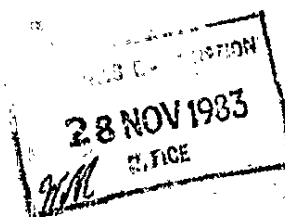


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MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1983



DIRECTORS REPORT

FOR THE YEAR ENDED 31 AUGUST 1983

The Directors submit their report together with financial statements for the year ended 31 August 1983 for submission to the Forty Fifth Annual General Meeting of the company to be held at 33 Kinnoull Street, Perth on Friday 11 November at 10:15 a.m.

Principal Activities, Review of the Business and Future Developments

The company's principal activities during the year were the blending, bottling and marketing of Scotch Whisky. A review of the business during the year, together with an opinion regarding future developments of the company are included in the Chairman's statement of the holding company's accounts, The Highland Distilleries Company plc.

Results and Dividends

The profit for the year after taxation amounted to £100,449 from which the directors recommended a dividend of 8.37 pence per share, totalling £100,449.

Tangible Fixed Assets

The changes in tangible fixed assets during the year are summarised in note 7 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.

Directors and their Interests

The Directors in office at 31 August 1983 are listed below. All served on the Board throughout the year. No Director had any interest in the shares of the company at 1 September 1982 or at 31 August 1983.

J.A.R. Macphail

J.M. Goodwin

J.A. Sherriff

M.I. Gloag

R.H.H. Bignell

R.S.S. Gillies

A. Kettles

The/...

DIRECTORS REPORT (Continued)FOR THE YEAR ENDED 31 AUGUST 1983

The interests of Directors who are also Directors of the holding company are disclosed in the holding company's financial statements. The interest of the other Directors in the shares of the holding company, at 1 September 1982 and at 31 August 1983, were as follows:-

	<u>Ordinary Shares of 20p</u>	
	<u>1983</u>	<u>1982</u>
M.I. Gloag	240	240
R.H.H. Bignell	N11	N11
R.S.S. Gillies	500	500
A. Kettles	N11	N11

Auditors

In terms of Section 14 (1) of the Companies Act 1976, Thornton Baker, Chartered Accountants, offer themselves for re-appointment as Auditors of the Company.

By order of the Board

A. Kettles

Secretary

26 October, 1983

MATTHEW GLOAG & SON LIMITED

We have audited the financial statements on pages 4 to 12 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 1983 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 1983

ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1983

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 provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:-

Freehold Property	2% per annum
Equipment & Fittings	10% per annum
Motor Vehicles	20% per annum
Computer	33.33% per annum

STOCK

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 through which it has passed.

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.

FOREIGN CURRENCIES

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

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 1983

	<u>Notes</u>	<u>1983</u>	<u>1982</u>
		£	£
Turnover	1	78,124,720	72,526,403
Cost of Sales		<u>76,728,721</u>	<u>71,052,371</u>
Gross Profit		1,395,999	1,474,032
Distribution Costs		836,474	741,168
Administrative Expenses		<u>21,800</u>	<u>20,000</u>
		<u>858,274</u>	<u>761,168</u>
Operating Profit	2	537,725	712,864
Interest Receivable	3	31,642	34,761
Interest Payable	4	<u>(468,918)</u>	<u>(604,062)</u>
Profit on ordinary activities before taxation		100,449	143,563
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		100,449	143,563
Dividends proposed		<u>100,449</u>	<u>143,563</u>


The accounting policies on page 4 and the notes on pages 7 to 11 form part of these financial statements.

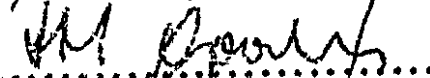
BALANCE SHEET

YEAR ENDED 31 AUGUST 1983

	<u>Notes</u>	<u>1983</u>	<u>1982</u>
		£	£
<u>Fixed Assets</u>			
Tangible Assets	7	971,189	848,120
Investments		<u>10,175</u>	<u>-</u>
		<u>981,364</u>	<u>848,120</u>
<u>Current Assets</u>			
Stocks	8	2,886,654	2,817,128
Debtors	9	8,125,996	7,556,851
Cash at Bank and on Hand		<u>25,793</u>	<u>2,458</u>
		<u>11,038,443</u>	<u>10,376,437</u>
Creditors: amounts falling due within one year	10	<u>10,819,807</u>	<u>10,024,557</u>
Net Current Assets		<u>218,636</u>	<u>351,880</u>
Total Assets less Current Liabilities		<u>1,200,000</u>	<u>1,200,000</u>
<u>Capital and Reserves</u>			
Share Capital	12	1,200,000	1,200,000
Profit and Loss account		<u>1,200,000</u>	<u>1,200,000</u>

