of current employees in the schemes. Differences between amounts charged to the profit and loss account and amounts funded are shown as prepayments or accruals in the balance sheet. For defined contribution schemes, contributions payable are charged to the profit and loss account and differences between contributions payable and paid in the period are shown as prepayments or accruals in the balance sheet.

The company makes certain unfunded ex-gratia payments in respect of past service. The actuarial value of future ex-gratia payments has been provided in the balance sheet.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**Foreign Currency Translation**

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Assets and liabilities denominated in foreign currencies are translated to sterling at the exchange rates ruling at the end of the relevant financial year, or at contracted exchange rates where a forward contract has been entered into. Any adjustments arising from such translation are charged or credited to the profit and loss account. Exchange differences arising on foreign currency borrowings, to the extent that they hedge the company's investment in overseas operations, are reported in the Statement of Total Recognised Gains and Losses. All other exchange differences are included in the profit and loss account.

**Derivative Financial Investments**

Derivative financial instruments are used to hedge existing or expected foreign currency and interest rate exposures. Gains and losses on foreign currency contracts are recognised in the profit and loss account, or as adjustments to the carrying value of fixed assets, when the hedged transaction itself is reflected in the company's accounts. Interest rate differentials under interest rate swaps are recognised by adjusting interest payable over the period of the swap. Where an instrument ceases to be accounted for as a hedge it is marked to market and any resulting profit or loss recognised at that time.

**Deferred Taxation**

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. It is measured on a non-discounted basis. A net deferred tax asset is regarded as recoverable and recognised in the accounts 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 timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into and that tax would be payable taking into account the availability of any double taxation relief. Deferred tax is not recognised in respect of the revaluation of property unless, at the balance sheet date, the company has entered into a binding agreement to sell the revalued property and has recognised the gains and losses expected to arise on the sale.

Deferred tax is measured at the 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 in process of enactment at the balance sheet date.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**2. Segmental Analysis and Operating Costs**

All turnover and operating profit is derived from continuing drinks operations.

*Geographical Analysis of  
Turnover*

	<b>11 months ended 28<sup>th</sup> March 2003</b>		<b>12 months ended 26<sup>th</sup> April 2002</b>	
	<b>By Origin £000</b>	<b>By Destination £000</b>	<b>By Origin £000</b>	<b>By Destination £000</b>
U.K.	247,861	241,838	290,530	278,890
All other countries	-	6,023	-	11,640
	<hr/> 247,861 <hr/>	<hr/> 247,861 <hr/>	<hr/> 290,530 <hr/>	<hr/> 290,530 <hr/>

	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
<b>Operating Costs</b>		
Cost of sales	139,497	158,596
Selling, marketing & distribution costs	87,271	91,975
Administrative expenses	62,193	27,804
Exceptional costs (note 7)	42,492	8,458
Other	19,701	19,346
	<hr/> 288,961 <hr/>	<hr/> 278,375 <hr/>



**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

<b>3. (Loss)/profit on Ordinary Activities Before Taxation</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
This is stated after charging/(crediting):		
Depreciation on tangible fixed assets	14,266	15,015
Operating lease rentals		
Equipment and machinery	2,263	2,703
Property	345	336
Auditors' remuneration	313	71
Research and development expenditure	419	541
Amortisation of Government grants	(8)	(8)

In addition to the Auditors' remuneration shown above, fees to Deloitte & Touche for other services amounted to £381,000 (2002 - £nil).

<b>4. Staff Costs and Numbers</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
Staff costs, including bonuses but excluding profit share		
Wages and salaries	21,683	24,634
Social security costs	1,859	2,149
Other pension costs (see Note 23)	3,736	2,361
	<u>27,278</u>	<u>29,144</u>

**Number of Persons**

	<b>2003</b>	<b>2002</b>
Average weekly total of employees during the year-all UK:	873	900
	<u>          </u>	<u>          </u>

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**5. Directors' Remuneration**

	<b>2003</b> <b>(11 months)</b> <b>£000</b>	<b>2002</b> <b>(12 months)</b> <b>£000</b>
Remuneration of the Directors of the Company comprised the following:		
Emoluments	-	-
Pensions paid to former Directors	-	-

The costs of the directors in both periods has been borne by H.P.Bulmer Holdings PLC. It is not considered practical to apportion costs between group companies.

