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MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1990

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 1990

The directors present their report together with financial statements for the year ended 31 August 1990 for submission to the Fifty-second Annual General Meeting of the company to be held at 106 West Nile Street, Glasgow on 23 November 1990 at 9.30 a.m.

Principal Activities and Review of Business

The company is principally engaged in the blending, bottling and marketing of Scotch Whisky

The directors regard the results of the company as satisfactory.

Results and Dividends

The profit for the year after taxation amounted to £413,000 (1989 - £295,000) from which the directors recommend payment of a dividend of 34.42 pence (1989 - 24.58 pence) per share, totalling £413,000 (1989 - £295,000).

Directors and their Interests

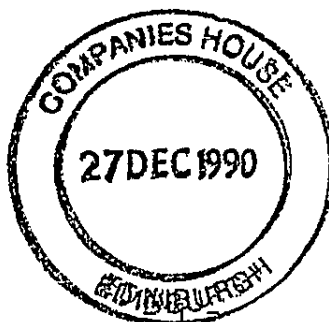
The following directors held office at 31 August 1990. No director had any interests in the shares of the company at 1 September 1989 or at 31 August 1990.

J.M. Goodwin	R.S.S. Gillies
A. Kettles	M.I. Gloag
J.A. Sherriff	J.J.G. Good
J.S. Byers	J. Hughes
P.M. Darbyshire	B.G. Ivory
	G.J. Kay

The interests of the directors who are also directors of the holding company are disclosed in the holding company's financial statements. The interests of other directors in the shares of the holding company at 31 August were as follows:-

	<u>Ordinary Shares of 20p</u>	
	<u>1990</u>	<u>1989</u>
P.M. Darbyshire	2,644	997
R.S.S. Gillies	13,577	10,568
M.I. Gloag	8,229	8,372
J. Hughes	6,320	4,609
G.J. Kay (appointed 1 September 1989)	-	- *

* Date of appointment



MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

Directors and their Interests (contd.)

The Highland Distilleries Company plc has Share Option Schemes under which options have been granted at option prices ranging from 52.5p to 224p. These options are exercisable at dates between 10 May 1991 and 16 November 1999

Under these schemes R.S.S. Gillies has options to subscribe for 87,397 shares, M.I. Gloag has options to subscribe for 77,514 shares, J. Hughes has options to subscribe for 114,894 shares, P.M. Darbyshire has options to subscribe for 76,285 shares and G.J. Kay has options to subscribe for 7,500 shares.

Tangible Fixed Assets

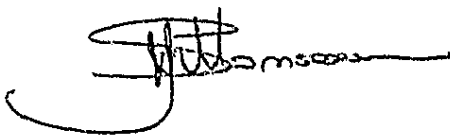
All movements in fixed assets are shown in note 8 to the financial statements.

In the opinion of the directors, the market value of freehold property is in excess of book value but the excess has not been professionally quantified.

Auditors

Grant Thornton, Chartered Accountants, offer themselves for reappointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary

Bordeaux House,
33 Kinnoull Street,
Perth.

15 October 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF MATTHEW GLOAG & SON LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

CHARTERED ACCOUNTANTS

GLASGOW

15 October 1990

MATTHEW GLOAG & SON LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1990

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold land over their expected useful lives in equal annual instalments.

The annual rates applicable are:

Freehold property	-	2%
Furniture and fittings	-	10%
Motor vehicles	-	25%
Computer systems	-	20%

Stock

Stock and work in progress is 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 condition and location plus an allocation of normal overhead expenditure attributable to the processes undergone.

Deferred tax

Deferred tax is the tax attributable to timing differences between profits computed for tax purposes and profits as stated in the financial statements.

Provision is made for deferred taxation in these Accounts to the extent that there is a reasonable probability of the tax falling due for payment in the future.

Foreign currencies

Assets and liabilities in foreign currencies have been converted at the rates ruling at the balance sheet date.

Pensions

Pension contributions are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. These contributions are invested separately from the company's assets.

Group financial statements

The company is a wholly owned subsidiary of The Highland Distilleries Company plc and therefore has not prepared consolidated financial statements.

MATTHEW GLOAG & SON LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 1990

	<u>Notes</u>	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Turnover	1	126,677	112,998
Cost of sales		124,450	111,143
		<hr/>	<hr/>
Gross profit		2,227	1,855
Distribution costs		(1,231)	(1,093)
Administration expenses		(38)	(36)
		<hr/>	<hr/>
Operating profit	2	958	726
Interest receivable	3	178	143
Interest payable	4	(379)	(260)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		757	609
Taxation	6	344	314
		<hr/>	<hr/>
Profit on ordinary activities after taxation		413	295
Proposed dividend	7	(413)	(295)
		<hr/>	<hr/>


The accounting policies on page 4 and the notes on pages 7 to 13 form part of these financial statements.