These financial statements were approved by the Directors on 26 October 1983 and signed on behalf of the board By:-

 J.A.R. Macphail (Director)

 J.M. Goodwin (Director)

The accounting policies on page 4 and the notes on pages 7 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 1983

1. TURNOVER

Turnover represents the invoiced amount of goods sold during the year including duty but excluding Value Added Tax.

An analysis of turnover by geographical market is not provided as the Directors believe that it would be prejudicial to the interests of the company to provide this information.

2. OPERATING PROFIT

This is stated after charging:-

	<u>1983</u>	<u>1982</u>
	£	£
Audit Fee	9,500	8,250
Depreciation	104,814	81,263

3. INTEREST RECEIVABLE

Amounts from parent company

Bank interest

<u>1983</u>	<u>1982</u>
29,039	34,761
<u>2,603</u>	<u>-</u>
31,642	34,761
=====	=====

4. INTEREST PAYABLE

Bank interest

Amounts to parent company

<u>1983</u>	<u>1982</u>
198,741	483,130
<u>270,177</u>	<u>120,932</u>
468,918	604,062
=====	=====

5. DIRECTORS AND EMPLOYEES' COSTS

Staff costs during the year

Wages and Salaries

Social Security

Other pension costs

<u>1983</u>	<u>1982</u>
702,947	610,338
54,923	56,947
<u>138,224</u>	<u>106,002</u>
896,094	773,287
=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1983

5. DIRECTORS AND EMPLOYEES COST (Continued)

All employees were engaged in the Scotch Whisky Trade and the average weekly number of employees during the year was

<u>1983</u>	<u>1982</u>
<u>No.</u>	<u>No</u>
82	80
==	==

Directors' emoluments were as follows:-

	<u>1983</u>	<u>1982</u>
	<u>£</u>	<u>£</u>
Directors' Remuneration	157,881	137,440
Pension to former Director	<u>9,660</u>	<u>8,935</u>
	<u>167,541</u>	<u>146,375</u>
	=====	=====

The emoluments of the Chairman, excluding pension contributions, were £Nil (1982: £Nil) and of the highest paid Director, excluding pension contributions, £33,646 (1982: £29,975). Other Directors emoluments, excluding pension contributions, fell within the following ranges:-

	<u>No.</u>	<u>No.</u>
£Nil - £ 5,000	1	1
£15,001 - £20,000	-	2
£20,001 - £25,000	2	1
£25,001 - £30,000	2	1

6. TAXATION

There is no tax charge based on the profit of the year to 31 August 1983 as a result of losses carried forward.

If full provision had been made for the potential amount of deferred tax, the tax charge for the year would have been £14,780 (1982: £55,137). The tax charge for the year has also been reduced by £90,760 (1982: £79,909) in respect of stock relief.

7. TANGIBLE/...

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1983

7. TANGIBLE FIXED ASSETS

<u>Cost:</u>	<u>Freehold Land & Property</u>	<u>Equipment & Vehicles</u>	<u>Total</u>
	£	£	£
At 1 September 1982	498,300	667,679	1,165,979
Additions	117,667	139,506	257,173
Transfers	(210)	210	-
Disposals	-	(68,889)	(68,889)
At 31 August 1983	<u>615,757</u>	<u>738,506</u>	<u>1,354,263</u>
<u>Depreciation:</u>			
At 1 September 1982	54,206	263,653	317,859
Charge for year	8,284	96,530	104,814
Disposals	-	(39,599)	(39,599)
At 31 August 1983	<u>62,490</u>	<u>320,584</u>	<u>383,074</u>
Net book value at 31 August 1983	<u>£ 553,267</u> *****	<u>£ 417,922</u> *****	<u>£ 971,189</u> *****
Net book value at 31 August 1982	<u>£ 464,094</u> *****	<u>£ 404,026</u> *****	<u>£ 848,120</u> *****

