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ALCOHOLS LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 1997

F.W. STEPHENS & CO.  
Chartered Accountants  
10, Charterhouse Square  
London EC1M 6LQ



ALCOHOLS LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 1997

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ALCOHOLS LIMITED

OFFICERS AND ADVISERS

DIRECTORS

A.J. Wallis  
R.H. Ling

SECRETARY

R.H. Ling

REGISTERED OFFICE

10, Charterhouse Square  
London EC1M 6LQ

REGISTERED NUMBER

547325

REGISTERED AUDITORS

F.W. Stephens & Co.  
Chartered Accountants  
10, Charterhouse Square  
London EC1M 6LQ

BANKERS

National Westminster Bank PLC  
134, Aldersgate Street  
London EC1A 4JB

SOLICITORS

Whitehouse Gibson & Alton  
25, Bedford Row  
London WC1R 4HE

ALCOHOLS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

**DIRECTORS' RESPONSIBILITIES**

Company law requires us 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, we 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 company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £251,320 (1996 £127,857).

An interim dividend of £30,000 (1996 £28,000) was paid during the year. A final dividend of £55,000 (1996 £32,000) is proposed.

**REVIEW OF THE BUSINESS**

The company's principal activity is 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 directors consider the company's results for the year and its position at the year end to be satisfactory.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year had no beneficial interest in the share capital of the company. Their beneficial interest in the share capital of the parent company at the beginning and end of the year were as follows:

	<u>Number of shares</u>	
	<u>31st December 1997</u>	<u>1st January 1997</u>
A.J. Wallis	7,500	7,500
R.H. Ling	-	-

In accordance with the Articles of Association, R.H. Ling retires by rotation and offers himself for re-election at the forthcoming Annual General Meeting.

ALCOHOLS LIMITED

DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 1997

**FIXED ASSETS**

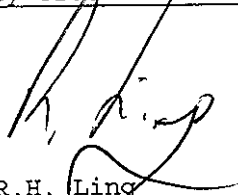
The movements in fixed assets during the year are set out in note 13 to the accounts.

**AUDITORS**

Messrs. F.W. Stephens & Co. have expressed their willingness to remain in office and in accordance with Section 385(2) Companies Act 1985, a resolution proposing the firm's reappointment will be placed before the members at the forthcoming Annual General Meeting.

As at 31st December 1997, a partner in the firm of Messrs. F.W. Stephens & Co. was a trustee of settlements which together owned 10,000 ordinary £1 shares in the parent company.

By order of the Board



R.H. Ling  
Secretary

21<sup>st</sup> May 1998

AUDITORS REPORT TO THE SHAREHOLDERS OF

ALCOHOLS LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the 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 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

10, Charterhouse Square  
London EC1M 6LQ

*F W Stephens & Co.*

F.W. STEPHENS & CO.  
Chartered Accountants and  
Registered Auditors

*28<sup>th</sup> May* 1998

ALCOHOLS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
TURNOVER FROM CONTINUING OPERATIONS	2	11,383,057	11,738,062
COST OF SALES		8,956,915	9,404,520
GROSS PROFIT		2,426,142	2,333,542
Selling and distribution costs		1,742,597	1,711,517
Administrative expenses		418,007	433,569
		2,160,604	2,145,086
Other operating income	3	265,538	188,456
		-	20,833
OPERATING PROFIT FROM CONTINUING OPERATIONS	4/6	265,538	209,289
Interest receivable	8	50,728	33,200
Amount written off investments	14	5,000	(24,000)
Interest payable	9	(3,196)	(10,632)
		52,532	(1,432)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		318,070	207,857
Tax on ordinary activities	10	66,750	80,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		251,320	127,857
Dividends	11	85,000	60,000
RETAINED PROFIT FOR THE YEAR		166,320	67,857
Retained profit brought forward		2,323,730	2,255,873
RETAINED PROFIT CARRIED FORWARD		£ 2,490,050	£ 2,323,730

There were no recognised gains or losses other than the profit for the year.

