39221

FORTH WINES LTD.



Directors' Report and Accounts

For the Year ended 30th April, 1989

DIRECTORS' REPORT

The directors submit this, their twenty-sixth report, together with the accounts for the year ended 30th April, 1989.

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, 1988, but is a private company under the terms of the Companies Act 1985.

Trading Results

The net profit/(loss) for the year, after taxation and extraordinary items was £(2,316,146) (1988: £32,676).

Provision has been made in the accounts to transfer the following amounts to/(from) reserves:

	1989	1988
	£	£
General Reserve	(1,250,000)	—
Bad Debts Reserve	(145,000)	15,000
Capital Commitments Reserve	(160,000)	—
Brand Development Reserve	(150,000)	15,000

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

The results for the year ended 30th April, 1989 include the write off of a bad debt and provision for losses arising after the balance sheet date on the sequestration of Mr. P. Muldoon, trading as West Lothian Wines. This write off and provision are separately disclosed in the accounts as an exceptional charge and are the cause of the loss 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. The Company also operates a hotel at Nethybridge, near Aviemore.

The directors are of the opinion that the state of affairs of the Company would be satisfactory were it not for the effect of the exceptional charge referred to above.

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

As a result of the bad debt referred to above, the directors are presently seeking the survival of the company, either by refinancing or the sale of a controlling interest. At the date of signing these accounts, negotiations are in progress (see Note 1).

To this end the authorised capital of the company was increased to £3 million at an Extraordinary General Meeting on 2nd October, 1989.

Negotiations for the sale of the Nethybridge Hotel are currently in progress.

COMPANIES HOUSE
26 APR 1990
EDINBURGH

DIRECTORS' REPORT (Continued)

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:—

	1989	1988
Peter T. Bell	1	1
John M. Cran, C.A., F.Inst.D.	1	1
John Gow	121	121
James L.E. Hogg, B.Sc., M.F.	121	121
John B. Richardson	121	121
James D. Robertson, C.A. (Resigned 28.6.1989)	241	241
William A.S.M. Smith	1	1
Edward P. Watson	121	121

Mr E. P. Watson and Mr P. T. Bell retire by rotation at this time.

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.

Crawford Place,
Milnathort, KY13 7XF.

11th October, 1989.

AUDITORS' REPORT TO THE MEMBERS OF FORTH WINES LIMITED

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

As will be evident from the financial statements, the Company suffered a substantial loss due to the bankruptcy of a major debtor. This has resulted in the company having to retain short-term finance until a long-term solution can be found. At the date of this report there are no guarantees to the effect that long-term finance will be available and although the financial statements have been prepared on a going-concern basis this is completely dependent on the continuing availability of finance to support the company's trading activities.

Subject to the foregoing, 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 affairs as at 30th April, 1989 and of its loss 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 7NZ.

11th October, 1989.

PROFIT AND LOSS ACCOUNT
for the year ended 30th April 1989

	Notes	£	1989 £	1988 £
TURNOVER	2		58,522,375	53,479,328
Cost of Sales			55,995,040	51,430,217
GROSS PROFIT			2,527,335	2,049,111
Distribution Costs			443,929	413,250
			2,083,406	1,635,861
Other Operating Income	1			
Interest on Deposits			54,432	77,291
Other Income			3,795	5,795
Profit on Sale of Fixed Assets			6,235	2,456
			2,147,868	1,721,403
Administrative Expenses				
Directors' Emoluments	3	61,714		125,580
Auditors' Remuneration		11,000		10,000
Depreciation	1,7	111,711		106,619
Staff Costs	4	786,909		718,432
Other Administrative Expenses		424,541		605,738
			1,395,875	1,566,369
			751,993	155,034
Exceptional Charges	5		2,806,015	—
OPERATING PROFIT/(LOSS)			(2,054,022)	155,034
Interest Payable and Similar Charges			262,124	122,358
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2		(2,316,146)	32,676
Taxation	6		—	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			(2,316,146)	32,676
Extraordinary Items	8		175,382	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			(2,140,764)	32,676
Transfers to/(from) Reserves	13		(1,705,000)	30,000
RETAINED PROFIT/(LOSS) FOR THE YEAR			(435,764)	2,676
RETAINED PROFITS/(ACCUMULATED LOSSES) BROUGHT FORWARD			16,997	14,321
RETAINED PROFITS/(ACCUMULATED LOSSES) CARRIED FORWARD			(418,767)	16,997

The notes on pages 7 to 12 form part of these accounts.

