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TODHUNTER INTERNATIONAL INC
Form 10-K
December 19, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002 COMMISSION FILE NUMBER 1-13453

TODHUNTER INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

59-1284057
(IRS Employer
Identification Number)

222 LAKEVIEW AVENUE, SUITE 1500, WEST PALM BEACH, FL
(Address of principal executive office)

33401
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (561) 655-8977

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
COMMON STOCK, \$.01 PAR VALUE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of Title 17, Code of Federal Regulations) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 5, 2002 (computed by reference to the last reported sale price of the registrant's Common Stock on the American Stock Exchange on such date): \$21,401,996.

The number of shares outstanding of the registrant's Common Stock, \$.01 par value per share, as of December 5, 2002, was 5,572,234.

There were no shares of Preferred Stock outstanding as of December 5, 2002.

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Documents Incorporated by Reference: Part III - Portions of the registrant's definitive proxy statement to be filed within 120 days of the end of the registrant's fiscal year in conjunction with the registrant's 2003 annual stockholders' meeting.

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INTRODUCTORY NOTE

THIS ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002 (THE "FORM 10-K") CONTAINS "FORWARD-LOOKING STATEMENTS," AS DEFINED IN SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). FORWARD-LOOKING STATEMENTS ARE STATEMENTS OTHER THAN HISTORICAL INFORMATION OR STATEMENTS OF CURRENT CONDITION AND RELATE TO FUTURE EVENTS OR THE FUTURE FINANCIAL PERFORMANCE OF THE COMPANY. SOME FORWARD-LOOKING STATEMENTS MAY BE IDENTIFIED BY USE OF SUCH TERMS AS "BELIEVES," "ANTICIPATES," "INTENDS" OR "EXPECTS." SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE FOLLOWING IS A LIST OF FACTORS, AMONG OTHERS, THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY THE FORWARD-LOOKING STATEMENTS: CHANGES IN BUSINESS CONDITIONS IN CERTAIN MARKET SEGMENTS AND THE GENERAL ECONOMY; COMPETITIVE FACTORS, INCLUDING INCREASED COMPETITION AND PRICE PRESSURES; AVAILABILITY OF THIRD-PARTY COMPONENT PRODUCTS AT REASONABLE PRICES; INCREASED EXCISE TAXES; FOREIGN CURRENCY EXPOSURE; CHANGES IN PRODUCT MIX BETWEEN AND AMONG PRODUCT LINES; LOWER THAN EXPECTED CUSTOMER ORDERS AND QUARTERLY SEASONAL FLUCTUATIONS OF THOSE ORDERS; AND PRODUCT SHIPMENT INTERRUPTIONS. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

PART I

ITEM 1. BUSINESS

GENERAL OVERVIEW

Todhunter International, Inc. (the "Company") is a leading producer and supplier of brandy, rum, wine and spirits to other beverage alcohol manufacturers; produces, imports and markets premium branded spirits; bottles beverage alcohol and other beverages on a contract basis and under its own labels; and produces vinegar and cooking wine. The Company operates four production facilities in the United States and one in St. Croix, United States Virgin Islands, and purchases certain products for resale. The Company is a Delaware corporation organized in 1970 as a successor to a business founded in the Bahamas in 1964. All references in this report to "Fiscal 2002," "Fiscal 2001" and "Fiscal 2000" shall refer to the Company's fiscal years ended September 30 of such year.

OWNERSHIP BY ANGOSTURA LIMITED

Angostura Limited ("Angostura"), a Trinidad-based distiller, has reported that, as of November 26, 2002, it beneficially owned 2,984,313 shares, representing 53.6% of the Company's outstanding Common Stock, \$.01 par value per share (the "Common Stock"). Angostura has also reported that, effective November 26, 2002, it entered into an agreement with A. Kenneth Pincourt, Jr., the former Chairman and Chief Executive Officer of the Company, to purchase from Mr. Pincourt 595,985 shares, representing 10.7% of the Company's outstanding Common

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Stock, on January 31, 2003. See also Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Retirement of Chairman and Chief Executive Officer.

ACQUISITION AND DIVESTITURE ACTIVITY

In November 1999, the Company acquired substantially all of the assets of Adams Wine Company, d/b/a Monarch Wine Company of Georgia ("Monarch"), Atlanta, Georgia, for \$23.8 million in cash (the "Monarch Acquisition"). Monarch specializes in the manufacture of wines, including custom blended wines and cooking wines for the food industry and base wines for producers of vinegar and beverage alcohol.

In September 2000, the Company sold all of its remaining operating assets in the Bahamas to British Fidelity Holdings Limited, an affiliate through common ownership, for a \$3.5 million note due in August 2005 bearing interest at 6% (see Note 5 to the Company's consolidated financial statements). The Company recorded a loss of \$78,838 on the transaction. Sales of the Bahamian operations were previously included in the "Corporate Operations and Other" segment.

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BUSINESS SEGMENTS

The Company operates primarily in the beverage alcohol industry in the United States. The Company reports its operating results in five segments:

- Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts)
- Premium Branded Spirits (primarily Cruzan Estate Rums and Cruzan Flavored Rums)
- Bottling Operations (contract bottling services and proprietary and private label products)
- Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods)
- Corporate Operations and Other (primarily corporate-related items)

Information regarding the net sales, operating income (loss) and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 13 to the Company's consolidated financial statements.

BULK ALCOHOL PRODUCTS. The Company produces and sells citrus brandy, citrus spirits, rum, cane spirits and fortified citrus wine in the United States and internationally. The Company also purchases distilled products for resale, including grain alcohol, which is denatured and packaged and sold as industrial alcohol to hospitals, universities, fragrance producers and other manufacturers. The Company is the largest supplier of citrus brandy, bulk rum and fortified citrus wine in the United States. The Company sells its bulk alcohol products to over 40 producers of beverage alcohol in the United States and exports products to approximately 10 foreign countries. The Company's distilling operations produce a byproduct, which is sold as animal feed.

Citrus brandy and spirits are distilled from citrus juice byproducts purchased from manufacturers of citrus juice concentrate. The Company's citrus brandy is used primarily as an ingredient in flavored brandies. Citrus spirits are used primarily as a fortifying ingredient to increase the alcohol content of the Company's citrus wine and the wine of other manufacturers. The Company's citrus wine is fermented from citrus juice and fortified with citrus spirits to increase its alcohol content to approximately 20% by volume. Known as fortified

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citrus wine, this product is used primarily as an ingredient in cordials, whiskies and other beverage alcohol. Rum and cane spirits are distilled from sugar cane molasses and are sold to other bottlers of rum, producers of beverage alcohol, food companies and flavor manufacturers. Rum is also used in the Company's premium branded spirits and bottling operations.

Management believes that the Company's proximity to raw materials and its use of citrus byproducts in the production of bulk alcohol provide it with cost advantages over competitors' products. Because end products are taxed on a blended rate based upon the ingredients used rather than on the resulting alcohol content of the end product, beverage alcohol producers can lower excise taxes on their products by substituting fortified citrus wine for distilled spirits alternatives. This cost savings arises because fortified citrus wine is currently subject to federal excise taxes of \$1.57 per gallon, whereas distilled spirits are taxed at \$13.50 per proof gallon (one proof gallon is approximately equivalent in alcohol content to two and one-half gallons of fortified citrus wine). The ability of beverage alcohol producers to substitute fortified citrus wine for distilled spirits varies by end product in accordance with government regulations. For example, fortified citrus wine may contribute up to 49% of the alcohol content of cordials and liqueurs, and up to approximately 10% of the alcohol content of Canadian whiskey. In addition, small quantities of fortified citrus wine may be used in blended whiskey, rum, brandy and other types of beverage alcohol.

PREMIUM BRANDED SPIRITS. The Company's principal premium brands include Cruzan Estate Rums and Cruzan Flavored Rums. The Company produces, bottles, imports, develops and markets a line of premium branded spirits in the United States and exports to countries in Europe, Central America and the Caribbean. Since 1996, the Company has established and strengthened relationships with wholesalers, expanded its distribution network, developed new products, obtained agency agreements and acquired management and marketing expertise. Management's strategy has been to focus on marketing and building premium brands with an initial emphasis on the rum category.

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BOTTLING OPERATIONS. The Company's bottling operations include contract bottling services and the production, bottling and marketing of a complete line of distilled spirits under its own proprietary labels and under the private labels of major retailers. The Company's primary bottling operations are located in Florida and serve customers in the Southeastern United States. The Company also produces and sells proprietary label products in the United States Virgin Islands.

Contract bottling products include distilled spirits, coolers, prepared cocktails and fruit juices. The Company's proprietary and private label products include rum, gin, vodka, tequila, cordials and various whiskies. The Company's proprietary label products are marketed in the popular-price category of the distilled spirits market.

VINEGAR AND COOKING WINE. To complement its distilling, winery and bottling operations, the Company produces vinegar, vinegar stock, and cooking wine for sale to condiment manufacturers, food service distributors and major retailers in the United States and Canada. The Company's sales to retailers are made using the Company's proprietary labels and under the retailers' private labels.

CORPORATE OPERATIONS AND OTHER. Corporate Operations and Other includes corporate-related items and the results of the Company's Bahamian subsidiary through Fiscal 2000, when the Company sold all of the subsidiary's remaining operating assets.

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DEPENDENCE ON MAJOR CUSTOMERS

The Company sells its bulk alcohol products to over 40 producers of beverage alcohol in the United States and exports to approximately 10 foreign countries. The Company's contract bottling services and proprietary and private label products are sold to a limited number of customers. The Company's vinegar and cooking wine are sold to over 700 condiment manufacturers, food service distributors and retailers. The Company has major customers in its bulk alcohol products and bottling operations businesses; the loss of one or more of these major customers could have a material adverse effect on the Company's liquidity and results of operations.

PRODUCTION

The Company's principal domestic production facilities are located in Lake Alfred and Auburndale, Florida, both near Orlando and central to Florida's citrus growing region. The two plants have similar distilling, bottling and winery operations, allowing the Company to shift production from one plant to the other. The Lake Alfred plant also has a vinegar production facility. Both plants are near major highways and are serviced by a railroad, providing good transportation access. The Company has a cold storage, warehousing and plastic bottle manufacturing facility in Winter Haven, Florida. The Company also operates a winery and vinegar production facility in Louisville, Kentucky. The Company's rum production facilities are located in St. Croix, United States Virgin Islands.

DISTILLING. The Company begins its distilling process with citrus or cane molasses, which is fermented for approximately two to four days. Once fermented, the product has an average alcohol content of 9% by volume, which is increased to approximately 95% through distillation. The alcohol is then processed through rectifying columns and further refined. The finished product is stored in stainless steel tanks, except for rum, which is generally stored in wooden barrels for aging purposes. The Lake Alfred, Auburndale and Virgin Islands facilities can produce, on a combined basis, up to 23 million gallons of distilled products per year.

WINERY. Wine is produced by the fermentation of citrus or grape juice. After fermentation, the wine is fortified by the addition of distilled citrus spirits to raise its alcohol content to approximately 20% by volume. Fortified citrus wine is sold to producers of beverage alcohol. The wineries are physically segregated from the distilling operations and have their own sets of fermenting and storage tanks. The Lake Alfred, Auburndale and Louisville facilities can produce, on a combined basis, up to 30 million gallons of wine per year.

