TODHUNTER INTERNATIONAL INC
Form 10-Q
May 13, 2002

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, 2002

Commission File No. 1-13453

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

DELAWARE	59-1284057
(State or other jurisdiction of incorporation or organization)	IRS Employer Identification No.

222 Lakeview Avenue, Suite 1500, West Palm Beach, FL	33401
(Address of principal executive offices)	(Zip Code)

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

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 /X/ No / /

The number of shares outstanding of registrant's Common Stock, $.01 par value per share, as of May 10, 2002 was 5,513,734.

TODHUNTER INTERNATIONAL, INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2002	September 30, 2001
	(Unaudited)	*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,537,933	$ 5,624,029
Short-term investments	11,765,230	8,533,851
Trade receivables	13,084,406	14,719,578
Other receivables	1,705,161	3,058,471
Inventories	26,338,686	27,483,329
Notes receivable, current maturities	74,444	72,973
Deferred income taxes	1,634,500	1,544,000
Other current assets	1,526,942	2,348,135
Total current assets	60,667,302	63,384,366
LONG-TERM INVESTMENTS AND NOTES RECEIVABLE		
Investments in and advances to equity investees	1,886,516	1,729,103

Notes receivable from affiliate	3,833,850	3,560,923
Notes receivable, less current maturities	626,562	663,785
	6,346,928	5,953,811
PROPERTY AND EQUIPMENT	88,257,712	85,198,203
Less accumulated depreciation	46,114,618	43,729,941
	42,143,094	41,468,262
GOODWILL, less accumulated amortization	20,524,404	20,524,404
OTHER ASSETS	3,121,556	2,257,321
	$ 132,803,284	$ 133,588,164

*From audited financial statements.
See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2002 (Unaudited)	Septem 2
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 4,000,000	$
Accounts payable	5,993,742	
Accrued expenses	1,524,610	
Total current liabilities	11,518,352	
LONG-TERM DEBT, less current maturities	51,383,158	
DEFERRED INCOME TAXES	3,991,000	
OTHER LIABILITIES	1,411,552	
	68,304,062	
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 5,612,934 shares as of March 31, 2002 and September 30, 2001	56,129	
Additional paid-in capital	18,326,014	
Accumulated other comprehensive loss	-	

Retained earnings	46,854,859	
	65,237,002	
Less cost of 99,200 shares of treasury stock	(737,780)	
	64,499,222	
	$ 132,803,284	$ 1

*From audited financial statements.
See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended March 31,		Three Months E
	2002	2001	2002
Sales	$ 63,316,172	$ 62,314,094	$ 31,354,237
Less excise taxes	15,352,257	14,576,620	7,858,578
Net sales	47,963,915	47,737,474	23,495,659
Cost of goods sold	33,265,925	32,269,277	16,353,758
Gross profit	14,697,990	15,468,197	7,141,901
Selling, general and administrative expenses	9,814,277	9,944,258	4,744,124
Operating income	4,883,713	5,523,939	2,397,777
Other income (expense):			
Interest income	372,633	456,262	148,470
Interest expense	(1,420,726)	(2,558,697)	(627,999)
Equity in income of equity investee	157,413	59,896	83,182
Other, net	245,806	117,732	207,357
	(644,874)	(1,924,807)	(188,990)
Income before income taxes	4,238,839	3,599,132	2,208,787
Income tax expense (benefit):			
Current	996,750	1,217,534	459,319
Deferred	26,500	(349,000)	24,000
	1,023,250	868,534	483,319
Net Income	$ 3,215,589	$ 2,730,598	$ 1,725,468

Earnings per common share:			
Basic	$ 0.58	$ 0.50	$ 0.31
Diluted	$ 0.58	$ 0.49	$ 0.31
Common shares and equivalents outstanding:			
Basic	5,513,734	5,513,734	5,513,734
Diluted	5,565,483	5,524,296	5,574,959

See Notes to Consolidated Financial Statements.

