CRUZAN INTERNATIONAL, INC.
Form 10-Q
May 18, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2005

Commission File No. 1-13453

CRUZAN INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**59-1284057** IRS Employer Identification No.
222 Lakeview Avenue, Suite 1500, West Palm Beach, FL (Address of principal executive offices)	**33401** (Zip Code)

Registrant s telephone number, including area code: **(561) 655-8977**

TODHUNTER INTERNATIONAL, INC.

(Former name, if changed since last report)

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 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

The number of shares outstanding of registrant s Common Stock, $.01 par value per share, as of May 10, 2005 was 6,338,519.

CRUZAN INTERNATIONAL, INC.

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* Item is omitted because answer is negative or item is inapplicable.

CRUZAN INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2005 (Unaudited)	September 30, 2004 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,261,618	$ 3,617,582
Short-term investments	217,293	216,246
Trade receivables	17,162,268	17,970,125
Other receivables	1,481,365	2,448,611
Inventories	32,660,181	29,162,496
Notes receivable, current maturities	3,539,807	3,559,409
Deferred income taxes	1,303,500	981,000
Other current assets	3,145,402	3,195,781
Total current assets	63,771,434	61,151,250
LONG-TERM INVESTMENTS AND RECEIVABLES		
Investments in and advances to equity investees	2,544,438	2,232,285
Notes receivable from affiliates, less current maturities	375,000	375,000
Notes receivable, less current maturities	360,646	411,060
	3,280,084	3,018,345
PROPERTY AND EQUIPMENT	98,244,767	96,666,655
Less accumulated depreciation	59,140,010	56,716,805
	39,104,757	39,949,850
GOODWILL	20,524,404	20,524,404
TRADEMARKS	857,081	893,648
DEFERRED LOAN COSTS	507,809	634,910
DEFERRED INCOME TAXES	405,500	
OTHER ASSETS	2,018,252	1,660,219
	$ 130,469,321	$ 127,832,626

*From audited financial statements.

See Notes to Consolidated Financial Statements.

CRUZAN INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2005 (Unaudited)	September 30, 2004 *
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 34,500,000	$ 4,000,000
Accounts payable	12,160,954	11,868,947
Accrued expenses	2,601,494	4,726,253
Total current liabilities	49,262,448	20,595,200
LONG-TERM DEBT, less current maturities	93,312	25,674,240
DEFERRED INCOME TAXES		648,000
OTHER LIABILITIES	1,211,317	1,091,248
	50,567,077	48,008,688
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 6,437,719 shares March 31, 2005 and September 30, 2004	64,377	64,377
Additional paid-in capital	28,916,707	28,916,707
Retained earnings	51,658,940	51,580,634
	80,640,024	80,561,718
Less cost of 99,200 shares of treasury stock	(737,780)	(737,780)
	79,902,244	79,823,938
	$ 130,469,321	$ 127,832,626

*From audited financial statements.

See Notes to Consolidated Financial Statements.

CRUZAN INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Six Months Ended March 31, 2005	2004	Three Months Ended March 31, 2005	2004
Sales	$ 61,984,756	$ 56,417,025	$ 31,803,513	$ 28,729,343
Less excise taxes	12,280,929	11,935,530	6,291,879	6,689,500
Net sales	49,703,827	44,481,495	25,511,634	22,039,843
Cost of goods sold	32,773,210	28,575,502	16,656,009	13,710,479
Gross profit	16,930,617	15,905,993	8,855,625	8,329,364
Selling, general and administrative expenses	17,158,891	13,630,445	8,852,881	6,939,238
Operating income (loss)	(228,274)	2,275,548	2,744	1,390,126
Other income (expense):				
Interest income	186,571	360,231	88,552	187,672
Interest expense	(1,364,341)	(1,406,418)	(771,673)	(709,435)
Equity in income of equity investee	162,153	349,623	129,862	135,503
Other, net	65,865	293,571	(13,242)	65,000
	(949,752)	(402,993)	(566,501)	(321,260)
Income (loss) before income taxes	(1,178,026)	1,872,555	(563,757)	1,068,866
Income tax expense (benefit):				
Current	119,668	(700,759)	60,527	(457,414)
Deferred	(1,376,000)	603,500	(553,500)	407,750
	(1,256,332)	(97,259)	(492,973)	(49,664)
Net income (loss)	$ 78,306	$ 1,969,814	$ (70,784)	$ 1,118,530
Earnings (loss) per common share:				
Basic	$ 0.01	$ 0.35	$ (0.01)	$ 0.20
Diluted	$ 0.01	$ 0.35	$ (0.01)	$ 0.20
Common shares and equivalents outstanding:				
Basic	6,338,519	5,598,122	6,338,519	5,617,591
Diluted	6,465,182	5,696,128	6,338,519	5,722,369