**6. Interest**

	<b>2003</b> <b>(11 months)</b> <b>£000</b>	<b>2002</b> <b>(12 months)</b> <b>£000</b>
Interest payable to Group companies	9,005	9,880
Interest receivable from Group companies	(126)	(184)
Interest payable on bank loans and overdrafts	278	399
Interest receivable on short term deposits	(154)	(29)
	<u>9,003</u>	<u>10,066</u>
Amount capitalised in respect of long term capital projects	(55)	(610)
	<u>8,948</u>	<u>9,456</u>
Exceptional finance charges (Note 7)	11,444	-
Total finance charge	<u>20,392</u>	<u>9,456</u>

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

7. Exceptional items and goodwill	2003 (11 months) £000	2002 (12 months) £000
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Exceptional items included in administrative expenses within operating profit

**Costs relating to the need to refocus strategy of the company:**

Write-off of net product development costs	(5,855)	-
Impairment and write-off of fixed assets, primarily IT systems	(5,711)	-
Redundancy and restructuring costs -UK	(6,974)	(8,858)

<b>Identification of prior period liabilities:</b>	(2,208)	-
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**Impairment of intercompany debtors & investments:**

South Africa	(5,212)
China	(547)
US	(7,266)
Barbox	(993)
Inchs	(7,442)
Food Ingredients	(284)

<b>Additional costs from production problems relating to glass capacity and line commissioning</b>	(1,500)
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<b>Partial release of keg equipment provision</b>	1,900
	(42,492)
	(8,458)

Exceptional items reported after operating profit

**Profit on sale of fixed assets**

Profit on disposal of surplus properties in UK, trademarks & impaired/redundant assets	2,484	-
	2,484	-

In addition there are exceptional finance charges which comprise: provision for make-whole payments due on long term borrowing where lending agreements are expected to be terminated early (£10,013,000); accelerated amortisation of issue costs in relation on lending (£325,000) and financing costs incurred in the year (£1,106,000).

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**8. Taxation**

	2003 (11 months) £000	2002 (12 months) £000
The charge for taxation on (loss)/profit on ordinary activities is made up as follows:		
UK corporation tax on income for the year	-	671
Adjustments in respect of prior years	(672)	(862)
Double taxation relief	-	-
Total current tax	<u>(672)</u>	<u>(191)</u>
Foreign tax on income for the year	-	-
Charge for group relief (surrendered)/claimed	<u>(1,446)</u>	<u>481</u>
Transfer to/(from) deferred tax provision (note 18)	<u>(8,805)</u>	<u>825</u>
	<u>(10,923)</u>	<u>1,115</u>

Factors affecting current tax charge for the period:

The current tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) applied to the profit on ordinary activities before taxation. The differences are:

	2003 (11 months) £000	2002 (12 months) £000
Tax charge at UK corporation tax rate (30%)	(17,702)	809
Expenses not deductible for tax purposes	7,103	130
Excess book depreciation over tax depreciation	3,287	213
Utilisation of losses claimed under group relief	-	(481)
Losses not relieved in current period and available for surrender	8,296	-
Impact of legislative changes on taxing of royalty income	346	-
Profits from disposals covered by capital losses	(1,330)	-
Adjustment to tax charge in respect of prior periods	<u>(672)</u>	<u>(862)</u>
Current tax charge for the period	<u>(672)</u>	<u>191</u>

Factors that may affect future tax charges:

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £4.7m (2002:£4.7m). It is not envisaged that any tax will become payable in the foreseeable future.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

<b>9. Tangible Fixed Assets</b>	<b>Land &amp; Building £000</b>	<b>Plant, Vehicles &amp; Equipment £000</b>	<b>Assets in Course of Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At beginning of period:				
Professional valuation in 2002	30,085	-	-	30,085
Cost	2,276	164,350	4,049	170,675
Additions	-	5,638	6,348	11,986
Transferred from fellow subsidiaries	-	133	-	133
Assets transferred between categories	1	2,823	(2,824)	-
Disposals at cost or valuation	(314)	(10,816)	(1,673)	(12,803)
At end of year	32,048	162,128	5,900	200,076
<b>Depreciation</b>				
At beginning of period	204	97,745	-	97,949
Amount provided	705	13,561	-	14,266
Eliminated on disposals	(78)	(8,595)	-	(8,673)
Impairment charge	-	-	5,376	5,376
At end of period	831	102,711	5,376	108,918
<b>Net book amounts</b>				
At 28th March, 2003	31,217	59,417	524	91,158
At 26th April, 2002	32,157	66,605	4,049	102,811

The company's land and buildings were revalued at 26th April, 2002 by DTZ Debenham Tie Leung.

