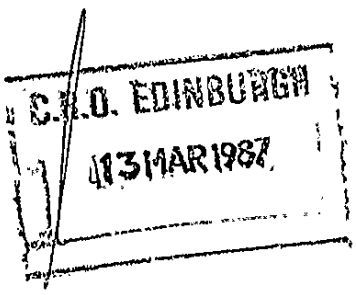
FORTH WINES LIMITED

39321/174

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DIRECTORS, OFFICERS, ETC.

Directors	James D. Robertson, C.A. (Chairman) John Gow (Vice-Chairman) John M. Cran, C.A. (Managing Director) Peter T. Bell James L.E. Hogg, B.Sc., M.F. Edward P. Watson William A.S.M. Smith John B. Richardson
Registered Office, Warehouse and Administration	Crawford Place, Milnathort, KY13 7XF. Telephone — Kinross (0577) 62513
Management Committee	Joseph W. Duffy — U.K. Sales Manager Thomas McColgan — Computer Manager Walter R. Oliver, C.A. — Chief Accountant James S. Smith — Executive Manager
Secretary	David R. Birrell, C.A., 3 High Street, Kinross, KY13 7AW. Telephone — Kinross (0577) 63611
Auditors	Condie + Co., Chartered Accountants, 10 Abbey Park Place, Dunfermline, KY12 7NX.
Bankers	The Royal Bank of Scotland p.l.c., 31 South Street, Milnathort, KY13 7XE.
Solicitors	Morton, Fraser & Milligan W.S. 15 & 19 York Place, Edinburgh, EH1 3EL.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twenty-second ANNUAL GENERAL MEETING of FORTH WINES LIMITED, will be held in Peebles Hydro Hotel, Peebles, on Monday 3rd November, 1986 at 3.30 p.m. for the following purposes:—

1. To approve the minutes of the twenty-first Annual General Meeting.
2. To receive and adopt the annual report and accounts for the year ended 30th April, 1986.
3. To re-elect Mr Edward P. Watson as director.
4. To re-elect Mr Peter T. Bell as director.
5. To re-appoint the auditors and authorise the directors to fix their remuneration.
6. To transact any other business of the Company.

By order of the Board,

DAVID R. BIRRELL, C.A., Secretary.

Crawford Place,
Milnathort, KY13 7XF.
1st October, 1986

NOTES

1. The transfer books and register of members of the Company will be closed for the period of one week as from and after the date of this notice.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. Such proxy need not be a member of the Company.

STATEMENT BY THE CHAIRMAN

Despite the extremely difficult trading conditions to which I referred last year, I am pleased to report that the Company showed an increase in sales which now total £55,969,372. We were again able to distribute a bonus to our members and to further strengthen our reserves by £100,000 which now stand at £1,570,000. Our membership has continued to increase steadily and is now in excess of 2,800.

The sales of our own label products — **STRATHFILLAN** Scotch Whisky, **VORSOV** Vodka and **GROSVENOR** Gin showed a modest increase, while the growth in our wine sales continue at a very satisfactory level.

Sales of glassware by **John Deas**, soft drinks by **Britvic**, bar snacks by **CDC Crisps**, bar furniture by **Benchairs**, all continue at a steady level, and arrangements have only recently been finalised with **Caterfrost** for the supply of frozen foods. These peripheral activities form an increasingly important part of our trade and can provide substantial savings to our members.

Since the year end, there has been a marked increase in the sale of **Strathfillan** Scotch Whisky which is undoubtedly due in part to our members' natural reaction to media coverage of the problems that have beset some leading suppliers in the trade over recent months. In addition, we have been very fortunate in reaching agreement with **The Dunseath Stephen Partnership** to act as official sponsors for **Strathfillan Haggis Hurling** competitions. While these are essentially fun events at charity-raising occasions, there is no doubt that these promotions give our product valuable exposure before the general public. If any member is involved in a charitable event and he feels that a **Haggis Hurl** would assist him, please contact the Company for the free loan of a kit for the day. The only stipulation that we make is that the charity is a deserving one.

I have already written to members regarding the purchase of **Nethybridge Hotel** since the year end. This was taken over at the end of June and the trading figures for July and August have been well up to expectation. Certain anticipated renovation works will be carried out in November and December and it is hoped to present the hotel in its full glory in January. Mini package deals and seminars will be organised for members at what I hope you will find to be very attractive terms. We have been immensely heartened by the general response of our members to the purchase of the hotel and also by the degree of interest shown in actually visiting the hotel and organising parties to enjoy the sporting facilities of the area. I am sure that the purchase of this hotel will prove to be both an excellent investment for the Company and a valuable amenity for every member.

