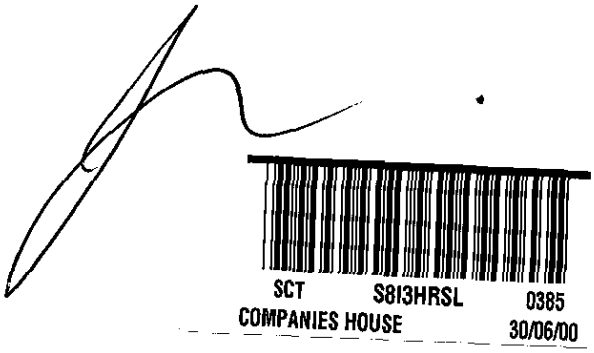
Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 2000



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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2000.

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 £7,758 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

Millennium compliance

No major issues were encountered with the passing of the Millennium and, to date, no third party issues have adversely affected the company. The costs associated with preparing for Millennium compliance were not significant.

The directors believe that the company is at an acceptable state of readiness for any potential failures or issues that may arise in the coming year.

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
29 JUNE 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. However, the evidence available to us was limited in relation to the comparatives in the current year's financial statements which are derived from the financial statements for the year ended 31 March 1999. In our report on those financial statements we stated that because of the limitation in evidence available to us, it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence to confirm that all transactions were properly recorded throughout the year ended 31 March 1999. Consequently, our opinion on the financial statements for the year ended 31 March 1999 was qualified because of this limitation in audit scope. Accordingly, the amounts shown as cost of sales and administrative expenses for the year ended 31 March 1999 may not be comparable with the figures for the current period.

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.

Qualified opinion arising from limitation in audit evidence about comparatives

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its profit for the year then ended and, except for any adjustments which might have been found to be necessary had we been able to obtain sufficient evidence to confirm the proper recording of transactions for the year ended 31 March 1999, have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

29. June 2000

Profit and loss account

for the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover	*1*	**3,540,530**	3,455,955
Cost of sales		**(1,647,245)**	(1,799,300)
Gross profit		**1,893,285**	1,656,655
Administrative expenses (including exceptional costs in 1999 of £126,900)		**(1,896,121)**	(1,938,881)
Other operating income		**89,335**	143,275
Operating profit/(loss)		**86,499**	(138,951)
Interest payable and similar charges	*5*	**(63,943)**	(93,337)
Profit/(loss) on ordinary activities before taxation	*2 - 4*	**22,556**	(232,288)
Taxation	*6*	**(14,798)**	(12,677)
Profit/(loss) for the financial year		**7,758**	(244,965)
Dividends	*7*	**(10,000)**	-
Retained loss for the financial year		**(2,242)**	(244,965)

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

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2000

	2000 £	1999 £
Shareholders' funds at beginning of year	556,609	801,574
Profit/(loss) for the financial year after taxation	7,758	(244,965)
Dividends	(10,000)	-
Shareholders' funds at end of year	**554,367**	556,609

Note of historical cost profits and losses
for the year ended 31 March 2000

	2000 £	1999 £
Reported profit/(loss) on ordinary activities before taxation	22,556	(232,288)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	6,284	3,142
Historical cost profit/(loss) on ordinary activities before taxation	28,840	(229,146)
Historical cost profit/(loss) for the year retained after taxation and dividends	4,267	(241,823)

Statement of total recognised gains and losses
for the year ended 31 March 2000

	2000 £	1999 £
Profit/(loss) for the financial year	7,758	(244,965)
Total recognised gains and losses relating to the financial year	7,758	(244,965)
Prior year adjustment	-	83,429
Total gains and losses since last report	7,758	(161,536)

Balance sheet
at 31 March 2000

	Note	£	2000 £	£	1999 £
Fixed assets					
Tangible assets	8		**717,611**		750,747
Current assets					
Stocks	9	**1,220,458**		1,051,586	
Debtors	10	**211,972**		212,752	
Cash at bank and in hand		**1,620**		1,340	
		1,434,050		1,265,678	
Creditors: amounts falling due within one year	11	**(1,219,303)**		(1,220,983)	
Net current assets			**214,747**		44,695
Total assets less current liabilities			**932,358**		795,442
Creditors: amounts falling due in more than one year	12		**(366,506)**		(238,833)
Provision for liabilities and charges	13		**(11,485)**		-
Net assets			**554,367**		556,609
Capital and reserves					
Called up share capital	14		**47,000**		47,000
Revaluation reserve	15		**306,978**		313,262
Profit and loss account	15		**200,389**		196,347
Shareholders' funds - equity			**554,367**		556,609

These financial statements were approved by the board of directors on 29 JUNE 2000 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 2000

