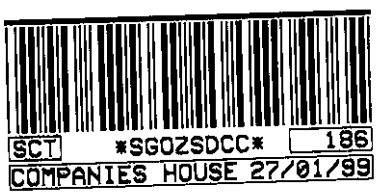
FORTH WINES LIMITED

Registered number SC39321

DIRECTORS' REPORT AND ACCOUNTS

30 APRIL 1998



IAM

FORTH WINES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 30 April 1998.

REVIEW OF THE BUSINESS

The company's principal activity during the year has continued to be that of wholesale wine and spirit merchants.

The Company's main computer system was upgraded to cater for the millennium date change, accordingly there are no material future costs to be incurred. Business critical computer applications are believed to be millennium compliant.

These systems will also cater for transactions in Euros as undertaken by the Company.

FUTURE DEVELOPMENTS

The company will continue to improve the quality of its business by the sale of appropriate products, including agency brands, into appropriate markets.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £308,471 (1997: £201,566), from which a provision for the payment of preference share dividends of £120,000 (1997: £120,000) has been deducted. No dividends were paid and the profit was deducted from the Profit and Loss Account deficit of £663,729, leaving a closing deficit of £464,244 after taking account of a £11,014 transfer from the Revaluation Reserve.

The Deferred Shares became due for redemption on 30 October 1991 at a premium of 25p per share. Valid claims for redemption were received during the year in respect of 860 shares (1997 1,080 shares). These were settled and the premium on their redemption was transferred to the Special Capital Reserve.

DIRECTORS AND THEIR INTERESTS

The persons who at 30 April 1998 were directors of the company and their interests in the share capital of the company at 1 May 1997, or date of appointment, and 30 April 1998 are given below:

	'A' Cumulative Redeemable Preference Shares	'A' Ordinary Shares	New Ordinary Shares
David J Cameron	283,333	75,000	25,567
Donald M Campbell (appointed 6 October 1997)	-	-	-
Nicholas T Harvey-Miller	-	-	50,000
William B Marnoch	-	-	-
Fiona M A Roberts (appointed 6 October 1997)	-	-	-
Anthony R Wood	-	-	-
Michael J Younger (appointed 6 October 1997)	-	-	-

Mr Cameron's shares are held by Upland Development Limited in which he has a controlling interest.

FORTH WINES LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FIXED ASSETS

Details of movements in tangible assets during the year are given in Note 8 to the accounts.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

M J Younger
Secretary

25 June 1998

Albany House
58 Albany Street
Edinburgh
EH1 3QR

Telephone: 0131-557-9900
Telex: 884657 PRIWAT G
Facsimile: 0131-225-5352

Price Waterhouse

REPORT OF THE AUDITORS TO THE MEMBERS OF FORTH WINES LIMITED

We have audited the accounts on pages 4 to 19 which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 April 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

25 June 1998

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, London, Manchester, Middlesbrough, Newcastle, Nottingham, St. Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FORTH WINES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 1998

	Note	1998 £	1998 £	1997 £	1997 £
TURNOVER	2		26,835,336		26,452,577
COST OF SALES			(23,433,468)		(23,508,939)
GROSS PROFIT			3,401,868		2,943,638
Distribution costs		(772,927)		(684,082)	
Administrative expenses		(2,151,276)		(1,901,852)	
Other operating income		-		264	
			(2,924,203)		(2,585,670)
OPERATING PROFIT			477,665		357,968
Interest receivable			-		6
Interest payable and similar charges	5		(169,194)		(156,408)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3		308,471		201,566
Tax on profit on ordinary activities	6		-		(70)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			308,471		201,496
Additional finance costs of non-equity shares	7		(120,000)		(120,000)
PROFIT TRANSFERRED TO RESERVES	16		188,471		81,496

There are no gains or losses other than the profit for the year. All operations are continuing.

