

149234

1146

JAMES BUCHANAN & COMPANY LIMITED

REPORT AND ACCOUNTS
31st MARCH 1986



Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL


Chartered Accountants Glasgow

NOTICE CONVENING THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the company will be held at the offices of the company at Buchanan House, 3 St. James's Square, London, SW17 4JU, on Wednesday, 11th June 1986 at 12.30 p.m. for the purpose of transacting the following business:

1. To receive the statements of accounts for the year ended 31st March 1986 and the reports of the directors and auditors thereon.
2. To declare a dividend.
3. To appoint Price Waterhouse as auditors of the company.
4. To fix the remuneration of the auditors.
5. To transact any other ordinary business of the company.

By order of the Board


Secretary

Buchanan House,
3 St. James's Square,
London, SW1Y 4JU

16th May, 1986

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy (whether a member or not) to attend and vote instead of him.



JAMES BUCHANAN & COMPANY LIMITED

2.

DIRECTORS

The directors of the company at 21st May, 1986, are:

A.B. Oscroft (Managing)
D.F. Greer
D.E. Kilgore
A.T. Kowal, B.A., B.Sc., M.Sc.
P.G. Lewis
A.J. Macdonald-Buchanan
J.W. Russell, C.Eng., M.I. Mech.E.
J.R. Williams, F.C.C.A.

SECRETARY

J.R. Williams, F.C.C.A.

AUDITORS

Arthur Young,
George House,
50 George Square,
Glasgow,
G2 1RR

REGISTERED OFFICE

Buchanan House,
3 St. James's Square,
London,
SW1Y 4JU

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31st March 1986.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £1,778,000.

The directors recommend a dividend of £1,770,000. leaving a surplus of £8,000 to be retained.

Review of business

The company's principal activity through the year was to blend, bottle and sell Scotch Whisky throughout the world.

Turnover for the year was 29% higher than the previous year. Cost of sales did not increase to the same extent resulting in an increase of 49% in gross profit. Trading profit increased by 147% reflecting the improvement in gross profit above.

The directors consider that trading conditions will continue to be challenging. Forward plans will be reviewed and developed accordingly, having regard to all the circumstances which affect the company's operations.

Since the end of the financial year, the company has become a subsidiary of Guinness PLC following the merger of Guinness and The Distillers Company p.l.c. the company's holding company.

Fixed assets

The changes in the value of fixed assets owned by the company are summarised in the notes to the accounts.

Interest in land and buildings

The directors are of the opinion that the company's land and buildings have a market value in excess of their balance sheet value.

A professional valuation in respect of the company's land and buildings was prepared at September 1981 based broadly on estimated depreciated replacement cost. In the light of this valuation and subsequent professional advice, it is estimated that the value on that basis of the company's land and buildings at 31st March 1986 would be approximately £9.6m greater than the value included in the balance sheet.

DIRECTORS' REPORT (Contd.)

Disabled persons

The company's managers are instructed to give sympathetic consideration, when recruiting, to applications from disabled persons and to bear in mind the special needs of disabled employees (including those who become disabled while in the company's employment) in regard to training, structure of company premises and facilities, etc.; and to seek to ensure that the handicaps suffered by disabled employees do not adversely affect their promotional prospects.

Employee involvement

At its major employment centre in Scotland, the company's two consultative committees act as a forum for systematically providing employees with information which concerns them and allowing the process of consultation to take place. The nature and size of the London head office is such that the employees in question are closely involved on a daily basis in the company's affairs.

General information in respect of The Distillers Company p.l.c., of which this company is a subsidiary, its performance and economics and other matters affecting the group is circulated to all the company's employees in the form of an annual report. This is a distillation of the essential features of the annual report and accounts with emphasis on value added information showing the wealth created by the group during the year and how that wealth was divided between employees and others. The company has maintained these practices during the year.

The company has no employees' share scheme, since it is a wholly-owned subsidiary of The Distillers Company p.l.c.

Directors and their interests

The names of the persons who at 21st May 1986 were directors of the company are listed on page 2.

Mr. A.B. Oscroft was appointed to the Board on 17th March 1986 and was appointed Managing Director on 1st May 1986.

Mr. C.N. Younghusband retired from the Board on 30th April 1986.

Mr. K.C.H. Hodge retired from the Board on 31st December 1985.

DIRECTORS' REPORT (Contd.)

