

COMPANY NO 20954



MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1991

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 1991

The directors present their report together with financial statements for the year ended 31 August 1991 for submission to the Fifty-third Annual General Meeting of the company to be held at Bordeaux House, 33 Kinnoull Street, Perth on 22 November 1991 at 10.00 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 £378,000 (1990 - £413,000) from which the directors recommend payment of a dividend of 31.50 pence (1990 - 34.42 pence) per share, totalling £378,000 (1990 - £413,000).

Directors and their Interests

The following directors held office at 31 August 1991. No director had any interests in the shares of the company at 1 September 1990 or at 31 August 1991.

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:-

	<u>Ordinary Shares of 20p</u>	
	<u>1991</u>	<u>1990</u>
P.M. Darbyshire	4,073	2,644
R.W. Farrar (appointed 19 June 1991)	-	- *
R.S.S. Gillies	24,820	13,577
M.I. Gloag	8,482	8,229
J. Hughes	7,803	6,320
G.J. Kay	-	-

J.S. Byers resigned on 19 April 1991

* Date of appointment

MATTHEW GLOAG & SON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

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 60.5p to 224p. These options are exercisable at various dates until 14 November 2000.

Under these schemes R.S.S. Gillies has options to subscribe for 89,191 shares, M.I. Gloag has options to subscribe for 78,375 shares, J. Hughes has options to subscribe for 114,894 shares, P.M. Darbyshire has options to subscribe for 78,079 shares and G.J. Kay has options to subscribe for 7,500 shares.

Tangible Fixed Assets

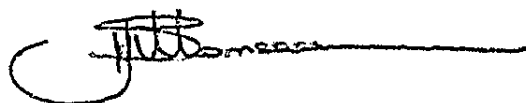
All movements in fixed assets are shown in note 8 to the financial statements.

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 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary

Bordeaux House,
33 Kinnoull Street,
Perth.

14 October 1991

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 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 1991 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

14 October 1991

MATTHEW GLOAG & SON LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 1991

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Turnover	1	140,010	126,677
Cost of sales		137,522	124,450
Gross profit		2,488	2,227
Distribution costs		(1,339)	(1,231)
Administration expenses		(39)	(38)
Operating profit	2	1,110	958
Interest receivable	3	96	178
Interest payable	4	(406)	(379)
Profit on ordinary activities before taxation		800	757
Taxation	6	422	344
Profit on ordinary activities after taxation		378	413
Proposed dividend	7	(378)	(413)

The accounting policies on page 7 and the notes on pages 8 to 14 form part of the financial statements.

MATTHEW GLOAG & SON LIMITED

BALANCE SHEET AT 31 AUGUST 1991

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Fixed assets			
Tangible assets	8	1,976	1,965
Investments	9	41	41
		<hr/>	<hr/>
		2,017	2,006
		<hr/>	<hr/>
Current assets			
Stocks	10	3,444	2,546
Debtors	11	17,924	14,594
Cash at bank and in hand		11	6
		<hr/>	<hr/>
		21,379	17,146
Creditors: amounts falling due within one year	12	22,065	17,774
		<hr/>	<hr/>
Net current liabilities		(686)	(628)
		<hr/>	<hr/>
Total assets less current liabilities		1,331	1,378
Deferred Taxation	13	131	178
		<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 14 October 1991.

.....  Director

.....  Director

The accounting policies on page 7 and notes on pages 8 to 14 form part of these financial statements.

MATTHEW GLOAG & SON LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 AUGUST 1991

	<u>£'000</u>	<u>1991</u> <u>£'000</u>	<u>£'000</u>	<u>1990</u> <u>£'000</u>
Source of funds				
Profit before taxation	800		757	
Adjustment for items not involving the movements of funds				
Depreciation	501		393	
(Gain) on sale of fixed assets	-		(4)	
Funds generated by trading		1,301		1,146
Sale of fixed assets		187		146
Total funds generated		1,488		1,292
Application of funds				
Dividends paid	413		295	
Taxation paid	30		9	
Purchase of fixed assets	699		679	
		(1,142)		(983)
		346		309
Movements in working capital				
(Increase) in stocks	(898)		(271)	
(Increase) in debtors	(3,330)		(1,681)	
Increase/(decrease) in creditors	4,120		(24)	
		(108)		(1,976)
Net movements of funds		238		(1,667)
Represented by:-				
Increase/(Decrease) in net bank balances		238		(1,667)

MATTHEW GLOAG & SON LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31 AUGUST 1991