See Notes to Consolidated Financial Statements.

CRUZAN INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended March 31, 2005	Six Months Ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 78,306	$ 1,969,814
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,447,457	2,702,323
Amortization of trademarks and other assets	41,491	20,100
Amortization of deferred loan costs	236,101	
Gain on sale of property and equipment		(197,271)
Equity in income of equity investees	(162,153)	(349,623)
Deferred income taxes	(1,376,000)	603,500
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	1,775,103	279,718
Inventories	(3,497,685)	(3,784,567)
Other current assets	50,379	334,955
Increase (decrease) in:		
Accounts payable	292,007	3,398,791
Accrued expenses	(2,124,759)	(1,894,185)
Other liabilities	120,069	(1,100,415)
Net cash provided by (used in) operating activities	(2,119,684)	1,983,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	9,142	429,815
Principal payments received on notes receivable	70,016	61,836
Purchase of property and equipment	(1,611,506)	(2,586,566)
(Purchase) redemption of short-term investments	(1,047)	998,843
Advance to equity investee	(150,000)	
(Increase) decrease in other assets	(362,957)	120,751
Net cash used in investing activities	$ (2,046,352)	$ (975,321)

	Six Months Ended March 31, 2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit	$ 7,000,000	$ (13,000,000)
Issuance of common stock		295,675
Disbursements for loan costs	(109,000)	
Principal payments on long-term borrowings	(2,080,928)	(2,105,227)
Net cash provided by (used in) financing activities	4,810,072	(14,809,552)
Net increase (decrease) in cash and cash equivalents	644,036	(13,801,733)
Cash and cash equivalents:		
Beginning	3,617,582	14,918,605
Ending	$ 4,261,618	$ 1,116,872
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments (refunds) for:		
Interest	$ 1,015,295	$ 1,415,835
Income taxes	$ 99,120	$ (1,418,352)

See Notes to Consolidated Financial Statements.

CRUZAN INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. For further information regarding the Company s accounting policies, refer to the consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended September 30, 2004.

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. Statement of Financial Accounting Standards (SFAS) No. 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. As of January 1, 2003, the Company adopted SFAS 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, an amendment of SFAS 123. The standard amends SFAS 123 to provide alternative methods of transition for voluntary changes to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 amends the disclosure requirements of SFAS 123 to require pro-forma disclosures when the intrinsic value method continues to be used. The Company has elected to continue accounting for stock-based compensation using the intrinsic method in accordance with APB 25, and has adopted the new disclosure requirements specified under SFAS 148.

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 (loss) and earnings (loss) per common share would have been reduced to the pro forma amounts show below:

	Periods Ended March 31,			
	Six Months		Three Months	
	2005	**2004**	**2005**	**2004**
Net income (loss), as reported	$ 78,306	$ 1,969,814	$ (70,784)	$ 1,118,530
Compensation costs, net of taxes		42,034		
Net income (loss), pro forma	78,306	1,927,780	(70,784)	1,118,530
Earnings (loss) per common share, as reported				
Basic	0.01	0.35	(0.01)	0.20
Diluted	0.01	0.35	(0.01)	0.20
Earnings (loss) per common share, pro forma				

Basic	0.01	0.34	(0.01)	0.20
Diluted	0.01	0.33	(0.01)	0.20

Note 2. Inventories

The major components of inventories are:

