Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

31 March 1997
Registered number SC 37721



Directors' report and financial statements

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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 1997.

Statement of directors' responsibilities

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 or loss 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 judgments and estimates that are reasonable and prudent.
- 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Principal activity and review of the business

The principal activity of the company continued to be the hiring and retailing of highland dress and related goods. The profit for the year after taxation was £100,597 as detailed in the profit and loss account on page 3.

Directors and directors' interests

The directors who held office during the year and their interest in the ordinary share capital of the company were as follows:

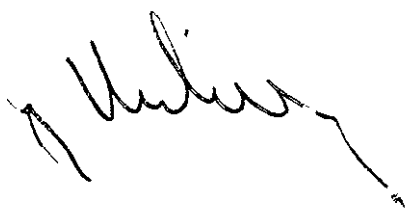
	At end of year	At beginning of year
Geoffrey Nicholsby	**23,500**	23,500
Lorna Nicholsby	**23,500**	23,500
Kwok Leung Tsui	**-**	-

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the board

G Nicholsby
Director



Edinburgh
3 July 1998

KPMG

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of Geoffrey (Tailor) Highland Crafts Limited

We have audited the financial statements on pages 3 to 11.

Respective responsibilities of directors and auditors

As described on page 1 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 work in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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 judgments 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 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. However, the evidence available to us was limited because there was no adequate system of control over cash transactions upon which we could rely for the purpose of our audit, and there were no other satisfactory audit procedures that we could adopt to confirm that all cash sales and directors' emoluments were properly recorded. Furthermore, the evidence available to us was limited in respect of stocks held at locations other than the company's main shops. The value of such stocks is carried in the balance sheet at £390,007 and we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of these stocks. Material adjustment of the carrying value would have a consequential significant effect on the profit for the year.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion on whether the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 or of its profit for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to cash transactions, directors' emoluments and stocks:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and;
- we were unable to determine whether proper accounting records had been maintained.

KPMG

Chartered Accountants
Registered Auditors

3 July 1998

Reconciliation of movements in shareholders' funds

for the year ended 31 March 1997

	1997 £	1996 £
Shareholders' funds at beginning of year	**528,144**	447,045
Profit for the financial year after taxation	**100,597**	81,099
Shareholders' funds at end of year	**628,741**	528,144

Note of historical cost profits and losses

for the year ended 31 March 1997

	1997 £	1996 £
Reported profit on ordinary activities before taxation	**145,597**	112,522
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**3,142**	3,142
Historical cost profit on ordinary activities before taxation	**148,739**	115,664
Historical cost profit for the year retained after taxation	**103,739**	84,241

Profit and loss account

for the year ended 31 March 1997

	Note	**1997**	1996
		£	£
Turnover	*1*	**2,399,258**	1,963,505
Cost of sales		**(1,199,610)**	(1,035,822)
Gross profit		**1,199,648**	927,683
Administrative expenses		**(1,031,295)**	(789,248)
Other operating income		**30,000**	22,000
Operating profit		**198,353**	160,435
Interest payable and similar charges	*5*	**(52,756)**	(47,913)
Profit on ordinary activities before taxation	*2*	**145,597**	112,522
Taxation	*6*	**(45,000)**	(31,423)
Profit for the financial year		**100,597**	81,099

A statement of movements on reserves is given in note 14.

Other than the profit for the year there have been no recognised gains or losses.

Balance sheet
at 31 March 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	*7*		**753,306**		583,862
Current assets					
Stocks	*8*	**995,944**		719,959	
Debtors	*9*	**1,570**		45,750	
Cash		**854**		626	
		998,368		766,335	
Creditors: amounts falling due within one year	*10*	**(790,007)**		(733,549)	
Net current assets			**208,361**		32,786
Total assets less current liabilities			**961,667**		616,648
Creditors: amounts falling due in more than one year	*11*		**(332,926)**		(88,504)
Net assets			**628,741**		528,144
Capital and reserves					
Called up share capital	*13*		**47,000**		47,000
Revaluation reserve	*14*		**319,546**		322,688
Profit and loss account	*14*		**262,195**		158,456
Shareholders' funds - equity			**628,741**		528,144

These financial statements were approved by the board of directors 3 July 1998 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of heritable property. They have been prepared on the going concern basis, which assumes the continued financial support of the company's directors and bankers.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Heritable property	1% straight line
Leasehold property	10% straight line
Motor vehicles	25% reducing balance
Motor boat	20% reducing balance
Fittings and equipment	20% reducing balance

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Pension costs

The company contributes to the directors' individual pension plans. The amounts charged against profits represent the contributions determined by the directors for the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services to customers during the year.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	1997 £	1996 £
Auditors' remuneration	**9,500**	8,500
Depreciation of tangible fixed assets:		
Owned	**38,605**	26,548
Leased	**22,642**	2,160

3. Remuneration of directors

Remuneration in respect of directors was as follows:	1997 £	1996 £
Salaries	**35,111**	18,904
Benefits in kind	**18,716**	6,655
Pension contributions	**10,634**	11,036
	64,461	36,595

4. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 1997	1996
Sales and management	**37**	20
Manufacturing	**19**	17
	56	37

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	**461,013**	358,030
Social security costs	**33,358**	26,402
Other pension costs	**10,634**	11,036
	505,005	395,468