The cost of fixed assets includes total interest capitalised of £3,148,000 (2002 £3,093,000).

Additions during the year include interest capitalised before tax relief of £55,000.

Freehold land included above at £7,131,700 (2002 £7,211,700) is not subject to depreciation.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

	<b>Freehold</b>	<b>Leasehold</b>		
	<b>Land &amp; Buildings £000</b>	<b>Long Term £000</b>	<b>Short Term £000</b>	<b>Total £000</b>
<b>9. Tangible Fixed Assets (cont'd)</b>				
Land and buildings comprise the following				
Professional valuation	29,402	-	-	29,402
Cost	2,277	170	199	2,646
	<hr/> 31,679	<hr/> 170	<hr/> 199	<hr/> 32,048
Less: depreciation	(685)	(61)	(85)	(831)
	<hr/> 30,994	<hr/> 109	<hr/> 114	<hr/> 31,217
Net book amount at 28th March, 2003				
	<hr/> 31,890	<hr/> 111	<hr/> 156	<hr/> 32,157
Net book amount at 26th April, 2002				
If properties had not been revalued, freehold land and buildings would be stated at the following amounts:				
At 28th March, 2003				
Cost				23,835
Less: depreciation				(4,637)
				<hr/> 19,198
At 26th April, 2002				
Cost				24,102
Less: depreciation				(4,082)
				<hr/> 20,020
<b>10. Capital Expenditure Commitments</b>		<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>	
Contracted for		<hr/> 2,557	<hr/> 3,038	

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**11. Intangible Assets**

	Goodwill £000	Brands £000	Total £000
At beginning of period	167	580	747
Additions	-	63	63
Amortisation	(5)	-	(5)
Impairment	(162)	(643)	(805)
	<hr/>	<hr/>	<hr/>
At end of period	-	-	-

During the year, the value of goodwill arising on the acquisition of the South African investment and UK brands was impaired.

**12. Investments**

	Associates £000	Subsidiaries £000	Total £000
Cost at beginning of period	1,016	66,005	67,021
Impairments	(993)	(7,368)	(8,361)
	<hr/>	<hr/>	<hr/>
Cost at end of period	23	58,637	58,660

During the period a review of operations was carried out. This has led to an impairment being made in the values of investments, where these cannot be justified on current cash flow projections.

At 28th March, 2003 the following companies were the principal subsidiary or associated companies with ordinary shares only; operating in the country in which they are incorporated.

	Country of Reg'n/ Incorporation	Principal Activities
Symonds Cider & English Wine Company Limited	England	Cider
Inch's Cider Limited	England	Cider
Cidrerie de Pays Bas B.V.	The Netherlands	Financial Holding Company
Qufu Bulmer Sankong Cider Company Limited	China	Cider
Dawes Group Limited	England	Drinks Distribution
Barbox Limited	England	Distribution

All subsidiaries are wholly owned with the exception of Qufu Bulmer Sankong Cider Company Limited in which the company has a 65% share of net assets and distributed profits. (Barbox Limited is 30% owned and as such is an associate). Group accounts have not been prepared as the Company is a wholly owned subsidiary of another body incorporated in Great Britain (see Note 25).

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

<b>13. Stocks</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
Raw materials and consumables	10,276	11,689
Work in progress	1,564	1,605
Finished stocks	3,316	4,950
Containers	61	485
	<hr/> 15,217	<hr/> 18,729
The replacement cost of stocks do not differ materially from their historical costs.		
<b>14. Debtors</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
Trade debtors (of which £114,000 (previous year £722,200) due after more than one year)	25,654	39,826
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	140	11,040
Subsidiary undertakings	1,434	24
Other debtors (of which £24,000 (previous year £60,000) due after more than one year)	1,181	4,490
Prepayments and accrued income (of which £nil (previous year £190,000) due after more than one year)	4,025	8,028
Pension prepayment (due after more than one year)	3,351	3,544
Corporate taxation	236	2,811
	<hr/> 36,021	<hr/> 69,763
<b>15. Borrowings: amounts falling due within one year</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
Bank loans and overdrafts	<hr/> 46,963	<hr/> 6,922
<b>16. Creditors:</b>	<b>2003 (11 months) £000</b>	<b>2002 (12 months) £000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	14,246	20,393
Amounts owed to Group undertakings:		
Parent undertaking	35,811	99,944
Subsidiary undertakings	26,848	21,600
Fellow Subsidiary undertakings	2,588	10,460
Other taxation and social security creditors	14,258	24,120
Other creditors	2,488	379
Accruals and deferred income	22,297	17,037
	<hr/> 118,536	<hr/> 193,933