		March 31, 2005 (Unaudited)		September 30, 2004
Finished goods	$	17,196,118	$	15,155,035
Work in process		2,192,727		2,668,698
Raw materials and supplies		13,271,336		11,338,763
	$	32,660,181	$	29,162,496

Note 3. Financing Arrangements

Long-term debt consists of the following as of March 31, 2005:

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 March 31, 2005 was 6.27%. Future minimum quarterly principal installments of $1,000,000 through December 31, 2005 with any remaining balance due January 31, 2006.	$	26,000,000
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 March 31, 2005 was 5.8%. The revolving lines of credit terminate on January 31, 2006.		8,500,000
Other		93,312
		34,593,312
Less current maturities		34,500,000
	$	93,312

(i) In October 2001, the Company entered into a $70 million credit agreement, consisting of a $40 million term loan and a $30 million revolving loan facility. In March 2004, the revolving loan facility was reduced to $15 million. In June 2004, the credit agreement was modified to extend the maturity date of the revolving loan facility to September 2006.

In December 2004, the Company received a waiver of its financial covenants compliance requirement for the quarters ended September 30, 2004 and December 31, 2004. The financial covenant requirements were also amended prospectively in accordance with the Company s business plan for fiscal 2005. The covenant amendment required the Company to agree to a .25% increase in the interest rate, provided that the Funded Debt to EBITDA ratio is between 2.50 and 3.25. In the event that the Company s Funded Debt to EBITDA ratio is between 3.26 and 4.00, the interest rate will increase by .25%. The maturity of the credit agreement was modified to January 31, 2006.

(ii) In addition to 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 credit agreement.

Note 4. Earnings (Loss) Per Common Share

Basic earnings (loss) per common share are calculated by dividing net income (loss) by the average common shares outstanding. On a diluted basis, shares outstanding are adjusted to assume the exercise of stock options.

	Periods Ended March 31			
	Six Months		Three Months	
	2005	2004	2005	2004
Net income (loss)	$ 78,306	$ 1,969,814	$ (70,784)	$ 1,118,530
Determination of shares:				
Weighted average number of common shares outstanding	6,338,519	5,598,122	6,338,519	5,617,591
Shares issuable on exercise of stock options, net of shares assumed to be purchased out of proceeds	126,663	98,006	*	104,778
Average common shares outstanding for diluted earnings per share computation	6,465,182	5,696,128	6,338,519	5,722,369
Earnings (loss) per common share:				
Basic	$ 0.01	$ 0.35	$ (0.01)	$ 0.20
Diluted	$ 0.01	$ 0.35	$ (0.01)	$ 0.20

*The effect of stock options has not been included for the three months ended March 31, 2005, as their effect would have been anti-dilutive.

The Company s Virgin Islands subsidiary, through the Economic 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 diluted basis) was to increase earnings per share by $0.11 and $0.05 for the six and three months ended March 31, 2005, respectively, and $0.13 and $0.06 for the six and three months ended March 31, 2004, respectively.

Note 5. Segment and Geographical Information

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

Bulk Alcohol Products (rum, citrus brandy, citrus spirits, 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)

The Company s executive offices are located in West Palm Beach, Florida and certain of the expenses of the Company s executive offices are classified as Corporate Operations and are not allocated to the operating segments described above. These expenses include salaries and related expenses, legal and professional fees, rent for office space, utilities and insurance.

The accounting policies of the reportable segments are the same as those referred to in Note 1 to the consolidated financial statements located in Item 8 of the Company s Annual Report on Form 10-K for the year ended September 30, 2004. The Company evaluates the performance of its operating segments based on income before income taxes, equity in income or loss of equity investees, interest income and interest expense. Material intersegment sales and transfers have been eliminated.

