

HP Bulmer Holdings Plc

Directors' Report and Accounts

31 December 2003

Registered in England, number 1320906



Directors' Report and Accounts

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Report of the Directors

The directors present their annual report and the audited accounts for the period from 29 March 2003 to 31 December 2003.

Principal activity

The company is a holding company.

Financial review

The profit, after taxation, for the period amounted to £8,213,000 (period ended 28 March 2003 - loss of £24,121,000). The directors do not recommend the payment of an ordinary dividend. Following payment of preference dividends of £568,000 (period ended 28 March 2003 - £1,768,000) this leaves a profit of £7,645,000 (period ended 28 March 2003 - loss of £25,907,000) to be transferred to reserves.

Year end

The company's financial year end has been changed to 31 December. Previous periods comprised either 52 or 53 weeks, ending on the last Friday in March of each year.

Directors and their interests

The directors who held office during the period were as follows:

C C C Brown (resigned 8 October 2003)
D E Bulmer (resigned 8 October 2003)
W J J Crawshay (appointed 22 July 2003)
R M Daniels (resigned 25th May 2003)
J P Eggleton (resigned 8 October 2003)
T J Gregory (resigned 30th June 2003)
C D Hitchiner (resigned 8 October 2003)
J-F Jamet (resigned 8 October 2003)
P D Kennerley (appointed 22 July 2003)
R J Pennycook (resigned 8 October 2003)
M Stevens (appointed 8 October 2003)
M H Templeman (resigned 8 October 2003)

None of the directors who served during the period had any disclosable interest in the shares of the company.

The directors' interests in the 20p ordinary shares of Scottish & Newcastle plc (including options granted under the terms of the United Kingdom employee share schemes to subscribe for ordinary shares) were as follows:

	Ordinary shares		Options	
	At 31 December 2003	At 28 March 2003*	At 31 December 2003	At 28 March 2003*
W J J Crawshay	18,043	17,595	109,979	84,104
P D Kennerley	11,893	10,907	249,018	195,726
M Stevens	2,118	1,926	2,581	2,581

* or date of appointment

Movements in option holdings

	Options held at 28 March 2003*	Issued during the period	Exercised during the period	Lapsed during the period	Options held at 31 December 2003
W J J Crawshay	84,104	25,875	-	-	109,979
P D Kennerley	195,726	53,292	-	-	249,018
M Stevens	2,581	-	-	-	2,581

* or date of appointment

Report of the Directors (continued)

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be submitted at the forthcoming annual general meeting.

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.

By order of the Board



M Stevens
Secretary

Ashby House
1 Bridge Street
Staines
TW18 4TP

2 September 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

To the shareholders of HP Bulmer Holdings plc

We have audited the financial statements of HP Bulmer Holdings plc for the 9 month period ended 31 December 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 12. 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.

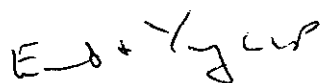
Basis of audit opinion

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 31 December 2003 and of its profit for the 9 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditors
Edinburgh

2 September 2004

**Profit and Loss Account
for the period ended 31 December 2003**

	<i>Note</i>	9 months ended 31 December 2003 £'000	11 months ended 28 March 2003 £'000
Other operating income		1,155	1,597
Exceptional operating income/(expenses)	5	2,287	(5,580)
Operating profit/(loss)	2	3,442	(3,983)
Net interest receivable/(payable)	4	8,380	(235)
Profit/(loss) on ordinary activities before tax and exceptionals		11,822	(4,218)
Losses relating to sales of Group operations	5	-	(20,890)
Profit/(loss) on ordinary activities before tax		11,822	(25,108)
Taxation (charge)/credit on profit/(loss) on ordinary activities	6	(3,609)	987
Profit/(loss) for the financial period		8,213	(24,121)
Preference dividends		(568)	(1,786)
Profit/(loss) attributable to ordinary shareholders retained	11	7,645	(25,907)

There are no recognised gains and losses for the current financial period other than the profit of £7,645,000 (period ended 28 March 2003 – loss of £25,907,000) shown above.

HP Bulmer Holdings Plc

Balance Sheet At 31 December 2003

		31 December 2003		28 March 2003	
	Note	£'000	£'000	£'000	£'000
Fixed Assets					
Investments	7		58,259		56,315
Current assets					
Debtors	8	130,508		92,331	
Creditors: amounts falling due within one year	9	(145,850)		(113,374)	
Net current liabilities			(15,342)		(21,043)
			42,917		35,272
Capital and reserves					
Called up share capital	10		24,768		24,768
Share premium reserve	11		2,740		2,740
Profit and loss account	11		15,409		7,764
			42,917		35,272

These accounts were approved by the Board of Directors on 2 September 2004 and were signed on its behalf by:



Director

Notes to the accounts

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with UK accounting standards.

The company has taken advantage of exemptions under FRS1 and has not prepared a cash flow statement.

The company has taken advantage of exemptions under FRS8 and has not disclosed certain related party transactions.

The company is exempt from the requirement to produce group accounts by the Companies Act 1982 section 4. The financial statements present information about the company as an individual undertaking and not about its group.

Financial Year

The financial year of the company has been changed to 31 December. The previous financial year of the company ended on the last Friday of March.

Fixed Asset Investments

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

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.

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.

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Notes to the accounts (continued)

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.