FORTH WINES LIMITED

BALANCE SHEET AT 30 APRIL 1998

	Note	1998 £	1998 £	1997 £	1997 £
FIXED ASSETS					
Tangible assets	8		1,713,491		1,608,328
CURRENT ASSETS					
Stocks	9	2,785,376		2,352,233	
Debtors	10	3,829,515		3,547,365	
Cash at bank and in hand		7,529		5,552	
		6,622,420		5,905,150	
CREDITORS (amounts falling due within one year)	11	(5,574,515)		(5,093,548)	
NET CURRENT ASSETS			1,047,905		811,602
TOTAL ASSETS LESS CURRENT LIABILITIES			2,761,396		2,419,930
CREDITORS (amounts falling due after more than one year)	12		(67,953)		(33,883)
			2,693,443		2,386,047
CAPITAL AND RESERVES					
Called up share capital:					
Equity	14	200,000		200,000	
Non equity	14	1,103,391		1,104,251	
			1,303,391		1,304,251
Share premium account	16		129,346		129,346
Special capital reserve	16		15,440		15,655
Revaluation reserve	16		869,510		880,524
Profit and loss account	16		(464,244)		(663,729)
Provision for dividends payable to non-equity shareholders	7		840,000		720,000
SHAREHOLDERS' FUNDS INCLUDING NON EQUITY INTERESTS	15		2,693,443		2,386,047

Approved by the Board on 25 June 1998

William B Marnoch
Director

FORTH WINES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 1998

	1998		1997	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 18)		(82,996)		496,249
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Interest received	-		6	
Interest paid	(153,109)		(135,364)	
Interest element of finance lease and hire purchase payments	(11,949)		(19,222)	
		(165,058)		(154,580)
TAXATION		-		(107)
CAPITAL EXPENDITURE				
Purchase of tangible fixed assets	(257,046)		(72,882)	
Sale of tangible fixed assets	22,174		7,921	
		(234,872)		(64,961)
FINANCING				
Redemption of deferred shares	(1,075)		(1,350)	
Inception of finance lease	109,126		35,644	
Repayment of term loan	(130,422)		(260,872)	
Capital element of finance lease and hire purchase payments	(87,729)		(91,641)	
		(110,100)		(318,219)
DECREASE IN CASH (Note 19)		(593,026)		(41,618)

FORTH WINES LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 APRIL 1998

	1998 £	1997 £
Reported profit on ordinary activities before taxation	188,471	81,496
Depreciation of the revaluation surplus on freehold buildings	11,014	11,015
Historical cost profit on ordinary activities before taxation	199,485	92,511

FORTH WINES LIMITED

NOTES TO THE ACCOUNTS - 30 APRIL 1998

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

As the accounts are prepared on a going concern basis, arrears of dividends on non-equity shares have been provided as they accrue. This is notwithstanding the fact that at present the company has a deficit on its profit and loss account. The financial impact of the treatment on dividends due to non-equity shareholders is disclosed in Notes 7, 14 and 15. If the provision for the arrears of dividend on non-equity shares had not been recognised, the surplus carried forward at 30 April would be £375,756 (1997 £56,271).

Depreciation

Depreciation is provided on tangible fixed assets, other than freehold land at annual rates designed to write off the book value of the assets over the term of their useful lives. Details of depreciation rates used are as follows:

Freehold buildings	2.3%	Straight line
Plant, fittings and equipment	20%	Reducing balance
Computer installation and related software	20%	Straight line
Motor vehicles	33.3%	Reducing balance

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost incurred is the net purchase price, together with duty where applicable.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except where the amount is covered by a forward exchange contract where the contracted rate is used. Transactions in foreign currencies are recorded at the appropriate forward contract rate, otherwise the rate of exchange at the date of the transaction is used. All differences are taken to the cost of sales in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Employer's contributions to the scheme are charged to the profit and loss account in the period to which they relate.

Promotions

The net cost of promotions is included in cost of sales. Provision is made for future redemption costs at a level which is based on expected take up. Expected take up is computed based on a combination of historic redemption experience and management estimates.