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended Mar	
	2002	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,215,589	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,596,508	
Amortization	195,100	
Gain on sale of property and equipment	(30,924)	
Equity in (income) of equity investee	(157,413)	
Deferred income taxes	26,500	
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	2,988,482	
Inventories	1,144,643	
Other current assets	821,193	
Increase (decrease) in:		
Accounts payable	804,500	
Accrued expenses	(801,094)	
Other liabilities	97,516	
Net cash provided by operating activities	10,920,600	
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	46,599	
Principal payments received on notes receivable	49,622	
Purchase of property and equipment	(3,287,015)	
Disbursements for notes receivable	(286,797)	
Purchase of short-term investments	(3,231,379)	
Investments in subsidiaries	-	
Increase in other assets	(106,502)	

Net cash used in investing activities	$ (6,815,472)	$

(Continued)

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Six Months Ended Ma	
	2002	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit	$ (2,200,000)	$
Disbursements for loan costs	(889,833)	
Principal payments on long-term borrowings	(2,101,391)	
Net cash provided by (used in) financing activities	(5,191,224)	
Net decrease in cash and cash equivalents	(1,086,096)	
Cash and cash equivalents:		
Beginning	5,624,029	
Ending	$ 4,537,933	$
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 1,392,540	$
Income taxes	$ 826,615	$

See Notes to Consolidated Financial Statements.

TODHUNTER 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, 2001.

Note 2. Inventories

The major components of inventories are:

	March 31, 2002 (Unaudited)	September 30, 2001
Finished goods	$ 13,597,061	$ 16,879,276
Work in process	2,453,766	598,648
Raw materials and supplies	10,287,859	10,005,405
	$ 26,338,686	$ 27,483,329

Note 3. Financing Arrangements

Long-term debt consists of the following as of March 31, 2002:

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, 2002 was 4.65%. Quarterly principal installments of $1,000,000 through September 30, 2006 with any remaining balance due September 30, 2006.	$ 38,000,0
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 interest rate at March 31, 2002 was 3.63%. The revolving lines of credit terminate in October 2004.	16,800,0
Other	583,1
	55,383,1
Less current maturities	4,000,0
	$ 51,383,1

(i) In October 2001, the Company entered into a $70 million credit agreement, which consists of a $40 million term loan and a $30 million revolving loan facility. The credit agreement is collateralized principally by all assets located in the United States of America. The new credit agreement replaced all borrowings under the previous finance agreement and increased the Company's borrowing capacity from $59 million to $70 million. 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 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.

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Note 4. Earnings Per Common Share

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

	Six Months Ended March 31,		Three Mon Marc
	2002	2001	2002
Net income	$ 3,215,589	$ 2,730,598	$ 1,725,468
Determination of shares:			
Weighted average number of common shares outstanding	5,513,734	5,513,734	5,513,734
Shares issuable on exercise of stock options, net of shares assumed to be purchased out of proceeds	51,749	10,562	61,225
Average common shares outstanding for diluted earnings per share computation	5,565,483	5,524,296	5,574,959
Earnings per common share:			
Basic	$ 0.58	$ 0.50	$ 0.31
Diluted	$ 0.58	$ 0.49	$ 0.31

The Company's 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 effect of this exemption was to increase earnings per share by $0.08 and $0.05 for the six and three months ended March 31, 2002, respectively, and $0.09 and $0.05 for the six and three months ended March 31, 2001, 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 (citrus brandy, citrus spirits, rum, cane spirits,

fortified citrus wine, purchased distilled products and byproducts)
Premium Branded Spirits (primarily rum and flavored rum)
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 accounting policies of the reportable segments are the same as those referred to in Note 1 to the Consolidated Financial Statements. The Company evaluates the performance of its reportable segments based on income before income taxes, equity in income or loss of equity investee, interest income and interest expense. Material intersegment sales and transfers have been eliminated.

Summarized financial information concerning the Company's reportable segments is shown in the following table.

Net sales, operating income (loss), depreciation and amortization, and capital expenditures for the Company's reportable segments for the six and three months ended March 31, 2002 and 2001, and identifiable assets as of March 31, 2002 and 2001, were as follows:

	Six Months Ended March 31,		Three Mon Mar
	2002	2001	2002
	(in thousands)		(in th
Net Sales			
Bulk Alcohol Products	$ 17,692	$ 19,606	$ 8,856
Premium Branded Spirits	9,584	8,117	4,197
Bottling Operations	10,205	9,917	5,423
Vinegar and Cooking Wine	10,483	10,097	5,020
	$ 47,964	$ 47,737	$ 23,496
Operating Income (Loss)			
Bulk Alcohol Products	$ 5,400	$ 7,017	$ 2,511
Premium Branded Spirits	(542)	(825)	(371)
Bottling Operations	1,008	60	826
Vinegar and Cooking Wine	2,103	1,831	956
Corporate Operations and Other	(3,085)	(2,559)	(1,524)
	$ 4,884	$ 5,524	$ 2,398
Depreciation and Amortization			
Bulk Alcohol Products	$ 1,461	$ 1,586	$ 755
Premium Branded Spirits	71	89	35
Bottling Operations	812	730	414
Vinegar and Cooking Wine	234	565	117
Corporate Operations and Other	214	120	107
	$ 2,792	$ 3,090	$ 1,428