2. Operating profit/(loss)

	Period ended 31 December 2003 £'000	Period ended 28 March 2003 £'000
Management charges	(1,155)	(1,597)
Exceptional income/(expenses)	(2,287)	5,580

Fees in respect of services provided by the auditors for the statutory audit of the company and other services were paid on behalf of the company by HP Bulmer Limited. Fees paid by the company to the auditors in respect of non-audit services during the period were £nil.

3. Remuneration of directors

The cost of the directors in both periods has been borne by HP Bulmer Limited. It is not considered practical to apportion costs between Group companies.

4. Net interest receivable/(payable)

	Period ended 31 December 2003 £'000	Period ended 28 March 2003 £'000
Interest payable on bank loans and overdrafts	(887)	(7,807)
Interest receivable from group undertakings	9,267	7,572
	8,380	(235)

Of the interest receivable from group companies £7,321,000 relates to the realisation of interest deferred in previous years. Of this, £974,000 relates to the period prior to 26th July 2001.

5. Exceptional items

	Period ended 31 December 2003 £'000	Period ended 28 March 2003 £'000
Exceptional items included in administrative expenses within operating profit:		
Redundancy and restructuring costs	-	(5,580)
Interest rate swap close out and makewhole on loans	2,287	-
	2,287	(5,580)
Exceptional items reported after operating profit:		
Net loss relating to disposal of Group overseas operation	-	(20,890)
	2,287	(26,470)

Notes to the accounts (continued)

6. Tax charge/(credit) on profit/(loss) on ordinary activities

	Period ended 31 December 2003 £'000	Period ended 28 March 2003 £'000
(i) Tax charge/(credit)		
Corporation Tax - current year	3,606	-
- prior year	3	33
	3,609	33
Charge/(credit) for losses used by other Group companies	-	(1,020)
Corporation Tax - current year	3,609	(987)
(ii) Tax reconciliation		
Profit/(loss) on ordinary activities before taxation	11,822	(25,108)
Notional tax charge/(credit) at UK corporation tax rate of 30%	3,547	(7,532)
Expenses not deductible for tax purposes	59	12,329
Utilisation of losses claimed under group relief	-	(45)
UK dividend income exempt from taxation	-	(137)
Profits from disposals exempt from taxation	-	(4,615)
Adjustment to tax charge in respect of prior periods	3	33
	3,609	33

7. Investments

	Subsidiary undertakings £'000
Cost at 28 March 2003	56,315
Additions	1,944
Cost at 31 December 2003	58,259

At 31 December the following companies were the principal subsidiary or associated companies:

	Country of incorporation /operation	% owned	Principal activities
HP Bulmer Limited	England	100	Cider
Symonds Cider & English Wine Company Limited	England	100*	Cider
Inch's Cider Limited	England	100*	Cider
Cidreterie de Pays Bas B.V.	Netherlands	100*	Holding company
Dawes Group Limited	England	100*	Drinks distribution
Barbox Limited	England	30*	Distribution

* owned indirectly through other group undertakings

Notes to the accounts (continued)

8. Debtors

	31 December 2003 £'000	28 March 2003 £'000
Amounts due from other Group undertakings	130,508	92,298
Corporation tax	-	33
	<u>130,508</u>	<u>92,331</u>

9. Creditors: amounts falling due within one year

	31 December 2003 £'000	28 March 2003 £'000
Amounts owed to other Group undertakings	140,642	55
Corporation tax	3,561	-
Loan capital	-	55,198
Bank loans and overdrafts	1,634	33,646
Other loans	-	3,063
Other creditors	-	1,855
Preference dividends	-	1,448
Accruals	13	18,109
	<u>145,850</u>	<u>113,374</u>

10. Called up share capital

	Number of Shares		Amount	
	31 December 2003	28 March 2003	31 December 2003 £'000	28 March 2003 £'000
<i>Authorised</i>				
Ordinary shares of 5p each	72,500,000	72,500,000	3,625	3,625
9.5% first cumulative preference shares of £1 each	1,375,000	1,375,000	1,375	1,375
8.75% second cumulative preference shares of £1 each	20,746,000	20,746,000	20,746	20,746
	<u>94,621,000</u>	<u>94,621,000</u>	<u>25,746</u>	<u>25,746</u>

	Number of shares		Amount	
	31 December 2003	28 March 2003	31 December 2003 £'000	28 March 2003 £'000
<i>Allotted, called up & fully paid</i>				
Ordinary shares of 5p each	53,128,772	53,128,772	2,656	2,656
9.5% first cumulative preference shares of £1 each	1,365,781	1,365,781	1,366	1,366
8.75% second cumulative preference shares of £1 each	20,746,000	20,746,000	20,746	20,746
	<u>75,240,553</u>	<u>75,240,553</u>	<u>24,768</u>	<u>24,768</u>

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Notes to the accounts (continued)

11. Reconciliation of movements in shareholders' funds

	Share Capital £'000	Share Premium £'000	Profit and Loss Account £'000	Total £'000
At 28 March 2003	24,768	2,740	7,764	35,272
Retained profit	-	-	7,645	7,645
At 31 December 2003	24,768	2,740	15,409	42,917

12. Ultimate parent company

Scottish & Newcastle 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 Scottish & Newcastle plc, 33 Ellersly Road, Edinburgh, EH12 6HX. 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 Scottish & Newcastle plc.