NOTES TO THE ACCOUNTS - 30 APRIL 1998 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Provision is made for deferred taxation on timing differences arising except where the liability is not expected to crystallise in the foreseeable future.

Leases

Assets acquired under finance leases are capitalised and depreciated in the same manner as owned tangible fixed assets. Obligations under finance leases are included in creditors. Rentals payable under finance leases are allocated between capital, which reduces the outstanding obligation, and interest, which is charged to profit and loss account on a basis which produces a constant periodic rate of charge on the outstanding obligation.

Rentals payable under operating leases are charged to profit and loss account in the period in which they became payable.

2 TURNOVER

Turnover represents the invoiced value of goods sold, excluding value added tax and customers' discount. All sales were within the UK and related to the wholesaling of wines and spirits.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting):

	1998 £	1997 £
Staff costs (Note 4)	1,160,556	1,040,904
Depreciation	126,354	146,229
Gain on foreign exchange	(70,067)	(36,460)
Auditors' remuneration		
- audit fees	17,425	17,917
- other fees	5,950	3,650
Loss/(gain) on sale of tangible fixed assets	3,355	4,563
Operating lease rentals		
- plant & machinery	3,961	3,210

4 STAFF COSTS

	1998 £	1997 £
Wages and salaries	1,015,070	909,701
Social security costs	87,972	80,240
Other pension costs	57,514	50,963
	1,160,556	1,040,904

The average number of persons employed by the company during the year was 67 (1997-64). Other pension costs include a premium of £11,360 (1997 £9,713) for death in service benefits.

Directors' emoluments, which are included in staff costs, were £198,279 (1997 £106,282) including taxable benefits but excluding pension contributions. Money purchase pension contributions payable on behalf of 4 Directors (1997 1 Director) amounted to £11,013 (1997 £6,611).

The Company paid emoluments by way of a management fee in respect of the services of the Chairman to WBM associates.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank and other borrowings repayable within five years	157,245	137,186
On finance leases and hire purchase agreements	11,949	19,222
	169,194	156,408

NOTES TO THE ACCOUNTS - 30 APRIL 1998 (CONTINUED)

6 TAX ON LOSS ON ORDINARY ACTIVITIES

No taxation has been provided in respect of the current year's activities. The taxation charge in the accounts comprises:

	1998 £	1997 £
Advance corporation tax written off	-	70

The company has accumulated taxation losses amounting to approximately £1,400,000 (1997 £1,700,000) which are available for offset against future trading profits.

7 DIVIDENDS

The company has provided for dividend arrears to non-equity shareholders on an accruals basis, in accordance with Financial Reporting Standard No 4. The provision for dividend arrears is included in non-equity shareholders' funds.

Provision for arrears:	1998 £	1997 £
At 1 May	720,000	600,000
Provided during the year	120,000	120,000
At 30 April	840,000	720,000

NOTES TO THE ACCOUNTS - 30 APRIL 1998 (CONTINUED)

8 TANGIBLE ASSETS

	Freehold land and buildings £	Other assets £	Total £
Cost or Valuation:			
At 1 May 1997	1,400,000	858,089	2,258,089
Additions	-	257,046	257,046
Disposals	-	(264,217)	(264,217)
At 30 April 1998	1,400,000	850,918	2,250,918
Depreciation:			
At 1 May 1997	34,248	615,513	649,761
Provision for the year	27,399	98,955	126,354
Disposals	-	(238,688)	(238,688)
At 30 April 1998	61,647	475,780	537,427
Net book amount:			
At 30 April 1998	1,338,353	375,138	1,713,491
At 30 April 1997	1,365,752	242,576	1,608,328

The company's freehold land and buildings were revalued on an open market, existing use, basis at £1,400,000 in February 1996.