With regard to the current year, it has got off to a patchy start due mainly to the adverse weather, and the general reduction in tourist traffic. However, current trends are favourable and I am sure that the Company is sufficiently mature and durable to maintain and develop its full range of activities successfully.

In conclusion, I must thank all our members for their continued support, and also the entire staff for their whole-hearted efforts on the Company's behalf over the past year.

Jas. D. Robertson

JAMES D. ROBERTSON
CHAIRMAN

DIRECTORS' REPORT

The Directors submit this, their twenty-third report, together with the accounts for the year ended 30th April, 1986.

Status

The Company which is incorporated in the United Kingdom and is registered in Scotland is not a close company as defined by the Income and Corporation Taxes Act, 1970, but is a private company under the terms of the Companies Act 1985.

Trading Results

The net profit for the year, after taxation and extraordinary items was £101,818 (1985: £40,714). This figure is stated after charging the exceptional depreciation on the wine chill cabinets and computer.

Provision has been made in the accounts to transfer the following amounts to reserves:

	1986	1985
	£	£
General Reserve	80,000	—
Capital Commitments Reserve	—	9,145
Brand Development Reserve	20,000	30,000

The directors recommend that no dividend be paid for the year.

Review of the Business

The Company has continued throughout the year to carry on the business of wholesale wine and spirit merchants.

Turnover for the year amounted to £55,969,372 (1985: £52,488,826). The directors are of the opinion that the state of affairs of the Company is satisfactory.

Fixed Assets

Details of the fixed assets and the changes which have taken place during the year are given in note 7 to the accounts.

Future Developments

The directors expect that another year of difficult trading conditions lies ahead. However, they are confident that their present policies will continue to provide the sound financial base required to meet the challenges of the coming year.

Directors and their Interests

The Directors who served on the Board throughout the year and their beneficial interests in the share capital of the Company were as follows:—

	1986	1985
Peter T. Bell	1	1
John M. Cran, C.A.	1	1
John Gow	121	121
James L.E. Hogg, B.Sc., M.F.	121	121
James D. Robertson, C.A.	241	241
Edward P. Watson	121	121
William A.S.M. Smith	1	—
John B. Richardson (Appointed 4.9.85)	121	—

Mr Edward P. Watson and Mr Peter T. Bell both retire by rotation at this time, and being eligible, offer themselves for re-election.

Auditors

Messrs. Condie + Co., Chartered Accountants retire under Section 384 of the Companies Act 1985 and offer themselves for re-appointment.

By Order of the Board,

DAVID R. BIRRELL, C.A.,
Secretary

Milnathort,
1st October, 1986.

PROFIT & LOSS ACCOUNT
for the year ended 30th April 1986

	Notes	£	1986 £	1985 £
Turnover	2		55,969,372	52,488,826
Less: Cost of Sales			54,448,608	51,159,225
Gross Profit			1,520,764	1,329,601
Distribution Costs			385,392	346,874
			1,135,372	982,727
Other Operating Income	1			
Interest on Deposits			136,610	200,567
Other Income			5,315	6,644
Profit on Sale of Fixed Assets			310	—
			1,277,607	1,189,938
Administrative Expenses				
Directors' Emoluments	3	118,740		108,468
Auditors' Remuneration		7,500		8,938
Depreciation	1,7	50,451		54,153
Loss on Sale of Fixed Assets		—		2,467
Staff Costs	4	490,745		453,804
Other Administrative Expenses		463,405		436,510
			1,130,841	1,064,340
			146,766	125,598
Exceptional Charges — Depreciation	1,7		39,172	69,790
Operating Profit			107,594	55,808
Interest Payable and Similar Charges			5,135	14,973
Profit on Ordinary Activities before Taxation			102,459	40,835
Tax on Profit on Ordinary Activities	5		520	—
Profit on Ordinary Activities after Taxation			101,939	40,835
Extraordinary Items	8		121	121
Profit for the Financial Year			101,818	40,714
Transfers to Reserves	12		100,000	39,145
Retained Profit for the Year			1,818	1,569
Retained Profits Brought Forward			12,326	10,757
Retained Profits Carried Forward			14,144	12,326

The notes on pages 10 to 15 form part of these accounts.