Net sales and operating income (loss) for the Company s reportable segments for the six and three months ended March 31, 2005 and 2004, were as follows:

	Periods Ended March 31,			
	Six Months		Three Months	
	2005	2004	2005	2004
	(in thousands)		(in thousands)	
Net Sales				
Bulk Alcohol Products	$ 19,602	$ 17,126	$ 9,659	$ 8,538
Premium Branded Spirits	13,915	11,524	8,098	5,683
Bottling Operations	5,253	5,547	2,345	2,872
Vinegar and Cooking Wine	10,934	10,284	5,410	4,947
	$ 49,704	$ 44,481	$ 25,512	$ 22,040
Operating Income (Loss)				
Bulk Alcohol Products	$ 6,282	$ 6,191	$ 2,711	$ 3,454
Premium Branded Spirits	(3,343)	(1,887)	(1,359)	(1,191)
Bottling Operations	(2,201)	(1,722)	(1,025)	(743)
Vinegar and Cooking Wine	1,383	1,624	814	758
Corporate Operations	(2,349)	(1,930)	(1,138)	(888)
	$ (228)	$ 2,276	$ 3	$ 1,390

Note 6. Supplemental Executive Retirement Plan

During the second quarter of fiscal 2004, the Company s Compensation and Stock Option Committee approved a supplemental executive retirement plan for certain key executives of the Company. The plan is an unfunded plan within the meaning of SFAS No. 132 *Employers Disclosures About Pensions and Other Post Retirement Benefits*. The net periodic benefit cost for the six and three months ended March 31, 2005 and 2004, was as follows:

	Periods Ended March 31,			
	Six Months		Three Months	
	2005	2004	2005	2004
Service cost	$ 133,403	$ 22,014	$ 67,363	$ 22,014
Interest cost	9,405	1,321	5,442	1,321
Net periodic benefit cost	$ 142,808	$ 23,335	$ 72,805	$ 23,335

Note 7. Income Taxes

The Company incurred losses for income tax purposes from its U.S. operations of $3.0 million through each of the second quarter of 2005 and 2004. The Company has recorded an income tax benefit in the Company s consolidated statement of income and an asset on the Company s consolidated balance sheet.

Note 8. Reclassification of Cost of Goods Sold

In the first quarter of fiscal 2005, the Company changed the classification of certain expenses from cost of goods sold to selling, general and administrative as a result of a review and improvement in its financial reporting practices. The Company has restated its prior year statement of income to reflect the new classification. This resulted in the reclassification of $926,152 and $482,999 from cost of goods sold to selling, general and administrative expenses for the six and three months ended March 31, 2004, respectively.

Note 9. Name Change

On May 2, 2005, the Company announced that it has changed its name from Todhunter International, Inc. to Cruzan International, Inc. The new name, approved by the Company s shareholders on March 15, 2005, reflects the Company s evolving strategic focus on its Cruzan Rum brand, which has continued to experience tremendous growth since its repositioning in the marketplace in the late 1990s. In conjunction with its new corporate identity, on May 3, 2005, the Company s common stock began trading on the American Stock Exchange under the new symbol, RUM.

Note 10. Stock Options

On February 24, 2005, the Company s Compensation Committee granted options to purchase 549,000 shares of the Company s common stock to officers and other key employees of the Company.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Management s Discussion and Analysis contains Forward-Looking Statements, as defined in section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. For information concerning these factors and related matters, see Risks that May Affect Future Results in Item 7, and Management s Discussion and Analysis of Financial Condition and Results of Operations of the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2004. The Company undertakes no obligation to update or revise any Forward-Looking Statements, whether as a result of new information, future events or otherwise.

Introduction

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the six months ended March 31, 2005 compared to the six months ended March 31, 2004, (ii) consolidated results of operations of the Company for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, and (iii) financial liquidity and capital resources. 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 2 have been rounded to the nearest thousand or hundred thousand, as applicable, but the percentages calculated are based on actual amounts without rounding.

Market share and industry data and rankings disclosed in this report have been obtained from industry and government publications, as indicated; the Company has not independently verified this information, although management believes such data and rankings to be reasonably accurate.

