Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 1999





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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 1999.

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 loss for the year after taxation was £244,965 as detailed in the profit and loss account on page 4.

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)	-	-

Millennium compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The company addressed the impact of the Year 2000 on its business and operations and plans were put in place to ensure the elimination of these exposures prior to the Year 2000. Total costs incurred were not significant.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, to date no significant Year 2000 problems have been identified in relation to critical business operations.

Directors' report *(continued)*

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
24 MARCH 2000

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 4 to 14.

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. Although steps were taken part way through the year to improve the accounting records, 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 throughout the year. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the note 1 regarding the basis of preparation of the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends upon continued financial support being available. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

***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 1999 or of its loss 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

24 March 2000

Profit and loss account

for the year ended 31 March 1999

	Note	1999 £	Restated 1998 £
Turnover	*1*	**3,455,955**	2,982,293
Cost of sales		**(1,799,300)**	(1,518,002)
Gross profit		**1,656,655**	1,464,291
Administrative expenses (including exceptional costs of £126,900 (note 3))		**(1,938,881)**	(1,434,710)
Other operating income		**143,275**	100,000
Operating (loss)/profit		**(138,951)**	129,581
Interest payable and similar charges	*6*	**(93,337)**	(42,707)
(Loss)/profit on ordinary activities before taxation	*2*	**(232,288)**	86,874
Taxation	*7*	**(12,677)**	(31,226)
(Loss)/profit for the financial year		**(244,965)**	55,648

A statement of movements on reserves is given in note 15.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 1999

	1999 £	Restated 1998 £
Shareholders' funds at beginning of year	**801,574**	745,926
(Loss)/profit for the financial year after taxation	**(244,965)**	55,648
Shareholders' funds at end of year	**556,609**	801,574

Note of historical cost profits and losses

for the year ended 31 March 1999

	1999 £	Restated 1998 £
Reported (loss)/profit on ordinary activities before taxation	**(232,288)**	86,874
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 (loss)/profit on ordinary activities before taxation	**(229,146)**	90,016
Historical cost (loss)/profit for the year retained after taxation	**(241,823)**	58,790

Statement of total recognised gains and losses

for the year ended 31 March 1999

	1999 £	Restated 1998 £
(Loss)/profit for the financial year	**(244,965)**	55,648
Total recognised gains and losses relating to the financial year	**(244,965)**	55,648
Prior year adjustment (as explained in note 16)	**83,429**	
Total gains and losses since last report	**(161,536)**	

Balance sheet
at 31 March 1999

	Note	£	1999 £	£	Restated 1998 £
Fixed assets					
Tangible assets	*8*		**750,747**		800,916
Current assets					
Stocks	*9*	**1,051,586**		1,094,231	
Debtors	*10*	**212,752**		160,627	
Cash at bank and in hand		**1,340**		1,731	
		1,265,678		1,256,589	
Creditors: amounts falling due within one year	*11*	**(1,220,983)**		(992,507)	
Net current assets			**44,695**		264,082
Total assets less current liabilities			**795,442**		1,064,998
Creditors: amounts falling due in more than one year	*12*		**(238,833)**		(263,424)
Net assets			**556,609**		801,574
Capital and reserves					
Called up share capital	*14*		**47,000**		47,000
Revaluation reserve	*15*		**313,262**		316,404
Profit and loss account	*15*		**196,347**		438,170
Shareholders' funds - equity			**556,609**		801,574

These financial statements were approved by the board of directors on 24 MARCH 2000 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 1999