BALANCE SHEET
As at 30th April 1986

	Notes	£	1986 £	1985 £
Fixed Assets				
Tangible Assets:	7			
Land and Buildings			388,890	388,523
Plant, Fittings, Motors and Computer			156,030	171,250
			544,920	559,773
Investments	7		1,643	1,643
			546,563	561,416
Current Assets				
Stock	9	6,836,721		7,374,923
Debtors	10	4,311,718		4,847,877
Cash at Bank and in Hand		3,279,212		3,581,997
		14,427,651		15,804,797
Creditors	11			
Amounts falling due within one year		13,069,701		14,575,499
Net Current Assets			1,357,950	1,229,298
			1,904,513	1,790,714
CAPITAL AND RESERVES				
Share Capital	13		320,369	308,388
Reserves	12		1,570,000	1,470,000
Profit and Loss Account			14,144	12,326
			1,904,513	1,790,714

J.M. CRAN: Director J.D. ROBERTSON: Director

Approved by the Board — 1st October, 1986.

The notes on pages 10 to 15 form part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 30th April 1986

	1986 £	1985 £
Source of Funds		
Profit after Tax and Extraordinary Items	101,818	40,714
Adjustment for items not involving the movement of Funds:		
Depreciation (including exceptional charges)	89,623	123,943
(Profit)/Loss on Sale of Assets	(310)	2,467
Total Funds Generated from Operations	191,131	167,124
Funds from Other Sources		
Disposal of Fixed Assets	5,410	16,008
Shares issued during the year	11,981	12,100
	208,522	195,232
Application of Funds		
Additions to Fixed Assets:		
Land and Buildings	(367)	(18,523)
Plant, Fittings, Motors and Computer	(79,503)	(126,923)
Working Capital — Increase/(Decrease)	128,652	49,786
Components of Increase/(Decrease) in Working Capital		
Stock	(538,202)	229,981
Debtors	(536,159)	1,537,317
Creditors	1,505,798	(2,635,636)
	431,437	(868,338)
Movement in Net Liquid Funds:		
Cash at Bank and in Hand	(302,785)	918,124
	128,652	49,786

The notes on pages 10 to 15 form part of these accounts.

NOTES TO THE ACCOUNTS
INCLUDING DETAILS OF ACCOUNTING POLICIES USED AT 30TH APRIL 1986

1. Accounting Policies

Accounting Convention:
The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings.

Depreciation:
The charge for depreciation has been calculated on the reducing balance method at the following rates:—

	1986	1985
	%	%
Computer Installation	100	100
Wine Chill Cabinets	100	100
Motor Vehicles	33.3	33.3
Plant, Fittings and Equipment	20	20

Due to the results of the property valuation explained under note 7 and the Company's policy on repairs and renewals, the directors are of the opinion that there is no need to depreciate buildings as in previous accounting periods.

Other Operating Income:
The directors consider that other operating income should be presented before administrative expenses in order to reflect correctly the nature of interest on deposits as being directly related to the trading operations of the Company. This treatment has no effect on the results presented in these accounts.

Stocks:
Stocks are stated at the lower of cost or net realisable value. Cost incurred is the net purchase price, and net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Foreign Currency:
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All differences are taken to the profit and loss account.

2. Turnover

This represents the invoiced value of goods sold, excluding Value Added Tax, less members' discounts.

Notes to the Accounts (Continued)

3. Directors' Emoluments

The table below shows the remuneration of the chairman and highest paid director, and the number of other directors who received emoluments:

	1986 £	1985 £
Chairman	14,200	13,400
Highest Paid Director	40,316	37,954

Directors who received emoluments, other than those detailed above:

	1986	1985
Nil to £ 5,000	1	—
£ 5,001 to £10,000	4	5
£10,001 to £15,000	1	—
£15,001 to £20,000	—	—
£20,001 to £25,000	1	1

Directors' remuneration consists of:

	1986 £	1985 £
Fees	31,350	30,800
Other emoluments (including pension contributions)	87,390	77,668
	118,740	108,468

4. Staff Costs

	1986 £	1985 £
Wages and Salaries	386,328	376,810
Social Security Costs	44,024	34,021
Other Pension Costs	60,393	42,973
	490,745	453,804

The average weekly number of employees during the year was 58 made up as follows:

	No.	No.
Office and Management	40	41
Warehouse	18	19
	58	60

5. Taxation

The figure shown in the Accounts for taxation is arrived at as follows:

	1986 £	1985 £
Current Corporation Tax	520	—
	520	—

Notes to the Accounts (Continued)

6. Deferred Taxation

The amount of deferred taxation has been calculated on the deferral method and represents corporation tax at 29% on accelerated capital allowances, as offset by losses carried forward for tax purposes.