The attached notes form an integral part of these financial statements

ALCOHOLS LIMITED

BALANCE SHEET  
AS AT 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	13	595,455	641,465
Investments	14	121,500	29,500
		<u>716,955</u>	<u>670,965</u>
<b>CURRENT ASSETS</b>			
Stocks	15	880,522	842,154
Debtors	16	1,929,589	1,887,585
Cash at bank and in hand		904,252	847,617
		<u>3,714,363</u>	<u>3,577,356</u>
CREDITORS - amounts falling due within one year	17	(1,743,268)	(1,675,610)
<b>NET CURRENT ASSETS</b>		<u>1,971,095</u>	<u>1,901,746</u>
<b>ASSETS LESS CURRENT LIABILITIES</b>		<u>2,688,050</u>	<u>2,572,711</u>
CREDITORS - amounts falling due after more than one year	18	-	(7,731)
Provisions for liabilities and charges	19	(47,000)	(90,250)
		<u>(47,000)</u>	<u>(97,981)</u>
<b>NET ASSETS</b>		<u><u>£2,641,050</u></u>	<u><u>£2,474,730</u></u>
Financed by:			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,000	1,000
Other reserve	21	150,000	150,000
Profit and loss account		2,490,050	2,323,730
		<u>£2,641,050</u>	<u>£2,474,730</u>

Approved by the board on 21<sup>st</sup> May 1998

Signed on their behalf:

A.J. Wallis  )  
R.H. Ling  ) Directors

The attached notes form an integral part of these financial statements.



ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

1. ACCOUNTING POLICIES

1.1 Accounting conventions

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

1.2 Turnover

This represents the invoiced amounts of goods sold and provided, net of value added tax.

1.3 Consolidation

The company is entitled to the exemption conferred by Section 228 of the Companies Act 1985 from the requirement to prepare group accounts for the year ended 31st December 1997 as it is a subsidiary of W. H. Palmer & Co (Industries) Limited, a company incorporated and registered in England and Wales.

1.4 Associated undertakings

An undertaking is treated as an associated undertaking when the company holds a substantial interest in it for the long term, and exercises significant influence over its operating and financial policy decisions.

1.5 Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, the principal rates being as follows:

Leasehold buildings:	over the lease term
Fixtures, fittings and equipment:	15% and 20% p.a.
Plant and machinery:	15%, 10% and 5% p.a.
Motor vehicles:	20% and 25% p.a.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first in first out basis. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

1.7 Deferred taxation

Deferred taxation is provided under the liability method on all short-term timing differences. Provision is also made on long-term timing differences, except those which are not expected to reverse in the foreseeable future.

1.8 Leasing commitments

Assets obtained under lease purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Interest on lease purchase contracts is charged to the profit and loss on a reducing balance basis over the term of the agreement. Operating lease charges and annual rentals are charged to the profit and loss account as incurred.

1.9 Pension costs

The company operates a pension scheme in accordance with note 7. Pension costs are charged to the profit and loss account as and when the liability is recognised.

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

2. **TURNOVER FROM CONTINUING OPERATIONS**

The turnover and pre-tax profit are wholly attributable to the company's main activity.

	<u>1997</u>	<u>1996</u>
	£	£
An analysis of turnover by geographical market is as follows:		
United Kingdom	11,108,393	11,514,762
Rest of the World	274,664	223,300
	<u>£11,383,057</u>	<u>£11,738,062</u>

3. **OTHER OPERATING INCOME**

	<u>1997</u>	<u>1996</u>
	£	£
Management fees receivable	-	20,833
	<u>-</u>	<u>20,833</u>

4. **OPERATING PROFIT**

	<u>1997</u>	<u>1996</u>
	£	£
This is stated after charging/(crediting):		
Directors' emoluments (see note 6)	115,075	152,216
Auditors' remuneration	9,000	9,000
Depreciation	112,933	113,570
(Profit) on disposal of fixed assets	(2,250)	(896)
Operating lease rentals: plant and equipment	29,247	33,581
land and buildings	125,733	125,733
	<u>£ 738,232</u>	<u>£ 722,694</u>

5. **STAFF COSTS (including directors' remuneration)**

	<u>1997</u>	<u>1996</u>
	£	£
Wages and salaries	659,119	632,786
Social security costs	55,455	58,697
Other pension costs	23,658	31,211
	<u>£ 738,232</u>	<u>£ 722,694</u>

The average number of employees during the year was made up as follows:

	<u>No.</u>	<u>No.</u>
Administration and management	6	7
Operational, selling and distribution	28	28
	<u>34</u>	<u>35</u>

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

6. DIRECTORS' REMUNERATION	<u>1997</u>	<u>1996</u>
	£	£
Aggregate emoluments (inc. benefits and pension)	115,075	152,216
	<u>£115,075</u>	<u>£152,216</u>

Retirement benefits are accruing to 2 directors under defined benefit pension schemes.