BOTTLING. The Lake Alfred and Auburndale plants both have automated, high-speed bottling lines capable of filling up to 600 12-ounce containers per minute. The Lake Alfred plant has two lines that are used primarily to bottle vinegar, cooking wine and juices, two lines that are used to bottle proprietary and private label products and

one line to bottle premium branded spirits. The Auburndale plant has two lines that are dedicated to bottling coolers and prepared cocktails and three lines that bottle proprietary and private label products and premium branded spirits. The Company's warehouse storage areas can accommodate up to 1,000,000 cases. The Company's plant in the Virgin Islands has one line capable of bottling up to 250,000 cases per year. The Company distills and ages its own rum, but generally produces its other proprietary and private label products from alcohol purchased

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from third parties. Depending on the particular formula for a product, the Company adds flavoring and/or sugar, reduces the product's proof and then filters and bottles the finished product. The Company's bottling capacity is approximately 10 million cases per year.

VINEGAR AND COOKING WINE. Vinegar is produced by converting alcohol into acetic acid. Several varieties of vinegar, including white distilled, red wine, white wine, corn, rice wine, malt, balsamic and apple cider, are produced at the Lake Alfred and Louisville facilities, which have a combined capacity of 10 million grain gallons per year. Cooking wine is produced by the controlled fermentation of red or white grape juice into wine. Several varieties of cooking wine, including red, white, sherry, golden, marsala and chablis, are produced at the Lake Alfred, Auburndale and Louisville facilities.

QUALITY CONTROL. Each of the Company's facilities is equipped with a quality control laboratory. The Company employs several chemists who continually test to ensure the quality of raw materials and end products.

RAW MATERIALS. The principal raw materials used in the Company's distilling operations are citrus molasses, a byproduct of citrus juice production, and cane molasses, a byproduct of sugar production. Citrus molasses, which is used in the production of citrus brandy and citrus spirits, accounted for approximately 54% of the raw materials used in the Company's distilling operations in Fiscal 2002. Cane molasses, which is used in the production of rum and cane spirits, accounted for the remaining 46%. Citrus juice concentrate is the primary raw material used in the Company's winery operations. The Company purchases such raw materials from a variety of suppliers. The Company purchases distilled products, used in its bulk alcohol products and bottling operations businesses, from several suppliers. Glass bottles and other materials, such as caps, labels and cardboard cartons, are used in bottling and packaging and are available from numerous suppliers. Alcohol and grape juice concentrate are the primary raw materials used in the Company's vinegar and cooking wine operations. During Fiscal 2002, two suppliers each accounted for more than 10% of all of the Company's raw material purchases. The cost of raw materials fluctuates depending upon a number of factors, including crop conditions, weather, governmental programs and purchases by foreign governments.

FLUCTUATIONS IN OPERATING RESULTS; SEASONALITY

The size and timing of purchase orders and product shipments can cause operating results to fluctuate significantly from quarter to quarter, particularly since some customers purchase bulk alcohol products in significant quantities or place significant orders for contract bottling services, distilled spirits, vinegar and cooking wine. Additionally, some Company products generate higher profit margins than others, and changes in the Company's product mix will therefore cause gross margins to fluctuate. Certain aspects of the Company's business are also seasonal, with increased demand for the Company's contract bottling services from April to October and increased production of the Company's bulk alcohol products from November to June, corresponding to the Florida citrus harvest. As a result of these factors, the Company's operating results may vary significantly from quarter to quarter.

MARKETING AND DISTRIBUTION

Bulk alcohol products are sold primarily in large quantities through Company-employed salespeople. The Company's marketing strategy emphasizes the cost advantages of these products over other ingredients available to end producers. Bulk alcohol products are sold primarily to other bottlers, distillers and end producers located throughout the United States and Canada.

The Company produces, imports, markets and sells premium branded spirits to wholesalers in the United States and internationally. The Company's

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marketing and promotional programs for its premium brands are directed at consumers, retailers and wholesalers. The Company sells proprietary and private label spirits to wholesalers for distribution primarily in the Southeastern United States. The Company's marketing strategy for these products places primary emphasis upon promotional programs emphasizing the Company's cost advantages, directed at wholesalers and retailers, rather than consumers. Wholesalers market these products to retailers who then market them directly to consumers. Although competition for retail shelf space in the beverage alcohol industry is significant, wholesalers

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of such products, and not the Company, generally must address such competition, although the Company's promotional programs may affect the allocation of retail shelf space for its products. Sales of the Company's premium branded spirits and proprietary and private label products are generally made FOB (free on board) at the Company's facilities and, accordingly, the purchasers of such products are responsible for the risk of loss and transportation costs. In addition to its own salesforce, the Company works through various brokers to develop and service its sales to wholesalers and retailers.

The Company's marketing strategy with respect to its contract bottling services emphasizes the cost advantages and quality of the Company's services. Arrangements with bottling customers are typically negotiated by the Company's executive officers.

Vinegar and cooking wine are sold primarily in large quantities to manufacturers, distributors and retailers through the Company's own salesforce. These products are also sold through wholesalers and directly to retailers under the Company's proprietary labels and under the private labels of retailers.

COMPETITION

The areas of the beverage alcohol industry in which the Company does business are highly competitive with respect to price, service and product quality, and there are several companies with substantially greater financial and other resources than the Company. The Company's citrus-based bulk alcohol products compete primarily with producers of grape-based products. While the Company is aware of only two other domestic producers of citrus brandy and spirits, there are several producers of grape-based distilled products. The Company's proprietary and private label products and premium branded spirits compete on a regional and national basis against other distilled spirits products, including premium labels, mid-price and popular-price products. The proprietary label and premium branded spirits produced by the Company compete with those of companies for whom the Company performs contract bottling services and to whom the Company sells its bulk alcohol products. The Company believes that its relationships with its customers are good, and it has not experienced any adverse effects, such as termination or non-renewal of ongoing contracts, as a result of competition. In addition, the Company does not expect to experience any material adverse effects from such competition in the foreseeable future. Contract bottling operations compete against other bottlers located throughout the Southeastern United States. The Company experiences similar competition in its vinegar and cooking wine operations. While Management believes that it has achieved a strong competitive position in the markets it serves, there can be no assurance that the Company will be able to maintain its competitive position in the future.

REGULATION AND TAXATION

Producing, importing and selling wine and spirits is subject to extensive regulation by certain federal and state agencies, and the Company is

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required to obtain various permits, bonds and licenses to comply with these regulations. Pursuant to federal and state environmental requirements, the Company is required to obtain permits and licenses to operate certain facilities, and to treat and remove effluents discharged from its distilling, winery and bottling operations. Management believes it is presently in material compliance with all applicable federal and state regulations.

Beverage alcohol produced and bottled by the Company is subject to substantial federal excise taxes. As of September 30, 2002, excise taxes were being imposed at flat rates of \$13.50 per proof gallon for distilled spirits and \$1.57 per gallon for fortified wine.

The Company's fortified wine products, as an ingredient of beverage alcohol, have a cost advantage under the component method of taxation, which taxes wine at a lower rate than distilled spirits. Changes in, or the elimination of, the component method of taxation, as it relates to wine, would have a material adverse effect on the Company's results of operations.

EMPLOYEES

As of September 30, 2002, the Company had approximately 420 full-time employees. Additional workers are generally employed at the Company's bottling facilities during the summer months, when the bulk of contract bottling takes place. None of the Company's employees is a member of any labor union nor are there any collective bargaining agreements between the Company and its employees, with the exception of 36 of the Company's 55 Virgin Islands

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employees. Management believes that its relations with its employees are good.

INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The Company has facilities in Florida and Kentucky for the production of its bulk alcohol products, premium branded spirits, contract bottling services, vinegar and cooking wine. The Company sells its products and services primarily to customers in the United States but also exports certain products to foreign countries, primarily in Europe, Canada, Central America and the Caribbean. The Company's rum production facilities are located in St. Croix, United States Virgin Islands. Rum produced in the Virgin Islands is sold primarily to other bottlers of rum, producers of beverage alcohol, food companies and flavor manufacturers located in the United States but is also sold to foreign countries in the Caribbean, South America and Europe. See Note 13 to the Company's consolidated financial statements for additional information about the Company's foreign and domestic operations and export sales.

ITEM 2. PROPERTIES

The Company owns all of its principal production facilities, including all related land, buildings, and equipment. The Lake Alfred facility consists of four principal buildings with approximately 250,000 total square feet on 32 acres. The Auburndale facility consists of three principal buildings with approximately 250,000 total square feet on 16 acres. The Louisville facility consists of three principal buildings with approximately 60,000 total square feet on 27.5 acres. The Winter Haven facility consists of five principal buildings with approximately 260,000 total square feet on 30 acres. The Virgin Islands facility consists of seven principal buildings with approximately 120,000 total square feet on 33 acres. The Company leases approximately 10,000 square feet of office space in West Palm Beach, Florida for its executive offices. Management believes that all of its facilities, both owned and leased, are adequate and suitable for operations in the foreseeable future. However,

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management may undertake the expansion of certain facilities from time to time in the ordinary course of business.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject to litigation from time to time in the ordinary course of business. None of these routine legal proceedings are material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to security holders during the fourth quarter of Fiscal 2002.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the American Stock Exchange under the symbol "THT." The following table sets forth the high and low closing quotations of the Company's Common Stock for each quarter during the past two fiscal years.

PERIOD	HIGH	LOW
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Fiscal 2001		
First quarter	\$ 7.19	\$ 5.38
Second quarter	9.95	6.94
Third quarter	9.05	7.80
Fourth quarter	9.15	7.70
Fiscal 2002		
First quarter	8.75	8.30
Second quarter	9.60	8.75
Third quarter	12.00	9.50
Fourth quarter	10.90	10.20

The number of stockholders of record as of December 5, 2002 was 38. In addition, based upon a list of non-objecting beneficial owners, there were at least 574 beneficial owners at January 22, 2002.

No dividends were paid to stockholders during Fiscal 2001 and Fiscal 2002. The Company intends to continue to retain earnings for use in its business and therefore does not anticipate declaring or paying cash dividends in the foreseeable future. The payment of cash dividends would also require the consent of the Company's lender. Also, see "Financial Liquidity and Capital Resources," included in Item 7.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data are derived from the Company's audited consolidated financial statements. These data are qualified by reference to, and should be read in conjunction with, the consolidated financial

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statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	YEAR ENDED SEPTEMBER 30,			
	2002	2001	2000	
	(IN THOUSANDS, EXCEPT PER SHARE)			
STATEMENTS OF INCOME DATA:				
Net sales	\$ 99,759	\$ 99,771	\$ 92,987	\$
Cost of goods sold	68,620	67,688	64,117	
Gross profit	31,139	32,083	28,870	
Selling, general and administrative expenses	22,539	20,534	17,772	
Operating income	8,600	11,549	11,098	
Other income (expense):				
Interest income	754	864	901	
Interest expense	(3,073)	(4,893)	(5,115)	
Other, net	288	244	(178)	
Income before income taxes and extraordinary item	6,569	7,764	6,706	
Income tax expense	1,122	1,561	1,649	
Income before extraordinary item	5,447	6,203	5,057	
Extraordinary item, net of income tax benefit	-	-	(1,169)	
Net income	\$ 5,447	\$ 6,203	\$ 3,888	\$
Net income per share				
Basic				
Income before extraordinary item	\$ 0.99	\$ 1.12	\$ 0.92	\$
Extraordinary item	-	-	(0.21)	
Net income	\$ 0.99	\$ 1.12	\$ 0.71	\$
Diluted				
Income before extraordinary item	\$ 0.97	\$ 1.12	\$ 0.91	\$
Extraordinary item	-	-	(0.21)	
Net income	\$ 0.97	\$ 1.12	\$ 0.70	\$
Weighted average shares outstanding				
Basic				
Basic	5,527	5,514	5,514	
Diluted				
Diluted	5,624	5,527	5,550	
BALANCE SHEET DATA (AT PERIOD END):				
Working capital	\$ 55,315	\$ 51,889	\$ 40,372	\$
Total assets	137,883	133,588	126,548	
Short-term debt	4,000	4,000	8,000	
Long-term debt	53,017	55,685	51,334	
Stockholders' equity	67,069	61,221	54,841	

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OF OPERATIONS

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations contains "forward-looking statements." See "Introductory Note" on page 1.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Fiscal 2002 compared to Fiscal 2001, and Fiscal 2001 compared to Fiscal 2000, and (ii) financial liquidity and capital resources for Fiscal 2002. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein. Certain amounts presented in this Item 7 have been rounded to the nearest thousand and hundred thousand, as applicable, but the percentages are based on actual amounts without rounding.