	1986 £	1985 £
Provision at 30th April, 1985	—	—
Provided in respect of:—		
Stock Relief	—	—
Accelerated Capital Allowances	68,611	89,723
	68,611	89,723
Offset by Taxation Losses	(68,611)	(89,723)
Provision at 30th April, 1986	—	—

7. Fixed Assets

	Land and Buildings £	Plant Fittings Motor Vehicles Computer £
Tangible Assets:		
Cost or Valuation:		
At 30th April, 1985	388,523	730,851
Additions at cost	367	79,503
	388,890	810,354
Disposals	—	11,888
At 30th April, 1986	388,890	798,466
Depreciation:		
At 30th April, 1985	—	559,601
Eliminated on disposals	—	6,788
	—	552,813
Provided for year	—	89,623
At 30th April, 1986	—	642,436
Net Book Value at 30th April, 1986	388,890	156,030
Net Book Value at 30th April, 1985	388,523	171,250

Notes to the Accounts (Continued)

7. Fixed Assets (Continued)

On 29th March, 1984 the directors obtained from Messrs. Graham & Sibbald, Chartered Surveyors, Kirkcaldy, a valuation of the Company's land and buildings. The valuation stated that on an existing use basis the property was worth £1,110,000. However if the Company were to sell the property in the open market they would be likely to receive as little as one third of this existing use value, i.e. £370,000. Accordingly the directors have shown the value of land and buildings in the accounts at this lower figure with additions since the valuation at cost. The directors intend to have this valuation reviewed every three years and future years' accounts will be adjusted if appropriate. The above figures, therefore, show land and buildings at valuation with additions between valuations at cost, but the remaining assets are valued at cost less depreciation.

Exceptional Charges — Depreciation

As explained in Note 1, the Company has depreciated the computer installation and wine chill cabinets as follows:—

	1986	1985
	£	£
Computer Installation	—	7,977
Wine Chill Cabinets	39,172	61,813
	39,172	69,790

Investments:

These consist of nominal holdings in the shares of three major suppliers to the Company. These suppliers are listed on the London Stock Exchange. The investments are valued at cost.

8. Extraordinary Items

	1986	1985
	£	£
Expenses of Increase in Share Capital	121	121
	121	121

9. Stocks

Stocks in the accounts relate to finished goods. If valued at replacement cost at 30th April, 1986 they would amount to £6,918,708 (At 30th April, 1985: £7,538,953)

Notes to the Accounts (Continued)

10. Debtors

	1986 £	1985 £
Trade Debtors	3,965,389	4,242,288
Other Debtors	333,465	584,442
Prepayments	12,864	21,147
	4,311,718	4,847,877

The house bridging loan to a senior employee, amounting to £61,000 included in other debtors at 30th April, 1985, was repaid in full by 6th November, 1985.

11. Creditors

	1986 £	1985 £
Bank Loans and Overdrafts	15,505	10,716
Payments Received on Account	14,400	7,920
Trade Creditors	10,743,781	12,388,862
Bills of Exchange Payable	211,255	418,543
Taxation and Social Security	87,846	31,766
Other Creditors including Customs Duty	1,763,573	1,519,934
Accruals	233,341	197,758
	13,069,701	14,575,499

12. Reserves

	General Reserve £	Bad Debts Reserve £	Capital Commitments Reserve £	Brand Development Reserve £	Total £
At 30th April, 1985	1,170,000	100,000	120,000	80,000	1,470,000
Transferred from/(to) Profit and Loss Account	80,000	—	—	20,000	100,000
At 30th April, 1986	1,250,000	100,000	120,000	100,000	1,570,000

Notes to the Accounts (Continued)

13. Share Capital

	Authorised		Allotted Issued and Fully Paid	
	1986	1985	1986	1985
	No.	No.	£	£
Ordinary Shares of £1 each	350,000	350,000	320,369	308,388

During the year 11,981 ordinary shares of £1 each with an aggregate nominal value of £11,981 were issued, fully paid, for cash.

14. Charges over Assets

The Royal Bank of Scotland p.l.c., hold a Bond and Floating Charge dated 1st December, 1977 over all the assets of the Company.

15. Post Balance Sheet Event

Since the balance sheet date the Company has acquired the Nethybridge Hotel, near Aviemore, at a cost of £314,528 inclusive of stamp duty and legal fees.

AUDITORS' REPORT TO THE MEMBERS OF FORTH WINES LIMITED

We have audited the financial statements on pages seven to fifteen in accordance with approved auditing standards.

In our opinion, the financial statements, which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, give a true and fair view of the state of the Company's financial affairs at 30TH APRIL, 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

CONDIE + CO.

Chartered Accountants,
10 Abbey Park Place,
Dunfermline, KY12 7NX.

1st October, 1986.