Notes *(continued)*

5. Interest payable and similar charges

	1997 £	1996 £
Interest on bank loan and overdraft and other short term borrowings	**30,919**	24,866
Interest on loan from directors	**4,733**	4,721
Hire purchase charges	**3,417**	831
Interest and costs on overdue taxes	**13,687**	17,495
	52,756	47,913

6. Taxation

	1997 £	1996 £
UK corporation tax at 24% (*1996 - 25%*)	**45,000**	33,155
Adjustment in respect of earlier years (see note 15)	**-**	(1,732)
	45,000	31,423

7. Tangible fixed assets

	Heritable property £	Leasehold property £	Motor vehicles £	Motor boat £	Fittings & equipment £	Total £
Cost or valuation						
At beginning of year	520,001	35,695	149,137	42,547	101,841	849,221
Additions	-	50,484	86,380	15,562	59,422	211,848
Disposals	-	-	(84,010)	(42,547)	-	(126,557)
At end of year	520,001	86,179	151,507	15,562	161,263	934,512
Depreciation						
At beginning of year	15,603	26,021	119,264	30,465	74,006	265,359
Charge for year	5,201	8,618	26,087	3,890	17,451	61,247
On disposals	-	-	(72,110)	(30,465)	-	(102,575)
At end of year	20,804	34,639	73,241	3,890	91,457	224,031
Net book value						
31 March 1997	**499,197**	**51,540**	**78,266**	**11,672**	**69,806**	710,481
Construction in progress						
Cost of additions during year						42,825
						753,306
31 March 1996	504,398	9,674	29,873	12,082	27,835	583,862

Notes *(continued)*

7. Tangible fixed assets *(continued)*

Heritable property

Heritable property was revalued at open market value at 13 December 1993.

If stated under historical cost principles, the comparable amounts would be:

	1997	1996
	£	£
Cost	205,933	205,933
Aggregate depreciation	(26,282)	(24,223)
	179,651	181,710

Motor vehicles

Included in the total net book value of motor vehicles is £67,928 (*1996 - £18,756*) in respect of assets held under finance leases and similar hire purchase contracts.

8. Stocks

	1997	1996
	£	£
Goods for resale	995,944	719,959

9. Debtors

	1997	1996
	£	£
Other debtors	-	38,941
Prepayments and accrued income	1,570	6,809
	1,570	45,750

10. Creditors: amounts falling due within one year

		1997		1996
	£	£	£	£
Bank loan (see note 11)		23,201		-
Bank overdraft (see note 11)		107,141		301,475
Obligations under finance leases and hire purchase contracts (see note 11)		14,629		5,767
Trade creditors		294,608		205,583
Other creditors including taxation and social security:				
Corporation tax	76,423		58,713	
Other taxes and social security	22,054		17,458	
VAT	45,330		50,327	
Other creditors	99,730		45,053	
		243,537		171,551
Accruals and deferred income		106,891		49,173
		790,007		733,549

Notes *(continued)*

11. Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Bank loan	**227,300**	-
Obligations under finance leases and hire purchase contracts	**53,204**	2,402
Loan from directors	**52,422**	86,102
	332,926	88,504

The bank loan is repayable by monthly instalments from 13 February 1997 until 13 February 2009, with interest at 2% above Clydesdale Bank base rate.

The bank loan and overdraft are secured by a first charge standard security over the company's property at 53-61 High Street, Edinburgh and a floating charge over its assets and undertaking.

The loan from directors has no fixed term for repayment. Interest is payable monthly based on Bradford & Bingley Building Society mortgage rates.

The maturity of net obligations under finance leases and hire purchase contracts is as follows:

	1997	1996
	£	£
Within one year	**14,629**	5,767
In the second to fifth years	**53,204**	2,402
	67,833	8,169

The hire purchase creditor is secured over certain assets included in motor vehicles.

12. Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Difference between accumulated depreciation and capital allowances	-	**(2,000)**	-	(8,000)
On revaluation of land and buildings	-	**96,000**	-	106,000
	-	**94,000**	-	98,000

13. Share capital

	1997	1996
	£	£
Authorised		
Ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**47,000**	47,000

Notes *(continued)*

14. Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	322,688	158,456
Retained profit for the year	-	100,597
Transfer of reserve arising from depreciation on revalued assets	(3,142)	3,142
At end of year	**319,546**	**262,195**

15. Contingent liabilities

There is a contingent liability in respect of possible taxation liabilities relating to earlier years. It is not practicable to establish the amount involved at present.

16. Commitments

At the end of the financial year, the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Property £	**Other £**	Property £	Other £
Operating leases which expire:				
Within one year	**-**	**-**	-	425
In two to five years	**-**	**13,140**	-	17,408
In more than five years	**120,000**	**1,226**	110,000	-
	120,000	**14,366**	110,000	17,833

17. Related party transactions

Included in other creditors is an amount of £96,890 (*1996 - £44,564*) owed in respect of payments made by Geoffrey (Tailor) Highland Crafts of USA Inc, a company incorporated in the USA and wholly owned by Mr and Mrs G Nicholsby.

During the year Mr and Mrs G Nicholsby received £4,733 (*1996 - £4,721*) in respect of interest on their loan to the company.

Rents amounting to £116,840 (*1996 - £62,000*) were payable to Mr and Mrs G Nicholsby in respect of premises owned by them and occupied by the company.