The Company operates primarily in the beverage alcohol industry in the United States. The Company reports its operating results in five segments: Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts); Premium Branded Spirits (primarily Cruzan Estate Rums and Cruzan Flavored Rums); Bottling Operations (contract bottling services and proprietary and private label products); Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods); and Corporate Operations and Other (primarily corporate related items).

Information regarding net sales, operating income (loss) and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 13 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K.

The following tables set forth statement of income items as a percentage of net sales and information on net sales of certain Company products.

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	68.8	67.8	69.0
Gross margin	31.2	32.2	31.0
Selling, general and administrative expenses	22.6	20.6	19.1
Operating income	8.6	11.6	11.9
Other income (expense), net	(2.0)	(3.8)	(4.7)
Income before income taxes and extraordinary item	6.6	7.8	7.2
Income tax expense	(1.1)	(1.6)	(1.8)
Income before extraordinary item	5.5	6.2	5.4
Extraordinary item	-	-	(1.2)
Net income	5.5%	6.2%	4.2%

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	YEAR ENDED SEPTEMBER 30,			02/00
	2002	2001	2000	
NET SALES	(IN THOUSANDS)			
Bulk alcohol products	\$ 35,447	\$ 39,727	\$ 37,457	(10.3)
Premium branded spirits	24,698	18,547	16,119	33.1
Bottling operations	18,661	20,644	16,823	(9.1)
Vinegar and cooking wine	20,953	20,853	20,477	0.1
Corporate operations and other	-	-	2,111	
	-----	-----	-----	
	\$ 99,759	\$ 99,771	\$ 92,987	0.1
	=====	=====	=====	

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The following table provides unit sales volume data for certain Company products.

	YEAR ENDED SEPTEMBER 30,			% CHANGE	
	2002	2001	2000	02/01	01/00
	(IN THOUSANDS)				
Bulk alcohol products:					
Distilled products, in proof gallons					
Citrus brandy	1,170	1,450	1,446	(19.3)	0.3
Citrus spirits	504	560	621	(9.9)	(9.9)
Rum	4,413	4,672	4,557	(5.5)	2.5
Cane spirits	605	581	531	4.0	9.5
Fortified citrus wine, in gallons	10,072	11,736	10,999	(14.2)	6.7
Premium branded spirits, in cases	587	355	289	65.2	22.9
Bottling operations, in cases	5,571	6,346	4,342	(12.2)	46.2
Vinegar					
Bulk, in 100 grain gallons	5,453	6,217	5,175	(12.3)	20.1
Cases	667	671	612	(0.7)	9.6
Drums, in 100 grain gallons	1,733	1,143	1,510	51.6	(24.3)
Cooking Wine					
Bulk, in gallons	3,113	2,838	2,385	9.7	19.0
Cases	648	750	692	(13.6)	8.3

The Company is a leading producer and supplier of brandy, rum, wine and spirits to other beverage alcohol manufacturers; produces, imports and markets premium branded spirits; bottles beverage alcohol and other beverages on a contract basis and under its own labels; and produces vinegar and cooking wine.

The Company's net sales and gross margins (gross profit as a percentage of net sales) vary depending on the mix of business among the Company's products. Historically, gross margins have been highest in bulk alcohol products and premium branded spirits and lower in bottling operations and vinegar and cooking wine operations. Within its bottling operations, sales and gross margins have varied substantially based upon the mix of business from the Company's "Type A" and "Type B" bottling customers. Type A bottling customers pay the

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Company to purchase their raw materials and these costs are passed through to the customer. Type B bottling customers supply their own raw materials and are only charged for bottling charges. Although gross profit per case for the Company's Type A and Type B bottling customers is approximately equal, given the same case volume, net sales and cost of goods sold with respect to products bottled for Type A bottling customers are higher, and gross margins are lower, than for Type B bottling customers. As a result, significant fluctuations in volume of Type A bottling customers can distort the Company's gross margin.

The size and timing of purchase orders and product shipments can cause operating results to fluctuate significantly from quarter to quarter, particularly since some customers purchase bulk alcohol products in significant quantities or place significant orders for contract bottling services, distilled spirits, vinegar and cooking wine. Additionally, some Company products generate higher profit margins than others, and changes in the Company's product mix will therefore cause gross margins to fluctuate. Certain aspects of the Company's business are also seasonal, with increased demand for the Company's contract bottling services from April to October and increased production of the Company's bulk alcohol products from November to June, corresponding to the Florida citrus-harvest. As a result of these factors, the Company's operating results may vary significantly from quarter to quarter.

Net sales represent the Company's gross sales less excise taxes. Excise taxes are generally payable on products bottled by the Company. In addition, excise taxes are payable on sales of industrial alcohol to certain customers. Accordingly, excise taxes vary from period to period depending upon the Company's product and customer mix.

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RESULTS OF OPERATIONS

FISCAL 2002 COMPARED TO FISCAL 2001

NET SALES. Net sales were \$99.8 million in 2002 and 2001.

Net sales of bulk alcohol products were \$35.4 million in 2002, a decrease of 10.8% from net sales of \$39.7 million in 2001. The decrease resulted primarily from decreased sales of citrus brandy, citrus spirits, rum and fortified wine. The Company's bulk alcohol product sales have declined primarily due to increased competition.

Net sales of premium branded spirits were \$24.7 million in 2002, an increase of 33.2% from net sales of \$18.5 million in 2001. In 2002, net sales of premium branded spirits included \$1.9 million of bulk tequila sales and \$1.5 million of new Cruzan ready-to-drink products. Bulk tequila sales represent the liquidation of inventory that was held to produce Porfidio tequila. During the third quarter of 2002, the Company introduced a new line of Cruzan products in the ready-to-drink category, sales of which are included in the Company's premium branded spirits segment. The Company sold approximately 134,000 cases of this new product, representing net sales of \$1.5 million through September 30, 2002. Sales of the Company's Cruzan ready-to-drink products are highly seasonal and there can be no assurance that sales of these products will continue at this level in the future. In addition, due to more competition within the ready-to-drink product category, the gross margin on the Cruzan ready-to-drink products is lower than other premium branded spirits in this segment. The Company is repositioning its Cruzan ready-to-drink products for the 2003 spring/summer season and is pursuing opportunities in the export market. Excluding bulk tequila and Cruzan ready-to-drink product sales, net sales of premium branded spirits were \$21.2 million in 2002, an increase of 20.1% from net sales of \$17.6 million in 2001.

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Sales of the Company's Cruzan Estate Rums and Cruzan Flavored Rums increased \$0.8 million and \$4.4 million, or 19.1% and 51.2%, respectively, in 2002 compared to 2001. These sales increases were partially offset by a decrease in sales of Porfidio tequila. Sales of Porfidio tequila were \$1.5 million in 2001. However, the decrease in sales of Porfidio tequila has not had a material adverse effect on the Company's consolidated results of operations.

Net sales of the Company's bottling operations were \$18.7 million in 2002, a decrease of 9.6% from net sales of \$20.6 million in 2001. The unit volume of the Company's bottling operations decreased 12.2% in 2002 as a result of decreased business with a large bottling customer. In addition, during 2002 the Company lost a contract bottling customer that represented approximately 48% of its 2002 unit volume in bottling operations. Management believes that this loss in volume will be partially offset by increased business with new and existing customers and that total bottling operations volume may decline by approximately 25% in 2003.

Net sales of vinegar and cooking wine were \$21.0 million in 2002, an increase of 0.5% from net sales of \$20.9 million in 2001.

GROSS PROFIT. Gross profit was \$31.1 million in 2002, a decrease of 2.9% from gross profit of \$32.1 million in 2001. Gross margin decreased to 31.2% in 2002 from 32.2% in 2001. The decrease in gross margin was primarily attributable to a change in product mix as the unit volume of higher margin bulk alcohol products declined.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$22.5 million in 2002, an increase of 9.8% from \$20.5 million in 2001. Effective October 1, 2001, the Company adopted SFAS 142, which requires that goodwill and certain other intangible assets no longer be amortized. There was no goodwill amortization in 2002 compared to \$1.3 million in 2001. Excluding goodwill amortization in 2001, selling, general and administrative expenses were \$22.5 million in 2002, an increase of 17.1% from \$19.2 million in 2001. The increase was primarily attributable to increased selling, general and administrative expenses related to the Company's premium branded spirits business of \$1.9 million, which included increased marketing expenses of \$1.1 million and \$0.3 million of non-recurring legal expenses, and increased corporate overhead of \$1.0 million, which included increases in insurance, personnel costs and \$0.4 million of non-recurring taxes and forfeitures related to the BATF settlement with respect to export shipments of bulk alcohol products (see Note 21 to the consolidated financial statements).

OPERATING INCOME. The following table sets forth the operating income (loss) by operating segment of the Company for 2002 and 2001 and the percent change for the periods.

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	YEAR ENDED SEPTEMBER 30,		% CHANGE
	2002	2001	
	-----	-----	-----
	(IN THOUSANDS)		
Bulk Alcohol Products	\$ 10,539	\$ 12,781	(17.5)
Premium Branded Spirits	(331)	(840)	-
Bottling Operations	129	221	(41.4)

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Vinegar and Cooking Wine	4,602	4,739	(2.9)
Corporate Operations and Other	(6,339)	(5,352)	-

	\$ 8,600	\$ 11,549	(25.5)
	=====		

As a result of the above factors, operating income was \$8.6 million in 2002, a decrease of 25.5% from operating income of \$11.5 million in 2001.

The Company's premium branded spirits segment experienced operating losses of \$331,000 in 2002 and \$840,000 in 2001. The operating losses reflected the Company's continuing efforts to increase market share by reinvesting segment gross profits in selling and marketing expenses, as well as legal expenses and decreased sales of Porfidio tequila discussed above.

INTEREST EXPENSE. Interest expense was \$3.1 million in 2002 and \$4.8 million in 2001. The decrease in interest expense was due to a lower average debt level and lower interest rates during 2002 compared to 2001.

INCOME TAX EXPENSE. The Company's effective income tax rate was 17.1% in 2002 and 20.1% in 2001. The low tax rate was attributable to a 90% exemption of the Company's Virgin Islands subsidiary from U.S. Virgin Islands income taxes. The exemption is effective through September 2020 (see Note 10 to the Consolidated Financial Statements). In addition, in 2002 and 2001 the Company benefited from the new Extraterritorial Income Exclusion.

FISCAL 2001 COMPARED TO FISCAL 2000

NET SALES. Net sales were \$99.8 million in 2001, an increase of 7.3% from net sales of \$93.0 million in 2000.

Net sales of bulk alcohol products were \$39.7 million in 2001, an increase of 6.1% from net sales of \$37.5 million in 2000. The increase resulted primarily from increased sales of wine products due to the Monarch Acquisition. Unit sales of citrus spirits decreased 9.9% and unit sales of wine products increased 6.7% in 2001 compared to 2000. These changes resulted from the Monarch Acquisition, as Monarch was a major purchaser of the Company's citrus spirits for use in producing fortified citrus wine.

