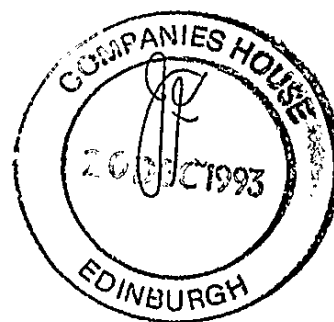


COMPANY NO 20954



MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 AUGUST 1993

# MATTHEW GLOAG & SON LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 AUGUST 1993

The directors present their report together with financial statements for the year ended 31 August 1993 for submission to the Fifty-fifth Annual General Meeting of the company to be held at Bordeaux House, 33 Kinnoull Street, Perth on 11 November 1993 at 9.30 am.

#### 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 £694,000 (1992 - £497,000) from which the directors recommend payment of a dividend of 57.80 pence (1992 - 41.42 pence) per share, totalling £694,000 (1992 - £497,000).

#### Directors and their Interests

The following directors held office at 31 August 1993. No director had any interests in the shares of the company at 1 September 1992 or at 31 August 1993.

J.M. Goodwin	J.J.G. Good
A. Kettles	E.T. Graham (appointed 16/11/92)
R. Brannan (appointed 26/7/93)	J. Hughes
R.W. Farrar	B.G. Ivory
M.I. Gloag	S.P. Sanders (appointed 8/6/93)

Mr J.A. Sherriff died on 9 March 1993

Mr R.S.S. Gillies retired as a director on 13 February 1993

Mr P.M. Darbyshire and Mr G.J. Kay resigned as directors on 10 January 1993 and 7 April 1993.

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>1993</u>	<u>1992</u>	
R. Brannan	-	-	*
R.W. Farrar	1,683	1,683	
M.I. Gloag	32,023	9,301	
E.T. Graham	518	1,266	*
J. Hughes	47,809	7,809	
S.P. Sanders	-	-	*

\* At date of appointment

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

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 71p to 292p. These options are exercisable at various dates until 11 November 2002.

The interests of the directors were as follows:-

	<u>Share Options</u>	
	<u>1993</u>	<u>1992</u>
R. Brannan	-	-
R.W. Farrar	70,326	40,464
M.I. Gloag	1,887	75,861
E.T. Graham	54,992	34,085
J. Hughes	77,720	152,858
S.P. Sanders	-	-

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing those financial statements, 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 financial statements.
- prepare the financial statements 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

MATTHEW GLOAG & SON LIMITED

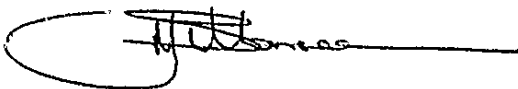
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

Auditors

Grant Thornton, Chartered Accountants, offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'J. J. Jones', written over a horizontal line.

Secretary

11 October 1993

MATTHEW GLOAG & SON LIMITED

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

We have audited the financial statements on pages 5 to 17 in accordance with Auditing Standards.

**Respective responsibilities of directors and auditors**

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

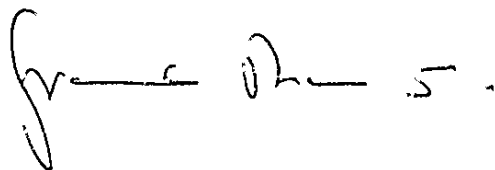
**Basis of opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1993 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

GLASGOW

11 October 1993

MATTHEW GLOAG & SON LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 1993

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Turnover	1	155,733	150,450
Cost of sales		<u>152,830</u>	<u>147,759</u>
Gross profit		2,903	2,691
Distribution costs		(1,475)	(1,432)
Administration expenses		<u>(42)</u>	<u>(41)</u>
Operating profit	2	1,386	1,218
Interest receivable	3	65	82
Interest payable	4	<u>(133)</u>	<u>(350)</u>
Profit on ordinary activities before taxation		1,318	950
Taxation	6	<u>624</u>	<u>453</u>
Profit on ordinary activities after taxation		694	497
Proposed dividend	7	<u>(694)</u>	<u>(497)</u>

**Statement of total recognised gains and losses**

For the years ended 31 August 1993 and 31 August 1992 the company had no recognised gains or losses other than the profit for the particular year.

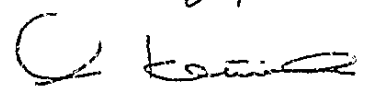
The accompanying accounting policies and notes form an integral part of these financial statements.