Directors and their interests
(continued)

The interests of the directors and their families at 31st March 1986, in the share capital of The Distillers Company p.l.c. were as follows:-

	<u>Ordinary shares of 50p</u>	
	<u>At 31st March 1986</u>	<u>At 1st April 1985</u> or date of appointment if later
D.F. Greer	Nil	Nil
D.E. Kilgore	Nil	Nil
A.T. Kowal	Nil	Nil
P.G. Lewis	Nil	Nil
A.J. Macdonald-Buchanan	154,125	127,000
A.J. Macdonald-Buchanan as Trustee	28,000	60,000
A.B. Oscroft	Nil	Nil
J.W. Russell	Nil	Nil
J.R. Williams	Nil	Nil

Mr. C.N. Younghusband has been excluded from the above list as he was a director of the holding company at 31st March 1986.

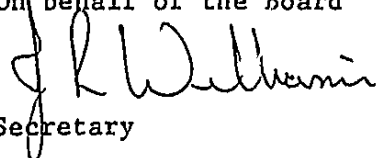
No director had an interest in the loan capital of The Distillers Company p.l.c., or in the shares or loan capital of other group companies, other than a non-beneficial interest as nominee.

Auditors

The company's auditors, Arthur Young, Chartered Accountants, have indicated that they will not seek reappointment as auditors at the Annual General Meeting. Accordingly, a resolution will be proposed appointing Price Waterhouse, Chartered Accountants, as auditors of the company.

The board would like to express their sincere thanks to Arthur Young for all their assistance during their tenure in office.

On behalf of the Board


Secretary

Buchanan House,
3 St. James's Square,
London,
SW1Y 4JU

21st May 1986



Arthur Young

Chartered Accountants
George House, 50 George Square,
Glasgow G2 1RR

REPORT OF THE AUDITORS TO THE MEMBERS OF
JAMES BUCHANAN & COMPANY LIMITED

We have audited the accounts on pages 7 to 20 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st March 1986 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

Arthur Young

21st May 1986

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st MARCH 1986

	Note	£'000	1986 £'000	£'000	1985 £'000
TURNOVER	3		36,753		28,625
Duty			(288)		(280)
Turnover excluding duty			36,465		28,345
Cost of sales			(25,635)		(21,060)
GROSS PROFIT			10,830		7,285
Distribution costs		(579)		(583)	
Administrative expenses		(3,665)		(4,007)	
			(4,244)		(4,590)
			6,586		2,695
Other operating charges			(615)		(279)
TRADING PROFIT	4		5,971		2,416
Income from investments		3		-	
Other interest receivable		18		17	
Interest payable	8	(2,700)		(2,700)	
			(2,679)		(2,683)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			3,292		(267)
Taxation	9		(1,514)		167
PROFIT (LOSS) FOR THE YEAR			1,778		(100)
PROPOSED DIVIDEND			(1,770)		-
RETAINED PROFIT OF THE YEAR			8		(100)

The notes on pages 10 to 20 form part of these accounts.

BALANCE SHEET AT 31st MARCH 1986

	<u>Note</u>	£'000	<u>1986</u> £'000	£'000	<u>1985</u> £'000
FIXED ASSETS					
Tangible assets	10		7,732		8,159
Investments	11		14		14
			<u>7,746</u>		<u>8,173</u>
CURRENT ASSETS					
Stocks	13	71,567		69,899	
Debtors	14	12,666		9,388	
Cash at bank and in hand		388		812	
		<u>84,621</u>		<u>80,099</u>	
CREDITORS: amounts falling due within one year	15	(69,525)		(66,629)	
NET CURRENT ASSETS			<u>15,096</u>		<u>13,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			22,842		21,643
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17	(2,585)		(2,811)	
Other provisions	18	(8,815)		(7,398)	
			<u>(11,400)</u>		<u>(10,209)</u>
			<u>11,442</u>		<u>11,434</u>
CAPITAL AND RESERVES					
Called up share capital	19		5		5
Other reserves	20		40		40
Profit and loss account	20		11,397		11,389
			<u>11,442</u>		<u>11,434</u>

A.B. OSCROFT

Director.

J.R. WILLIAMS

Director.

21st May 1986

The notes on pages 10 to 20 form part of these accounts.