**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**16. Creditors (cont'd)**

**Amounts falling due after more than one year:**

	<b>2003</b> <b>(11 months)</b> <b>£000</b>	<b>2002</b> <b>(12 months)</b> <b>£000</b>
Amounts owed to Group undertakings:		
Parent undertaking	50,679	47,945
Deferred income	-	100
	<u>50,679</u>	<u>48,045</u>

In 2001, the company issued £51,400,000 convertible unsecured loan stock at an issue price of £44,943,000 as consideration for the transfer of Dawes Group Limited from the parent undertaking. The loan stock was convertible on 19<sup>th</sup> April 2003 or 19<sup>th</sup> April 2031, at the holders' option, into fully paid preference shares at the rate of one preference share to every £100 in nominal amount of loan stock. The option for conversion on 19<sup>th</sup> April 2003 was not exercised. The balance payable on the loan stock at the balance sheet date was £50,679,000.

**17. Provisions for Liabilities and Charges**

	<b>2003</b> <b>(11 months)</b> <b>£000</b>	<b>2002</b> <b>(12 months)</b> <b>£000</b>
Pension costs (Note 23)	2,913	3,151
Deferred taxation (Note 18)	2,324	11,129
Onerous leases	199	-
	<u>5,436</u>	<u>14,280</u>

Provision for onerous leases is made to cover the expected lease costs in respect of sublet premises.

**18. Deferred Taxation**

	<b>Depreciation</b> <b>Allowances</b> <b>£000</b>	<b>Pension</b> <b>Costs</b> <b>£000</b>	<b>Losses</b> <b>£000</b>	<b>Other</b> <b>Timing</b> <b>Differences</b> <b>£000</b>	<b>Total</b> <b>£000</b>
Amount provided					
At beginning of period	10,676	100	-	353	11,129
Transfer to the profit and loss account	(3,261)	42	(5,236)	(350)	(8,805)
At end of period	<u>7,415</u>	<u>142</u>	<u>(5,236)</u>	<u>3</u>	<u>2,324</u>

Deferred tax is the tax attributable to timing differences arising from the inclusion of gains and losses in one period for tax purposes and another for financial accounting.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**19. Share Capital**

	2003 (11 months) £000	2002 (12 months) £000
Authorised: 12,400,000 ordinary shares of 25p each	3,100	3,100
	<hr/>	<hr/>
Allotted and called up: 10,773,000 fully paid ordinary shares of 25p each	2,693	2,693
	<hr/>	<hr/>

**20. Reserves**

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000
At beginning of period	195	11,822	14,639
Retained loss for the period	-	-	(48,085)
Transfer of depreciation on revaluation surplus	-	(24)	24
Profit on disposal of revalued assets	-	(2)	2
Foreign exchange gain on intercompany loan	-	-	158
	<hr/>	<hr/>	<hr/>
At end of period	195	11,796	(33,262)

**21. Guarantees and Contingent Liabilities**

The Company, together with other material subsidiaries, has entered into guarantees in respect of the syndicated credit facility and senior loan notes of the parent company, H P Bulmer Holdings PLC. At 28<sup>th</sup> March 2003, these facilities totalled £122 million (2002 - £173 million). In addition, the company has granted security over certain of its assets to the financial creditors of H.P.Bulmer Holdings PLC, full details of which are contained in the accounts of that company.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**22. Leases**

At the year end the Company had commitments to make the following payments during the next year under operating leases which expire:

	<b>Property Rental Leases</b>		<b>Equipment &amp; Vehicle Leases</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>(11 months)</b>	<b>(12 months)</b>	<b>(11 months)</b>	<b>(12 months)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	-	10	488	86
Between 1 and 5 years	-	11	2,643	2,725
Over 5 years	458	315	295	282
	<u>458</u>	<u>336</u>	<u>3,426</u>	<u>3,093</u>

**23. Pension Schemes**

The company's employees participate in the pension schemes of the Group comprising H.P.Bulmer Holdings PLC and its subsidiaries ("the Group") and the company bears the costs in respect of its employees.