7. 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 will 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 assets was £2.28 million, and the actuarial value of the assets represented 147% of the benefits accrued to members, after allowing for 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 £19,250 (1996 £26,803) 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 current employees in the scheme. The pension scheme is non-contributory for employees.

8. INTEREST RECEIVABLE	<u>1997</u>	<u>1996</u>
	£	£
Bank deposit interest	50,728	33,200

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

9.	INTEREST PAYABLE	<u>1997</u>	<u>1996</u>
		£	£
	Lease purchase interest	1,595	7,367
	Other interest	1,601	3,265
		<u>£ 3,196</u>	<u>£ 10,632</u>
10.	TAXATION	<u>1997</u>	<u>1996</u>
		£	£
	The tax charge on the profit on ordinary activities for the year was as follows:		
	U.K corporation tax at 33% & 31% (1996 - 33%)	110,000	82,000
	Deferred taxation	(43,250)	(2,000)
		<u>£ 66,750</u>	<u>£ 80,000</u>
11.	DIVIDENDS	<u>1997</u>	<u>1996</u>
		£	£
	Interim dividend paid:		
	3,000p (1996 2,800p) per share.	30,000	28,000
	Final dividend proposed:		
	5,500p (1996 3,200p) per share.	55,000	32,000
		<u>£ 85,000</u>	<u>£ 60,000</u>
12.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1997</u>	<u>1996</u>
		£	£
	Profit for the financial year	251,320	127,857
	Dividends	(85,000)	(60,000)
		<u>166,320</u>	<u>67,857</u>
	Net additions to shareholders' funds	166,320	67,857
	Opening shareholders' funds	2,474,730	2,406,873
		<u>2,641,050</u>	<u>2,474,730</u>
	Closing shareholders' funds	2,641,050	2,474,730

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

13. TANGIBLE FIXED ASSETS

	<u>Short leasehold land and buildings</u>	<u>Fixtures, fittings and equipment</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost:					
At 1st January 1997	101,911	160,431	1,023,212	156,734	1,442,288
Additions	-	12,072	24,789	30,062	66,923
Disposals	-	(3,042)	(3,449)	(33,213)	(39,704)
At 31st December 1997	<u>101,911</u>	<u>169,461</u>	<u>1,044,552</u>	<u>153,583</u>	<u>1,469,507</u>
Depreciation:					
At 1st January 1997	46,839	90,660	556,116	107,208	800,823
Charge for year	4,956	21,561	62,898	23,518	112,933
Disposals	-	(3,042)	(3,449)	(33,213)	(39,704)
At 31st December 1997	<u>51,795</u>	<u>109,179</u>	<u>615,565</u>	<u>97,513</u>	<u>874,052</u>
Net book value at 31st December 1997	<u>£ 50,116</u>	<u>£ 60,282</u>	<u>£ 428,987</u>	<u>£ 56,070</u>	<u>£ 595,455</u>
Net book value at 31st December 1996	<u>£ 55,072</u>	<u>£ 69,771</u>	<u>£ 467,096</u>	<u>£ 49,526</u>	<u>£ 641,465</u>

Included in the amounts for plant and machinery above are the following amounts relating to assets subject to lease purchase agreements:

	<u>1997</u>	<u>1996</u>
	£	£
Depreciation charged for the year	-	16,150
Net book value at 31st December 1997	-	154,576

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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14. FIXED ASSET INVESTMENTS	Group Undertakings	Associated Undertakings	Unlisted	Total
	£	£	£	£
As at 1st January 1997	28,500	1,000	-	29,500
Additions (see below)	72,000	-	15,000	87,000
Release of provision/ (provision) against investment	19,000	-	(14,000)	5,000
Reclassification of associated undertaking	1,000	(1,000)	-	-
As at 31st December 1997	<u>£120,500</u>	<u>£ -</u>	<u>£ 1,000</u>	<u>£121,500</u>

14.1 Subsidiary undertakings

On 2nd January 1997 the company was allotted at par an additional 50,000 £1 Ordinary shares of Alcohols (North West) Limited, a company whose principal activity is the distribution of inorganic and speciality chemicals and solvents. This increased its holding from 50% to 75% of the ordinary share capital and voting rights and accordingly the investment has been reclassified as a subsidiary undertaking from that date. On 10th November 1997 the company purchased the remaining 25,000 £1 ordinary shares, taking its holding to 100%. Alcohols (North West) Limited made a profit for the year of £47,624 (1996 loss £55,613) and the aggregate value of its share capital and reserves at 31st December 1997 was £92,011 (1996 (£5,613)).