	2000 £	1999 £
Reconciliation of net movement in funds to net cash inflow from operating activities		
Operating profit/(loss)	**86,499**	(138,951)
Depreciation charges	**79,115**	71,498
Profit on disposal of fixed assets	**(12,053)**	(6,162)
Decrease/(increase) in stocks	**(168,872)**	42,645
Decrease/(increase) in debtors	**7,817**	(52,125)
(Decrease)/increase in creditors	**(26,698)**	229,401
Net cash (outflow)/inflow from operating activities	**(34,192)**	146,306
Cash flow statement		
Net cash (outflow)/inflow from operating activities	**(34,192)**	146,306
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(10,121)**	(6,860)
Interest paid on loans from directors	**-**	(9,447)
Interest paid on bank loans and overdrafts	**(37,836)**	(32,196)
Other interest and charges	**(15,058)**	(44,834)
Dividends	**(10,000)**	-
Taxation:		
Corporation tax paid	**(101,375)**	(42,200)
Capital expenditure:		
Purchase of tangible fixed assets	**(15,950)**	(60,210)
Sale of tangible fixed assets	**52,420**	110,920
Net cash (outflow)/inflow before financing	**(172,112)**	61,479
Financing:		
Loans from directors	**15,112**	65,396
Repayment of loans from directors	**-**	(85,381)
Capital element of finance lease rental payments	**(81,500)**	(29,663)
Bank loan	**120,447**	-
Net cash inflow/(outflow) from financing	**54,059**	(49,648)
(Decrease)/increase in cash	**(118,053)**	11,831
Reconciliation of net cash flow to movement in net debt *(Note 17)*		
Decrease in cash in the year	**(118,053)**	11,831
Cash outflow/(inflow) from financing	**(54,059)**	49,648
Change in net debt resulting from cash flows	**(172,112)**	61,479
New finance leases	**(70,396)**	(65,877)
Repayment of loans to directors	**15,112**	-
Movement in net debt	**(227,396)**	(4,398)
Net debt at beginning of year	**(450,736)**	(446,338)
Net debt at end of year	**(678,132)**	(450,736)

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 that the company will continue to trade. The validity of this assumption is dependent upon continued financial support of the company's directors and bankers, and the ability of the company to trade profitably. The directors intend to inject further funds during the course of the year. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

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	2% straight line
Leasehold property	10% straight line
Motor vehicles	25% 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 employee pension plans. The cost of providing pensions is charged in the year in which it is incurred.

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/(loss) on ordinary activities before taxation

	2000	1999
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):	£	£
Auditors' remuneration: audit	**12,500**	12,000
other	**41,892**	158,907
Depreciation of tangible fixed assets: owned	**50,184**	49,588
leased	**28,931**	21,910
Hire of equipment	**5,795**	5,795
Rental of land and buildings	**225,812**	266,616
Gain on disposal of fixed assets	**(12,053)**	(6,162)

3 Remuneration of directors

	2000	1999
	£	£
Emoluments	**130,948**	105,245
Pension contributions	**6,074**	7,900
	137,022	113,145

The numbers of directors to whom benefits are accruing under money purchase pension schemes is 2 *(1999:3)*.

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	
	2000	1999
Sales and management	**65**	57
Manufacturing	**29**	33
	94	90

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	**1,157,855**	1,017,554
Social security costs	**82,109**	77,715
Other pension costs	**10,580**	9,710
	1,250,544	1,104,979

Notes *(continued)*

5 Interest payable and similar charges

	2000 £	1999 £
Interest on bank loan and overdraft and other short term borrowings	**36,708**	32,196
Interest on loan from directors	**-**	9,447
Hire purchase charges	**10,121**	6,860
Interest and costs on overdue taxes	**5,575**	5,491
VAT surcharge	**11,539**	39,343
	63,943	93,337

6 Taxation

	2000 £	1999 £
UK corporation tax at 20% *(1999 - 21%)*	**16,530**	-
(Over)/underprovision in earlier year	**(13,217)**	12,677
Deferred taxation	**11,485**	-
	14,798	12,677

7 Dividends

	2000 £	1999 £
Interim dividend paid	**10,000**	-

8 Tangible fixed assets

	Heritable property £	Leasehold property £	Motor vehicles £	Fittings & equipment £	Computer equipment £	Total £
Cost or valuation						
At beginning of year	520,001	159,304	187,301	227,629	8,173	1,102,408
Additions	-	-	58,178	1,250	26,918	86,346
Disposals	-	-	(123,740)	-	-	(123,740)
At end of year	520,001	159,304	121,739	228,879	35,091	1,065,014
Depreciation						
At beginning of year	31,205	67,140	116,954	133,638	2,724	351,661
Charge for year	10,400	15,930	22,041	19,048	11,696	79,115
Released on disposal	-	-	(83,373)	-	-	(83,373)
At end of year	41,605	83,070	55,622	152,686	14,420	347,403
Net book value						
31 March 2000	**478,396**	**76,234**	**66,117**	**76,193**	**20,671**	**717,611**
31 March 1999	488,796	92,164	70,347	93,991	5,449	750,747

