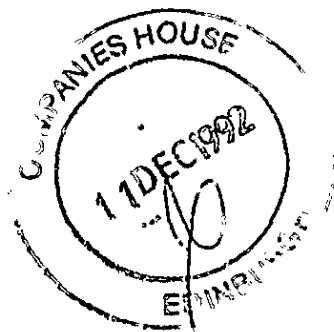


COMPANY NO 20954



MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 AUGUST 1992

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 1992

The directors present their report together with financial statements for the year ended 31 August 1992 for submission to the Fifty-fourth Annual General Meeting of the company to be held at Bordeaux House, 33 Kinnoull Street, Perth on 13 November 1992 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 £497,000 (1991 - £378,000) from which the directors recommend payment of a dividend of 41.42 pence (1991 - 31.50 pence) per share, totalling £497,000 (1991 - £378,000).

Directors and their Interests

The following directors held office at 31 August 1992. No director had any interests in the shares of the company at 1 September 1991 or at 31 August 1992.

J.M. Goodwin	R.S.S. Gillies
A. Kettles	M.I. Gloag
J.A. Sherriff	J.J.G. Good
P.M. Darbyshire	J. Hughes
R.W. Farrar	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:-

Ordinary Shares of 20p

	<u>1992</u>	<u>1991</u>
P.M. Darbyshire	4,986	4,073
R.W. Farrar	1,683	811
R.S.S. Gillies	18,919	17,100
M.I. Gloag	9,301	8,482
J. Hughes	7,809	7,803
G.J. Kay	1,822	910

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

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 14 November 2001.

The interests of the directors were as follows:-

	<u>Share Options</u>	
	<u>1992</u>	<u>1991</u>
P.M. Darbyshire	109,273	78,079
R.W. Farrar	40,464	-
R.S.S. Gillies	80,811	89,191
M.I. Gloag	75,861	78,375
J. Hughes	152,858	114,894
G.J. Kay	41,482	7,500

Tangible Fixed Assets

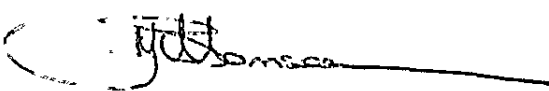
All movements in fixed assets are shown in note 8 to the financial statements.

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 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


Secretary

Bordeaux House,
33 Kinnoull Street,
Perth.

12 October 1992

MATTHEW GLOAG & SON LIMITED

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

We have audited the financial statements on pages 4 to 15 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 1992 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Gant Threlton

REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

GLASGOW

12 October 1992

MATTHEW GLOAG & SON LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 1992

	<u>Notes</u>	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Turnover	1	150,450	140,010
Cost of sales		147,759	137,522
		<hr/>	<hr/>
Gross profit		2,691	2,488
Distribution costs		(1,432)	(1,339)
Administration expenses		(41)	(39)
		<hr/>	<hr/>
Operating profit	2	1,218	1,110
Interest receivable	3	82	96
Interest payable	4	(350)	(406)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		950	800
Taxation	6	453	422
		<hr/>	<hr/>
Profit on ordinary activities after taxation		497	378
Proposed dividend	7	(497)	(378)
		<hr/>	<hr/>


The accounting policies on page 7 and the notes on pages 8 to 15 form part of these financial statements.


MATTHEW GLOAG & SON LIMITED

BALANCE SHEET AT 31 AUGUST 1992

	Notes	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Fixed assets			
Tangible assets	8	2,253	1,976
Investments	9	41	41
		<hr/>	<hr/>
		2,294	2,017
		<hr/>	<hr/>
Current assets			
Stocks	10	2,507	3,444
Debtors	11	19,391	17,924
Cash at bank and in hand		12	11
		<hr/>	<hr/>
		21,910	21,379
Creditors: amounts falling due within one year	12	22,971	22,065
		<hr/>	<hr/>
Net current liabilities		(1,061)	(686)
		<hr/>	<hr/>
Total assets less current liabilities		1,233	1,331
Deferred Taxation	13	33	131
		<hr/>	<hr/>
		1,200	1,200
		<hr/>	<hr/>
Capital			
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 12 October 1992.


..... Director


..... Director

The accounting policies on page 7 and notes on pages 8 to 15 form part of these financial statements.

MATTHEW GLOAG & SON LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 1992

	Notes	<u>1992</u>	<u>1991</u>
		<u>£'000</u>	<u>£'000</u>
Net cash inflow from operating activities	15	925	1,503
Returns on investments and servicing of finance			
Interest received		(82)	(96)
Interest paid		350	406
Dividends paid		378	413
Net cash outflow from returns on investments and servicing of finance		(646)	(723)
Taxation			
UK corporation tax paid		(474)	(30)
Investing activities			
Purchase of tangible fixed assets		(981)	(699)
Sale of tangible fixed assets		120	187
Net cash outflow from investing activities		(861)	(512)
(Decrease)/Increase in cash and cash equivalents	16	<u>(1,056)</u>	<u>238</u>

The accounting policies on page 7 and the notes on pages 8 to 15 form part of these financial statements.