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%
Motor vehicles	-	25%
Computer systems	-	20%

Stocks

Stocks 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 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 1991

1. Turnover

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

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Sales within the British Isles	120,389	111,284
Exports	19,621	15,393
	<hr/>	<hr/>
	<u>140,010</u>	<u>126,677</u>

2. Operating profit

This is stated after charging:-

Auditors' remuneration	22	20
Depreciation	<u>501</u>	<u>393</u>

3. Interest receivable

Bank interest	<u>96</u>	<u>178</u>
---------------	-----------	------------

4. Interest payable

Interest payable on bank overdrafts and loans repayable within 5 years	11	160
Interest payable to parent company	<u>395</u>	<u>219</u>
	<hr/>	<hr/>
	<u>406</u>	<u>379</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

5. Directors' and employees' costs

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

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Wages and salaries	2,836	2,408
Social security	217	178
Pension costs	532	431
	<u>3,585</u>	<u>3,017</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>Nos</u>
<u>150</u>	<u>145</u>

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

<u>£'000</u>	<u>£'000</u>
<u>173</u>	<u>168</u>

Directors' emoluments were as follows:

	<u>-</u>	<u>15</u>
Payments to former directors	717	602
Directors' remuneration	<u>717</u>	<u>617</u>

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

	<u>83</u>	<u>77</u>
Highest paid director		
Chairman	<u>Nil</u>	<u>Nil</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

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

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

	<u>1991</u> <u>Nos</u>	<u>1990</u> <u>Nos</u>
£ nil to £ 5,000	3	3
£45,001 to £50,000	2	1
£50,001 to £55,000	1	2
£55,001 to £60,000	2	2
£60,001 to £65,000	1	-
£75,001 to £80,000	-	1
£80,001 to £85,000	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 @ 33.6%	469	283
Deferred tax	(47)	61
	<u>422</u>	<u>344</u>

7. Dividend

Proposed final dividend of 31.50 pence per share (1990 - 34.42p)	<u>378</u>	<u>413</u>
---	------------	------------

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

8. Tangible fixed assets

	Freehold Land & Property £'000	Computer Systems, Equipment & Vehicles £'000	Total £'000
Cost			
At 1 September 1990	952	2,390	3,342
Additions	90	609	699
Disposals	-	(402)	(402)
	<hr/>	<hr/>	<hr/>
At 31 August 1991	1,042	2,597	3,639
Depreciation			
At 1 September 1990	137	1,240	1,377
Charge for the year	15	486	501
Disposals	-	(215)	(215)
	<hr/>	<hr/>	<hr/>
At 31 August 1991	152	1,511	1,663
	<hr/>	<hr/>	<hr/>
Net book value at 31 August 1991	<u>890</u>	<u>1,086</u>	<u>1,976</u>
Net book value at 31 August 1990	<u>815</u>	<u>1,150</u>	<u>1,965</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

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 1990 and at 31 August 1991	<u>40</u>	<u>1</u>	<u>41</u>

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
RMG (Distribution) Limited	Scotland	Ordinary Shares	50%	Non-trading

10. Stocks

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Raw materials and consumables	1,280	1,037
Finished goods	2,164	1,509
	<u>3,444</u>	<u>2,546</u>

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

11. Debtors	1991	1990
	<u>£'000</u>	<u>£'000</u>
Trade debtors	17,410	14,105
Prepayments	79	48
Pension prepayment	394	394
Other debtors	41	47
	<hr/>	<hr/>
	<u>17,924</u>	<u>14,594</u>

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

12. Creditors: amounts falling due within one year

Bank overdraft	-	233
Trade creditors	2,800	3,880
Amounts due to Group Undertakings	6,510	3,432
Social security and other taxes	7,033	6,077
Proposed dividend	378	413
Accruals	5,344	3,739
	<hr/>	<hr/>
	<u>22,065</u>	<u>17,774</u>

13. Deferred taxation

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

Accelerated capital allowances	(3)	40
Other timing differences	134	138
	<hr/>	<hr/>
	<u>131</u>	<u>178</u>

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>
--------------------------------------	--------------	--------------

MATTHEW GLOAG & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 1991

15. Capital commitments

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Contracted but not provided for in these financial statements	-	6
Authorised but not contracted for	505	-

16. Contingent liabilities

There were no contingent liabilities at 31 August 1991 or 31 August 1990.

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 £532,000 (1990 £431,000).

18. Ultimate holding company

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

19. 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 parent company, The Highland Distilleries Company plc.