BALANCE SHEET
As at 30th April 1989

	Notes	£	1989 £	1988 £
FIXED ASSETS				
Tangible Assets:	7			
Land and Buildings			1,918,600	690,416
Other Assets			406,830	412,975
			2,325,430	1,103,391
Investments	7		1,351	1,351
			2,326,781	1,104,742
CURRENT ASSETS				
Stock	9	5,966,604		5,142,671
Debtors	10	4,745,691		5,225,879
Cash at Bank and in Hand		466,253		282,815
		11,178,548		10,651,365
CREDITORS Amounts falling due within one year				
Bank Loans and Overdrafts		4,275,498		2,641,410
Creditors	11	7,476,058		7,014,148
		11,751,556		9,655,558
NET CURRENT ASSETS/(LIABILITIES)			(573,008)	995,807
TOTAL ASSETS LESS CURRENT LIABILITIES			1,753,773	2,100,549
PROVISION FOR LIABILITIES AND CHARGES				
Deferred Government Grants	1	43,083		43,083
Exceptional Bad Debts	5	738,151		—
			781,234	43,083
			972,539	2,057,466
CAPITAL AND RESERVES				
Share Capital	12		341,809	335,469
Revaluation Reserve			1,049,497	—
Other Reserves	13		—	1,705,000
Profit and Loss Account			(418,767)	16,997
			972,539	2,057,466

J. GOW: Director **J. B. RICHARDSON:** Director

Approved by the Board — 11th October 1989.

The notes on pages 7 to 12 form part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 30th April 1989

SOURCE OF FUNDS	1989 £	1988 £
Profit/(Loss) after Tax and Extraordinary Items	(2,140,764)	32,676
Adjustment for items not involving the movement of funds:		
Depreciation	111,711	106,619
Profit on Sale of Assets	(6,235)	(2,456)
Revaluation of Land and Buildings	(175,382)	—
Exceptional Bad Debt Provision	738,151	—
TOTAL FUNDS GENERATED FROM OPERATIONS	(1,472,519)	136,839
FUNDS FROM OTHER SOURCES		
Disposal of Fixed Assets	31,148	30,301
Shares issued during the year	6,340	—
Grants Received	—	43,083
Cash from Investments	—	292
	(1,435,031)	210,515
APPLICATION OF FUNDS		
Additions to Fixed Assets:		
Land and Buildings	(3,306)	(4,880)
Other Assets	(130,479)	(168,615)
INCREASE/(DECREASE) IN WORKING CAPITAL	(1,568,816)	37,020
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
Stock	823,933	(499,032)
Debtors	(480,188)	(455,144)
Creditors	(461,911)	(507,424)
	(118,166)	(1,461,600)
Movement in Net Liquid Funds:		
Cash at Bank and in Hand	183,438	28,719
Bank Loans and Overdrafts	(1,634,088)	1,469,901
	(1,568,816)	37,020

The notes on pages 7 to 12 form part of these accounts.

NOTES TO THE ACCOUNTS
INCLUDING DETAILS OF ACCOUNTING POLICIES USED AT 30TH APRIL 1989

1. ACCOUNTING POLICIES

Accounting Convention:
The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings.
The accounts have been prepared on a going concern basis on the assumption that long term finance will be obtained to refinance the company's operations. Negotiations are in progress at the date of signing these accounts and the company's survival is dependent on their success.

Depreciation:
The charge for depreciation has been calculated as follows:—

	1989 %	1988 %
Reducing Balance:		
Wine Chill Cabinets	100	100
Motor Vehicles	33.3	33.3
Plant, Fittings and Equipment — Wholesaling	20	20
— Hotel	15	15
Straight Line:		
Computer Installation	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 earlier 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.

Deferred Government Grants:
These are only credited to the profit and loss account on the expiry of the period within which a clawback may occur under the terms of the award of grant. Until such expiry, sums received by way of grant are included as potential liabilities of the Company in the balance sheet.

Notes to the Accounts (Continued)

2. TURNOVER AND PROFIT

Turnover represents the invoiced value of goods sold, excluding Value Added Tax, less members' discounts.
Turnover and profit on ordinary activities before taxation were contributed as follows:-

	1989 £	1988 £
Turnover:		
Wholesale Wines and Spirits, Etc.	58,029,010	53,057,851
Nethybridge Hotel	542,471	470,083
	58,571,481	53,527,934
Less: Inter-Divisional Sales	49,106	48,606
	58,522,375	53,479,328
Profit/(Loss) on Ordinary Activities before Taxation:		
Wholesale Wines and Spirits, Etc.	(2,327,629)	43,807
Nethybridge Hotel	11,483	(11,132)
	(2,316,146)	32,676

3. DIRECTORS' EMOLUMENTS

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

	1989 £	1988 £
Chairman	2,885	15,730
Highest Paid Director	25,294	44,733

Directors who received emoluments, other than those detailed above:

	No.	No.
Nil to £ 5,000	5	—
£ 5,001 to £10,000	—	5
£10,001 to £15,000	—	—
£15,001 to £20,000	1	—
£20,001 to £25,000	—	—
£25,001 to £30,000	—	1

Directors' remuneration consists of:

	£	£
Fees	—	36,000
Other emoluments (including pension contributions)	61,714	89,580
	61,714	125,580

Notes to the Accounts (Continued)

4. STAFF COSTS

	1989 £	1988 £
Wages and Salaries — Wholesaling	490,484	459,314
Wages and Salaries — Nethybridge	159,950	133,134
Social Security Costs	60,604	52,452
Other Pension Costs	75,871	73,532
	786,909	718,432

