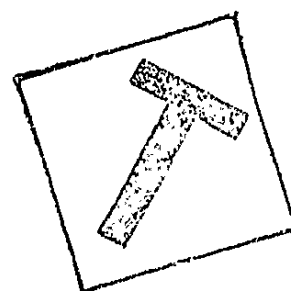


20954/99.

R. g. C.



MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1982



DIRECTORS REPORT

FOR THE YEAR ENDED 31 AUGUST 1982

The directors present their report together with financial statements for the year ended 31 August 1982 for submission to the forty fourth annual general meeting of the company to be held at 33 Kinnoull Street, Perth on 5 November 1982 at 10.15 a.m.

1. PRINCIPAL ACTIVITIES

The principal activity of the company is that of blending, bottling and selling of Scotch whisky.

2. RESULTS AND DIVIDENDS

The trading results are as set out in the profit and loss account on page 5.

The directors recommend payment of a dividend of £143,563 in respect of the year under review. (1981 - £143,785).

3. EXPORTS

Direct exports from the United Kingdom during the year amounted to £3,550,525 (1981 - £3,059,820).

4. DIRECTORS AND THEIR INTERESTS

The directors in office at the end of the year are listed below. All served on the Board throughout the year and no directors had any interest in the shares of the company at 1 September 1981 and at 31 August 1982.

J.A.R. Macphail
J.M. Goodwin
J.A. Sherriff
M.I. Gloag
R.H.H. Bignell
R.S.S. Gillies
A. Kettles

The interests of directors who are also directors of the holding company are disclosed in the holding company's accounts. The interests of the other directors in the shares of the holding company at 1 September 1981 and at 31 August 1982 were as follows:-

	<u>Ordinary stock units of 20p</u>	
	<u>1982</u>	<u>1981</u>
M.I. Gloag	240	240
R.H.H. Bignell	Nil	Nil
R.S.S. Gillies	500	500
A. Kettles	Nil	Nil

5. LAND AND BUILDINGS

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

2.

DIRECTORS REPORT (Continued)

FOR THE YEAR ENDED 31 AUGUST 1982

6. AUDITORS

Thornton Baker, Chartered Accountants, offer themselves for re-appointment, as auditors, in accordance with Section 14(1) of the Companies Act 1976.

By order of the board,

A. Kettles

Secretary,

33 Rinnoull Street.
Perth.

26 October 1982.

MATTHEW GLOAG & SON LIMITED

We have audited the financial statements on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31 August 1982 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Thornton Baker

Chartered Accountants,
Glasgow.

26 October 1982.

ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1982

The financial statements have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act 1948. The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

TURNOVER

Turnover which excludes value added tax represents the aggregate amount receivable in respect of goods sold during the year including duty, less returns and excluding sales to the parent company.

DEPRECIATION

The depreciation provided is designed to spread the cost of the assets on a straight line basis over their estimated useful life in equal monthly instalments at the following rates:-

Freehold land	nil
Freehold property	two per cent per annum
Capital work in progress	nil
Equipment	ten per cent per annum
Vehicles/computer	twenty per cent per annum

DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements. No provision is made for deferred taxation except to the extent that there is a reasonable probability of the tax falling due for payment in the future. Deferred taxation not provided for is disclosed as a contingent liability.

STOCK

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 condition and location plus an allocation of normal overhead expenditure attributable to the processes through which it has passed.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies have been converted at the rate ruling at 31 August 1982.

MATTHEW GLOAG & SON LIMITED

5.