Capital Expenditures			
Bulk Alcohol Products	$ 2,691	$ 1,565	$ 759
Premium Branded Spirits	59	203	50
Bottling Operations	343	607	203
Vinegar and Cooking Wine	78	356	61
Corporate Operations and Other	116	44	40
	$ 3,287	$ 2,775	$ 1,113
Identifiable Assets			
Bulk Alcohol Products	$ 70,523	$ 67,423	
Premium Branded Spirits	5,117	9,048	
Bottling Operations	24,509	23,791	
Vinegar and Cooking Wine	20,518	20,758	
Corporate Operations and Other	12,136	10,715	
	$ 132,803	$ 131,735	

Sales and operating income for the six and three months ended March 31, 2002 and 2001 and identifiable assets as of March 31, 2002 and 2001, classified by geographic area, were as follows:

	United States	U. S. Virgin Islands and the Bahamas	Consolidated
		(in thousands)	
SIX MONTHS ENDED			
March 31, 2002:			
Net sales	$ 43,196	$ 6,768	$ 47,964
Operating income	3,710	1,174	4,884
Identifiable assets	90,853	41,950	132,803
March 31, 2001:			
Net sales	42,116	5,621	47,737
Operating income	3,868	1,656	5,524
Identifiable assets	94,170	37,565	131,735
THREE MONTHS ENDED			
March 31, 2002:			
Net sales	$ 20,658	$ 2,838	$ 23,496
Operating income	1,574	824	2,398
March 31, 2001:			
Net sales	22,865	2,609	25,474
Operating income	1,944	809	2,753

Included in net sales for the United States are export sales, primarily to Europe, Canada and the Caribbean, totaling approximately $5,111,000 and

$1,995,000 for the six and three months ended March 31, 2002, respectively, and $3,111,000 and $1,660,000 for the six and three months ended March 31, 2001, respectively.

Note 6. Comprehensive Income

Comprehensive income is the total of net income and other changes in equity. Total comprehensive income for the six and three months ended March 31, 2002 and 2001 was as follows:

	Six Months Ended March 31,		Thre
	2002	2001	2002
	(in thousands)		(i
Net income	$ 3,215	$ 2,731	$ 1,72
Other comprehensive income, interest rate cap adjustment	63	85	1
	$ 3,278	$ 2,816	$ 1,73

Note 7. Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." SFAS 142 supercedes APB Option 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. 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.

	Six Months Ended March 31,		Three Months Ended March 31,	
	2002	2001	2002	2001
	(in thousands)		(in thousands)	
Reported Net Income	$ 3,216	$ 2,731	$ 1,725	$ 1,48
Add back: Goodwill amortization	-	416	-	21
Adjusted net income	$ 3,216	$ 3,147	$ 1,725	$ 1,70
Basic Earnings Per Share:				
Reported net income	$ 0.58	$ 0.50	$ 0.31	$ 0.2
Goodwill amortization	-	0.07	-	0.0
Adjusted net income	$ 0.58	$ 0.57	$ 0.31	$ 0.3

Diluted earnings per share:				
Reported net income	$ 0.58	$ 0.49	$ 0.31	$ 0.2
Goodwill amortization	-	0.08	-	0.0
Adjusted net income	$ 0.58	$ 0.57	$ 0.31	$ 0.3

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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. 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: business conditions and fluctuations in certain market segments and industries 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.

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, 2002 compared to the six months ended March 31, 2001, (ii) consolidated results of operations of the Company for the three months ended March 31, 2002 compared to the three months ended March 31, 2001, 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.

The Company operates primarily in the beverage alcohol industry in the United States. 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 reports its operating results in four segments: Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts); Premium Branded Spirits (primarily rum and flavored rum); 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).

Information regarding the net sales, operating income and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 5 to the Consolidated Financial Statements.

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 has a limited number of customers, and these customers often purchase bulk alcohol products in significant quantities or place significant orders for contract bottling services, distilled spirits, 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 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.

RESULTS OF OPERATIONS

The following table sets forth statement of income items as a percentage of net sales.

