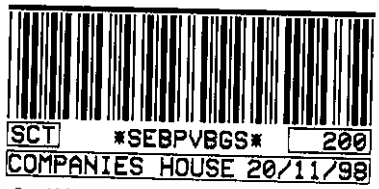
# Geoffrey (Tailor) Highland Crafts Limited

## Directors' report and financial statements

31 March 1998
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 1998.

## 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.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 £89,404 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:

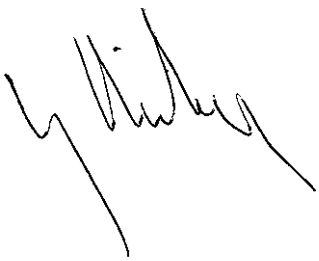
| | **At end of year** | At beginning of year |
|---|---|---|
| Geoffrey Nicholsby | **23,500** | 23,500 |
| Lorna Nicholsby | **23,500** | 23,500 |
| Kwok Leung Tsui (resigned 3 November 1998) | - | - |

## 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
12. 11. 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 13.

*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 in accordance with Auditing Standards issued by the Auditing Practices Board. 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 the accounting 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 transactions were properly recorded.

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 1998 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 solely of the limitation on the work relating to the control and recording of accounting transactions:

- 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*

12 November 1998

# Profit and loss account

***for the year ended 31 March 1998***

| | Note | 1998 £ | 1997 £ |
|---|---|---|---|
| **Turnover** | *1* | **3,025,023** | 2,399,258 |
| Cost of sales | | **(1,518,002)** | (1,199,610) |
| **Gross profit** | | **1,507,021** | 1,199,648 |
| Administrative expenses | | **(1,434,710)** | (1,031,295) |
| Other operating income | | **100,000** | 30,000 |
| **Operating profit** | | **172,311** | 198,353 |
| Interest payable and similar charges | *5* | **(42,707)** | (52,756) |
| **Profit on ordinary activities before taxation** | *2* | **129,604** | 145,597 |
| Taxation | *6* | **(40,200)** | (45,000) |
| **Profit for the financial year** | | **89,404** | 100,597 |

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.

## Reconciliation of movements in shareholders' funds

*for the year ended 31 March 1998*

| | 1998 £ | 1997 £ |
|---|---|---|
| Shareholders' funds at beginning of year | 628,741 | 528,144 |
| Profit for the financial year after taxation | 89,404 | 100,597 |
| **Shareholders' funds at end of year** | **718,145** | 628,741 |

## Note of historical cost profits and losses

*for the year ended 31 March 1998*

| | 1998 £ | 1997 £ |
|---|---|---|
| Reported profit on ordinary activities before taxation | 129,604 | 145,597 |
| 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 | 132,746 | 148,739 |
| Historical cost profit for the year retained after taxation | 92,546 | 103,739 |

# Balance sheet

***at 31 March 1998***

| | Note | £ | 1998<br>£ | £ | 1997<br>£ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *7* | | **800,916** | | 753,306 |
| **Current assets** | | | | | |
| Stocks | *8* | **1,094,231** | | 995,944 | |
| Debtors | *9* | **49,487** | | 1,570 | |
| Cash at bank and in hand | | **1,731** | | 854 | |
| | | **1,145,449** | | 998,368 | |
| **Creditors**: amounts falling due within one year | *10* | **(856,512)** | | (790,007) | |
| **Net current assets** | | | **288,937** | | 208,361 |
| **Total assets less current liabilities** | | | **1,089,853** | | 961,667 |
| **Creditors:** amounts falling due in more than one year | *11* | | **(371,708)** | | (332,926) |
| **Net assets** | | | **718,145** | | 628,741 |
| **Capital and reserves** | | | | | |
| Called up share capital | *13* | | **47,000** | | 47,000 |
| Revaluation reserve | *14* | | **316,404** | | 319,546 |
| Profit and loss account | *14* | | **354,741** | | 262,195 |
| **Shareholders' funds - equity** | | | **718,145** | | 628,741 |

These financial statements were approved by the board of directors on 12 November 1998 and were signed on its behalf by:

**G Nicholsby**
*Director*

**L Nicholsby**
*Director*

## Cash flow statement

*for the year ended 31 March 1998*

| | 1998 £ | 1997 £ |
|---|---|---|
| **Reconciliation of net movement in funds to net cash inflow from operating activities** | | |
| Operating profit | 172,311 | 198,353 |
| Depreciation charges | 62,356 | 61,247 |
| Profit on disposal of fixed assets | - | (6,883) |
| Increase in stocks | (98,287) | (275,985) |
| (Increase)/decrease in debtors | (47,917) | 44,180 |
| Increase in creditors | 39,856 | 172,334 |
| **Net cash inflow from operating activities** | 128,319 | 193,246 |