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
YEAR ENDED 31st MARCH 1986

	£'000	1986 £'000	£'000	1985 £'000
SOURCES OF FUNDS				
Total generated from operations (Note A)		3,292		-
Depreciation provided		907		748
Taxation recovered		-		138
		-----		-----
Funds generated from operations		4,199		886
Grants on capital expenditure	88		33	
Proceeds from sale of tangible assets	51		185	
	-----		-----	
Funds from other sources		139		218
		-----		-----
		4,338		1,104
		=====		=====
APPLICATION OF FUNDS				
Total absorbed in operations (Note A)	-		267	
Taxation paid	289		44	
Dividend paid	-		2,970	
Purchase of fixed assets	619		494	
	-----		-----	
		908		3,775
INCREASE (DECREASE) IN WORKING CAPITAL				
Increase (decrease) in:				
Stocks	1,668		4,503	
Debtors	3,278		(1,043)	
Decrease (increase) in:				
Creditors (excluding indebtedness to holding company)	277		171	
Provisions	(1,417)		(1,120)	
	-----		-----	
	3,806		2,511	
	(376)		(5,182)	
	-----		-----	
Movement in net liquid funds (Note B)		3,430		(2,671)
		-----		-----
		4,338		1,104
		=====		=====

NOTESA Funds generated (absorbed in) from operations

Profit (loss) before taxation

3,292

(267)

=====

=====

B Movement in net liquid funds

Cash at bank and in hand

(1,212)

710

Current and loan account balances

836

(5,892)

with The Distillers Company p.l.c.

(376)

(5,182)

=====

=====

The notes on pages 10 to 20 form part of these accounts.

NOTES ON THE ACCOUNTS

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Turnover

Turnover represents the amount receivable for goods and services sold, including duty but excluding value added tax.

Income from investments

Income from investments in group companies is dealt with on an accruals basis. Other income from investments is brought into account in the year in which it is received.

Stocks

Stocks are valued at the lower of cost and the estimated amount realisable from disposal in the normal course of business. Cost comprises expenditure directly incurred in purchasing or manufacturing the stock and bringing it to its current state plus an allocation of overhead expenditure attributable to the processes or departments through which it has passed based on the normal level of activity.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is stated at the net amount after deducting grants receivable. Depreciation is calculated on the net cost.

The general policy is to provide depreciation on tangible fixed assets evenly over the estimated working life of the assets.

Adjustments for depreciation over or underprovided are included in the depreciation charge for the year in which the relevant assets are sold or scrapped.

Leased rentals

Rental payments in respect of leased assets are charged against trading profits as incurred.

The aggregate obligations under finance leases and commitments under operating leases are shown in a note to the accounts,

NOTES ON THE ACCOUNTS (Contd.)1. Accounting policies (Contd.)Deferred taxation

The policy in relation to taxation which has been deferred because of the different timing attributed to certain items of income or expenditure for taxation purposes is to make provision at the expected future rates of tax for the deferred liability in instances only where there is a probability of the liability crystallising.

The estimated total potential liability for deferred taxation is shown by way of a note on the accounts.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of balance. Transactions during the year in foreign currency are translated into sterling at the rate ruling at the date of the transaction. All exchange differences are taken into account as part of the trading profit.

2. Ultimate holding company

At 31st March the company was a subsidiary of The Distillers Company p.l.c. which is registered in Scotland. On 18th April 1986 the company became a subsidiary of Guinness PLC following the offer for the shares of The Distillers Company p.l.c. by Guinness PLC becoming unconditional.

References within these accounts to ultimate holding company and/or fellow subsidiary company are to The Distillers Company p.l.c. and its group companies.

3. Turnover

A geographical analysis of turnover is not provided.

4. Trading profit

Trading profit is stated after charging the undernoted items:

	<u>1986</u> £'000	<u>1985</u> £'000
Depreciation	907	748
Auditors' remuneration	33	37
Central administration charge	636	767
Current service pension contribution (see note 23)	-	545
Redundancy costs	52	266
	=====	=====

NOTES ON THE ACCOUNTS (Contd.)5. Employees

The average number of persons employed by the company during the financial year, including directors, was 546 (558) all of whom were employed in the UK.

The aggregate amounts paid or payable in respect of the above employees amounted to:

	<u>1986</u> £'000	<u>1985</u> £'000
Wages and salaries	4,759	4,242
Social security costs	337	317
Other pension costs	11	581
	-----	-----
	5,107	5,140
	=====	=====

6. Directors' emoluments

The aggregate amount of directors' emoluments was:

	<u>1986</u> £'000	<u>1985</u> £'000
Fees for services as directors	5	4
Other emoluments including contributions to pension schemes	256	281
Pensions to former directors	-	16
	-----	-----
	261	301
	=====	=====

Excluding contributions to pension schemes, the emoluments of the individual directors were as follows:

	<u>1986</u> £'000	<u>1985</u> £'000
The most highly paid director	57	50

Other directors

£	£	<u>1986</u> Number	<u>1985</u> Number
less than	5,000	1	1
5,001	to 10,000	1	1
10,001	to 15,000	Nil	2
15,001	to 20,000	Nil	Nil
20,001	to 25,000	2	2
25,001	to 30,000	2	3
30,001	to 35,000	3	1

NOTES ON THE ACCOUNTS (Contd.)7. Emoluments of senior employees

There were no employees of the company other than directors, whose emoluments exceeded £30,000.

