

Company Registration No. 547325 (England and Wales)

ALCOHOLS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



ALCOHOLS LIMITED

COMPANY INFORMATION

Directors	A J Wallis R H Ling
Secretary	R H Ling
Company number	547325
Registered office	Charringtons House The Causeway Bishop's Stortford Hertfordshire CM23 2ER
Auditors	FW Stephens 10 Charterhouse Square London EC1M 6LQ
Bankers	National Westminster Bank plc 134 Aldersgate Street London EC1A 4LD
Solicitors	Whitehouse Gibson & Alton 29 Abbeville Road Clapham London SW4 9LA

ALCOHOLS LIMITED

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ALCOHOLS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

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

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

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

Results and dividends

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

Profits are down on recent years due to pressure exerted on margins by both customers and suppliers. Increased costs, particularly pension scheme contributions, national insurance and commercial insurance premiums, also had a negative effect on profits.

An interim ordinary dividend was paid amounting to £40,000. The directors recommend payment of a final dividend amounting to £65,000.

Future developments

The company will continue to concentrate on further development of its core activities of chemical distribution and gin distillation by expansion resulting from its marketing strategy or acquisition of any business complementary to its core activities. An acquisition of a business which specialised in the export of chemical products was made in February 2004.

Directors

The following directors have held office since 1 January 2003:

A J Wallis
R H Ling

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

Directors' interests

The directors had no interest in the shares of the company. The directors' interests in the ordinary shares of the ultimate holding company were as stated below:

	Ordinary of £ 1 each	
	31 December 2003	1 January 2003
A J Wallis	7,500	7,500
R H Ling	-	-

The directors had no interest in the shares of any other company within the group.

Auditors

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

ALCOHOLS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

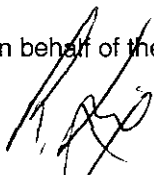
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

On behalf of the board



R H Ling
Director

21 May 2004

ALCOHOLS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALCOHOLS LIMITED

We have audited the financial statements of Alcohols Limited on pages 4 to 16 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 year then ended and have been properly prepared in accordance with the Companies Act 1985.

FW Stephens

FW Stephens
Chartered Accountants
Registered Auditor

24 May 2004
10 Charterhouse Square
London
EC1M 6LQ

ALCOHOLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	9,852,949	9,807,693
Cost of sales		(6,969,001)	(6,744,238)
Gross profit		2,883,948	3,063,455
Distribution costs		(2,153,931)	(2,149,811)
Administrative expenses		(676,427)	(631,413)
Operating profit	3	53,590	282,231
Other interest receivable and similar income		63,183	70,027
Profit on ordinary activities before taxation		116,773	352,258
Tax on profit on ordinary activities	4	(32,000)	(91,888)
Profit on ordinary activities after taxation		84,773	260,370
Dividends	5	(105,000)	(105,000)
Retained (loss)/profit for the year	14	(20,227)	155,370

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

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

ALCOHOLS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	6		588,517		563,548
Investments	7		135,135		121,500
			<u>723,652</u>		<u>685,048</u>
Current assets					
Stocks	8	945,447		1,010,629	
Debtors	9	1,677,668		1,675,130	
Cash at bank and in hand		1,465,781		1,715,863	
		<u>4,088,896</u>		<u>4,401,622</u>	
Creditors: amounts falling due within one year	10	<u>(1,227,363)</u>		<u>(1,513,258)</u>	
Net current assets			<u>2,861,533</u>		<u>2,888,364</u>
Total assets less current liabilities			3,585,185		3,573,412
Provisions for liabilities and charges	11		<u>(60,000)</u>		<u>(28,000)</u>
			<u>3,525,185</u>		<u>3,545,412</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		3,524,185		3,544,412
Shareholders' funds - equity interests	15		<u>3,525,185</u>		<u>3,545,412</u>

The financial statements were approved by the Board on 21 May 2004


A J Wallis
Director


R H Ling
Director

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

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

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

1.5 Leasing

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

1.6 Investments

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

1.7 Stock

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

1.8 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet in accordance with SSAP 24.

1.9 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. This is in accordance with FRS 19.