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:	2000 £	1999 £
Cost	**205,933**	205,933
Aggregate depreciation	**(34,516)**	(30,400)
	171,417	175,533

Notes *(continued)*

8 Tangible fixed assets *(continued)*

Motor vehicles

Included in the total net book value of motor vehicles is £51,701 (*1999 - £57,553*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £17,235 (*1999 - £19,186*). Included in the total net book value of computer equipment is £20,671 (*1999: £5,449*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £11,696 (*1999: £2,724*).

9 Stocks

	2000 £	1999 £
Goods for resale	**1,220,458**	1,051,586

10 Debtors

	2000 £	1999 £
Sundry debtors	**24,149**	2,000
Prepayments and accrued income	**71,810**	79,627
Directors' loan	**116,013**	131,125
	211,972	212,752

11 Creditors: amounts falling due within one year

	£	2000 £	£	1999 £
Bank loan (see note 12)		**30,000**		35,699
Bank overdraft (see note 12)		**252,178**		133,845
Obligations under finance leases and hire purchase contracts (see note 12)		**31,068**		43,699
Trade creditors		**478,072**		395,988
Other creditors including taxation and social security:				
Corporation tax	**16,530**		92,443	
Other taxes and social security	**158,542**		150,860	
VAT	**112,344**		105,960	
Other creditors	**13,223**		54,783	
		300,639		404,046
Accruals and deferred income		**127,346**		207,706
		1,219,303		1,220,983

12 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank loan	**320,000**	193,854
Obligations under finance leases and hire purchase contracts	**46,506**	44,979
	366,506	238,833

The bank loan is repayable by monthly instalments from June 2000 until June 2007, with interest at 2% above Nat West base rate.

The bank loan and overdraft are secured by a first charge standard security over the company's property at 57-59 High Street, Edinburgh and a floating charge over its assets and undertaking.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year *(continued)*

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

	2000 £	1999 £
Within one year	**31,068**	43,699
In the second to fifth years	**46,506**	44,979
	77,574	88,678

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

Analysis of debt:

	2000 £	1999 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**313,246**	213,243
Between one and two years	**68,650**	73,467
Between two and five years	**164,856**	114,304
In five years or more	**133,000**	51,062
	679,752	452,076

13 Provisions for liabilities and charges

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

	2000 Provided £	2000 Unprovided £	1999 Provided £	1999 Unprovided £
Difference between accumulated depreciation and capital allowances	**11,485**	**-**	-	-
On revaluation of land and buildings	**-**	**95,500**	-	95,000
	11,485	**95,500**	-	95,000

14 Share capital

	2000 £	1999 £
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)*

15 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	313,262	196,347
Retained loss for the year	-	(2,242)
Transfer of reserve arising from depreciation on revalued assets	(6,284)	6,284
At end of year	***306,978***	***200,389***

16 Commitments

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

	2000		1999	
	Property £	**Other £**	Property £	Other £
Operating leases which expire:				
Within one year	**-**	**1,055**	-	-
In two to five years	**-**	**4,740**	-	5,794
In more than five years	**213,750**	**-**	202,500	-
	213,750	**5,795**	202,500	5,794

17 Analysis of net debt

	At 1 April 1999 £	Cash flows £	Other non cash changes £	**At 31 March 2000 £**
Cash in hand, at bank	1,340	280	-	**1,620**
Overdraft	(133,845)	(118,333)	-	**(252,178)**
Bank loan	(229,553)	(120,447)	-	**(350,000)**
	(362,058)	(238,500)	-	**(600,558)**
Finance leases	(88,678)	81,500	(70,396)	**(77,574)**
Total	(450,736)	(157,000)	(70,396)	**(678,132)**

Notes *(continued)*

18 Related party transactions

Included in prepayments and accrued income is an amount of £26,932 (*1999 - £39,451 included in other creditors*) 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 £nil (*1999 - £9,447*) in respect of interest on their loan to the company.

Rents amounting to £77,800 (*1999 - £112,939*) and purchases of £7,636 (*1999: £Nil*) were payable to Mr and Mrs G Nicholsby or companies wholly owned by them.

Included in prepayments and accrued income is an amount of £19,976 owed by L G Marine and Leisure Limited, a company in which the directors of this company are also directors.