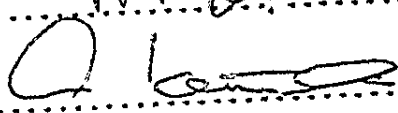
MATTHEW GLOAG & SON LIMITED

BALANCE SHEET AT 31 AUGUST 1990

	Notes	1990 £'000	1989 £'000
Fixed assets			
Tangible assets	8	1,965	1,821
Investments	9	41	41
		<u>2,006</u>	<u>1,862</u>
Current assets			
Stocks	10	2,546	2,275
Debtors	11	14,594	12,913
Cash at bank and in hand		6	1,440
		<u>17,146</u>	<u>16,628</u>
Creditors: amounts falling due within one year	12	17,774	17,173
		<u>(628)</u>	<u>(545)</u>
Net current liabilities			
Total assets less current liabilities		<u>1,378</u>	<u>1,317</u>
Deferred Taxation	13	178	117
		<u>1,200</u>	<u>1,200</u>
Capital			
Called up share capital	14	<u>1,200</u>	<u>1,200</u>

The financial statements were approved by the Directors and signed on behalf of the Board on 15 October 1990.


 Director


 Director

The accounting policies on page 4 and notes on pages 7 to 13 form part of these financial statements.

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1990

1. Turnover

Turnover comprises the value, including duty but excluding VAT, of goods sold during the year.

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Sales within the British Isles	111,284	98,802
Exports	15,393	14,196
	<u>126,677</u>	<u>112,998</u>

2. Operating profit

This is stated after charging:-

Auditors' remuneration	20	18
Depreciation	393	322
	<u>413</u>	<u>340</u>

3. Interest receivable

Bank interest	<u>178</u>	<u>143</u>
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4. Interest payable

Interest payable on bank overdrafts and loans repayable within 5 years	160	88
Interest payable to parent company	219	172
	<u>379</u>	<u>260</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

5. Directors' and employees' costs

The average number of employees of the company during the year and their aggregate emoluments are shown below:

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Wages and salaries	2,408	1,840
Social security	178	143
Pension costs	431	262
	<u>3,017</u>	<u>2,245</u>
	<u>Nos</u>	<u>Nos</u>
All employees were engaged in the Scotch Whisky trade and the average weekly number of employees during the year was	<u>145</u>	<u>136</u>
	<u>£'000</u>	<u>£'000</u>
Current year allocations to The Highland Distilleries Company plc Employee Profit Sharing Share Scheme amounted to:	<u>168</u>	<u>170</u>

Directors' emoluments were as follows:

Payments to former directors	15	13
Directors' remuneration	602	467
	<u>617</u>	<u>480</u>

The emoluments of the directors, excluding pension contributions, were as follows:

Highest paid director	<u>77</u>	<u>69</u>
Chairman	<u>Nil</u>	<u>Nil</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

5. Directors' and employees' costs (contd.)

The emoluments of the other directors
fall within the bands stated:

	<u>1990</u> <u>Nos</u>	<u>1989</u> <u>Nos</u>
£ Nil to £ 5,000	3	3
£40,001 to £45,000	-	2
£45,001 to £50,000	1	1
£50,001 to £55,000	2	1
£55,001 to £60,000	2	-
£65,001 to £70,000	-	1
£75,001 to £80,000	1	-
	<u> </u>	<u> </u>

The number of employees whose emoluments, excluding pension
contributions, exceeded £30,000 was:

£30,001 to £35,000	3	2
£35,001 to £40,000	3	2
£40,000 to £45,000	3	-
	<u> </u>	<u> </u>

6. Taxation

The taxation charge which is based on the profit for the year is made
up as follows:

	<u>£'000</u>	<u>£'000</u>
Corporation tax @ 35%		
- current year	283	193
- prior year	-	4
Deferred tax	61	117
	<u> </u>	<u> </u>
	<u>344</u>	<u>314</u>

7. Dividend

Proposed final dividend of 34.42 pence per share (1989-24.58p)	<u>413</u>	<u>295</u>
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MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

8. Tangible fixed assets

	Freehold Land & Property £'000	Computer Systems, Equipment & Vehicles £'000	Total £'000
Cost			
At 1 September 1989	939	2,055	2,994
Additions	13	666	679
Disposals	-	(231)	(331)
	<hr/>	<hr/>	<hr/>
At 31 August 1990	952	2,390	3,342
Depreciation			
At 1 September 1989	122	1,051	1,173
Charge for the year	15	378	393
Disposals	-	(189)	(189)
	<hr/>	<hr/>	<hr/>
At 31 August 1990	137	1,240	1,377
	<hr/>	<hr/>	<hr/>
Net book value at 31 August 1990	<u>815</u>	<u>1,150</u>	<u>1,965</u>
Net book value at 31 August 1989	<u>817</u>	<u>1,004</u>	<u>1,821</u>

9. Investments

	Unlisted £'000	Subsidiaries £'000	Total £'000
Shares at cost			
At 1 September 1989 and at 31 August 1990	<u>40</u>	<u>1</u>	<u>41</u>

Subsidiary companies

Details regarding Matthew Gloag & Son Limited subsidiaries have not been given as those companies are immaterial.