1.10 Foreign currency translation

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

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

(continued)

1.11 Group accounts

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

2 Turnover

The total turnover for the company for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the company's turnover is set out below:

Geographical market

	Turnover	
	2003	2002
	£	£
United Kingdom	9,025,102	9,070,980
Rest of the world	827,847	736,713
	<u>9,852,949</u>	<u>9,807,693</u>

3 Operating profit

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	141,689	144,976
Loss on foreign exchange transactions	1,807	1,242
Operating lease rentals	126,269	142,856
Total auditors' remuneration for audit and non-audit work	19,475	19,425
and after crediting:		
Profit on disposal of tangible assets	<u>(3,500)</u>	<u>(5,493)</u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

4	Taxation	2003 £	2002 £
	Domestic current year tax		
	U.K. corporation tax	-	88,000
	Adjustment for prior years	-	(10,112)
	Current tax charge	-	77,888
	Deferred tax		
	Deferred tax charge/credit current year	32,000	14,000
		<u>32,000</u>	<u>91,888</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>116,773</u>	<u>352,258</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 30.00%)	<u>22,187</u>	<u>105,677</u>
	Effects of:		
	Non deductible expenses	2,225	5,101
	Depreciation	26,921	43,493
	Capital allowances	(22,329)	(48,331)
	Adjustments to previous periods	-	(10,112)
	Chargeable disposals	(665)	(1,648)
	Other tax adjustments including marginal relief	(28,339)	(16,292)
		<u>(22,187)</u>	<u>(27,789)</u>
	Current tax charge	-	77,888
		<u>-</u>	<u>77,888</u>
5	Dividends	2003 £	2002 £
	Ordinary interim paid	40,000	40,000
	Ordinary final proposed	65,000	65,000
		<u>105,000</u>	<u>105,000</u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

6 Tangible fixed assets

	Land and buildings short lease £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2003	104,411	1,271,613	222,833	218,830	1,817,687
Additions	-	70,488	5,807	90,363	166,658
Disposals	-	(26,585)	-	(12,212)	(38,797)
At 31 December 2003	104,411	1,315,516	228,640	296,981	1,945,548
Depreciation					
At 1 January 2003	75,752	881,870	187,172	109,345	1,254,139
On disposals	-	(26,585)	-	(12,212)	(38,797)
Charge for the year	4,661	66,032	15,852	55,144	141,689
At 31 December 2003	80,413	921,317	203,024	152,277	1,357,031
Net book value					
At 31 December 2003	23,998	394,199	25,616	144,704	588,517
At 31 December 2002	28,659	389,743	35,661	109,485	563,548

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Fixed asset investments

	Unlisted investments £	Shares in group undertakings £	Total £
Cost			
At 1 January 2003	32,997	125,500	158,497
Additions	13,635	-	13,635
	<hr/>	<hr/>	<hr/>
At 31 December 2003	46,632	125,500	172,132
	<hr/>	<hr/>	<hr/>
Provisions for diminution in value			
At 1 January 2003 & at 31 December 2003	31,997	5,000	36,997
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	14,635	120,500	135,135
	<hr/>	<hr/>	<hr/>
At 31 December 2002	1,000	120,500	121,500
	<hr/>	<hr/>	<hr/>

Holdings of more than 20%

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

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

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

	Capital and reserves 2003 £	Profit for the year 2003 £
Alcohols (North West) Limited	92,011	-
Lang-Met Distillers Limited	28,500	-
Langley Distillery Limited	-	-
	<hr/>	<hr/>

The subsidiary undertakings did not trade during the year.

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8	Stocks	2003 £	2002 £
	Finished goods and goods for resale	945,447	1,010,629

9	Debtors	2003 £	2002 £
	Trade debtors	1,575,045	1,599,826
	Other debtors	18,167	24,542
	Prepayments and accrued income	84,456	50,762
		<u>1,677,668</u>	<u>1,675,130</u>

Amounts falling due after more than one year and included in the debtors above are:

	2003 £	2002 £
Other debtors	<u>11,042</u>	<u>17,667</u>

10	Creditors: amounts falling due within one year	2003 £	2002 £
	Trade creditors	692,135	733,791
	Amounts owed to subsidiary undertakings	120,511	120,511
	Corporation tax	6,539	93,000
	Other taxes and social security costs	71,625	39,372
	Other creditors	12,876	12,876
	Accruals and deferred income	258,677	448,708
	Proposed dividend	65,000	65,000
		<u>1,227,363</u>	<u>1,513,258</u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2003	28,000
Profit and loss account	32,000
	<hr/>
Balance at 31 December 2003	60,000
	<hr/> <hr/>

The deferred tax liability is made up as follows:

	2003 £	2002 £
Accelerated capital allowances	60,000	70,000
Other timing differences	-	(42,000)
	<hr/>	<hr/>
	60,000	28,000
	<hr/> <hr/>	<hr/> <hr/>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

12 Pension costs

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with life assurance companies.