Net sales of premium branded spirits were \$18.5 million in 2001, an increase of 15.1% from net sales of \$16.1 million in 2000. This increase reflected the continued success of the Company's Cruzan Estate Rums and Cruzan Flavored Rums. Sales of the Company's Cruzan Estate Rums and Cruzan Flavored Rums increased 13.8% and 59.6%, respectively, in 2001 compared to 2000. The strong sales increases in Cruzan Estate Rums and Cruzan Flavored Rums were partially offset by a decrease in sales of Porfidio tequila. As of September 30, 2001, the Company was out of stock of Porfidio tequila. The Company has not received a shipment of Porfidio tequila since March 2001, and cannot predict when or whether shipments of Porfidio will resume. During June 2001, Mexican regulatory authorities alleged that the Porfidio distillery violated certain regulations related to the sale of tequila and have prohibited the export of Porfidio tequila. The allegations have been denied by the Porfidio distillery. In addition, as a result of a trademark dispute with the Company, the producer of Antiqueno Aguardiente, one of the Company's premium branded spirits products, suspended shipments of the product to the Company in June 2001. Sales of the product amounted to \$1.6 million in 2001. As of November 2001, the Company was out of stock of Antiqueno Aguardiente. The Company entered into a settlement agreement with the producer of Antiqueno Aguardiente in April 2002. Pursuant to the settlement agreement, the Company has been reappointed exclusive U.S. importer of Antiqueno Aguardiente for a four-year period. The Company resumed sales of Antiqueno

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Aguardiente in June 2002. Management believes that the decreases in sales of Porfidio tequila and Antiqueno Aguardiente have not had, and are not expected to have, a material adverse effect on the Company's consolidated results of operations.

Net sales of the Company's bottling operations were \$20.6 million in 2001, an increase of 22.7% from net sales of \$16.8 million in 2000. The unit volume of the Company's bottling operations increased 46.2% in 2001 as a result of a bottling contract with a new customer.

Net sales of vinegar and cooking wine were \$20.9 million in 2001, an increase of 1.8% from net sales of \$20.5 million in 2000.

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GROSS PROFIT. Gross profit was \$32.1 million in 2001, an increase of 11.1% from gross profit of \$28.9 million in 2000. Gross margin increased to 32.2% in 2001 from 31.0% in 2000. The increase in gross margin was primarily attributable to a change in product mix as a result of the Monarch Acquisition.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$20.5 million in 2001, an increase of 15.5% from \$17.8 million in 2000. The increase was primarily attributable to (1) increased selling, administrative and marketing expenses related to the Company's premium branded spirits business, and (2) increased amortization expense.

OPERATING INCOME. The following table sets forth the operating income (loss) by operating segment of the Company for 2001 and 2000 and the percent change for the periods.

	YEAR ENDED SEPTEMBER 30,		% CHANGE -----
	2002 ----	2001 ----	
	(IN THOUSANDS)		
Bulk Alcohol Products	\$ 12,781	\$ 13,696	(6.7)
Premium Branded Spirits	(840)	120	-
Bottling Operations	221	(1,022)	-
Vinegar and Cooking Wine	4,739	3,673	29.0
Corporate Operations and Other	(5,352)	(5,369)	-
	\$ 11,549	\$ 11,098	4.1
	=====	=====	

As a result of the above factors, operating income was \$11.5 million in 2001, an increase of 4.1% over operating income of \$11.1 million in 2000.

The Company's premium branded spirits segment experienced an operating loss of \$840,000 in 2001 compared to operating income of \$120,000 in 2000. The operating loss reflected the Company's continuing efforts to increase market share by reinvesting segment gross profits in selling and marketing expenses, as well as the decrease in sales of Porfidio tequila discussed above.

The Company's bottling operations segment reported operating income of \$221,000 in 2001 compared to an operating loss of \$1,022,000 in 2000. The swing to profitability reflected volume increases as a result of a new major bottling contract.

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INTEREST EXPENSE. Interest expense was \$4.9 million in 2001 and \$5.1 million in 2000. The decrease in interest expense was due to lower interest rates during 2001 compared to 2000.

INCOME TAX EXPENSE. The Company's effective income tax rate was 20.1% in 2001 and 24.6% in 2000. The low tax rate was attributable to a 90% exemption of the Company's Virgin Islands subsidiary from U.S. Virgin Islands income taxes. The exemption is effective through September 2020 (see Note 10 to the Consolidated Financial Statements). In addition, in 2001 the Company benefited from the new Extraterritorial Income Exclusion.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's principal use of cash in its operating activities is for purchasing raw materials to be used in its manufacturing operations, purchasing imported products for its premium branded spirits business and carrying inventories and the subsequent receivables. The Company's source of liquidity has historically been cash flow from operations and its line of credit. Some of the Company's manufacturing operations are seasonal and the Company's borrowings on its line of credit vary during the year. For example, the Company uses citrus molasses as its primary raw material in the production of citrus brandy and spirits at its two Florida distilleries. The Company buys citrus

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molasses, a byproduct of citrus juice production, from local manufacturers of citrus juice and concentrate during the citrus harvest, which generally runs from November to June. The Company generally begins purchasing citrus molasses in November and builds inventory of citrus brandy and spirits. The Company must manufacture and build inventory while raw materials are available due to the short life of the citrus molasses it purchases. Another seasonal business of the Company is its contract bottling services. Demand for contract bottling services is highest from April through October. Management believes that cash provided by its operating and financing activities will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

OPERATING ACTIVITIES

Net cash provided by operating activities in 2002 was \$12.3 million, which resulted from \$11.6 million in net income adjusted for noncash items, and a \$0.7 million net change in operating assets and liabilities.

INVESTING AND FINANCING ACTIVITIES

Net cash used in investing activities in 2002 was \$0.7 million, including capital expenditures of \$6.0 million partially offset by a net redemption of short-term investments of \$5.1 million.

Net cash used in financing activities in 2002 was \$3.2 million, which resulted primarily from a \$1.5 million increase in borrowings under the revolving credit facility, offset by \$4.2 million of payments on long-term debt and \$.9 million in refinancing costs.

In October 2001, the Company's previous long-term debt and line of credit were replaced with a \$70 million credit agreement between the Company and a syndicate of lenders. The current credit agreement consists of (1) a \$30 million revolving credit facility which expires in October 2004, and (2) a term

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loan with an initial amount of \$40 million which matures on September 30, 2006. See Note 9 to the Company's consolidated financial statements for additional information related to the Company's long-term debt.

The Company's bank debt was \$56.5 million as of September 30, 2002, and its ratio of total debt to equity was 1.06 to 1.

The Company's share of the undistributed earnings of its Bahamian and Virgin Islands subsidiaries was approximately \$7.5 million and \$27.9 million, respectively, as of September 30, 2002. No provision has been made for taxes which would result from the remittance of such undistributed earnings, as the Company intends to reinvest these earnings indefinitely. See Note 10 to the Company's consolidated financial statements for additional information on income taxes related to these subsidiaries.

Based on current plans and business conditions, management expects that its cash and cash equivalents, together with any amounts generated from operations and available borrowings, will be sufficient to meet the Company's cash requirements for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are more fully described in Note 1 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the related disclosures of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions or conditions. The Company believes that the following critical accounting policy is subject to estimates and judgments used in the preparation of its consolidated financial statements:

The Company has goodwill and intangible assets associated with business acquisitions. The Company reviews these assets for impairment annually and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying value. If the fair value of these assets

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is less than their carrying value, then an impairment loss would be recognized equal to the excess of the carrying value over the fair value of the asset.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 but eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment. This statement also requires discontinued operations to be carried at the lower of cost or fair value less costs to sell and broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company does not expect the

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adoption of this statement to have a material impact on its results of operations or financial position.

RETIREMENT OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During November 2002, the Company announced the retirement of A. Kenneth Pincourt, Jr., its Founder, Chairman and Chief Executive Officer. The Company has entered into an agreement with Mr. Pincourt, setting forth the terms of his retirement. Under this agreement, the Company elected to accelerate retirement benefits and continue to pay compensation and provide related benefits through July 15, 2004. The Company will record a charge for these items during the first quarter of its 2003 fiscal year. The effect of this charge, net of income tax benefits, will be approximately \$1 million or \$.18 per common share. In addition, the Company's majority shareholder, Angostura, Ltd., has entered into an agreement with Mr. Pincourt to purchase 595,985 shares of common stock.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's results of operations and financial condition have not been significantly affected by inflation and changing prices. The Company has been able, subject to normal competitive conditions, to pass along rising costs through increased selling prices.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

	Market Risk Analysis September 30, 2002 Expected Maturity Date				
	2003	2004	2005	2006	2007
Assets					
Notes receivable:					
Fixed rate	\$ 118,165	\$ 521,768	\$ 3,432,289	\$ 100,750	\$ 109,218
Average interest rate	6.40%	6.37%	6.27%	8.12%	8.13%
Liabilities					
Long-term debt:					
Variable rate	\$ 4,000,000	\$ 24,500,000	\$ 4,000,000	\$ 24,517,009	\$ -
Average interest rate	4.57%	5.06%	4.57%	4.70%	-

	Market Risk Analysis September 30, 2002 Expected Maturity Date
	Fair Value
Assets	
Notes receivable:	
Fixed rate	\$ 4,619,131
Average interest rate	-
Liabilities	

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Long-term debt:	
Variable rate	\$ 57,017,009
Average interest rate	-

The Company carries certain variable rate debt and thus is exposed to the impact of interest rate changes. The table above summarizes the Company's market risk associated with debt obligations as of September 30, 2002.

In the event of an adverse change in interest rates, management would likely take certain actions to further mitigate the Company's exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, this analysis assumes no such actions. The Company had no financial instruments or derivative financial instruments held for trading purposes as of September 30, 2002.

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See Note 9 to the Company's consolidated financial statements for additional information related to Company's financing arrangements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and financial statement schedules of the Company and its subsidiaries, and the report of independent auditors, are listed at Item 15.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is incorporated by reference from the Company's definitive proxy statement for its 2003 annual stockholders' meeting.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the Company's definitive proxy statement for its 2003 annual stockholders' meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information about the Company's equity compensation plans as of September 30, 2002. All outstanding awards relate to the Company's Common Stock. For additional information about the Company's equity compensation plans, see note 12 to our consolidated financial statements.

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PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (c))
-----	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders(1)	482,500 (2)	8.64 (2)	742,000
Equity Compensation Plans Not Approved by Security Holders	60,000	9.06	
Total	542,500 (2)	8.69 (2)	742,000

(1) All of the shares reported in this row reflect stock options granted under the Company's 1992 Employee Stock Option Plan, as amended.

(2) During November 2002, the Company announced the retirement of A. Kenneth Pincourt, Jr., its Chairman and Chief Executive Officer. The Company has entered into an agreement with Mr. Pincourt setting forth the terms of his retirement. Under this agreement, all of Mr. Pincourt's options to purchase 110,000 shares of Common Stock were canceled. This Equity Compensation Plan Information table does not reflect such cancellation. Were the table to reflect such cancellation as of September 30, 2002, the figures in the "Equity Compensation Plans Approved by Security Holders" row would be: (column (a)) 372,500; (column (b)) \$8.13; and (column (c)) 852,000, and the figures under the "Total" row would be: (column (a)) 432,500; (column (b)) \$8.26; and (column (c)) 852,000.

The other information required by Item 12 is incorporated by reference from the Company's definitive proxy statement for its 2003 annual stockholders' meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference from the Company's definitive proxy statement for its 2003 annual stockholders' meeting.

ITEM 14. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report, management, including our Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and

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procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

CHANGES IN INTERNAL CONTROLS

In addition, management, including our Chief Executive Officer and our Chief Financial Officer, reviewed our internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules

See "Index to Financial Statements and Financial Statement Schedules."

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of Fiscal 2002.

The Company filed a Current Report on Form 8-K dated November 26, 2002. This Form 8-K reported information under Item 5 (Other Events and Required FD Disclosure).

(c) Exhibits

See "Index to Exhibits."