## Cash flow statement

| | | |
|---|---|---|
| Net cash inflow from operating activities | 128,319 | 193,246 |
| *Returns on investments and servicing of finance:* | | |
| Interest element of finance lease rental payments | (5,117) | (3,417) |
| Interest paid on loans from directors | (4,100) | (4,733) |
| Interest paid on bank loans and overdrafts | (11,348) | (39,635) |
| *Taxation:* | | |
| Corporation tax paid | (43,000) | (27,290) |
| *Capital expenditure:* | | |
| Purchase of tangible fixed assets | (120,429) | (157,978) |
| Sale of tangible fixed assets | - | 30,865 |
| **Net cash outflow before financing** | (55,675) | (8,942) |
| *Financing:* | | |
| Loans from directors | 103,000 | 34,758 |
| Repayment of loans from directors | (47,138) | (64,438) |
| Capital element of finance lease rental payments | (15,369) | (4,301) |
| **Net cash inflow/(outflow) from financing** | 40,493 | (33,981) |
| **Decrease in cash** | (15,182) | (42,923) |

## Reconciliation of net cash flow to movement in net debt *(Note 17)*

| | | |
|---|---|---|
| Decrease in cash in the year | (15,182) | (42,923) |
| Cash (inflow)/outflow from financing | (40,493) | 33,981 |
| Change in net debt resulting from cash flows | (55,675) | (8,942) |
| New finance leases | - | (68,680) |
| Accrued interest added to bank loan | (21,904) | (4,301) |
| Movement in net debt | (77,579) | (81,923) |
| Net debt at beginning of year | (477,043) | (395,120) |
| **Net debt at end of year** | (554,622) | (477,043) |

# 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 |

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

***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.

## Notes *(continued)*

**1 Accounting policies** (continued)

***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.

**2 Profit on ordinary activities before taxation**

| *Profit on ordinary activities before taxation is stated after charging:* | | **1998** £ | 1997 £ |
|---|---|---|---|
| Auditors' remuneration | | **10,000** | 9,500 |
| Depreciation of tangible fixed assets: | owned | **45,373** | 38,605 |
| | leased | **16,983** | 22,642 |
| Hire of equipment | | **19,112** | 16,178 |
| Rental of land and buildings | | **181,885** | 129,940 |

**3 Remuneration of directors**

| | **1998** £ | 1997 £ |
|---|---|---|
| Emoluments | **87,049** | 53,827 |
| Pension contributions | **9,949** | 9,558 |
| | **96,998** | 63,385 |

The numbers of directors to whom benefits are accruing under money purchase pension schemes is 3 *(1997:3)*.

**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** | |
|---|---|---|
| | **1998** | 1997 |
| Sales and management | **52** | 37 |
| Manufacturing | **30** | 19 |
| | **82** | 56 |

The aggregate payroll costs of these persons were as follows:

| | **1998** £ | 1997 £ |
|---|---|---|
| Wages and salaries | **726,596** | 461,013 |
| Social security costs | **55,619** | 33,358 |
| Other pension costs | **10,361** | 10,634 |
| | **792,576** | 505,005 |

## Notes *(continued)*

### 5 Interest payable and similar charges

| | 1998 £ | 1997 £ |
|---|---|---|
| Interest on bank loan and overdraft and other short term borrowings | **33,490** | 30,919 |
| Interest on loan from directors | **4,100** | 4,733 |
| Hire purchase charges | **5,117** | 3,417 |
| Interest and costs on overdue taxes | **-** | 13,687 |
| | **42,707** | 52,756 |

### 6 Taxation

| | 1998 £ | 1997 £ |
|---|---|---|
| UK corporation tax at 21% (*1997 - 24%*) | **40,200** | 45,000 |

### 7 Tangible fixed assets

| | Heritable property £ | Leasehold property £ | Motor vehicles £ | Motor boat £ | Fittings & equipment £ | Total £ |
|---|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | | |
| At beginning of year | 520,001 | 86,179 | 151,507 | 15,562 | 161,263 | 934,512 |
| Additions | - | 70,530 | - | - | 23,609 | 94,139 |
| At end of year | 520,001 | 156,709 | 151,507 | 15,562 | 184,872 | 1,028,651 |
| ***Depreciation*** | | | | | | |
| At beginning of year | 20,804 | 34,639 | 73,241 | 3,890 | 91,457 | 224,031 |
| Charge for year | 5,201 | 16,571 | 19,567 | 2,334 | 18,683 | 62,356 |
| At end of year | 26,005 | 51,210 | 92,808 | 6,224 | 110,140 | 286,387 |
| ***Net book value*** | | | | | | |
| **31 March 1998** | **493,996** | **105,499** | **58,699** | **9,338** | **74,732** | 742,264 |
| ***Construction in progress*** | | | | | | |
| At beginning of year | | | | | 42,825 | |
| Cost of additions during year | | | | | 15,827 | |
| | | | | | | 58,652 |
| | | | | | | **800,916** |
| 31 March 1997 | 499,197 | 51,540 | 78,266 | 11,672 | 69,806 | 710,481 |
| *Construction in progress* | | | | | | 42,825 |
| | | | | | | 753,306 |

## 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:

| | 1998 £ | 1997 £ |
|---|---|---|
| Cost | **205,933** | 205,933 |
| Aggregate depreciation | **(28,341)** | (26,282) |
| | **177,592** | 179,651 |

***Motor vehicles***

Included in the total net book value of motor vehicles is £50,945 (*1997 - £67,928*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £16,983 (*1997 - £22,642*).