Other assets held under finance leases and hire purchase agreements amount to:

	£
Cost:	
At 1 May 1997	378,562
Additions	138,006
Disposals	(142,331)
At 30 April 1998	374,237
Depreciation:	
At 1 May 1997	225,308
Provision for the year	62,021
Released on disposal	(120,428)
At 30 April 1998	166,901
Net book amount:	
At 30 April 1998	207,336
At 30 April 1997	153,254

8 TANGIBLE ASSETS (CONTINUED)

Freehold land and buildings would have been included on a historical cost basis at:

	1998 £	1997 £
Cost	711,048	711,048
Depreciation	(242,205)	(225,821)
Net book amount	468,843	485,227

9 STOCKS

Stocks represent goods held for resale. The replacement cost of stocks does not materially differ from the balance sheet amount.

10 DEBTORS

	1998 £	1997 £
Trade debtors	3,784,706	3,474,708
Other debtors	23,390	25,724
Prepayments	21,419	46,933
	3,829,515	3,547,365

11 CREDITORS (amounts falling due within one year)

	1998 £	1997 £
Bank term loan	-	130,422
Bank overdraft	2,334,594	1,739,591
Finance lease and hire purchase obligations	63,591	76,264
Trade creditors	2,196,324	2,092,563
Taxation and social security	398,638	339,093
Other creditors including customs duty	490,843	542,558
Accruals	90,525	173,057
	5,574,515	5,093,548

The overdraft is secured on the company's assets.

12 CREDITORS (amounts falling due after more than one year)

	1998 £	1997 £
Finance lease and hire purchase obligations	67,953	33,883

There are no amounts due after more than 5 years.

13 DEFERRED TAXATION

The potential amount of deferred tax not recognised in the accounts expressed at a corporation tax rate of 21% (1997 23%) can be analysed as follows:

	1998 £	1997 £
Accelerated capital allowances	(2,000)	(8,000)
Unutilised tax losses	(290,000)	(391,000)
	(292,000)	(399,000)

No material exposure to deferred taxation would arise on the disposal of land and buildings at the revalued sums. There are no plans for their disposal.

14 SHARE CAPITAL

	1998 No	1997 No
Authorised, allotted and fully paid:		
Equity		
"A" ordinary shares of 40 pence each	225,000	225,000
New ordinary shares of 40 pence each	275,000	275,000
	500,000	500,000
	£	£
Non-equity		
12% "A" cumulative redeemable preference shares of £1 each	1,000,000	1,000,000
Deferred shares of £1 each	103,391	104,251
	1,103,391	1,104,251

14 SHARE CAPITAL (CONTINUED)

	£	£
Issued:		
Equity		
"A" ordinary shares of 40 pence each	90,000	90,000
New ordinary shares of 40 pence each	110,000	110,000
	200,000	200,000
Non-equity		
12% "A" cumulative redeemable preference shares of £1 each	1,000,000	1,000,000
Deferred shares of £1 each	103,391	104,251
	1,103,391	1,104,251
	1,303,391	1,304,251

Redemption

The 12% "A" cumulative redeemable preference shares were redeemable at par in equal annual instalments of £250,000 on 30 April in each of the years 1994 to 1997 inclusive. There were insufficient reserves to fund the redemptions due on any of these dates.

The deferred shares became redeemable on 30 October 1991 at a premium of 25 pence per share. During the year the holders of 860 shares (1997 1,080 shares) submitted valid claims to have their shares redeemed.

Dividends

The holders of the "A" cumulative redeemable preference shares are entitled to a fixed cumulative preferential dividend at a rate of 12% per annum.

The deferred shares carry no entitlement to dividend.

The holders of the "A" ordinary shares are, prior to any ordinary dividend declared by the directors, entitled to a cumulative preferential dividend of 15% of the net profits of the company. Dividends in arrears at 30 April 1998 are disclosed in note 17. Holders of new ordinary shares are then entitled to a dividend equal to that received by the "A" ordinary shareholders, thereafter both classes are treated as equal in respect of any further distribution of profits.

Voting rights

The holders of the "A" cumulative redeemable preference shares are entitled to receive notice of and to attend general meetings. Where dividends or redemptions are in arrears these shares carry one vote each.