8. Interest payable

	<u>1986</u> £'000	<u>1985</u> £'000
Loans from other group companies	2,700 =====	2,700 =====

9. Taxation

	<u>1986</u> £'000	<u>1985</u> £'000
Corporation tax at 40% (45%) including deferred taxation credit of £226,000 (credit £192,000)	1,514	(167)
Double tax relief for overseas taxation	(17)	(13)
	----- 1,497	----- (180)
Overseas taxation	17	13
	----- 1,514 =====	----- (167) =====

The corporation tax charge is based on the profit on ordinary activities and has been decreased by £39,000 (£161,000) in respect of an amount overprovided in earlier years.

NOTES ON THE ACCOUNTS (Contd.)10. Tangible assets

	<u>Land and buildings</u> £'000	<u>Plant and machinery</u> £'000	<u>Fittings and equipment</u> £'000	<u>Assets in course of construction</u> £'000	<u>Total</u> £'000
<u>Cost</u>					
At 1st April 1985	3,032	16,098	574	69	19,773
Transfers	-	69	-	(69)	-
Disposals	-	(101)	(10)	-	(111)
Acquisitions - outside	-	327	119	8	454
Acquisitions - group	-	179	-	-	179
At 31st March 1986	3,032	16,572	683	8	20,295
<u>Depreciation</u>					
At 1st April 1985	1,003	10,246	365	-	11,614
Disposals	-	(54)	(6)	-	(60)
Acquisitions - group	-	102	-	-	102
Depreciation for year	61	783	63	-	907
At 31st March 1986	1,064	11,077	422	-	12,563
<u>Net book value:</u>					
At 31st March 1986	1,968	5,495	261	8	7,732
At 1st April 1985	2,029	5,852	209	69	8,159

Acquisitions are stated after deduction of grants receivable amounting to £88,000 (£33,000).

No depreciation has been written off certain casks included in plant and machinery at a cost of £154,000 (£209,000). These casks were not brought into use as at 31st March 1986.

NOTES ON THE ACCOUNTS (Contd.)10. Tangible assets (Contd.)

The net book value of land and buildings comprises:

	<u>1986</u> £'000	<u>1985</u> £'000
Freehold land and buildings	1,968 =====	2,029 =====

The annual rates of depreciation most widely applied are:

Freehold land and buildings	2%
Production and service plant	4%, 5%, 6 2/3%, 10% and 16 2/3%
Casks	5%
Motor vehicles	16 2/3% and 20%
Office fittings and equipment	5% and 20%
Computer equipment	20%

11. Investments

All investments are stated at cost.

£'000

At 31st March 1985 and 31st March 1986

14
==

The company holds more than 10% of the equity share capital of the undernoted companies.

	<u>Country of registration</u>	<u>Classes of shares held</u>	<u>Proportion held of each class</u>
Black & White Leisure Wear Ltd.	England	Ordinary	100%
W.P. Lowrie and Company Ltd.	Scotland	Ordinary	100%

12. Group accounts

Group accounts are not submitted as the company is a wholly owned subsidiary of another body corporate. In the opinion of the directors the aggregate value of the shares in and the amounts owing by its subsidiary companies is not less than the aggregate of the amounts on which these items are included in the company's balance sheet.

NOTES TO THE ACCOUNTS (Contd.)13. Stocks

The main categories of stocks are:

	<u>1986</u> £'000	<u>1985</u> £'000
Raw materials and consumables	68,674	65,168
Work in progress	1,276	2,877
Finished products and goods for resale	1,617	1,854
	<u>71,567</u>	<u>69,899</u>
	=====	=====

The estimated value at 31st March on a replacement cost basis was:

	<u>1986</u> £'000	<u>1985</u> £'000
Raw materials and consumables	129,818	130,078
Work in progress	2,798	6,048
Finished products and goods for resale	2,141	2,672
	<u>134,757</u>	<u>138,798</u>
	=====	=====

14. Debtors

	<u>1986</u> £'000	<u>1985</u> £'000
Trade debtors	9,777	7,781
Amounts owed by subsidiary company	206	137
Amounts owed by fellow subsidiary companies	1,227	263
Other debtors	620	555
Prepayments and accrued income	836	652
	<u>12,666</u>	<u>9,388</u>
	=====	=====