### 8 Stocks

| | 1998 £ | 1997 £ |
|---|---|---|
| Goods for resale | **1,094,231** | 995,944 |

### 9 Debtors

| | 1998 £ | 1997 £ |
|---|---|---|
| Sundry debtors | **5,000** | - |
| Prepayments and accrued income | **44,487** | 1,570 |
| | **49,487** | 1,570 |

### 10 Creditors: amounts falling due within one year

| | £ | 1998 £ | £ | 1997 £ |
|---|---|---|---|---|
| Bank loan (see note 11) | | **22,941** | | 23,201 |
| Bank overdraft (see note 11) | | **147,075** | | 107,141 |
| Obligations under finance leases and hire purchase contracts (see note 11) | | **14,629** | | 14,629 |
| Trade creditors | | **310,202** | | 294,608 |
| Other creditors including taxation and social security: | | | | |
| Corporation tax | **73,623** | | 76,423 | |
| Other taxes and social security | **37,987** | | 22,054 | |
| VAT | **26,681** | | 45,330 | |
| Other creditors | **127,807** | | 99,730 | |
| | | **266,098** | | 243,537 |
| Accruals and deferred income | | **95,567** | | 106,891 |
| | | **856,512** | | 790,007 |

## Notes *(continued)*

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

| | 1998 £ | 1997 £ |
|---|---|---|
| Loan from directors | **108,284** | 52,422 |
| Bank loan | **225,589** | 227,300 |
| Obligations under finance leases and hire purchase contracts | **37,835** | 53,204 |
| | **371,708** | 332,926 |

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:

| | 1998 £ | 1997 £ |
|---|---|---|
| Within one year | **14,629** | 14,629 |
| In the second to fifth years | **37,835** | 53,204 |
| | **52,464** | 67,833 |

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

**Analysis of debt:**

| | 1998 £ | 1997 £ |
|---|---|---|
| Debt can be analysed as falling due: | | |
| In one year or less, or on demand | **184,645** | 144,971 |
| Between one and two years | **37,570** | 37,830 |
| Between two and five years | **92,029** | 108,178 |
| In five years or more | **133,825** | 134,496 |
| | **448,069** | 425,475 |

## Notes *(continued)*

### 12 Provisions for liabilities and charges

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

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| | **£** | **£** | £ | £ |
| Difference between accumulated depreciation and capital allowances | **-** | **1,250** | - | (2,000) |
| On revaluation of land and buildings | **-** | **95,000** | - | 96,000 |
| | **-** | **96,250** | - | 94,000 |

### 13 Share capital

| | **1998** | 1997 |
|---|---|---|
| | **£** | £ |
| *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 |

### 14 Reserves

| | Revaluation reserve | Profit and loss account |
|---|---|---|
| | £ | £ |
| At beginning of year | 319,546 | 262,195 |
| Retained profit for the year | - | 89,404 |
| Transfer of reserve arising from depreciation on revalued assets | (3,142) | 3,142 |
| At end of year | **316,404** | **354,741** |

### 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.

## Notes *(continued)*

### 16 Commitments

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

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | **Property** | **Other** | Property | Other |
| | **£** | **£** | £ | £ |
| *Operating leases which expire:* | | | | |
| Within one year | - | **9,698** | - | - |
| In two to five years | - | **4,668** | - | 14,366 |
| In more than five years | **140,250** | - | 120,000 | - |
| | **140,250** | **14,366** | 120,000 | 14,366 |

### 17 Analysis of net debt

| | At 1 April 1997 | Cash flows | Other non cash changes | At 31 March 1998 |
|---|---|---|---|---|
| | £ | £ | £ | **£** |
| Cash in hand, at bank | 854 | 877 | - | **1,731** |
| Overdraft | (107,141) | (39,934) | - | **(147,075)** |
| Bank loan | (250,501) | 23,875 | (21,904) | **(248,530)** |
| | (356,788) | (15,182) | (21,904) | **(393,874)** |
| Finance leases due within one year | (14,629) | 14,629 | (14,629) | **(14,629)** |
| Finance leases due after one year | (53,204) | 740 | 14,629 | **(37,835)** |
| Loans from directors due after one year | (52,422) | (55,862) | - | **(108,284)** |
| Total | (477,043) | (55,675) | (21,904) | **(554,622)** |

### 18 Related party transactions

Included in other creditors is an amount of £124,967 (*1997 - £96,890*) 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 £4,100 (*1997 - £4,733*) in respect of interest on their loan to the company.

Rents amounting to £127,323 (*1997 - £116,840*) were payable to Mr and Mrs G Nicholsby in respect of premises owned by them, or companies wholly owned by them, and occupied by the company.