Management believes that the Company is the largest supplier of bulk rum in the United States based on reports of U.S. Imports for Consumption prepared by the Department of Census and that the Company s market share of bulk rum products in the United States is approximately 80%. Management believes that the Company is the largest supplier of fortified citrus wine in the United States and is not aware of any other domestic suppliers of fortified citrus wine. Management is aware of only one other United States manufacturer of citrus brandy and citrus spirits and believes that the Company s market share for these products is approximately 85%.

The Company s primary spirits brand is Cruzan Rum, which is the fourth-largest premium rum brand in the United States according to statistics published by Impact Databank and Adams Liquor Handbook, two leading spirits industry publications.

The Company s higher margin cooking wine products are sold throughout the United States and Canada. Although published data is not available, management is not aware of any competitors of the Company s size and believes that the Company is the largest supplier of cooking wine in the United States.

The Company operates primarily in the beverage alcohol industry in the United States. The Company is a leading producer and supplier of rum, brandy, 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 reports its operating results in four segments: Bulk Alcohol Products (rum, citrus brandy, citrus spirits, 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); and Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods).

The Company s executive offices are located in West Palm Beach, Florida and certain of the expenses of the Company s executive offices are not allocated to the operating segments described above. The expenses of the Company s corporate operations include salaries and related expenses, legal and professional fees, rent for office space, utilities and insurance.

Information regarding the net sales and operating income (loss) of each of the Company s business segments is set forth in Note 5 to the consolidated financial statements and in Table 2 included in this Item 2.

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.

The Company s customers often purchase bulk alcohol products in significant quantities or place significant orders for premium branded spirits, contract bottling services, vinegar and cooking wine. Accordingly, the size and timing of purchase orders and product shipments can cause operating results to fluctuate significantly from quarter to quarter. Additionally, some Company products generate higher profit margins than others, and changes in the Company s product mix can cause gross margins to fluctuate. Certain aspects of the Company s business are 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 sales of certain of the Company s bulk alcohol products and on all alcohol products bottled by the Company. However, there are no excise taxes paid on sales made to customers that have tax permits. Accordingly, excise taxes may vary significantly from period to period depending upon the Company s product and customer mix.

Results of Operations

Tables 1 and 2 below set forth statement of income items as a percentage of net sales and information on net sales, gross profit (loss) and operating income (loss) by operating segment.

Table 1 Statement of Income as a Percent of Net Sales

	Periods Ended March 31,			
	Six Months		Three Months	
	2005	2004	2005	2004
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	65.9	64.2	65.3	62.2
Gross margin	34.1	35.8	34.7	37.8
Selling, general and administrative expenses	34.5	30.7	34.7	31.5
Operating income (loss)	(0.4)	5.1	0.0	6.3
Interest expense	(2.7)	(3.2)	(3.0)	(3.2)
Other income, net	0.8	2.3	0.8	1.8
Income (loss) before income taxes	(2.3)	4.2	(2.2)	4.9
Income tax benefit	2.5	0.2	1.9	0.2
Net income (loss)	0.2%	4.4%	(0.3)%	5.1%

Table 2 Net Sales, Gross Profit (Loss) and Operating Income (Loss) by Operating Segment

	Periods Ended March 31,			
	Six Months		Three Months	
	2005	2004	2005	2004
Net Sales				
Bulk alcohol products	$ 19,602	$ 17,126	$ 9,659	$ 8,538
Premium branded spirits	13,915	11,524	8,098	5,683
Bottling operations	5,253	5,547	2,345	2,872
Vinegar and cooking wine	10,934	10,284	5,410	4,947
	49,704	44,481	25,512	22,040
Gross Profit (Loss)				
Bulk alcohol products	8,445	9,069	3,772	4,757
Premium branded spirits	6,636	5,073	3,996	2,702
Bottling operations	(828)	(613)	(347)	(240)
Vinegar and cooking wine	2,678	2,377	1,435	1,110
	16,931	15,906	8,856	8,329
Operating Income (Loss)				
Bulk alcohol products	6,282	6,191	2,711	3,454
Premium branded spirits	(3,343)	(1,887)	(1,359)	(1,191)
Bottling operations	(2,201)	(1,722)		