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of West Palm Beach, State of Florida, on the 12th day of December, 2002.

TODHUNTER INTERNATIONAL, INC.

By: /s/ Jay S. Maltby

Jay S. Maltby, Chairman of the Board,
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Jay S. Maltby	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	December 12, 2002

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Jay S. Maltby

/s/ Troy Edwards ----- Troy Edwards	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	December 12, 2002
/s/ Godfrey D. Bain ----- Godfrey D. Bain	Director	December 12, 2002
/s/ Donald L. Kasun ----- Donald L. Kasun	Director	December 12, 2002
/s/ Edward F. McDonnell ----- Edward F. McDonnell	Director	December 12, 2002
/s/ K. Ian McLachlan ----- K. Ian McLachlan	Director	December 12, 2002
/s/ D. Chris Mitchell ----- D. Chris Mitchell	Director	December 12, 2002
/s/ Leonard G. Rogers ----- Leonard G. Rogers	Director	December 12, 2002
/s/ Thomas A. Valdes ----- Thomas A. Valdes	Director	December 12, 2002

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CERTIFICATION REQUIRED BY THE
CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jay S. Maltby, certify that:

1. I have reviewed this annual report on Form 10-K of Todhunter International, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 18, 2002

/s/ Jay S. Maltby

Jay S. Maltby
Chairman of the Board, Chief Executive
Officer and President

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CERTIFICATION REQUIRED BY THE
CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Troy Edwards, certify that:

1. I have reviewed this annual report on Form 10-K of Todhunter International, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

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3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 18, 2002

/s/ Troy Edwards

Troy Edwards
Chief Financial Officer, Treasurer
and Controller

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a) Financial Statements

Independent Auditor's Report

Consolidated balance sheets as of September 30, 2002 and 2001

Consolidated statements of income for the years ended September 30, 2002, 2001 and 2000

Consolidated statements of stockholders' equity for the years ended September 30, 2002, 2001

Consolidated statements of cash flows for the years ended September 30, 2002, 2001 and 2000

Notes to consolidated financial statements

b) Financial Statement Schedule

Independent Auditor's Report

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted as not required, not applicable, not deemed material or because the information is included in the notes to the Registrant's consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Todhunter International, Inc.
West Palm Beach, Florida

We have audited the accompanying consolidated balance sheets of Todhunter International, Inc. and subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Todhunter International, Inc. and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, the Company

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adopted Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS.

/s/ McGladrey & Pullen, LLP

West Palm Beach, Florida
November 26, 2002

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2002 AND 2001

ASSETS -----	2002 -----	2001 -----
Current Assets		
Cash and cash equivalents	\$ 13,946,736	\$ 5,624,029
Short-term investments	3,397,033	8,533,851
Trade receivables	13,505,737	14,719,578
Other receivables	2,696,743	3,058,471
Inventories	27,854,925	27,483,329
Notes receivable, current maturities	118,165	109,770
Deferred income taxes	1,992,000	1,544,000
Other current assets	3,078,437	2,311,338
	-----	-----
TOTAL CURRENT ASSETS	66,589,776	63,384,366
Investments in and Advances to Equity Investees	1,584,628	1,729,103
Notes Receivable, less current maturities	584,687	663,785
Notes Receivable From Affiliates, less current maturities	3,774,773	3,560,923
Property and Equipment, less accumulated depreciation 2002 \$47,590,112; 2001 \$43,729,941	42,185,217	41,468,262
Goodwill	20,524,404	20,524,404
Amortized Intangible Assets	2,040,181	1,505,548
Other Assets	598,838	751,773
	-----	-----
	\$ 137,882,504	\$ 133,588,164
	=====	=====

See Notes to Consolidated Financial Statements.

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LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
-----	-----	-----
Current Liabilities		
Current maturities of long-term debt	\$ 4,000,000	\$ 4,000,000
Accounts payable	4,051,379	4,051,379
Accrued expenses	3,223,293	3,223,293
	-----	-----
TOTAL CURRENT LIABILITIES	11,274,672	11,274,672
Long-Term Debt, less current maturities	53,017,009	53,017,009
Deferred Income Taxes	4,710,000	4,710,000
Other Liabilities	1,811,459	1,811,459
	-----	-----
	70,813,140	70,813,140
	-----	-----
Commitments		
Stockholders' Equity		
Preferred stock, par value \$.01 per share; authorized 2,500,000 shares, no shares issued	-	-
Common stock, par value \$.01 per share; authorized 10,000,000 shares; issued 2002 5,669,434 and 2001 5,612,934 shares	56,694	56,694
Additional paid-in capital	18,664,449	18,664,449
Retained earnings	49,086,001	49,086,001
Accumulated other comprehensive loss	-	-
	-----	-----
	67,807,144	67,807,144
Less cost of 99,200 shares of treasury stock	(737,780)	(737,780)
	-----	-----
	67,069,364	67,069,364
	-----	-----
	\$ 137,882,504	\$ 137,882,504
	=====	=====

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
	-----	-----	-----
Sales	\$ 128,967,429	\$ 129,553,185	\$ 123,999,000
Less excise taxes	29,208,688	29,782,588	31,013,000
	-----	-----	-----
NET SALES	99,758,741	99,770,597	92,986,000
Cost of goods sold	68,619,983	67,687,409	64,116,000
	-----	-----	-----
GROSS PROFIT	31,138,758	32,083,188	28,870,000
Selling, general and administrative expenses	22,538,523	20,534,146	17,772,000

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OPERATING INCOME	8,600,235	11,549,042	11,097,
Other income (expense):			
Interest income	754,312	863,927	901,
Interest expense	(3,072,820)	(4,893,217)	(5,115,
Equity in income (losses) of equity investees	(144,474)	(10,562)	(297,
Other, net	431,676	254,432	119,
	(2,031,306)	(3,785,420)	(4,392,
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	6,568,929	7,763,622	6,705,
Income tax expense (benefit):			
Current	734,198	2,222,052	2,073,
Deferred	388,000	(661,000)	(425,
	1,122,198	1,561,052	1,648,
INCOME BEFORE EXTRAORDINARY ITEM	5,446,731	6,202,570	5,056,
Extraordinary item - early extinguishment of debt, net of income tax benefit of \$382,075	-	-	1,168,
NET INCOME	\$ 5,446,731	\$ 6,202,570	\$ 3,887,
Net income per common share:			
Basic:			
Income before extraordinary item	\$ 0.99	\$ 1.12	\$ 0
Extraordinary item	-	-	(0
	\$ 0.99	\$ 1.12	\$ 0
Diluted:			
Income before extraordinary item	\$ 0.97	\$ 1.12	\$ 0
Extraordinary item	-	-	(0
	\$ 0.97	\$ 1.12	\$ 0
Common shares and equivalents outstanding:			
Basic	5,526,781	5,513,734	5,513,
Diluted	5,624,164	5,527,410	5,550,

See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

Common Stock		Additional Paid-in Capital
Shares Issued	Amount	

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Balance, October 1, 1999	5,612,934	\$ 56,129	\$ 18,326,014
Net income	-	-	-
Unrealized loss on interest rate cap	-	-	-
Balance, September 30, 2000	5,612,934	56,129	18,326,014
Net income	-	-	-
Net unrealized income on interest rate cap	-	-	-
Balance, September 30, 2001	5,612,934	56,129	18,326,014
Issuance of common stock	56,500	565	338,435
Net income	-	-	-
Net unrealized income on interest rate cap	-	-	-
Balance, September 30, 2002	5,669,434	\$ 56,694	\$ 18,664,449

See Notes to Consolidated Financial Statements.

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	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares Acquired
Balance, October 1, 1999	\$ 33,548,731	\$ -	99,200
Net income	3,887,969	-	-
Unrealized loss on interest rate cap	-	(240,500)	-
Balance, September 30, 2000	37,436,700	(240,500)	99,200
Net income	6,202,570	-	-
Net unrealized income on interest rate cap	-	177,500	-
Balance, September 30, 2001	43,639,270	(63,000)	99,200
Issuance of common stock	-	-	-
Net income	5,446,731	-	-
Net unrealized income on interest rate cap	-	63,000	-
Balance, September 30, 2002	\$ 49,086,001	\$ -	99,200
	Total Stockholders' Equity	Total Comprehensive Income	
Balance, October 1, 1999	\$ 51,193,094	\$ 4,539,936	
Net income	3,887,969	3,887,969	
Unrealized loss on interest rate cap	(240,500)	(240,500)	
Balance, September 30, 2000	54,840,563	\$ 3,647,469	
Net income	6,202,570	\$ 6,202,570	
Net unrealized income on interest rate cap	177,500	177,500	

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Balance, September 30, 2001	61,220,633	\$ 6,380,070
Issuance of common stock	339,000	
Net income	5,446,731	\$ 5,446,731
Net unrealized income on interest rate cap	63,000	63,000
Balance, September 30, 2002	\$ 67,069,364	\$ 5,509,731

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
Cash Flows From Operating Activities			
Net income	\$ 5,446,731	\$ 6,202,570	\$ 3,887,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,252,962	4,709,087	4,447,000
Amortization	355,200	1,626,371	1,237,000
Equity in losses of equity investees	144,474	10,562	297,000
Deferred income taxes	388,000	(661,000)	(425,000)
Other	(30,370)	3,191	35,000
Changes in assets and liabilities, net of effects of purchases and sales			
(Increase) decrease in:			
Receivables	1,575,569	450,927	(1,911,000)
Inventories	(371,596)	(3,953,751)	(1,023,000)
Other assets	(767,099)	734,049	(1,207,000)
Increase (decrease) in:			
Accounts payable	(1,117,863)	92,862	(139,000)
Accrued expenses	897,589	334,277	(920,000)
Other liabilities	497,423	130,182	111,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,271,020	9,679,327	4,391,000
Cash Flows From Investing Activities			
Proceeds from sale of property and equipment	61,088	142,966	63,000
Principal payments received on notes receivable	106,853	3,511,912	1,790,000
Purchase of property and equipment	(6,000,633)	(6,634,699)	(5,827,000)
Disbursements for notes receivable	(250,000)	(9,300)	(342,000)
Purchase of short-term investments	(3,397,033)	(8,533,851)	(4,843,000)
Redemption of short-term investments	8,533,851	4,843,348	2,547,000
Purchase of Monarch Wine Company	-	-	(23,761)
Purchase of minority interest in subsidiary	-	(671,860)	(100,000)
Other	215,934	(72,504)	(409,000)
NET CASH USED IN INVESTING ACTIVITIES	(729,940)	(7,423,988)	(30,883,000)

(Continued)

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
	-----	-----	-----
Cash Flows From Financing Activities			
Net borrowings under line of credit arrangements	\$ 1,500,000	\$ 6,487,019	\$ 8,512,000
Proceeds from issuance of common stock	339,000	-	-
Purchase of interest rate cap	-	-	(250,000)
Disbursements for loan costs	(889,833)	(227,501)	(612,000)
Proceeds from long-term borrowings	-	-	56,947
Principal payments on long-term borrowings	(4,167,540)	(6,136,694)	(40,125,000)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,218,373)	122,824	24,471
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,322,707	2,378,163	(2,019,000)
Cash and cash equivalents:			
Beginning	5,624,029	3,245,866	5,265,000
	-----	-----	-----
Ending	\$ 13,946,736	\$ 5,624,029	\$ 3,245,000
	=====	=====	=====
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest	\$ 2,728,397	\$ 4,812,818	\$ 6,158,000
	=====	=====	=====
Income taxes	\$ 1,688,788	\$ 2,465,758	\$ 1,407,000
	=====	=====	=====
Supplemental Schedule of Noncash Investing and Financing Activities			

(Continued)

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

2002	2001	2000
-----	-----	-----

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Supplemental Schedule of Noncash Investing and Financing Activities, continued

Acquisition of Monarch Wine Company:

Cash purchase price	\$ -	\$ -	\$ 23,761
	=====	=====	=====
Working capital acquired	\$ -	\$ -	\$ 2,006
Goodwill	-	-	22,528
Operating lease on plant facility assumed, such facility was abandoned	-	-	(773)

	\$ -	\$ -	\$ 23,761
	=====	=====	=====

Sale of Bahamian operations:

Notes receivable exchanged for assets	\$ -	\$ -	\$ 3,500
	=====	=====	=====

Accounts receivable	\$ -	\$ -	\$ 215
Inventory	-	-	1,393
Property and equipment	-	-	1,469
Other current assets	-	-	121
Other assets	-	-	511
Other current liabilities assumed	-	-	(133)
Loss realized	-	-	(78)

	\$ -	\$ -	\$ 3,500
	=====	=====	=====

Investment in Premier Wines & Spirits, Ltd. for note receivable	\$ -	\$ -	\$ 1,000
	=====	=====	=====

See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS: Todhunter International, Inc. (the "Company") is a leading producer and supplier of brandy, rum, wine and spirits to other beverage alcohol manufacturers; produces, imports and markets premium branded spirits; bottles beverage alcohol and other beverages on a contract basis and under its own labels; and produces vinegar and cooking wine. The Company operates four production facilities in the United States and one in St. Croix, United States Virgin Islands and purchases products for resale from other producers.