PROFIT AND LOSS ACCOUNTYEAR ENDED 31 AUGUST 1982

	<u>Notes</u>	<u>1982</u>	<u>1981</u>
		£	£
TURNOVER		72,526,403 =====	65,193,838 =====
TRADING PROFIT BEFORE TAXATION after taking into account:-		143,563	143,785
Interest received		22,158 =====	28,025 =====
Depreciation		81,868	60,177
Bank overdraft interest		483,130	445,423
Other interest		108,329	50,302
Directors' emoluments	1	146,375	130,696
Audit fee		7,200 =====	6,500 =====
Taxation	2	-	-
PROFIT AFTER TAXATION		143,563	143,785
Dividends	3	143,563	143,785
Profits retained at 1 September 1981 and 31 August 1982		- =====	- =====

The accounting policies on page 4 and the notes on pages 8 to 11 form part of these financial statements.

Auditors report page 3.

MATTHEW GLOAG & SON LIMITED

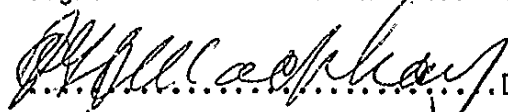

6.

BALANCE SHEET

YEAR ENDED 31 AUGUST 1982

	<u>Notes</u>	<u>1982</u>	<u>1981</u>
		£	£
ASSETS EMPLOYED			
Fixed assets	4	848,120	751,122
Investment in subsidiaries	5	-	-
Current assets:			
Stock		2,817,128	2,480,586
Debtors		7,556,851	6,896,256
Cash balances		2,458	2,448
		<u>10,376,437</u>	<u>9,379,290</u>
Current liabilities:			
Creditors		6,359,889	4,643,463
Amount due to parent company		1,067,948	167,750
Bank overdraft		2,453,157	3,975,414
Proposed dividend		143,563	143,785
		<u>10,024,557</u>	<u>8,930,412</u>
Net current assets		<u>351,880</u>	<u>448,878</u>
		<u>1,200,000</u>	<u>1,200,000</u>
FINANCED BY			
Share capital	6	1,200,000	1,200,000
Reserves		-	-
Total share capital and reserves		<u>1,200,000</u>	<u>1,200,000</u>

These financial statements were approved by the directors on 26 October 1982 and signed on behalf of the board by:-

.....Director
.....Director

The accounting policies on page 4 and the notes on pages 8 to 11 form part of these financial statements.

Auditors report page 3.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31 AUGUST 1982

	1982	1981
	£	£
Source of funds		
Profit before tax	143,563	143,785
Adjustment for items not involving the movement of funds:-		
Depreciation	81,868	60,177
Loss on sale of fixed assets	<u>3,484</u>	<u>2,715</u>
	85,352	62,892
Total generated from operations	228,915	206,677
Funds from other sources		
Proceeds from sale of fixed assets	<u>18,300</u>	<u>8,962</u>
	247,215	215,639
Application of funds		
Purchase of fixed assets	200,650	382,787
Payment for group relief	-	539,185
Dividends paid	<u>143,785</u>	<u>562,451</u>
	344,435	1,484,423
Net (outflow) of funds	<u>(97,220)</u>	<u>(1,268,784)</u>
Increases/(decreases) in working capital:		
Stock	336,542	(1,042,751)
Debtors	660,595	2,474,358
Creditors	(1,716,426)	(1,952,801)
Amount due to parent company	<u>(900,198)</u>	<u>(246,102)</u>
	(1,619,487)	(767,296)
Movement in net liquid funds		
Cash	10	-
Bank borrowings	<u>1,522,257</u>	<u>(501,488)</u>
	1,522,267	(501,488)
Net (decrease) in working capital	<u>(97,220)</u>	<u>(1,268,784)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1982

1. DIRECTORS' EMOLUMENTS

	<u>1982</u>	<u>1981</u>
	£	£
Pension to former director	8,935	8,160
Management remuneration	<u>137,440</u>	<u>122,536</u>
	<u>146,375</u>	<u>130,696</u>
	=====	=====

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

Chairman	Nil	Nil
Highest paid director	<u>29,975</u>	<u>26,143</u>
	=====	=====
Other directors	<u>Number</u>	<u>Number</u>
Nil - £ 5,000	1	1
£15,001 - £20,000	2	2
£20,001 - £25,000	1	2
£25,001 - £30,000	1	-

2. TAXATION

There is no taxation charge based on the profits of the year to 31 August 1982 as a result of losses carried forward.