The pension cost is assessed in accordance with SSAP 24, Accounting for Pension Costs, based on triennial valuations on the advice of an independently qualified actuary using the attained age funding method. The latest actuarial valuation, for the purposes of these financial statements, was as at 1st June 2002.

The principal assumptions used were that, in the long term, the return on investments would be 7% per annum, that salary increases are restricted to 3% per annum and that current employees' pensions up to pensionable age would increase with commensurate benefit.

The valuation also indicated that the market value of the schemes assets was £2.68m and that the actuarial value of those assets represented 107% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

On the advice of the actuary the company's normal rate of contributions is estimated to be 15.9% of pensionable payroll plus additional contributions of £38,000 per annum to cover the updated actuarial deficit as at 31st December 2002 and additional Death in Service insurance premiums. This contribution rate was effective from 1st March 2003.

The total pension cost for the company was £140,000 (2002: £63,992).

Accrual of benefit for future service was suspended on 1st September 2003 to protect benefit earned by scheme members up to that date.

FRS 17, Retirement benefits, disclosures

The full implementation of FRS 17 has been deferred. However certain disclosures are required which are included below.

The valuation has been based on the most recent actuarial valuation as at 1st June 2002 and updated by the scheme actuary to 31st December 2003 for the purposes of FRS 17.

The principal actuarial assumptions were as follows:

	2003	2002
	%	%
The main financial assumptions are as follows:		
Rate of increase in salaries	3.00	3.00
Rate of increase in pensions in payment	2.75	2.25
Discount rate	5.50	5.50
Inflation assumption	2.75	2.25

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

12 Pension costs (continued)

The long term expected rates of return are as follows:

Equities	8.00	8.25
Bonds	5.25	5.25
Other assets	4.00	5.00
	<u> </u>	<u> </u>

2003	2002
£	£

The assets in the scheme are as follows:

Equities	1,948,000	1,600,000
Bonds	278,000	300,000
Other assets	448,000	200,000
	<u> </u>	<u> </u>
	2,674,000	2,100,000
Present value of scheme liabilities	3,062,000	2,900,000
	<u> </u>	<u> </u>
Deficit in scheme	(388,000)	(800,000)
Related deferred tax asset	116,400	240,000
	<u> </u>	<u> </u>
Net pension liability	(271,600)	(560,000)
	<u> </u>	<u> </u>

The principal assumptions used by the actuary have been chosen from a range of possible assumptions which, due to volatile equity and financial markets, may not necessarily be borne out in practice.

The market value of the scheme's assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised. The present value of the scheme's liabilities are derived from long term projections and are therefore inherently uncertain.

The net pension liability shown above would have a consequential effect on reserves.

13 Share capital	2003	2002
	£	£
Authorised		
1,000 Ordinary of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1,000 Ordinary of £1 each	1,000	1,000
	<u> </u>	<u> </u>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2003	3,544,412
Retained loss for the year	(20,227)
	<hr/>
Balance at 31 December 2003	3,524,185
	<hr/> <hr/>

15 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	84,773	260,370
Dividends	(105,000)	(105,000)
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(20,227)	155,370
Opening shareholders' funds	3,545,412	3,390,042
	<hr/>	<hr/>
Closing shareholders' funds	3,525,185	3,545,412
	<hr/> <hr/>	<hr/> <hr/>

16 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003 £	2002 £
Expiry date:		
Within one year	19,700	-
Between two and five years	-	19,700
In over five years	130,040	130,040
	<hr/>	<hr/>
	149,740	149,740
	<hr/> <hr/>	<hr/> <hr/>

17 Capital commitments

	2003 £	2002 £
At 31 December 2003 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	-	5,930
	<hr/>	<hr/>

ALCOHOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

18 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	179,098	174,127

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2002- 2).

19 Employees

Number of employees

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

	2003 Number	2002 Number
Administration and management	8	8
Operational, selling and distribution	34	32
	42	40

Employment costs

	£	£
Wages and salaries	959,236	925,233
Social security costs	91,443	78,624
Other pension costs	141,833	67,825
	1,192,512	1,071,682

20 Control

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

W H Palmer & Co (Industries) Limited prepares group financial statements and copies can be obtained from Charringtons House, The Causeway, Bishop's Stortford, Hertfordshire, CM23 2ER.

21 Post balance sheet events

On 20th February 2004 the company acquired the entire share capital of a dormant company which subsequently purchased the business activities of a company which specialised in the export of chemical products. This was financed through a loan from Alcohols Limited.