**MATTHEW GLOAG & SON LIMITED****BALANCE SHEET AT 31 AUGUST 1993**

	<u>Notes</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
<b>Fixed assets</b>			
Tangible assets	8	2,338	2,253
Investments	9	41	41
		<hr/>	<hr/>
		2,379	2,294
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	10	3,951	2,507
Debtors	11	23,055	19,391
Cash at bank and in hand		10	12
		<hr/>	<hr/>
		27,016	21,910
Creditors: amounts falling due within one year	12	28,195	22,971
		<hr/>	<hr/>
Net current liabilities		(1,179)	(1,061)
		<hr/>	<hr/>
Total assets less current liabilities		1,200	1,233
Deferred Taxation	13	-	33
		<hr/>	<hr/>
		1,200	1,200
		<hr/>	<hr/>
<b>Capital</b>			
Called up share capital	14	1,200	1,200
		<hr/>	<hr/>

The financial statements were approved by the Directors and signed on behalf of the Board on 11 October 1993.

.....  ..... Director

.....  ..... Director

The accompanying accounting policies and notes form an integral part of these financial statements.

MATTHEW GLOAG & SON LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 1993

	<u>Notes</u>	<u>1993</u>	<u>1992</u>
		<u>£'000</u>	<u>£'000</u>
Net cash (outflow)/inflow from operating activities	16	(834)	925
Returns on investments and servicing of finance			
Interest received		(65)	(82)
Interest paid		133	350
Dividends paid		497	378
Net cash outflow from returns on investments and servicing of finance		(565)	(646)
Taxation			
UK corporation tax paid		(494)	(474)
Investing activities			
Purchase of tangible fixed assets		(769)	(981)
Sale of tangible fixed assets		196	120
Net cash outflow from investing activities		(573)	(861)
Decrease in cash and cash equivalents	17	<u>(2,466)</u>	<u>(1,056)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.



# MATTHEW GLOAG & SON LIMITED

## ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1993

The accounting policies have remained unchanged since last year and are listed below.

### Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

### 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%
Equipment and fittings	-	10% - 25%
Motor vehicles	-	25%
Computer systems	-	20% - 33%

### Stocks

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

### Deferred tax

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

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 are 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1993

1. Turnover

Turnover represents the value, including duty but excluding VAT, of goods sold during the year, arising from the company's ordinary activities, all of which are continuing.

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Sales within the British Isles	125,236	125,097
Exports	30,497	25,353
	<u>155,733</u>	<u>150,450</u>
Geographical analysis of exports:-		
Africa	1,271	1,092
Americas	5,130	3,479
Asia	2,378	1,136
Australia	571	761
Europe	21,147	18,885
	<u>30,497</u>	<u>25,353</u>

2. Operating profit

This is stated after charging:-

Auditors' remuneration: audit	25	23
non-audit services	25	-
Depreciation	475	577
	<u>525</u>	<u>600</u>

3. Interest receivable

Bank interest	<u>65</u>	<u>82</u>
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4. Interest payable

Interest payable on bank overdrafts and loans repayable within 5 years	58	7
Interest payable to parent company	75	343
	<u>133</u>	<u>350</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

5. Directors' and employees' costs

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

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Wages and salaries	3,361	3,217
Social security	280	250
Pension costs	609	640
	<u>4,250</u>	<u>4,107</u>

All employees were engaged in the Scotch Whisky trade and the average weekly number of employees during the year was	<u>Nos</u>  160	<u>Nos</u>  158
	<u>£'000</u>	<u>£'000</u>

Current year allocations to The Highland Distilleries Company plc Employee Profit Sharing Share Scheme amounted to:

199	-
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Directors' emoluments were as follows:

Directors' remuneration	<u>667</u>	<u>683</u>
-------------------------	------------	------------

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

Highest paid director	<u>105</u>	<u>102</u>
Chairman	<u>N11</u>	<u>N11</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

5. Directors' and employees' costs (cont'd)

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

	<u>1993</u> <u>Nos</u>	<u>1992</u> <u>Nos</u>
£ nil to £ 5,000	2	2
£ 5,001 to £10,000	1	-
£15,001 to £20,000	1	-
£25,001 to £30,000	2	-
£30,001 to £35,000	1	-
£50,001 to £55,000	2	-
£55,001 to £60,000	-	2
£60,001 to £65,000	1	2
£65,001 to £70,000	1	2
£90,001 to £95,000	-	1
£95,000 to £100,001	1	-

6. Taxation

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

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Corporation tax @ 33%	657	572
Deferred tax	(33)	(98)
	<hr/>	<hr/>
	624	474
Adjustment to prior year's corporation tax provision	-	(21)
	<hr/>	<hr/>
	624	453
	<hr/>	<hr/>

7. Dividend

Proposed final dividend of 57.80 pence per share (1992 - 41.42p)	<u>694</u>	<u>497</u>
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MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