Both classes of ordinary share carry one vote each, the deferred shares carry no voting rights.

14 SHARE CAPITAL (CONTINUED)

Priority

On a return of assets to the members, the holders of the "A" cumulative redeemable preference shares are firstly entitled to be paid £1 per share together with any arrears of dividend calculated to the date of the return of capital.

The holders of "A" ordinary shares are secondly entitled to be paid any arrears of dividend calculated to the date of the return of capital. The holders of "A" ordinary and new ordinary shares are thirdly entitled to £2 per share.

The deferred shareholders are fourthly entitled to the nominal value of £1 plus a premium of 25 pence per share.

Finally, the holders of both classes of ordinary shares jointly participate in any remaining surplus.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	188,471	81,496
Increase in provision for dividends payable to non-equity shareholders	120,000	120,000
Redemption of deferred shares, including premium on redemption	(1,075)	(1,350)
Net increase to shareholders' funds	307,396	200,146
Opening shareholders' funds	2,386,047	2,185,901
Closing shareholders' funds	2,693,443	2,386,047
Shareholders' funds - equity	750,052	543,796
Shareholders' funds - non-equity	1,943,391	1,824,251
	2,693,443	2,386,047

NOTES TO THE ACCOUNTS - 30 APRIL 1998 (CONTINUED)

16 RESERVES

	Share Premium £	Special Capital Reserve £	Revaluation Reserve £	Profit and Loss Account £
At 1 May 1997	129,346	15,655	880,524	(663,729)
Premium on the redemption of deferred shares		(215)		
Transfer			(11,014)	11,014
Profit for the financial year				188,471
At 30 April 1998	129,346	15,440	869,510	(464,244)

The transfer from revaluation reserve to profit and loss account represents depreciation of the revaluation surplus on freehold buildings.

17 COMMITMENTS

The company has the following commitments:

	1998 £	1997 £
Capital expenditure authorised and contracted	-	45,000
Redemption of deferred shares at £1.25	129,239	130,314
Foreign currency arrangements	834,086	1,300,188
	963,325	1,475,502

The company has foreign currency arrangements to cover the cost of future foreign stock purchases.

In addition, the company has dividend arrears on the "A" Ordinary shares of £178,508 (1997 £132,237) (see Note 14 for details of the priority for dividend payments).

18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	477,665	357,968
Depreciation	126,354	146,229
Loss on sale of tangible fixed assets	3,355	4,563
Increase in stocks	(433,143)	(391,234)
Increase in debtors	(282,150)	(381,241)
Increase in creditors	24,923	759,964
Net cash inflow from operating activities	(82,996)	496,249

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£
Decrease in cash in the period	(593,026)
Cash outflow from repayment of term loan	130,422
Cash outflow from decrease in lease financing	87,729
Change in net debt resulting from cash flows	(374,875)
Inception of finance leases	(109,126)
Movement in net debt in the period	(484,001)
Net debt at 1 May 1998	(1,974,608)
Net debt at 30 April 1998	(2,458,609)

20 ANALYSIS OF CHANGES IN NET DEBT

	At 1 May 1997 £	Cash Flows £	Other Changes £	At 30 April 1998 £
Cash in hand, at bank	5,552	1,977		7,529
Overdrafts	(1,739,591)	(595,003)		(2,334,594)
	(1,734,039)	(593,026)		(2,327,065)
Debt due within 1 year	(130,422)	130,422		-
Finance leases	(110,147)	87,729	(109,126)	(131,544)
	(1,974,608)	(374,875)	(109,126)	(2,458,609)

21 PENSIONS

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The pension cost charge represents contributions payable by the company to the fund and amounted to £39,702 (1997 £35,478). Contributions totalling £101 (1997 £215) were payable to the fund at the year end and are included in creditors.

22 OPERATING LEASES

Annual commitments in respect of operating leases which expire:

	1998 £	1997 £
Plant and Machinery		
In two to five years	1,468	3,210
Over five years	2,307	-
Total operating leases	3,775	3,210