The Group operates both defined benefit and defined contribution schemes, which cover the majority of employees and are funded from contributions mainly by Group companies and partly by employees. The schemes' assets are held in funds separate from the Group. The pension cost for the period amounted to £3,736,000 (2002 - £2,361,000) of which £423,000 (2002 - £402,000) relates to defined contribution schemes.

The Group operates two defined benefit schemes in the UK, known as the Group and Senior defined benefit schemes, entry to which is now closed. Actuarial valuations are prepared every three years and contributions are made in accordance with the recommendations of independent actuaries. The latest actuarial valuations were prepared as at 26<sup>th</sup> April 2002 using the projected unit method. The principal assumptions were price inflation of 2.5% per annum, earnings inflation of 3.75% per annum and pension benefits escalating at 2.25% per annum (where relevant) in respect of service before 1997 and 2.5% per annum thereafter. Liabilities were discounted at 5.0% per annum for current pensioners and 5.8% per annum for deferred pensioners and active members. Assets were taken at their market value, which was £72.3m at the valuation date and the overall funding levels of the schemes was 72%. Cash contributions have been increased in line with actuarial advice and member contributions have been increased by 1% of pensionable salary with effect from March 2003.

For the purposes of assessing the Group's pension cost, the valuation basis was adopted with the exception that a discount rate of 6.0% per annum was used for all of the schemes' past service liabilities and a discount rate of 6.5% per annum for active members' future service benefits. On this basis the market value of the assets of the schemes was 76% of the actuarial value of accrued benefits at the valuation date. The deficit is being accounted for over a period of 11 years and 8 years for the Group and Senior Schemes respectively, being the average future service of the present active members. The amortisation of the deficit has contributed £2,300,000 to the pension cost over the period. Included in debtors is a prepayment of £3,351,000 (2002: £3,544,000) arising from past contributions in excess of pension charges.

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

Since the date of the last formal valuation of the Scheme, UK stock markets have fallen by around 30% and the assets of the Scheme have not been immune to this general trend. The liabilities of the Scheme are valued using a discount rate which reflects the market level at the date of the valuation. The cost will be reassessed following the next formal valuation, anticipated to take place no later than April 2005.

Employees who joined the UK companies after 1994 and employees of certain subsidiaries can belong to defined contribution schemes.

The Group makes certain unfunded ex-gratia payments, including some to former directors, and provision has been made for the expected future cost of these payments.

	<b>£000</b>
At beginning of the period	3,151
Profit and loss account	184
Payments made during period	(422)
	<hr/>
Balance at end of period	2,913

The disclosures required under the transitional arrangements within FRS 17 'Retirement Benefits' have been calculated by independent actuaries based on the most recent full actuarial valuation at 26<sup>th</sup> April 2002. The Group and Senior Schemes are closed to new members and, under the projected unit method, the current service cost would be expected to increase as the members of the Schemes approach retirement.

The overall deficit under FRS 17 is £48.9m, analysed as follows:

	<b>£m</b>
Group and Senior defined benefit schemes	44.7
Ex-gratia payments	4.1
FURBS	0.1
	<hr/>
	48.9

**(i) Financial assumptions**

	<b>At 26 Apr 2002</b>	<b>At 28 Mar 2003</b>
	<b>% pa</b>	<b>% pa</b>
Discount rate	6.0	5.6
Rate of increase in salaries	3.95	3.75
Rate of increase in pensions (0%)	0.0	0.0
Rate of increase in pensions (RPI up to 1.5%)	n/a	1.3
Rate of increase in pensions (RPI up to 3%)	2.4	2.25
Rate of increase in pensions (RPI up to 5%)	2.7	2.5
Rate of price inflation	2.7	2.5

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**(ii) Scheme assets and expected rate of return**

	At 26 Apr 2002		At 28 Mar 2003	
	Expected rate of return	Market value	Expected rate of return	Market value
	% pa	£m	% pa	£m
Equities	8.1	54.4	8.7	40.6
Bonds	5.5	9.3	5.0	9.8
Annuity policies	6.0	4.8	5.6	4.6
Property	6.8	2.4	6.9	2.4
Cash and other	4.7	2.4	4.0	1.9
<b>Total</b>	<b>7.5</b>	<b>73.3</b>	<b>7.6</b>	<b>59.3</b>