OWNERSHIP: Angostura Limited ("Angostura"), a Trinidad-based distiller, has reported that, as a result of open market and private purchases, it beneficially owned shares, representing 53.6% of the Company's common stock at September 30, 2002.

A summary of the Company's significant accounting policies follows:

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include

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the accounts of Todhunter International, Inc. and all of its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20-50% ownership), are accounted for by the equity method.

ACCOUNTING ESTIMATES: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION: The Company recognizes revenue when its product is shipped, at which time title passes to the customer. Revenues from contract bottling services are recognized at the time the bottling process is completed. Excise taxes on products sold are billed directly to customers and are included in sales at the same time the product sold is recognized as revenue.

CASH EQUIVALENTS: The Company considers certificates of deposit and other short-term investments with an original maturity of three months or less to be cash equivalents. The Company maintains depository accounts in excess of FDIC insured limits. The Company has not experienced any credit losses in such accounts and does not anticipate any losses.

SHORT-TERM INVESTMENTS: The Company has investments in certificates of deposit and U.S. Government securities, which mature within one year of purchase. All of the Company's short-term investments are classified as held-to-maturity and are carried at amortized cost.

TRADE RECEIVABLES: The Company records trade receivables at cost, which approximates fair value at the respective balance sheet dates. The Company estimates its allowance for doubtful accounts based on a combination of historical and current information regarding the balance of trade receivables, as well as the current composition of the pool of trade receivables. The Company determines status on trade receivables based on the contractual terms of the original sale. Trade receivables that management believes to be uncollectible are written off upon such determination.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES: Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

PROPERTY AND EQUIPMENT: Property and equipment is stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the various classes of depreciable assets. Estimated lives are as follows:

Years

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Land improvements	3 to 20
Buildings and improvements	3 to 40
Machinery and equipment	3 to 33

FINANCIAL INSTRUMENTS: The Company had a derivative financial instrument to reduce the Company's interest rate risk, which was canceled in 2001. The derivative instrument consisted of an interest rate cap agreement with a bank, which was being accounted for as a cash flow hedge under Financial Accounting Standard No. 133 ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. The Company's policy is not to hold or issue derivative financial instruments for trading purposes.

Effective for fiscal year 2000, the Company adopted Financial Accounting Standard No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended, which requires companies to report all derivative instruments on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. If a derivative is not a hedge, it must be adjusted to fair value through income. If a derivative is a hedge, and depending on the nature of the hedge, any change in the fair value of the derivative is either (1) offset against the change in fair value of the hedged asset, liability, or firm commitments through earnings, or (2) recognized in other comprehensive income until the hedged item is recognized in earnings or the term of the hedge expires. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

AMORTIZATION: Amortization is computed on the straight-line basis over the estimated lives of the capitalized assets. Estimated lives are as follows:

	Years

Trademarks	20 - 40
Deferred loan costs	5

IMPAIRMENT OF LONG-LIVED ASSETS: In accordance with FASB Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES: Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount

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expected to be realized.

PREFERRED STOCK: The Company has authorized 2,500,000 shares of \$.01 par value preferred stock. No terms are stated as to dividend, liquidation or other rights applicable to these shares.

RECLASSIFICATIONS: Certain amounts in the 2001 and 2000 consolidated financial statements have been reclassified to conform with the 2002 presentation.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting No. 142 ("SFAS 142"), GOODWILL AND OTHER INTANGIBLE ASSETS.

SFAS 142 Supercedes APB Opinion No. 17, INTANGIBLE ASSETS, and requires goodwill and other intangible assets that have an indefinite useful life to no longer be amortized; however, these assets must be reviewed at least annually for impairment. Application of SFAS 142 was required starting with fiscal years beginning after December 15, 2001. Early application was permitted for entities with fiscal years beginning after March 15, 2001. The Company adopted SFAS 142 effective October 1, 2001. As required by SFAS 142, the Company has completed the transitional goodwill impairment test and has concluded that there was no impairment to goodwill as of October 1, 2001. The following table presents the adjusted net income and earnings per share of the Company, adding back the goodwill amortization net of income taxes, for the years ended September 30, 2002, 2001 and 2000, as if the Company had adopted SFAS 142 as of October 1, 1999.

	2002	2001	2000
	-----	-----	-----
	(in thousands)		
Reported Net Income	\$ 5,446,731	\$ 6,202,570	\$ 3,887,969
Add back: Goodwill amortization, net	-	809,581	663,934
	-----	-----	-----
Adjusted net income	\$ 5,446,731	\$ 7,012,151	\$ 4,551,903
	=====	=====	=====
Basic Earning Per Share:			
Reported net income	\$ 0.99	\$ 1.12	\$ 0.71
Goodwill amortization	-	0.15	0.12
	-----	-----	-----
Adjusted net income	\$ 0.99	\$ 1.27	\$ 0.83
	=====	=====	=====
Diluted Earnings Per Share:			
Reported net income	\$ 0.97	\$ 1.12	\$ 0.70
Goodwill amortization	-	0.15	0.12
	-----	-----	-----
Adjusted net income	\$ 0.97	\$ 1.27	\$ 0.82
	=====	=====	=====

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NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In August 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30 "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 retains the fundamental provisions of SFAS No. 121 but eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment. This statement also requires discontinued operations to be carried at the lower of cost or fair value less costs to sell and broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The Company does not expect the adoption of this statement to have a material impact on its results of operations or financial position.

NOTE 3. INVENTORIES

The major components of inventories as of September 30, 2002 and 2001 are:

	2002	2001
	-----	-----
Finished goods	\$ 16,470,057	\$ 16,879,276
Work in process	1,513,786	598,648
Raw materials and supplies	9,871,082	10,005,405
	-----	-----
	\$ 27,854,925	\$ 27,483,329
	=====	=====

NOTE 4. NOTES RECEIVABLE

Notes receivable consist of the following as of September 30, 2002 and 2001:

	2002	2001
	-----	-----
8% note, collateralized by real property, monthly principal and interest payments of \$10,313 through April 2009	\$ 631,760	\$ 701,897
Other	32,025	34,861
	-----	-----
	663,785	736,758
Less current maturities	79,098	72,973
	-----	-----
	\$ 584,687	\$ 663,785
	=====	=====

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTES RECEIVABLE FROM AFFILIATES

Notes receivable from affiliates consist of the following as of September 30, 2002 and 2001:

	2002	2001
	-----	-----
6% note, unsecured from British Fidelity Holdings Limited, an affiliate through common ownership. Monthly principal and interest payments of \$20,000 due through July 2005, with remaining balance of \$3,305,560 due in August 2005. This note is guaranteed by British Fidelity Assurance, Ltd.	\$ 3,416,793	\$ 3,450,674
7% note, unsecured from BF Enterprises Limited, an affiliate through common ownership. Monthly interest payments through July 2004. Principal due on demand on August 1, 2004	397,047	147,046
	-----	-----
	3,813,840	3,597,720
Less current matruities	39,067	36,797
	-----	-----
	\$ 3,774,773	\$ 3,560,923
	=====	=====

NOTE 6. PROPERTY AND EQUIPMENT

The major classifications of property and equipment as of September 30, 2002 and 2001 are:

	2002	2001
	-----	-----
Land	\$ 5,086,665	\$ 4,640,086
Land improvements	1,378,005	1,378,005
Buildings and improvements	17,934,298	17,190,201
Machinery and equipment	65,376,361	61,989,911
	-----	-----
	89,775,329	85,198,203
Less accumulated depreciation	47,590,112	43,729,941
	-----	-----
	\$ 42,185,217	\$ 41,468,262
	=====	=====

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 7. AMORTIZED INTANGIBLE ASSETS

Amortized Intangible Assets consist of the following as of September 30, 2002, 2001 and 2000:

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	2002		2001		Gross Carry Amount
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Trademarks	\$ 1,302,000	\$ 426,951	\$ 1,302,000	\$ 386,751	\$ 1,502,
Deferred loan costs	1,729,783	564,651	839,950	249,651	612,
	\$ 3,031,783	\$ 991,602	\$ 2,141,950	\$ 636,402	\$ 2,114,

Aggregate amortization expenses were \$355,200, \$287,567 and \$172,483 for the years ended 2002, 2001 and 2000, respectively.

Estimated amortization expenses as of September 30, 2002 are as follows:

Year Ending September 30,	Amount
2003	\$ 339,200
2004	339,200
2005	339,070
2006	308,120
2007	40,000
	\$ 1,365,590

NOTE 8. ACCRUED EXPENSES

Accrued expenses consist of the following as of September 30, 2002 and 2001:

	2002	2001
Accrued payroll and related expenses	\$ 1,833,255	\$ 1,645,788
Other	1,390,038	679,916
	\$ 3,223,293	\$ 2,325,704

TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 9. FINANCING ARRANGEMENTS

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Long-term debt consists of the following as of September 30, 2002 and 2001:

	2002	2001
	-----	-----
Term loans under a credit agreement (i) (ii), interest payable monthly based on either the Eurodollar or prime rate at the Company's option, plus an applicable margin as defined in the agreement. The interest rate at September 30, 2002 was 4.57%. Future minimum quarterly principal installments of \$1,000,000 through September 30, 2006 with any remaining balance due on September 30, 2006	\$ 36,000,000	\$ 40,000,000
Revolving loans under a credit agreement (i), interest payable quarterly based on either the Eurodollar or prime rate at the Company's option, plus an applicable margin as defined in the agreement. The blended interest rate at September 30, 2002 was 5.15%. The revolving lines of credit terminate in October 2004	20,500,000	19,000,000
Other	517,009	684,549
	-----	-----
	57,017,009	59,684,549
Less current maturities	4,000,000	4,000,000
	-----	-----
	\$ 53,017,009	\$ 55,684,549
	=====	=====

- (i) In October 2001, the Company entered into a \$70 million credit agreement, which consists of \$40 million term loans and \$30 million revolving loan facilities. The credit agreement is collateralized by principally all assets located in the United States of America. The Company is restricted from paying dividends to stockholders. Also, the Company is required to maintain unencumbered cash or marketable securities of \$4 million at the end of each fiscal quarter and to maintain a minimum fixed charge and interest coverage ratios among other financial covenants.
- (ii) In addition to the quarterly principal payments, the Company may be required to make additional principal payments based on results of the Company's domestic operating profits as defined in the agreement.