The average weekly number of employees during the year was 84 made up as follows:

	No.	No.
Office, Sales and Management	40	41
Warehouse	17	17
Nethybridge Hotel	27	26
	84	84

5. EXCEPTIONAL ITEM

This represents the outstanding balance of £2,067,864 (excluding Value Added Tax) due to the Company, at 30th April, 1989, by P. Muldoon, Esq., trading as West Lothian Wines, whose estate was sequestrated on 26th May, 1989.
In addition a provision has been made against debts incurred after 30th April, 1989 of £738,151 (excluding V.A.T.) resulting in a total exceptional item of £2,806,015

6. TAXATION

The figure shown in the accounts for taxation consists of Deferred Tax only as no provision for Current Corporation Tax is considered necessary (1988: Nil). The amount of deferred taxation is calculated on the liability method and represents corporation tax at 35% (1988: 25%) as follows:

	Provided		Not Provided	
	1989 £	1988 £	1989 £	1988 £
Capital Allowances in advance of Depreciation	68,658	55,824	—	—
Less: Taxation Losses	(68,658)	(55,824)	—	—
	—	—	—	—
Taxation on Valuation Surplus	—	—	192,500	—
	—	—	192,500	—

No provision is made in respect of the potential liability to Corporation Tax arising on the disposal of Land and Buildings at the revalued sums as their disposal is considered unlikely.

Notes to the Accounts (Continued)

7. FIXED ASSETS

Tangible Assets:

	Land and Buildings £	Other Assets £
Cost or valuation:		
At 30th April, 1988	690,416	1,198,361
Additions at cost	3,306	130,479
Surplus on Revaluation	1,224,878	—
	1,918,600	1,328,840
Disposals	—	101,724
At 30th April, 1989	1,918,600	1,227,115
Depreciation:		
At 30th April, 1988	—	785,386
Eliminated on disposals	—	76,811
	—	708,575
Provided for year	—	111,711
At 30th April, 1989	—	820,286
Net Book Values:		
At 30th April, 1989	1,918,600	406,830
At 30th April, 1988	690,416	412,975

On 30th May, 1989 the directors obtained from Messrs. Graham & Sibbald, Chartered Surveyors, Kirkcaldy, a valuation of the Company's land and buildings at Crawford Place, Milnathort as at 26th April, 1989. The valuation stated that on an existing use basis the property was worth £1,550,000. On 2nd May, 1989 the directors obtained from Messrs, Gillies Melville Associates, Surveyors, Valuers and Property Consultants, Edinburgh, a valuation of the Nethybridge Hotel as at 26th April, 1989. The valuation stated that the property, including fittings, furnishings and equipment plus the present level of revenue and profitability was worth £550,000. Accordingly the directors have shown the value of land and buildings in the accounts at these figures. The directors intend to have all Land and Buildings valued on a regular basis and future years' accounts will be adjusted if appropriate. The remaining assets are valued at cost less aggregate depreciation.

Investments:

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

Notes to the Accounts (Continued)

8. EXTRAORDINARY ITEMS

	1989 £	1988 £
Increase in Land and Buildings	175,382	—
	175,382	—

This amount represents amounts previously written-off following earlier valuations and arises as a result of incorporating the valuations detailed in note 7.

9. STOCKS

Stocks in the accounts relate to finished goods. If valued at replacement cost at 30th April, 1989 they would amount to £6,243,104 (At 30th April, 1988: £5,223,239). Included in the total are goods which have been supplied under a reservation of title clause by various suppliers.

10. DEBTORS

	1989 £	1988 £
Trade Debtors	4,510,887	5,187,803
Other Debtors	217,094	20,509
Prepayments	17,710	17,567
	4,745,691	5,225,879

11. CREDITORS

	1989 £	1988 £
Payments Received on Account	10,440	8,280
Trade Creditors	4,294,968	4,452,922
Bills of Exchange Payable	327,640	588,012
Taxation and Social Security	444,891	226,831
Other Creditors including Customs Duty	2,227,401	1,511,282
Accruals	170,718	226,821
	7,476,058	7,014,148

Notes to the Accounts (Continued)

12. SHARE CAPITAL

	Authorised		Allotted Issued and Fully Paid	
	1989	1988	1989	1988
	No.	No.	£	£
Ordinary Shares of £1 each	500,000	500,000	341,809	335,469

During the year 6,340 Ordinary Shares of £1.00 each were allotted, issued and fully paid for cash of £6,340.

13. OTHER RESERVES

	General Reserve	Bad Debts Reserve	Capital Commitments Reserve	Brand Development Reserve	Total
	£	£	£	£	£
At 30th April, 1988	1,250,000	145,000	160,000	150,000	1,705,000
Transferred (to)/from Profit and Loss Account	(1,250,000)	(145,000)	(160,000)	(150,000)	(1,705,000)
At 30th April, 1989	—	—	—	—	—

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.