**(iii) Components of defined benefit cost**

*Analysis of amounts charged to operating profit:*

	<i>Period ended 28 Mar 2003 £m</i>
Current service cost	1.8
Gain on curtailment	(1.9)
Past service costs	-
<b>Total charged to operating profit</b>	<b>(0.1)</b>

*Analysis of the amount charged to other finance income:*

	<i>Period ended 28 Mar 2003 £m</i>
Interest on liabilities	5.6
Expected return on assets	(5.1)
<b>Net charge to other finance income</b>	<b>0.5</b>
 <b>Total profit and loss charge before deduction for tax</b>	 <b>0.4</b>

**(iv) Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:**

	<i>Period ended 28 Mar 2003 £m</i>
Gain loss on assets	19.3
Experience gain loss on liabilities	(0.7)
Loss on change of assumptions (financial and demographic)	5.0
<b>Total loss recognised in Statement of total Recognised Gains and Losses before adjustment for tax</b>	<b>23.6</b>

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

**(v) History of experience gains and losses**

	<i>Period ended 28 Mar 2003 £m</i>
<i>Loss on scheme assets</i>	
Amount (£million)	19.3
% of assets at end of period	32.5%
<i>Experience gain on scheme liabilities</i>	
Amount (£million)	(0.7)
% of liabilities at end of period	0.6%
<i>Total actuarial loss recognised in STRGL</i>	
Amount (£million)	23.6
% of liabilities at end of period	21.8%

**(vi) Reconciliation of the balance sheet**

	<i>At 26 Apr 2002 £m</i>	<i>At 28 Mar 2003 £m</i>
Fair value of scheme assets	73.3	59.3
Actuarial value of liabilities	102.4	108.2
Deficit	(29.1)	(48.9)
Irrecoverable surplus	--	--
Pension liability recognised in balance sheet before allowance for deferred tax	(29.1)	(48.9)

*Analysis of the movement in deficit during the period*

	<i>Period ended 28 Mar 2003 £m</i>
Deficit at beginning of period	(29.1)
Contributions paid	4.2
Current service cost	(1.8)
Curtailment gain	1.9
Other finance charge	(0.5)
Actuarial loss	(23.6)
Deficit at end of period	(48.9)

**H. P. BULMER LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**

If these amounts had been recognised in the financial statements the effect would have been as follows:

	<i>At 26 Apr 2002</i>	<i>At 28 Mar 2003</i>
	<i>£m</i>	<i>£m</i>
Net assets as reported	29.3	(18.6)
Net pension asset under SSAP 24	(0.2)	(0.4)
Net assets excluding pension asset	29.1	(19.0)
Net pension liability under FRS 17	(20.4)	(34.2)
Net assets including FRS 17 pension liability	(8.7)	(53.2)

	<i>At 26 Apr 2002</i>	<i>At 28 Mar 2003</i>
	<i>£m</i>	<i>£m</i>
Profit and loss account as reported	14.6	(33.3)
Net pension asset under SSAP 24	(0.2)	(0.4)
Profit and loss account excluding pension asset	14.4	(33.7)
Net pension liability under FRS 17	(20.4)	(34.2)
Profit and loss account including FRS 17 pension liability	(6.0)	(67.9)

#### **24. RELATED PARTY TRANSACTIONS**

The company has not entered into any material related party transactions as defined by FRS 8 (Related party disclosures).

As an associated company, Barbox Ltd is considered a related party. The outstanding balance due from the associate at 28<sup>th</sup> March, 2003 was £162,000 (2002: £39,000). Services of £5,000 (2002: £39,000) were provided to Barbox. All transactions took place under normal commercial terms.

#### **25. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of H.P.Bulmer Limited, a company incorporated in Great Britain. At the balance sheet date, the directors regard H.P.Bulmer Holdings PLC as the ultimate parent company and the ultimate controlling party.

H P Bulmer Holdings PLC is the parent company of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from the registered office of H P Bulmer Holdings PLC, The Cider Mills, Plough Lane, Hereford. The Company has not disclosed related party transactions with group companies, as permitted by Financial Reporting Standard 8, as it is a wholly owned subsidiary of H P Bulmer Holdings PLC.

Following the offer for H.P.Bulmer Holdings PLC from Scottish & Newcastle plc becoming unconditional on 1 July 2003, the directors regard Scottish & Newcastle plc, a company incorporated in Great Britain, as the ultimate parent undertaking and controlling party.