In fiscal year 2000, the Company recognized an extraordinary loss of \$1,168,790, net of an income tax benefit of \$382,075 on its early extinguishment of debt.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 9. FINANCING ARRANGEMENTS (CONTINUED)

Maturities of long-term debt as of September 30, 2002 are as follows:

Year Ending	
September 30,	Amount
-----	-----

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2003	\$ 4,000,000
2004	24,500,000
2005	4,000,000
2006	24,517,009

	\$ 57,017,009
	=====

NOTE 10. INCOME TAXES

Income tax expense before extraordinary item consists of the following for the years ended September 30, 2002, 2001 and 2000:

	2002	2001	2000
	-----	-----	-----
Current income tax expense (benefit):			
Federal	\$ 756,092	\$ 2,032,885	\$ 1,887,250
State	(21,894)	189,167	186,628
	-----	-----	-----
	734,198	2,222,052	2,073,878
	-----	-----	-----
Deferred income tax expense (benefit):			
Federal	357,000	(596,000)	(377,000)
State	31,000	(65,000)	(48,000)
	-----	-----	-----
	388,000	(661,000)	(425,000)
	-----	-----	-----
Total income tax expense before extraordinary item	\$ 1,122,198	\$ 1,561,052	\$ 1,648,878
	=====	=====	=====

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES (CONTINUED)

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the deferred tax assets and liabilities relate to the following as of September 30, 2002 and 2001:

	2002	2001
	-----	-----
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	\$ 4,027,000	\$ 3,610,000
Goodwill, principally due to differences in amortization	683,000	264,000
	-----	-----
	4,710,000	3,874,000
	-----	-----

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Deferred tax assets:

Inventories, principally due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	1,307,000	854,000
Differences related to anticipated future expenses and allowances	265,000	499,000
Deferred compensation	420,000	191,000
	1,992,000	1,544,000
Net deferred income tax liability	\$ 2,718,000	\$ 2,330,000

No valuation allowance has been recorded as of September 30, 2002 or 2001.

Income tax expense differed from the amounts computed by applying the statutory federal income tax rate to income before income taxes and extraordinary item as a result of the following for the years ended September 30, 2002, 2001 and 2000:

	2002	2001	2000
Computed "expected" tax expense	\$ 2,233,436	\$ 2,639,632	\$ 2,279,916
Nondeductible operating losses			
Bahamian subsidiary	229,574	141,288	189,374
Effect of income tax subsidy on earnings of Virgin Islands subsidiary	(930,907)	(1,090,153)	(1,040,427)
Nondeductible losses of equity investee	-	-	101,092
Effect of extraterritorial deduction on income tax	(208,392)	(224,654)	-
Other	(201,513)	94,939	118,923
	\$ 1,122,198	\$ 1,561,052	\$ 1,648,878
Total income tax expense on income before extraordinary item	\$ 1,122,198	\$ 1,561,052	\$ 1,648,878

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 10. INCOME TAXES (CONTINUED)

Generally, the operating income of the Company's Bahamian subsidiary is not subject to United States income taxes as there are no income taxes in the Commonwealth of the Bahamas. The Company sold all of its remaining operating assets in the Bahamas in fiscal year 2000 for \$3.5 million. Certain passive income of the Bahamian subsidiary is subject to United States income taxes.

The Virgin Islands subsidiary, through the Industrial Development Commission of the Government of the Virgin Islands of the United States, has received a 90% exemption from income taxes on operating income. This exemption is effective through September 2020. The per share effect of this exemption on earnings on a basic and diluted basis for the years ended September 30, 2002, 2001 and 2000, respectively, is as follows:

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	2002 -----	2001 -----	2000 -----
Basic	\$ 0.18	\$ 0.20	\$ 0.19
Diluted	0.18	0.20	0.19

With respect to the Bahamian and Virgin Islands subsidiaries, no provision has been made for taxes, which would result from the remittance of such undistributed earnings as the Company intends to reinvest these earnings indefinitely. The Company's share of the undistributed earnings of the Bahamian and Virgin Islands subsidiaries was approximately \$7,500,000 and \$27,900,000, respectively, as of September 30, 2002. The undistributed earnings of the Bahamian subsidiary have been reduced by any previously taxed income.

NOTE 11. LEASES

The Company occupies office space under noncancelable operating leases which expire between September 2004 and December 2006. One of the leases contains two renewal options of five years each.

Future minimum lease payments under these noncancelable operating leases as of September 30, 2002 are as follows:

Year Ending September 30, -----	Amount -----
2003	\$ 436,032
2004	436,032
2005	396,432
2006	396,432
2007	99,108

	\$ 1,764,036
	=====

Rent expense for office space (including the Company's share of common area expenses, real estate and sales taxes) amounted to \$485,206, \$400,538 and \$309,832 for the years ended September 30, 2002, 2001 and 2000, respectively.

TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 12. STOCK OPTIONS

On August 11, 1992, the Company adopted a stock option plan for the grant of options to key employees. Option prices may not be less than 85% of the fair market value of the Company's common stock on the date of grant for nonqualified options or 100% of such fair market value for qualified stock options. As of September 30, 2002, 1,400,000 shares are reserved for issuance under the option plan. Options granted have vesting periods ranging from 3 to 5 years. During the year ended September 30, 2002, the Company received a total of \$339,000 upon the exercise of stock options for 56,500 shares. There were no stock options

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exercised during the years ended September 30, 2001 and 2000.

The Company applies Accounting Principles Board Opinion Number 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES ("APB 25") and related interpretations in accounting for options granted, which requires compensation expense for the Company's options to be recognized only if the market price of the underlying stock exceeds the exercise price on the date of grant. Accordingly, the Company has not recognized compensation expense for its options granted after 1994. SFAS 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, issued in October 1995, requires pro forma disclosures for option grants made after December 31, 1994, when accounting for stock-based compensation plans in accordance with APB 25.

If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed by SFAS No. 123, net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	2002	2001	2000
	-----	-----	-----
Net income, as reported	\$ 5,446,731	\$ 6,202,570	\$ 3,887,969
Net income, pro forma	5,179,845	5,935,684	3,442,853
Earnings per common share, as reported (Basic)	0.99	1.12	0.71
Earnings per common share, as reported (Diluted)	0.97	1.12	0.70
Earnings per common share, pro forma (Basic)	0.94	1.08	0.62
Earnings per common share, pro forma (Diluted)	0.92	1.07	0.62

The pro forma effects are determined as if compensation costs were recognized using the fair value based accounting method. The fair values of options granted during 1999 and 1998 were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 4.75% and 4.75%; expected lives of 10 years; expected volatility of 29% and 30%; and a zero percent dividend yield. The weighted-average fair value of options granted during 1999 and 1998 was \$3.98 and \$4.67, respectively.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 12. STOCK OPTIONS (CONTINUED)

A reconciliation of the Company's stock option activity, and related information, for the years ended September 30, 2002, 2001 and 2000 follows:

	2002	2001	2000	
	-----	-----	-----	
NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	Number of Options	Weighted Average Exercise Price	Number of Options

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Outstanding,					
beginning of year	599,000	\$ 8.43	599,000	\$ 8.43	599,000
Granted	-	-	-	-	-
Exercised	(56,500)	6.00	-	-	-
Forfeited	-	-	-	-	-
	=====	=====	=====	=====	=====
Outstanding,					
end of year	542,500	\$ 8.69	599,000	\$ 8.43	599,000
	=====	=====	=====	=====	=====
Exercisable,					
end of year	408,500	\$ 8.87	398,000	\$ 8.59	311,000
	=====	=====	=====	=====	=====

The following table summarizes information about the stock options at September 30, 2002:

EXERCISE PRICE	NUMBER OUTSTANDING AT SEPTEMBER 30, 2002	NUMBER EXERCISABLE AT SEPTEMBER 30, 2002	EXPIRATION DATE
-----	-----	-----	-----
12.2500	60,000	60,000	April 2004
8.1250	87,500	87,500	February 2006
9.0625	60,000	60,000	May 2008
8.1250	335,000	201,000	December 2008
	-----	-----	
	542,500	408,500	
	=====	=====	

The exercise price of options granted has been made at grant date fair value.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates primarily in the beverage alcohol industry in the United States. The Company reports its operating results in five segments:

Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts) Premium Branded Spirits (primarily Cruzan Estate Rums and Cruzan Flavored Rums) Bottling Operations (contract bottling services and proprietary and private label products) Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods) Corporate Operations and Other (primarily corporate related items).

The accounting policies of the reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements. The Company evaluates the performance of its operating segments based on income before income taxes, equity in losses of equity investee, interest income and expense.

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Material intersegment sales and transfers have been eliminated.

Summarized financial information concerning the Company's reportable segments is shown in the following table. "Corporate Operations and Other" includes corporate related items and the results of certain nonmaterial operations.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

Net sales, operating income (loss), identifiable assets, depreciation and amortization and capital expenditures for the Company's operating segments for the years ended September 30, 2002, 2001 and 2000 are as follows:

(in thousands)	2002	2001	2000
	-----	-----	-----
Net Sales			
Bulk Alcohol Products	\$ 35,447	\$ 39,727	\$
Premium Branded Spirits	24,698	18,547	
Bottling Operations	18,661	20,644	
Vinegar and Cooking Wine	20,953	20,853	
Corporate Operations and Other	-	-	
	-----	-----	-----
	\$ 99,759	\$ 99,771	\$
	=====	=====	=====
Operating Income (Loss)			
Bulk Alcohol Products	\$ 10,539	\$ 12,781	\$
Premium Branded Spirits	(331)	(840)	
Bottling Operations	129	221	
Vinegar and Cooking Wine	4,602	4,739	
Corporate Operations and Other	(6,339)	(5,352)	
	-----	-----	-----
	\$ 8,600	\$ 11,549	\$
	=====	=====	=====
Identifiable Assets			
Bulk Alcohol Products	\$ 71,974	\$ 68,235	\$
Premium Branded Spirits	8,778	8,902	
Bottling Operations	23,081	24,107	
Vinegar and Cooking Wine	20,010	21,010	
Corporate Operations and Other	14,040	11,334	
	-----	-----	-----
	\$ 137,883	\$ 133,588	\$ 1
	=====	=====	=====
Depreciation and Amortization			
Bulk Alcohol Products	\$ 3,005	\$ 3,229	\$
Premium Branded Spirits	88	271	
Bottling Operations	1,612	1,471	
Vinegar and Cooking Wine	473	1,140	
Corporate Operations and Other	430	224	
	-----	-----	-----
	\$ 5,608	\$ 6,335	\$
	=====	=====	=====
Capital Expenditures			
Bulk Alcohol Products	\$ 4,269	\$ 3,328	\$

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Premium Branded Spirits	166	205	
Bottling Operations	1,166	2,481	
Vinegar and Cooking Wine	247	549	
Corporate Operations and Other	153	72	
	-----	-----	-----
	\$ 6,001	\$ 6,635	\$
	=====	=====	=====
Goodwill			
Bulk Alcohol Products	\$ 9,471	\$ 9,471	\$
Premium Branded Spirits	-	-	
Bottling Operations	-	-	
Vinegar and Cooking Wine	11,053	11,053	
Corporate Operations and Other	-	-	
	-----	-----	-----
	\$ 20,524	\$ 20,524	\$
	=====	=====	=====

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

Sales and operating income for the years ended September 30, 2002, 2001, and 2000 and identifiable assets as of the end of each period classified by geographic area, were as follows:

	UNITED STATES	U. S. VIRGIN ISLANDS AND THE BAHAMAS	CONSOLIDATED
	-----	-----	-----
September 30, 2002:			
Net sales	\$ 88,617,308	\$ 11,141,433	\$ 99,758,741
Operating income	5,372,667	3,227,568	8,600,235
Identifiable assets	95,698,471	42,184,033	137,882,504
September 30, 2001:			
Net sales	\$ 87,489,403	\$ 12,281,194	\$ 99,770,597
Operating income	7,519,943	4,029,099	11,549,042
Identifiable assets	94,024,629	39,563,535	133,588,164
September 30, 2000:			
Net sales	\$ 79,405,802	\$ 13,580,895	\$ 92,986,697
Operating income	7,843,670	3,254,089	11,097,759
Identifiable assets	89,271,882	37,273,566	126,545,448

Included in net sales for the United States are export sales, primarily to Eastern Europe, Canada and the Caribbean, totaling approximately \$6,400,000, \$6,400,000 and \$5,700,000 for the years ended September 30, 2002, 2001 and 2000.