	1999 £	Restated 1998 £
Reconciliation of net movement in funds to net cash inflow from operating activities		
Operating profit	**(138,951)**	129,581
Depreciation charges	**71,498**	62,356
Profit on disposal of fixed assets	**(6,162)**	-
Decrease/(increase) in stocks	**42,645**	(98,287)
Decrease/(increase) in debtors	**(52,125)**	57,945
Increase in creditors	**229,401**	22,361
Net cash inflow from operating activities	**146,306**	173,956
Cash flow statement		
Net cash inflow from operating activities	**146,306**	173,956
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(6,860)**	(5,117)
Interest paid on loans from directors	**(9,447)**	(4,100)
Interest paid on bank loans and overdrafts	**(32,196)**	(11,586)
Other interest and charges	**(44,834)**	-
Taxation:		
Corporation tax paid	**(42,200)**	(43,000)
Capital expenditure:		
Purchase of tangible fixed assets	**(60,210)**	(109,966)
Sale of tangible fixed assets	**110,920**	-
Net cash inflow before financing	**61,479**	187
Financing:		
Loans from directors	**65,396**	153,000
Repayment of loans from directors	**(85,381)**	(47,138)
Capital element of finance lease rental payments	**(29,663)**	(15,369)
Net cash (outflow)/ inflow from financing	**(49,648)**	90,493
Increase in cash	**11,831**	90,680
Reconciliation of net cash flow to movement in net debt *(Note 18)*		
Decrease in cash in the year	**11,831**	90,680
Cash outflow/(inflow) from financing	**49,648**	(90,493)
Change in net debt resulting from cash flows	**61,479**	187
New finance leases	**(65,877)**	-
Accrued interest added to bank loan	**-**	(21,904)
Movement in net debt	**(4,398)**	(21,717)
Net debt at beginning of year	**(446,338)**	(424,621)
Net debt at end of year	**(450,736)**	(446,338)

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. The directors intend to inject further funds during the course of the year.

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
Computer equipment	33% straight line

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 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:		1999 £	1998 £
Auditors' remuneration		**12,000**	10,000
Depreciation of tangible fixed assets:	owned	**49,588**	45,373
	leased	**21,910**	16,983
Hire of equipment		**5,795**	19,112
Rental of land and buildings		**266,616**	181,885

3 Exceptional items

Included within administrative expenses are professional fees of £126,900 relating to prior year adjustments (see note 16).

4 Remuneration of directors

	1999 £	1998 £
Emoluments	**105,245**	87,049
Pension contributions	**7,900**	9,949
	113,145	96,998

The numbers of directors to whom benefits are accruing under money purchase pension schemes is 3 *(1998:3)*.

5 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 1999	1998
Sales and management	**57**	52
Manufacturing	**33**	30
	90	82

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	**1,017,554**	726,596
Social security costs	**77,715**	55,619
Other pension costs	**9,710**	10,361
	1,104,979	792,576

Notes *(continued)*

6 Interest payable and similar charges

	1999 £	1998 £
Interest on bank loan and overdraft and other short term borrowings	**32,196**	33,490
Interest on loan from directors	**9,447**	4,100
Hire purchase charges	**6,860**	5,117
Interest and costs on overdue taxes	**5,491**	-
VAT surcharge	**39,343**	-
	93,337	42,707

7 Taxation

	1999 £	1998 £
UK corporation tax at 21% *(1998 - 21%)*	-	31,226
Underprovision in earlier year	**12,677**	-
	12,677	31,226

8 Tangible fixed assets

	Heritable property £	Leasehold property £	Motor vehicles £	Motor boat £	Fittings & equipment £	Computer equipment £	Total £
Cost or valuation							
At beginning of year	520,001	156,709	151,507	15,562	184,872	-	1,028,651
Additions	-	2,595	35,794	-	42,757	8,173	89,319
Disposals	-	-	-	(15,562)	-	-	(15,562)
At end of year	520,001	159,304	187,301	-	227,629	8,173	1,102,408
Depreciation							
At beginning of year	26,005	51,210	92,808	6,224	110,140	-	286,387
Charge for year	5,200	15,930	24,146	-	23,498	2,724	71,498
Released on disposal	-	-	-	(6,224)	-	-	(6,224)
At end of year	31,205	67,140	116,954	-	133,638	2,724	317,661
Net book value							
31 March 1999	**488,796**	**92,164**	**70,347**	**-**	**93,991**	5,449	750,747
Construction in progress							
At beginning of year					58,652		
Cost of additions during year					36,768		
Disposals during year					(95,420)		
							-
							750,747
31 March 1998	493,996	105,499	58,699	9,338	74,732	-	742,264
Construction in progress							58,652
							800,916

Notes *(continued)*

8 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:

	1999 £	1998 £
Cost	**205,933**	205,933
Aggregate depreciation	**(30,400)**	(28,341)
	175,533	177,592

Motor vehicles

Included in the total net book value of motor vehicles is £57,553 (*1998 - £50,945*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £19,186 (*1998 - £16,983*).