MATTHEW GLOAG & SON LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1992

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 1992

1. Turnover

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

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Sales within the British Isles	125,097	120,389
Exports	25,353	19,621
	<hr/>	<hr/>
	150,450	140,010
	<hr/>	<hr/>
Geographical analysis of exports:-		
Africa	1,092	1,110
Americas	3,479	2,538
Asia	1,136	1,594
Australia	761	755
Europe	18,885	13,624
	<hr/>	<hr/>
	25,353	19,621
	<hr/>	<hr/>

2. Operating profit

This is stated after charging:-

Auditors' remuneration	23	22
Depreciation	577	501
	<hr/>	<hr/>

3. Interest receivable

Bank interest	82	96
	<hr/>	<hr/>

4. Interest payable

Interest payable on bank overdrafts and loans repayable within 5 years	7	11
Interest payable to parent company	343	395
	<hr/>	<hr/>
	350	406
	<hr/>	<hr/>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

5. Directors' and employees' costs

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

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Wages and salaries	3,217	2,836
Social security	250	217
Pension costs	640	532
	<u>4,107</u>	<u>3,585</u>

All employees were engaged in the Scotch Whisky trade and the average weekly number of employees during the year was	<u>Nos</u> <u>158</u>	<u>Nos</u> <u>150</u>
	<u>£'000</u>	<u>£'000</u>

Current year allocations to The Highland Distilleries Company plc Employee Profit Sharing Share Scheme amounted to:	<u>-</u>	<u>173</u>
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Directors' emoluments were as follows:

Directors' remuneration	<u>683</u>	<u>717</u>
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The emoluments of the directors, excluding pension contributions, were as follows:

Highest paid director	<u>102</u>	<u>83</u>
Chairman	<u>Nil</u>	<u>Nil</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

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

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

	<u>1992</u> <u>Nos</u>	<u>1991</u> <u>Nos</u>
£ nil to £ 5,000	2	3
£45,001 to £50,000	-	2
£50,001 to £55,000	-	1
£55,001 to £60,000	2	2
£60,001 to £65,000	2	1
£65,001 to £70,000	2	-
£80,001 to £85,000	-	1
£90,001 to £95,000	1	-

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 @ 33%	572	469
Deferred tax	(98)	(47)
	<hr/>	<hr/>
	474	422
Adjustment to prior year's corporation tax provision	(21)	-
	<hr/>	<hr/>
	<u>453</u>	<u>422</u>

7. Dividend

Proposed final dividend of 41.42 pence per share (1991 - 31.50p)	<u>497</u>	<u>378</u>
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MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

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 1991	1,042	2,597	3,639
Additions	390	591	981
Disposals	-	(268)	(268)
	<hr/>	<hr/>	<hr/>
At 31 August 1992	1,432	2,920	4,352
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 September 1991	152	1,511	1,663
Charge for the year	15	562	577
Disposals	-	(141)	(141)
	<hr/>	<hr/>	<hr/>
At 31 August 1992	167	1,932	2,099
	<hr/>	<hr/>	<hr/>
Net book value at 31 August 1992	<u>1,265</u>	<u>988</u>	<u>2,253</u>
	<hr/>	<hr/>	<hr/>
Net book value at 31 August 1991	<u>890</u>	<u>1,086</u>	<u>1,976</u>
	<hr/>	<hr/>	<hr/>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

9. Investments

	<u>Unlisted</u> <u>£'000</u>	<u>Subsidiaries</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Shares at cost			
At 1 September 1991			
and at 31 August 1992	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>
PRINCIPAL SUBSIDIARY UNDERTAKINGS				
The Famous Grouse Company Limited	Scotland	Ordinary Shares	100%	Non-trading
Matthew Gloag (Overseas) Limited	Scotland	Ordinary Shares	100%	Non-trading
Grouse Limited	Scotland	Ordinary Shares	100%	Non-trading

10. Stocks

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Raw materials and consumables	881	1,280
Finished goods	1,626	2,164
	<u>2,507</u>	<u>3,444</u>

11. Debtors

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Trade debtors	18,992	17,410
Prepayments	69	79
Pension prepayment	295	394
Other debtors	35	41
	<u>19,391</u>	<u>17,924</u>

Other debtors represent 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 1992

12. Creditors: amounts falling due within one year

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Bank overdraft	1,057	-
Trade creditors	3,039	2,800
Amounts due to Group Undertakings	6,218	6,510
Social security and other taxes	5,140	6,564
Corporation tax	572	469
Proposed dividend	497	378
Accruals	6,448	5,344
	<u>22,971</u>	<u>22,065</u>

13. Deferred taxation

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

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Accelerated capital allowances	(74)	(3)
Other timing differences	107	134
	<u>33</u>	<u>131</u>

14. Called-up Share capital

Authorised, issued and fully paid

	<u>1992</u> <u>£'000</u>	<u>1991</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 1992

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

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Operating profit	1,218	1,110
Depreciation	577	501
Loss on sale of fixed assets	7	-
Decrease/(Increase) in stocks	937	(898)
Increase in debtors	(1,467)	(3,330)
(Decrease)/Increase in creditors	(347)	4,120
Net cash inflow from operating activities	<u>925</u>	<u>1,503</u>

16. Analysis of changes in cash and cash equivalents

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
At 31 August 1991	11	(227)
(Decrease)/increase in cash equivalents	(1,056)	238
At 31 August 1992	<u>(1,045)</u>	<u>11</u>

Cash and cash equivalents comprise cash at bank less bank overdrafts of £1,057,000 (1991: Nil).

17. Capital commitments

	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
Contracted but not provided for in these financial statements	-	-
Authorised but not contracted for	<u>304</u>	<u>505</u>

18. Contingent liabilities

There were no contingent liabilities at 31 August 1992 or 31 August 1991.

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1992

19. 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 £640,000 (1991 £532,000).

20. Ultimate holding company

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

21. 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.