8. Tangible fixed assets

	Freehold Land & Property <u>£'000</u>	Computer Systems, Equipment & Vehicles <u>£'000</u>	<u>Total</u> <u>£'000</u>
Cost			
At 1 September 1992	1,432	2,920	4,352
Additions	115	654	769
Disposals	-	(526)	(526)
	<hr/>	<hr/>	<hr/>
At 31 August 1993	1,547	3,048	4,595
Depreciation			
At 1 September 1992	167	1,932	2,099
Charge for the year	15	460	475
Disposals	-	(317)	(317)
	<hr/>	<hr/>	<hr/>
At 31 August 1993	182	2,075	2,257
Net book amount at 31 August 1993	<u>1,365</u>	<u>973</u>	<u>2,338</u>
Net book amount at 31 August 1992	<u>1,265</u>	<u>988</u>	<u>2,253</u>

**MATTHEW GLOAG & SON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 1993**

**9. Investments**

	<u>Unlisted</u> <u>£'000</u>	<u>Subsidiaries</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<b>Shares at cost</b>			
At 1 September 1992			
and at 31 August 1993	40	1	41

The company holds more than 10% of the equity, and no other share or loan capital, of the following companies:

<u>Name of Company</u>	<u>Country of Registration and Operation</u>	<u>Holding</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
<b>PRINCIPAL SUBSIDIARY UNDERTAKINGS</b>				
The Famous Grouse Company Limited	Scotland	Ordinary Shares	100%	Non-trading
Grouse Limited	Scotland	Ord Sha.	100%	Non-trading

**10. Stocks**

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Raw materials and consumables	2,283	881
Finished goods	1,668	1,626
	<u>3,951</u>	<u>2,507</u>

**11. Debtors**

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Trade debtors	22,605	18,992
Amounts owed by group undertaking	91	-
Prepayments	99	69
Pension prepayment	197	295
Other debtors	63	35
	<u>23,055</u>	<u>19,391</u>

Other debtors include an interest free loan which is not repayable within one year.

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

12. Creditors: amounts falling due within one year

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Bank overdraft	3,521	1,057
Trade creditors	4,693	3,039
Amounts due to group undertakings	8,187	6,218
Social security and other taxes	2,612	5,140
Corporation tax	735	572
Proposed dividend	694	497
Accruals	7,753	6,448
	<u>28,195</u>	<u>22,971</u>

13. Deferred taxation

Deferred taxation has been provided in full in the financial statements at 33% and is made up as follows:

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Accelerated capital allowances	-	(74)
Other timing differences	-	107
	<u>-</u>	<u>33</u>

14. Called-up Share capital

Authorised, issued and fully paid

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
1,200,000 ordinary shares of £1 each	<u>1,200</u>	<u>1,200</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

15. Reconciliation of Movement in Shareholders Funds

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Profit for the financial year	694	497
Dividends	(694)	(497)
	<hr/>	<hr/>
Net addition to Shareholders' Funds	-	-
Opening Shareholders Funds	1,200	1,200
	<hr/>	<hr/>
Closing Shareholders' Funds	<u>1,200</u>	<u>1,200</u>

16. Reconciliation of operating profit to net cash inflow from operating activities

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Operating profit	1,386	1,218
Depreciation	475	577
Loss on sale of fixed assets	13	7
(Increase)/Decrease in stocks	(1,444)	937
Increase in debtors	(3,664)	(1,467)
Increase/(Decrease) in creditors	2,400	(347)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(834)</u>	<u>925</u>

17. Analysis of changes in cash and cash equivalents

	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
At 31 August 1992	(1,045)	11
Decrease in cash equivalents	(2,466)	(1,056)
	<hr/>	<hr/>
At 31 August 1993	<u>(3,511)</u>	<u>(1,045)</u>

Cash and cash equivalents comprise cash at bank less bank overdrafts of £3,521,000 (1992: £1,057,000).



MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1993

18. <u>Capital commitments</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
Contracted but not provided for in these financial statements	<u>85</u>	<u>-</u>
Authorised but not contracted for	<u>-</u>	<u>304</u>

19. Contingent liabilities

There were no contingent liabilities at 31 August 1993 or 31 August 1992.

20. 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 1991.

Details of the actuarial valuations of the group schemes are contained in the financial statements of the ultimate holding company, The Highland Distilleries Company plc. The pension charge for the year was £609,000 (1992 £640,000).

21. Ultimate holding company

The directors regard The Highland Distilleries Company plc, a company registered in Scotland, as the ultimate holding company. Group accounts have been drawn up by The Highland Distilleries Company plc.

22. Directors' interests in contracts

In the opinion of the Directors, Mr. J.J.G. Good is deemed to have, in terms of the Companies Act 1985, an indirect non-beneficial material interest in certain transactions and arrangements entered into by the Company and Edrington Holdings Limited and its subsidiaries in as much as he is a trustee of the Charitable Trust which controls Edrington Holdings Limited. Contract details are disclosed in the financial statements of the ultimate holding company, The Highland Distilleries Company plc.