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

10. Stocks

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Raw materials and consumables	1,037	766
Finished goods	1,509	1,509
	<hr/>	<hr/>
	<u>2,546</u>	<u>2,275</u>

11. Debtors

Trade debtors	14,105	12,682
Prepayments	48	55
Pension prepayment	394	176
Loan to related company	47	-
	<hr/>	<hr/>
	<u>14,594</u>	<u>12,913</u>

The loan to a related company is interest free, and is not repayable within one year.

12. Creditors: amounts falling due within one year

Bank overdraft	233	-
Trade creditors	3,880	2,823
Amount due to group companies	3,432	7,905
Social security and other taxes	6,077	4,056
Proposed dividend	413	295
Accruals	3,739	2,094
	<hr/>	<hr/>
	<u>17,774</u>	<u>17,173</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

13. Deferred taxation

Deferred taxation has been provided in full in the financial statements at 35% and is made up as follows:

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Accelerated capital allowances	40	55
Other timing differences	138	62
	<hr/>	<hr/>
	178	117
	<hr/>	<hr/>

14. Called-up Share capital

Authorised, issued and fully paid

1,200,000 ordinary shares of £1 each	<u>1,200</u>	<u>1,200</u>
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15. Capital commitments

Contracted but not provided for in these financial statements

<u>6</u>	<u>25</u>
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16. Contingent liabilities

There were no contingent liabilities at 31 August 1990 or 31 August 1989.

17. Pension commitments

The company along with the other members of The Highland Distilleries Company plc operate three funded pension schemes covering the pension arrangements of all eligible employees. The schemes are of the final salary defined benefit type and contributions are assessed with the advice of a qualified actuary using the projected unit and attained age methods. The most recent valuations were in May and September 1988.

Details of the actuarial valuations of the group schemes are contained in the financial statements of the parent company, The Highland Distilleries Company plc. The pension charge for the year was £431,000 (1989 £262,000).

18. Ultimate holding company

The directors regard The Highland Distilleries Company plc, a company registered in Scotland, as the ultimate holding company.

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1990

19. Directors' interests in contracts

J.J.G. Good is deemed to have an indirect non-beneficial material interest in contracts entered into by the Company and Edrington Holdings Limited and its subsidiaries in as much as he is a trustee along with others of the Charitable Trust which controls Edrington Holdings Limited. Contract details are disclosed in the financial statements of the parent company, The Highland Distilleries Company plc.

MATTHEW GLOAG & SON LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 AUGUST 1990

	<u>£'000</u>	<u>1990</u> <u>£'000</u>	<u>£'000</u>	<u>1989</u> <u>£'000</u>
Source of funds				
Funds generated by trading				
Profit before tax	757		609	
Depreciation	393		322	
	<hr/>		<hr/>	
Total funds generated		1,150		931
Application of funds				
Dividends paid	295		257	
Tax paid	9		90	
Additions to tangible assets (net)	537		641	
	<hr/>		<hr/>	
		(841)		(988)
		<hr/>		<hr/>
		309		(57)
Movements in working capital				
Stocks	(271)		(79)	
Debtors	(1,681)		(1,711)	
Creditors	(24)		2,622	
	<hr/>		<hr/>	
		(1,976)		832
		<hr/>		<hr/>
Movements in net liquid funds		(1,667)		775
		<hr/>		<hr/>
Represented by:-				
(Decrease)/Increase in net bank balances		(1,667)		775
		<hr/>		<hr/>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 1990

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
<u>COST OF SALES</u>		
Direct costs	40,384	34,452
Duty	67,195	63,039
Indirect costs		
Salaries, pension and National Insurance	2,715	2,595
Heat, light & power	38	36
Rates, licences, and insurance	150	100
Maintenance and repairs	99	94
Bottling charges	2,354	1,995
Service charge	240	214
Commission	240	174
Advertising	9,452	7,113
Travel and entertainment	493	432
Market research	181	149
Computer charge	158	104
Price lists	10	10
Postages, stationery, etc	83	63
Telephone	86	87
Professional fees	110	66
Subscriptions and donations	50	31
Bad debts	-	64
(Gain)/loss on sale of tangible fixed assets	(4)	(2)
Depreciation	393	322
Other charges	23	5
	<u>124,450</u>	<u>111,143</u>
<u>DISTRIBUTION COSTS</u>		
Carriage and distribution	<u>1,231</u>	<u>1,093</u>
<u>ADMINISTRATION EXPENSES</u>		
Allocation of salaries	<u>38</u>	<u>36</u>