	Six Months Ended March 31,		Three Months Ended March 31,	
	2002	2001	2002	2001
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	69.4	67.6	69.6	69.5
Gross margin	30.6	32.4	30.4	30.5
Selling, general and administrative expenses	20.4	20.8	20.2	19.7
Operating income	10.2	11.6	10.2	10.8
Interest expense	(3.0)	(5.4)	(2.7)	(4.6)
Other income, net	1.6	1.3	1.9	1.4
Income before income taxes	8.8	7.5	9.4	7.6

Income tax expense	(2.1)	(1.8)	(2.1)	(1.8)
Net income	6.7%	5.7%	7.3%	5.8%

The following table provides information on net sales of certain Company products.

	Six Months Ended March 31,			Three Months March 31	
	2002	2001	% Change	2002	2001
	(in thousands)			(in thousands)	
Bulk Alcohol Products	$ 17,692	$ 19,606	(9.8)	$ 8,856	$ 10,2
Premium Branded Spirits	9,584	8,117	18.1	4,197	4,1
Bottling Operations	10,205	9,917	2.9	5,423	5,9
Vinegar and Cooking Wine	10,483	10,097	3.8	5,020	5,1
	$ 47,964	$ 47,737	0.5	$ 23,496	$ 25,4

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

	Six Months Ended March 31,			
	2002	2001	% Change	2002
	(in thousands)			(in t
Bulk alcohol products:				
Distilled products, in proof gallons				
Citrus Brandy	660	970	(32.0)	2
Citrus Spirits	274	256	7.2	1
Rum	1,973	2,195	(10.1)	1,1
Cane Spirits	339	254	33.8	1
Fortified citrus wine, in gallons	5,107	5,788	(11.8)	2,4
Premium branded spirits, in cases	181	165	9.8	
Bottling operations, in cases	3,180	2,579	23.3	1,7
Vinegar				
Bulk, in 100 grain gallons	2,818	2,580	9.2	1,4
Cases	358	344	4.2	1
Drums, in 100 grain gallons	775	385	101.4	3
Cooking Wine				
Bulk, in gallons	2,077	1,392	49.2	1,0
Cases	378	417	(9.4)	1

SIX MONTHS ENDED MARCH 31, 2002 COMPARED TO SIX MONTHS ENDED MARCH 31, 2001.
Unless otherwise noted, references to 2002 represent the six-month period ended

March 31, 2002 and references to 2001 represent the six-month period ended March 31, 2001.

NET SALES. Net sales were $48.0 million in 2002, an increase of 0.5% from net sales of $47.7 million in 2001.

Net sales of bulk alcohol products were $17.7 million in 2002, a decrease of 9.8% from net sales of $19.6 million in 2001. The decrease resulted from decreased shipments of brandy, rum and fortified wine. The Company's brandy business has declined due to increased competition, which management believes may be temporary. The Company's fortified wine business has declined as a result of a loss of its Canadian customers. The Company's Canadian customers have replaced the Company's fortified wine products with cheaper, grain-based alcohol products. The Company' s Canadian business amounted to approximately $3.0 million in the year ended September 30, 2001.

Net sales of premium branded spirits were $9.6 million in 2002, an increase of 18.1% from net sales of $8.1 million in 2001. In 2002, net sales of premium branded spirits included $1.9 million of bulk tequila sales. Excluding bulk tequila sales, net sales of premium branded spirits were $7.6 million in 2002, a decrease of 5.8% from net sales of $8.1 million in 2001. Bulk tequila sales represent the liquidation of inventory that was held to produce Porfidio tequila. Sales of the Company's Cruzan Rums and Cruzan Flavored Rums increased 22.4% and 42.9%, respectively, in 2002 compared to 2001. The strong sales increases in Cruzan Rums and Cruzan Flavored Rums were offset by large decreases in sales of Porfidio tequila and Antiqueno Aguardiente. Sales of Porfidio tequila were $1.2 million in 2001. As of September 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 will resume. 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 this product to the Company in June 2001. Sales of Antiqueno Aguardiente were $1.1 million in 2001. As of November 2001, the Company was out of stock of Antiqueno Aguardiente. In April 2002, the Company entered into a settlement agreement with the producer of Antiqueno Aguardiente and expects sales of Antiqueno Aguardiente to resume in May 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 $10.2 million in 2002, an increase of 2.9% from net sales of $9.9 million in 2001. The unit volume of the Company's bottling operations increased 23.3% in 2002 as a result of increased business with an existing customer. However, management expects sales to this customer to decline during 2002. The Company expects that the decline in sales to this customer will be offset by business with a new customer and the introduction of the Company's new ready-to-drink Cruzan premium malt beverages.