8. STOCKS

	<u>1983</u>	<u>1982</u>
	£	£
Raw materials and consumables	820,480	810,641
Finished Goods	<u>2,066,234</u>	<u>2,006,487</u>
	<u>£ 2,886,654</u> *****	<u>£ 2,817,128</u> *****

9. DEBTORS

	<u>1983</u>	<u>1982</u>
	£	£
Trade Debtors	8,119,757	7,539,718
Prepayments and accrued income	<u>6,239</u>	<u>17,133</u>
	<u>8,125,996</u> *****	<u>7,556,851</u> *****

10. CREDITORS/...

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1983

10. CREDITORS - Amounts falling due within one year

	<u>1983</u>	<u>1982</u>
	£	£
Bank Overdraft	-	2,453,157
Trade Creditors	4,093,903	3,501,031
Taxes and Social Security costs	3,936,796	2,242,020
Accruals	629,246	616,838
Amount due to parent company	2,059,413	1,067,948
Proposed dividends	<u>100,449</u>	<u>143,563</u>
	<u>£ 10,819,607</u>	<u>£ 10,024,557</u>
	=====	=====

11. DEFERRED TAXATION

No provision has been made for deferred taxation as, in the opinion of the Directors, no liability will crystallise within the foreseeable future. The total potential liability, which represents a contingent liability at the balance sheet date, is as follows (@ 52%):-

	<u>1983</u>	<u>1982</u>
	£	£
Accelerated capital allowances	181,488	195,549
Other timing differences	(52,000)	(52,000)
Unutilised losses	<u>(34,104)</u>	<u>(62,945)</u>
	<u>95,384</u>	<u>80,604</u>
	=====	=====

12. SHARE CAPITAL

	<u>1983</u>	<u>1982</u>
	£	£
Authorised, issued and fully paid: 1,200,000 Ordinary shares of £1 each	<u>1,200,000</u>	<u>1,200,000</u>
	=====	=====

13. CAPITAL/...

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 AUGUST 1983

13. CAPITAL COMMITMENTS

	<u>1983</u>	<u>1982</u>
	£	£
Contracted but not provided for in these financial statements	28,750 =====	143,752 =====
Authorised by the Directors but not contracted	- =====	- =====

14. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 1983 or at 31 August 1982 except in respect of deferred taxation (see Note 11).

15. 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 plc, whose financial statements include a statement of current cost accounts prepared on a group basis.

16. PENSION COMMITMENTS

The company pension schemes are administered through The Highland Distilleries Company plc and details of these schemes are disclosed in that company's financial statements.

17. ULTIMATE HOLDING COMPANY

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

18. 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 plc, as disclosed in the financial statements of the parent company.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 AUGUST 1983

	<u>1983</u>		<u>1982</u>	
<u>Source of Funds:</u>	£	£	£	£
From operations				
Profit before taxation		100,449		143,563
Adjustment for items not involving the movement of funds:				
Depreciation	104,814		81,868	
Loss on disposal of tangible fixed assets	<u>8,640</u>		<u>3,484</u>	
		<u>113,454</u>		<u>85,352</u>
		213,903		228,915
From other sources				
Proceeds of disposal of tangible fixed assets		<u>20,650</u>		<u>18,300</u>
		234,553		247,215
<u>Application of Funds</u>				
Purchase of tangible fixed assets	257,173		200,650	
Purchase of investments	10,175		-	
Dividends paid	<u>143,563</u>		<u>143,785</u>	
		<u>410,911</u>		<u>344,435</u>
Net outflow of funds		£ (176,358)		£ (97,220)
		=====		=====
<u>Movement in Working Capital:</u>				
Stock	69,526		336,542	
Debtors	569,145		660,595	
Creditors: Amounts falling due within one year	(2,300,056)		(1,716,426)	
Amount due to parent company	<u>(991,465)</u>		<u>(900,198)</u>	
		(2,652,850)		(1,619,487)
<u>Movement in Net Liquid Funds:</u>				
(Decrease)/Increase in cash	(99)		10	
Decrease in bank borrowings	<u>2,476,591</u>		<u>1,522,257</u>	
		<u>2,476,492</u>		<u>1,522,267</u>
Net Decrease in working capital		£ (176,358)		£ (97,220)
		=====		=====