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

3. DIVIDENDS

	<u>1982</u>	<u>1981</u>
	£	£
Proposed dividend	<u>143,563</u>	<u>143,785</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1982

4. FIXED ASSETS

	Freehold land and property	Equipment and vehicles	Total
	£	£	£
COST			
At 1 September 1981	476,755	536,620	1,013,375
Disposals	-	(48,046)	(48,046)
Additions	104,980	95,670	200,650
Transfer	(83,435)	83,435	-
At 31 August 1982	<u>498,300</u>	<u>667,679</u>	<u>1,165,979</u>
DEPRECIATION			
At 1 September 1981	48,003	214,250	262,253
Eliminated in respect of disposals	-	(26,261)	(26,261)
Charge for year	<u>6,203</u>	<u>75,664</u>	<u>81,867</u>
At 31 August 1982	<u>54,206</u>	<u>263,653</u>	<u>317,859</u>
NET BOOK AMOUNT			
At 31 August 1982	<u>444,094</u> =====	<u>404,026</u> =====	<u>848,120</u> =====
At 31 August 1981	<u>428,752</u> =====	<u>322,370</u> =====	<u>751,122</u> =====

5. INVESTMENT IN SUBSIDIARIES

	<u>1982</u>	<u>1981</u>
	£	£
Investment at cost	300	300
Amounts payable	<u>(300)</u>	<u>(300)</u>
	- ===	- ===

At 31 August 1982 the following companies
were subsidiaries:-

	<u>Class of shares</u>	<u>% shares held</u>	<u>% shares held</u>
Torrabeg Limited	Ordinary	100%	100%
Benellierie Blending Co. Ltd.	Ordinary	100%	100%
Corrie Blending Co. Ltd.	Ordinary	100%	100%

All shares are held directly by the parent company.

/...

NOTES TO THE FINANCIAL STATEMENTS (Continued)YEAR ENDED 31 AUGUST 19825. INVESTMENT IN SUBSIDIARIES (Continued)

The company is itself a wholly owned subsidiary of a company registered in Scotland under Section 150(2) of the Companies Act 1948 and is not required to submit group accounts. The above subsidiary companies did not trade at any time during the year.

6. SHARE CAPITAL

	<u>1982</u>	<u>1981</u>
	£	£
Authorised, issued and fully paid: Ordinary shares of £1 each	1,200,000 =====	1,200,000 =====

7. DEFERRED TAXATION

The following shows the total potential liability for deferred taxation at 52% in respect of each of the timing differences and, since not provided for in the accounts, represents a contingent liability at the balance sheet date.

	<u>1982</u>	<u>1981</u>
	£	£
Accelerated capital allowances	195,549	158,844
Other timing differences	(52,000)	(52,000)
Unutilised losses	(62,945)	(81,377)
	80,604 =====	25,467 =====

8. CAPITAL COMMITMENTS

	<u>1982</u>	<u>1981</u>
	£	£
Contracted for but not provided in these accounts	143,742	99,833
Authorised by the directors but not contracted for	-	-
	143,742 =====	99,833 =====

9. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 1982 or at 31 August 1981 except in respect of deferred taxation (see note 7).

10. ULTIMATE HOLDING COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1982

11. CURRENT COST ACCOUNTS

No statement of current cost accounts has been included in these financial statements as the company is a wholly owned subsidiary of The Highland Distilleries Company p.l.c., whose accounts include a statement of current cost accounts prepared on a group basis.

12. DIRECTORS INTERESTS IN CONTRACTS

J.A.R. Macphail is deemed to have an indirect non beneficial material interest in contracts entered into by the company and its parent company, The Highland Distilleries Company p.l.c., as disclosed in the financial statements of the parent company.