9 Stocks

	1999 £	1998 £
Goods for resale	**1,051,586**	1,094,231

10 Debtors

	1999 £	1998 £
Sundry debtors	**2,000**	5,000
Prepayments and accrued income	**79,627**	44,487
Directors' loan	**131,125**	111,140
	212,752	160,627

11 Creditors: amounts falling due within one year

	£	1999 £	£	1998 £
Bank loan (see note 12)		**35,699**		22,941
Bank overdraft (see note 12)		**133,845**		147,075
Obligations under finance leases and hire purchase contracts (see note 12)		**43,699**		14,629
Trade creditors		**395,988**		310,202
Other creditors including taxation and social security:				
Corporation tax	**92,443**		121,966	
Other taxes and social security	**150,860**		80,967	
VAT	**105,960**		19,411	
Other creditors	**54,783**		127,807	
		404,046		350,151
Accruals and deferred income		**207,706**		147,509
		1,220,983		992,507

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Bank loan	**193,854**	225,589
Obligations under finance leases and hire purchase contracts	**44,979**	37,835
	238,833	263,424

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

	1999 £	1998 £
Within one year	**43,699**	14,629
In the second to fifth years	**44,979**	37,835
	88,678	52,464

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

Analysis of debt:

	1999 £	1998 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**213,243**	184,645
Between one and two years	**73,467**	37,570
Between two and five years	**114,304**	92,029
In five years or more	**51,062**	133,825
	452,076	448,069

Notes *(continued)*

13 Provisions for liabilities and charges

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

	1999		1998	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Difference between accumulated depreciation and capital allowances	-	-	-	1,250
On revaluation of land and buildings	-	**95,000**	-	95,000
	-	**95,000**	-	96,250

14 Share capital

	1999	1998
	£	£
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

15 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At beginning of year as previously stated	316,404	354,741
Prior year adjustments	-	83,429
As restated	316,404	438,170
Retained profit for the year	-	(244,965)
Transfer of reserve arising from depreciation on revalued assets	(3,142)	3,142
At end of year	**313,262**	**196,347**

16 Prior year adjustments

Prior year adjustments relate to movements on directors' current account not fully recorded in earlier years, together with the resulting tax adjustments. The effect of these adjustments are that the reported profits for the financial year to 31 March 1999 have been decreased by £33,756, and profit and loss reserves at 31 March 1997 have been increased by £117,185.

Notes *(continued)*

17 Commitments

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

	1999		1998	
	Property	**Other**	Property	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**-**	-	9,698
In two to five years	**-**	**5,794**	-	4,668
In more than five years	**202,500**	**-**	140,250	-
	202,500	**5,794**	140,250	14,366

18 Analysis of net debt

	At 1 April 1998	Cash flows	Other non cash changes	At **31 March 1999**
	£	£	£	**£**
Cash in hand, at bank	1,731	(391)	-	**1,340**
Overdraft	(147,075)	13,230	-	**(133,845)**
Bank loan	(248,530)	18,977	-	**(229,553)**
	(393,874)	31,816	-	**(362,058)**
Finance leases	(52,464)	29,663	(65,877)	**(88,678)**
Total	(446,338)	61,479	(65,877)	**(450,736)**

19 Related party transactions

Included in other creditors is an amount of £39,451 (*1998 - £124,967*) 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 £9,447 (*1998 - £4,100*) in respect of interest on their loan to the company.

Rents amounting to £112,939 (*1998 - £127,323*) 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. At the balance sheet date £15,023 was owed to the company in respect of these transactions.

During the year two boats were sold by the company to L. G. Marine and Leisure Limited for £110,920, a company in which the directors of this company were also directors. Included within debtors is £31,910 due to Geoffrey (Tailor) Highland Crafts Limited in respect of these transactions.

The company paid £15,621 to Kiwi Spark during the year in respect of building works. The sole trader is related to the directors as defined in FRS 8.