The company owns the entire issued share capital of Lang-Met Distillers Limited - 25,000 £1 Ordinary shares. (1996 100% interest - 25,000 £1 Ordinary shares).

The aggregate value of Lang-Met Distillers Limited capital and reserves at 31st December 1997, was £28,500 (1996: £28,500). The company is dormant.

The company owns the entire issued share capital of Langley Distillery Limited, which has not commenced trading (1996 - 100% interest). The company has issued 5,000 £1 ordinary shares, but to date, no monies have been called on them.

14.2 Associated undertakings

As noted above, the company's associated undertaking, Alcohols (North West) Limited, has been reclassified as a subsidiary undertaking.

15. STOCKS	<u>1997</u>	<u>1996</u>
	£	£
Finished goods and goods for resale	<u>£ 880,522</u>	<u>£ 842,154</u>

16. DEBTORS	<u>1997</u>	<u>1996</u>
	£	£
Trade debtors	1,840,550	1,825,108
Other taxes and social security costs	5,191	-
Other debtors	1,127	205
Prepayments	82,721	62,272
	<u>£1,929,589</u>	<u>£1,887,585</u>

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1997</u> £	<u>1996</u> £
Obligations under lease purchase contracts	-	36,388
Trade creditors	1,160,274	1,152,696
Amount owed to group undertakings	60,067	29,492
Amounts owed to related companies	-	57,783
Corporation tax	117,820	79,530
Other taxes and social security costs	25,328	29,452
Other loans (see note 18)	7,731	23,192
Accruals	317,048	235,077
Proposed dividend	55,000	32,000
	<u>£1,743,268</u>	<u>£1,675,610</u>

18. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>1997</u> £	<u>1996</u> £
Other loans	-	7,731
	<u>£ -</u>	<u>£ 7,731</u>

The above balances are wholly repayable within 5 years.  
The other loans consists of two separate agreements. Both are charged an interest rate of 1.5% over FHBR and are guaranteed by the parent company.

19. DEFERRED TAXATION

Analysis of provision made and amount unprovided

	<u>1997</u>		<u>1996</u>	
	Provision made	Amount unprovided	Provision made	Amount unprovided
	£	£	£	£
Accelerated capital allowances	84,000	-	90,250	-
Other timing differences	(37,000)	-	-	-
	<u>£47,000</u>	<u>£ -</u>	<u>£ 90,250</u>	<u>£ -</u>

Movements on the provision for deferred taxation are:-

At 1st January 1997	£ 90,250
Transferred to profit and loss account	(43,250)
At 31st December 1997	<u>£ 47,000</u>

ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

20. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	<u>No.</u>	<u>No.</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

21. OTHER RESERVES

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Balance as at 1st January 1997	150,000	150,000
At 31st December 1997	<u>£150,000</u>	<u>£150,000</u>

22. COMMITMENTS AND CONTINGENT LIABILITIES

CAPITAL COMMITMENTS

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Contracted for	27,204	-
	<u>£ 27,204</u>	<u>£ -</u>

OPERATING LEASES

The company has obligations to pay the following rentals in the year to 31st December 1998 under operating leases expiring:

	<u>1997</u>		<u>1996</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Within one year	-	6,809	-	6,532
Within two to five years	11,050	20,994	-	15,106
After more than five years	125,733	-	125,733	-
	<u>£136,783</u>	<u>£27,803</u>	<u>£125,733</u>	<u>£ 21,638</u>

CONTINGENT LIABILITIES

At 31st December 1996 the company had given guarantees in connection with a lease for £11,050 per annum entered into by its associated undertaking (now a subsidiary undertaking). This lease has now been taken over by Alcohols Limited and is included in operating lease obligations above.

23. CONTROLLING PARTY

The company is under the control of W.H. Palmer & Co. (Industries) Limited which owns 100% of the ordinary shares.



ALCOHOLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
31ST DECEMBER 1997

23. ULTIMATE PARENT COMPANY

The company is a subsidiary of W.H. Palmer & Co. (Industries) Limited which is registered in England. The company is exempt from the requirement to produce a Cash Flow statement because the parent company has produced consolidated accounts including a consolidated Cash Flow statement.