Net sales of vinegar and cooking wine were $10.5 million in 2002, an increase of 3.8% from net sales of $10.1 million in 2001.

GROSS PROFIT. Gross profit was $14.7 million in 2002, a decrease of 5.0% from gross profit of $15.5 million in 2001. Gross margin decreased to 30.6% in 2002 from 32.4% in 2001. The decrease in gross margin was primarily attributable to a decrease in shipments of brandy, bulk rum and fortified wine.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $9.8 million in 2002, a decrease of 1.3% from $9.9 million in 2001. Selling, general and administrative expenses decreased primarily as a result of decreased amortization expense.

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

	SIX MONTHS ENDED MARCH 31, 2002	SIX MONTHS ENDED MARCH 31, 2001	% CHANG
	(in thousands)		
Bulk Alcohol Products	$ 5,400	$ 7,017	(23
Premium Branded Spirits	(542)	(825)	
Bottling Operations	1,008	60	1,569
Vinegar and Cooking Wine	2,103	1,831	14
Corporate Operations and Other	(3,085)	(2,559)	
	$ 4,884	$ 5,524	(11

As a result of the above factors, operating income was $4.9 million in 2002, a decrease of 11.6% from operating income of $5.5 million in 2001. Included in operating loss of premium branded spirits for 2002 was profit of $0.5 million related to bulk tequila sales. Excluding bulk tequila sales, operating loss of premium branded spirits would have been $1.1 million in 2002 compared to $0.8 million in 2001.

INTEREST INCOME. The Company earns interest income on its cash, short-term investments and notes receivable.

INTEREST EXPENSE. Interest expense was $1.4 million in 2002 and $2.6 million in 2001. The decrease in interest expense was due to a lower average debt level and lower interest rates during 2002 as compared to 2001.

INCOME TAX EXPENSE. The Company's effective income tax rate was 24.1% in both 2002 and 2001. The low tax rate was attributable to the Virgin Islands subsidiary, which has a 90% exemption from U.S. Virgin Islands income taxes through September 2020.

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001. Unless otherwise noted, references to 2002 represent the three-month period ended March 31, 2002 and references to 2001 represent the three-month period ended March 31, 2001.

NET SALES. Net sales were $23.5 million in 2002, a decrease of 7.8% from net sales of $25.5 million in 2001.

Net sales of bulk alcohol products were $8.9 million in 2002, a decrease of 13.4% from net sales of $10.2 million in 2001. The decrease resulted primarily from decreased shipments of brandy and fortified wine. The Company's brandy business has declined due to increased competition, which management believes may be

temporary. The Company's fortified wine business has declined as a result of a loss of its Canadian customers. The Company's Canadian customers have replaced the Company's fortified wine products with cheaper, grain-based alcohol products. The Company's Canadian business amounted to approximately $3.0 million in the year ended September 30, 2001.

Net sales of premium branded spirits were $4.2 million in 2002, an increase of 1.5% from net sales of $4.1 million in 2001. Sales of the Company's Cruzan Rums and Cruzan Flavored Rums increased 35.3% and 39.4%, respectively, in 2002 compared to 2001. The strong sales increases in Cruzan Rums and Cruzan Flavored Rums were offset by large decreases in sales of Porfidio tequila and Antiqueno Aguardiente. Sales of Porfidio tequila were $.7 million in 2001. As of September 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 will resume. 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 this product to the Company in June 2001. Sales of Antiqueno Aguardiente were $.5 million in 2001. As of November 2001, the Company was out of stock of Antiqueno Aguardiente. In April 2002, the Company entered into a settlement agreement with the producer of Antiqueno Aguardiente and expects sales of Antiqueno Aguardiente to resume in May 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 $5.4 million in 2002, a decrease of 8.6% from net sales of $5.9 million in 2001. Sales declined as a result of reduced prices. The unit volume of the Company's bottling operations increased .6% in 2002.

Net sales of vinegar and cooking wine were $5.0 million in 2002, a decrease of 3.2% from net sales of $5.2 million in 2001. Management believes that the decrease in net sales is due to the timing of customer orders.