15. Creditors: amounts falling due within one year

	<u>1986</u> £'000	<u>1985</u> £'000
Bank overdraft	788	-
Trade creditors	1,968	1,764
Amounts owed to holding company and fellow subsidiary companies	60,621	62,498
Corporation tax (note 16)	1,610	159
Other taxes and social security costs	165	163
Accruals and deferred income	2,603	2,045
Proposed dividend	1,770	-
	<u>69,525</u>	<u>66,629</u>
	=====	=====

NOTES ON THE ACCOUNTS (Contd.)16. Corporation tax

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Corporation tax payable 1st January 1987	1,610 =====	159 =====

17. Deferred taxation

	<u>£'000</u>
Provision at 1st April 1985 at 35%	2,811
Transfer to profit and loss account	(226)

Provision at 31st March 1986 at 35%	2,585 =====

The major element of deferred taxation is as follows:-

	<u>Provision in the accounts</u>		<u>Potential liability</u>	
	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Accelerated capital allowances	2,585 =====	2,811 =====	2,585 =====	2,811 =====

18. Other provisions

	<u>Warehouse rents</u> <u>£'000</u>	<u>Other provisions</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1st April 1985	7,160	238	7,398
Transfer from profit and loss account	1,384	495	1,879
Applied during year	(325)	(137)	(462)
	-----	----	-----
At 31st March 1986	8,219 =====	596 =====	8,815 =====

The provision for warehouse rents represents amounts payable to fellow subsidiary companies at indeterminate future dates.

NOTES ON THE ACCOUNTS (Contd.)19. Share capital

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
<u>Authorised share capital</u>		
300,050 Ordinary shares of £100 each	30,005 =====	30,005 =====
<u>Called up share capital</u>		
<u>Allotted and fully paid</u>		
50 Ordinary shares of £100 each	5 =====	5 =====

Option to subscribe for shares

The Distillers Company p.l.c. has an option to subscribe at par for new ordinary shares in the company of aggregate nominal value of £30,000,000 which is exercisable while a loan to the company of that amount remains outstanding.

20. Reserves

	<u>Other reserves</u> <u>£'000</u>	<u>Profit and loss account</u> <u>£'000</u>
At 1st April 1985	40	11,389
Profit and loss account	-	8
	-----	-----
At 31st March 1986	40 =====	11,397 =====

21. Capital commitments

The estimated amount of capital expenditure contracted but not provided for in the accounts is £91,000 (£56,000) after deducting grants receivable amounting to £Nil (£16,000).

Capital expenditure authorised by the directors but not contracted amounts to approximately £Nil (£120,000) before taking account of grants.

NOTES ON THE ACCOUNTS (Contd.)22. Lease commitmentsFinance leases: Aggregate gross amounts payable

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Within one year	2	12
Between one and five years	69	82
Beyond five years	--	--
	<u>71</u>	<u>94</u>
LESS: Finance charges attributable to future periods	23	30
	<u>48</u>	<u>64</u>
	===	===

Operating Leases: Annual charge in respect of
leases terminating

	<u>1986/87</u> <u>Other</u> <u>assets</u> <u>£'000</u>	<u>1985/86</u> <u>Other</u> <u>assets</u> <u>£'000</u>
Within one year	27	19
Between one and five years	36	28
Beyond five years	6	4
	<u>69</u>	<u>51</u>
	===	===

23. Pension commitments

The company participates in The DCL and Associated Companies Pension Scheme which is designed to provide retirement benefits based largely upon final salaries for all employees.

Following an assessment of the pension fund as at 31st March 1985 a surplus has been disclosed. In accordance with the Actuary's recommendation, no contribution has been made to the fund for the year ended 31st March 1986, nor is it anticipated that contributions will be made for at least the following two years. In 1985 the contributions to the pension fund amounted to £545,000.

There is no unfunded liability for past service.

In addition there are certain pension payments made by way of company allowances and these payments are charged against profit each year as they arise. Such commitments at 31st March 1986 amounted to £5,000 per annum (£5,000) of which £Nil (£Nil) per annum related to pensions payable to past directors/widows.

NOTES ON THE ACCOUNTS (Contd.)

24. Contingent liabilities

The company has contingent liabilities amounting to approximately £96,000 arising out of guarantees given by the company's bankers in respect of counter indemnities and freight on goods shipped "freight forward".

The company has agreed to indemnify their subsidiary company Black & White Leisure Wear Ltd. for matters and expenditure relating to the Black & White collection.

The directors are of the opinion that no significant liability will eventually arise from any such matters.