NOTE 14. PENSION PLAN

The Company has a defined contribution retirement plan which covers substantially all United States employees. Effective January 1, 2000, the plan was restated as a discretionary 401(k) Profit Sharing Plan and has been renamed the Todhunter International, Inc. Compensation Deferral Plan (the

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"Restated Plan"). Under the Restated Plan, participants may make elective contributions based on their eligible compensation. Participants are immediately vested in any elective contributions and related earnings, if any. Generally, employer contributions to the plan begin to vest to the benefit of the participant after three years of service. Participants are entitled, upon retirement, to their vested portion of the retirement fund assets. The Company contributed approximately \$1,043,311, \$915,998 and \$644,749 to the plan for the years ended September 30, 2002, 2001 and 2000, respectively.

Under the old plan, the Company contributed 6.0% of an employee's total compensation, plus 5.5% of compensation in excess of the Social Security tax wage base. An employee's compensation in excess of \$170,000 was disregarded in determining the Company's contribution. Generally, employer contributions to the plan began to vest to the benefit of the participant after three years of service. Participants were entitled, upon retirement, to their vested portion of the retirement fund assets.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 15. INVESTMENT IN PREMIER WINES & SPIRITS, LTD.

In 1997, the Company acquired a 45% interest in Premier Wines & Spirits, Ltd., ("Premier"), a wholesale liquor distributor in the United States Virgin Islands, for \$450,000. This investment is being accounted for using the equity method. The Company had sales to Premier of approximately \$2,007,654, \$1,946,000 and \$2,069,000 for the years ended September 30, 2002, 2001 and 2000, respectively. Included in trade receivables is approximately \$455,000 and \$416,000 as of September 30, 2002 and 2001, respectively, related to these sales. The Company has outstanding advances to Premier of \$587,019 as of September 30, 2002 and 2001, respectively, which are included in investments in and advances to equity investees. These advances are unsecured and bear interest at 8.5%. On November 1, 2002 the interest rate was reduced to 6.0%. Interest payments are due monthly or on demand in accordance with the terms of the agreement. Principal is payable on demand.

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying amounts approximate fair values as of September 30, 2002 and 2001 for cash and cash equivalents, short-term investments, trade receivables, other receivables and accounts payable because of the short-term maturities of those instruments.

NOTES RECEIVABLE: The fair value of the Company's notes receivable has been determined based on available market information and management's estimate of current market conditions of similar instruments.

LONG-TERM DEBT: The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities with similar collateral requirements.

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	Carrying Amount		Fair Value	
	2002	2001	2002	
Financial assets:				
Notes receivable, including note receivable from affiliate	\$ 4,477,625	\$ 4,187,432	\$ 4,619,131	\$
Financial liabilities:				
Long-term debt	\$ 57,017,009	\$ 59,684,549	\$ 57,017,009	\$ 5

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 17. NET INCOME PER COMMON SHARE

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period.

	2002	2001	
Net income	\$ 5,446,731	\$ 6,202,570	\$
Determination of shares:			
Weighted average number of common shares outstanding	5,526,781	5,513,734	
Shares issuable on exercise of stock options, net of shares assumed to be repurchased	97,383	13,676	
Average common shares outstanding for diluted computation	5,624,164	5,527,410	
Net income per common share:			
Basic:			
Income before extraordinary item	\$ 0.99	\$ 1.12	\$
Extraordinary item	-	-	
Net income	\$ 0.99	\$ 1.12	\$
Diluted:			
Income before extraordinary item	\$ 0.97	\$ 1.12	\$
Extraordinary item	-	-	
Net income	\$ 0.97	\$ 1.12	\$

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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NOTE 18. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter	First	Second	Third
	(In thousands, except per share and gross margin)		
2002:			
Net sales	\$ 24,469	\$ 23,496	\$ 26,809
Gross profit	7,556	7,142	8,644
Gross margin	30.8%	30.4%	32.2%
Net income	1,490	1,725	1,755
Net income per share:			
Basic	0.27	0.31	0.32
Diluted	0.27	0.31	0.31
2001:			
Net sales	\$ 22,263	\$ 25,474	\$ 26,093
Gross profit	7,691	7,777	8,928
Gross margin	34.5%	30.5%	34.2%
Net income	1,244	1,487	1,919
Net income per share:			
Basic	0.23	0.27	0.35
Diluted	0.23	0.27	0.35
2000:			
Net sales	\$ 20,462	\$ 23,458	\$ 23,722
Gross profit	6,507	7,276	7,976
Gross margin	31.8%	31.0%	33.6%
Income before extraordinary item	1,290	1,329	1,319
Net income	121	1,329	1,319
Net income per share:			
Basic	0.02	0.24	0.24
Diluted	0.02	0.24	0.24

* In the fourth quarter of 2002, the Company incurred increased marketing expenses, increased its reserves for deferred compensation and recorded a loss in an equity investment.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 19. ACQUISITION OF MONARCH WINE COMPANY

In November 1999, the Company completed the purchase of the assets of Monarch Wine Company of Atlanta, Georgia, a privately held company. The purchase price was approximately \$23.8 million in cash. Monarch specializes in the manufacturing of wines, including custom blended wines and cooking wines for the food industry and base wines for producers of vinegar and beverage alcohol.

The assets acquired and liabilities assumed with this acquisition were as follows:

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Current assets acquired	\$ 2,937,219
Goodwill	22,528,351
Current liabilities assumed	(930,427)
Noncancelable operating lease on plant facility assumed	(773,237)

	\$ 23,761,906
	=====

The Company assumed a noncancelable lease on Monarch's plant facility which has since been abandoned by the Company. The net present value of this lease at the date of purchase was recorded as a liability and increased goodwill, accordingly.

NOTE 20. SALE OF BAHAMIAN OPERATIONS

In September 2000, the Company sold all of its remaining operating assets in the Bahamas to British Fidelity Holdings Limited, an affiliate through common ownership, for \$3.5 million. The Company received a note receivable (see Note 5) for \$3.5 million and recorded a loss of \$78,838 on the transaction.

NOTE 21. LEGAL PROCEEDINGS

The Bureau of Alcohol, Tobacco and Firearms of the United States Department of the Treasury (the "BATF") had advised the Company that it was conducting an investigation of shipments made by various U. S. alcohol producers to certain countries formerly included in the Soviet Union. The BATF had indicated that it believed that certain of the Company's export shipments may not have conformed to the specifications required by the BATF, and that this nonconformity may have violated U.S. Law.

In June 2002, the Company entered into agreements with the BATF providing for the following: (1) the Company agreed to pay a total of \$400,000 in taxes and forfeitures, which was paid in June 2002; (2) the Company agreed to a four-day suspension (which was served in July 2002) of the Company's federal basic permit at its Florida facilities; and (3) the BATF has indicated that it will not seek any further actions against or penalties from the Company with respect to the shipments in question.

The Company believes that the agreements with the BATF have not and will not have a material adverse effect on the Company's financial condition or results of operation.

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TODHUNTER INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 22. SUBSEQUENT EVENT

During November 2002, the Company announced the retirement of A. Kenneth Pincourt, Jr., its Founder, Chairman and Chief Executive Officer. The Company has entered into an agreement with Mr. Pincourt, setting forth the terms of his retirement. Under this agreement, the Company elected to accelerate retirement benefits and continue to pay compensation and provide related benefits through July 15, 2004. The Company will record a charge for these items during the first quarter of its 2003 fiscal year. The effect of this charge, net of income tax benefits, will be approximately \$1 million or \$.18 per common share. In addition, the Company's majority shareholder, Angostura, Ltd., has entered into an agreement with Mr. Pincourt to purchase 595,985 shares of common stock.

INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
Todhunter International, Inc.
West Palm Beach, Florida

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated financial statements Schedule II for the years ended September 30, 2002, 2001, and 2000 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP

West Palm Beach, Florida
November 26, 2002

TODHUNTER INTERNATIONAL, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Year Ended September 30,		
	2002	2001	2000
Inventory Reserve:			
Balance, beginning of period	\$ 723,007	\$ 9,689	\$ 222,844
Charged to costs and expenses	108,633	1,163,318	-
Deductions	(418,094)	(450,000)	(213,155)
Balance, end of period	\$ 413,546	\$ 723,007	\$ 9,689

TODHUNTER INTERNATIONAL, INC.
INDEX TO EXHIBITS

- 3.1 Amended and Restated Certificate of Incorporation of Todhunter International, Inc.(1)
- 3.2 Amended and Restated By-Laws of Todhunter International, Inc.(6)

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- 4.1 Form of Todhunter International, Inc. Common Stock Certificate(1)
- 10.6 Todhunter International, Inc. 1992 Stock Option Plan, as amended(3)
- 10.8 Lease, dated March 24, 1988, as amended, between Todhunter International, Inc. and Especially West Palm Beach, Inc.(1)
- 10.8(a) Amendment to Lease, dated January 1, 1997, between Todhunter International, Inc. and Florida Acquisition Fund Esperante, Ltd.(4)
- 10.16 Asset Purchase Agreement dated as of September 27, 1999, among Todhunter International, Inc. and Adams Wine Company d/b/a Monarch Wine Company of Georgia, and Howard J. Weinstein, David Paszamant, Jay Paszamant and Matthew Paszamant(5)
- 10.18 Executive Employment Agreement dated as of July 15, 1999, between Thomas A. Valdes and Todhunter International, Inc.(6)
- 10.19 Executive Employment Agreement dated as of July 15, 1999, between Jay S. Maltby and Todhunter International, Inc.(6)
- 10.20 Executive Employment Agreement dated as of July 15, 1999, between A. Kenneth Pincourt, Jr. and Todhunter International, Inc.(6)
- 10.21 Executive Employment Agreement dated as of July 15, 1999, between D. Chris Mitchell and Todhunter International, Inc.(6)
- 10.22 Amended and Restated Credit Agreement dated as of October 19, 2001, by and among Todhunter International, Inc., and each of the Financial Institutions Initially a Signatory thereto, and SouthTrust Bank(7)
- 10.23 Agreement and General Release of All Claims between Todhunter International, Inc. and A. Kenneth Pincourt, Jr., dated as of November 26, 2002(8)
- 11.1 Statement of Computation of Per Share Earnings(9)
- 21.1 Subsidiaries of Todhunter International, Inc.(2)
- 23.1 Consent of McGladrey & Pullen, LLP(10)
- 99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(10)
- 99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(10)

(1) Incorporated herein by reference to the Company's Registration Statement on Form S-1 (File No. 33-50848).

(2) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1995.

(3) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1997.

(4) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1998.

(5) Incorporated herein by reference to the Company's Current Report on Form 8-K for November 17, 1999.

(6) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1999.

(7) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 2001.

(8) Incorporated herein by reference to the Company's Current Report on Form 8-K for November 26, 2002.

(9) Filed herewith and incorporated herein by reference to Note 17 of notes to consolidated financial statements, included in Item 8 of the Company's Annual Report on Form 10-K for the year ended September 30,

2002.

(10) Filed herewith.