GROSS PROFIT. Gross profit was $7.1 million in 2002, a decrease of 8.2% from gross profit of $7.8 million in 2001. Gross margin decreased to 30.4% in 2002 from 30.5% in 2001. The decrease in gross margin was primarily attributable to a decrease in shipments of brandy and fortified wine.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $4.7 million in 2002, a decrease of 5.6% from $5.0 million in 2001. Selling, general and administrative expenses decreased primarily as a result of decreased amortization expense.

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

	THREE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001	% CHANGE
	(in thousands)		
Bulk Alcohol Products	$ 2,511	$ 3,628	(30.8)
Premium Branded Spirits	(371)	(313)	-
Bottling Operations	826	(151)	-
Vinegar and Cooking Wine	956	952	0.5
Corporate Operations and Other	(1,524)	(1,363)	-
	$ 2,398	$ 2,753	(12.9)

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As a result of the above factors, operating income was $2.4 million in 2002, a decrease of 12.9% from operating income of $2.8 million in 2001.

INTEREST INCOME. The Company earns interest income on its cash, short-term investments and notes receivable.

INTEREST EXPENSE. Interest expense was $0.6 million in 2002 and $1.2 million in 2001. The decrease in interest expense was due to a lower average debt level and lower interest rates during 2002 as compared to 2001.

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INCOME TAX EXPENSE. The Company's effective income tax rate was 21.9% in 2002 and 23.3% in 2001. The low tax rate was attributable to the Virgin Islands subsidiary, which has a 90% exemption from U.S. Virgin Islands income taxes through September 2020.

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 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 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. Due to the short life of the citrus molasses it purchases, the Company must manufacture and build inventory while raw materials are available. Another seasonal business of the Company is its contract bottling services. Demand for contract bottling services is highest during the months 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 needs.

OPERATING ACTIVITIES

Net cash provided by operating activities in 2002 was $10.9 million, which resulted from $5.8 million in net income adjusted for noncash items, and $5.1 million representing the net change in operating assets and liabilities.

INVESTING AND FINANCING ACTIVITIES

Net cash used in investing activities in 2002 was $6.8 million, which resulted primarily from $3.3 million of capital expenditures and a net increase of $3.2 million in short-term investments.

Net cash used in financing activities in 2002 was $5.2 million, which resulted from payments of $2.2 million under the revolving credit facility, $2.1 million of long-term debt and $0.9 million in loan costs.

The Company's revolving credit facility provides for maximum borrowings of $30 million. Borrowings under this facility were $16.8 million at March 31, 2002 (see Note 3 to the Consolidated Financial Statements).

The Company's bank debt was $54.8 million as of March 31, 2002, and its ratio of total debt to equity was 1.1 to 1.

The Company's share of the undistributed earnings of the Bahamian and Virgin Islands subsidiaries were approximately $8.4 million and $25.1 million, respectively, as of September 30, 2001. See Note 9 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2001 for additional information on income taxes related to these subsidiaries.

Based on current plans and business conditions, management expects that its cash, cash equivalents, and short-term investments, 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.

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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required under this Item 3 is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 2001.

PART II. OTHER INFORMATION

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

The annual meeting of stockholders of the Company was held on March 21, 2002, in West Palm Beach, Florida, for the purpose of electing three Class I directors to hold office for a term of three years.

Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended, and there was no solicitation in opposition to management's solicitations.

ELECTION OF DIRECTORS

All of management's nominees for election as directors as listed in the proxy statement were elected. The results of the election were as follows:

Name	For	Withheld	Abstentions And Broker Non-Votes
Godfrey D. Bain	4,762,116	26,850	0
Donald L. Kasun	4,765,316	23,650	0
Thomas A. Valdes	4,765,316	23,650	0

Following the annual meeting, A. Kenneth Pincourt, Jr., Leonard G. Rogers and K. Ian McLachlan will continue to serve as Class II directors until the 2003 annual meeting and Jay S. Maltby, Edward F. McDonnell and D. Chris Mitchell will continue to serve as Class III directors until the 2004 annual meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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)
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)
11.1	Statement of Computation of Per Share Earnings (8)
21.1	Subsidiaries of Todhunter International, Inc. (2)

(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 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) Filed herewith and incorporated herein by reference to Note 4 of notes to consolidated financial statements, included in Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the first quarter ended March 31, 2002.

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SIGNATURES

Pursuant to the requirements 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.

Date: May 13, 2002	/s/ A. Kenneth Pincourt, Jr. A. Kenneth Pincourt, Jr. Chairman and Chief Executive Officer
Date: May 13, 2002	/s/ Troy Edwards Troy Edwards Chief Financial Officer, Treasurer and Controller

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