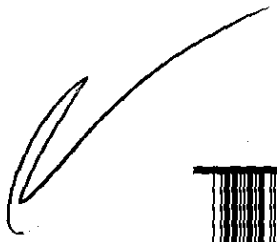
Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 2001





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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2001.

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 £78,345 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

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
15 January 2002

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

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit 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 judgements 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 and performed 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning uncertainty as to the continuation and renewal of the company's bank borrowing facilities. Details of the circumstances relating to this fundamental uncertainty are described in note 1. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

15 January 2002

Profit and loss account

for the year ended 31 March 2001

	Note	Before exceptional items 2001 £	Exceptional items (note 2) 2001 £	2001 £	2000 £
Turnover	*1*	**3,948,096**	**-**	**3,948,096**	3,540,530
Cost of sales		**(1,870,190)**	**-**	**(1,870,190)**	(1,647,245)
Gross profit		**2,077,906**	**-**	**2,077,906**	1,893,285
Administrative expenses	*2*	**(2,011,299)**	**(149,882)**	**(2,161,181)**	(1,901,696)
Other operating income		**58,965**	**-**	**58,965**	89,335
Operating (loss)/profit		**125,572**	**(149,882)**	**(24,310)**	80,924
Interest payable and similar charges	*6*	**(64,761)**	**-**	**(64,761)**	(58,368)
(Loss)/profit on ordinary activities before taxation	*3-5*	**60,811**	**(149,882)**	**(89,071)**	22,556
Taxation	*7*			**10,726**	(14,798)
(Loss)/profit for the financial year				**(78,345)**	7,758
Dividends	*8*			**-**	(10,000)
Retained loss for the financial year				**(78,345)**	(2,242)

A statement of movements on reserves is given in note 16.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2001

	2001 £	2000 £
Shareholders' funds at beginning of year	**554,367**	556,609
(loss)/profit for the financial year after taxation	**(78,345)**	7,758
Dividends	**-**	(10,000)
Shareholders' funds at end of year	**476,022**	554,367

Note of historical cost profits and losses

for the year ended 31 March 2001

	2001 £	2000 £
Reported (loss)/profit on ordinary activities before taxation	**(89,071)**	22,556
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**6,284**	6,284
Historical cost (loss)/profit on ordinary activities before taxation	**(82,787)**	28,840
Historical cost (loss)/profit for the year retained after taxation and dividends	**(72,061)**	4,042

Balance sheet
at 31 March 2001

	Note	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	9		**656,290**		717,611
Current assets					
Stocks	10	**1,265,968**		1,220,458	
Debtors	11	**185,194**		211,972	
Cash at bank and in hand		**2,250**		1,620	
		1,453,412		1,434,050	
Creditors: amounts falling due within one year	12	**(1,315,918)**		(1,219,303)	
Net current assets			**137,494**		214,747
Total assets less current liabilities			**793,784**		932,358
Creditors: amounts falling due in more than one year	13		**(303,256)**		(366,506)
Provision for liabilities and charges	14		**(14,506)**		(11,485)
Net assets			**476,022**		554,367
Capital and reserves					
Called up share capital	15		**47,000**		47,000
Revaluation reserve	16		**300,694**		306,978
Profit and loss account	16		**128,328**		200,389
Shareholders' funds - equity			**476,022**		554,367

These financial statements were approved by the board of directors on 15 January 2002 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 2001

	2001 £	2000 £
Reconciliation of net movement in funds to net cash inflow from operating activities		
Operating (loss)/profit	**(24,310)**	80,924
Depreciation charges	**75,004**	79,115
Profit on disposal of fixed assets	**8,757**	(12,053)
Increase in stocks	**(45,510)**	(168,872)
Increase in debtors	**(45,839)**	7,817
Decrease in creditors	**(50,307)**	(26,698)
Net cash (outflow)/inflow from operating activities	**(82,205)**	(39,767)

Cash flow statement

Net cash outflow from operating activities	**(82,205)**	(39,767)
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(12,483)**	(10,121)
Interest paid on bank loans and overdrafts	**(54,744)**	(37,836)
Other interest and charges	**(2,032)**	(9,483)
Dividends	**-**	(10,000)
Taxation:		
Corporation tax paid	**-**	(101,375)
Capital expenditure:		
Purchase of tangible fixed assets	**(5,234)**	(15,950)
Sale of tangible fixed assets	**30,212**	52,420
Net cash outflow before financing	**(126,486)**	(172,112)
Financing:		
Loans from directors	**48,468**	15,112
Capital element of finance lease rental payments	**(44,985)**	-
Bank loan finance received	**100,000**	120,447
Capital element of bank loan repayments	**(40,385)**	(81,500)
Net cash inflow from financing	**63,098**	54,059
Decrease in cash	**(63,388)**	(118,053)

Reconciliation of net cash flow to movement in net debt *(Note 18)*

Decrease in cash in the year	**(63,388)**	(118,053)
Cash inflow from financing	**(63,098)**	(54,059)
Change in net debt resulting from cash flows	**(126,486)**	(172,112)
New finance leases	**(47,418)**	(70,396)
Repayment of loans to directors	**48,468**	15,112
Movement in net debt	**(125,436)**	(227,396)
Net debt at beginning of year	**(678,132)**	(450,736)
Net debt at end of year	**(803,568)**	(678,132)

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 bankers which is due for renegotiation at the end of January 2002, and the ability of the company to trade profitably. 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 Exceptional items

	2001 £	2000 £
Interest and penalties on overdue taxation	**137,219**	-
Accountancy and taxation fees	**12,663**	-
	149,882	-

Following negotiation with the Inland Revenue, total additional liabilities of £101,121 were agreed, being £137,219 in relation to interest and penalties on overdue taxation offset by an overprovision of taxation liabilities in the amount of £37,996. Additional accountancy and taxation fees of £12,663 were incurred during the negotiations.

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		2001 £	2000 £
Auditors' remuneration:	audit	**13,500**	12,500
	other	**28,109**	41,892
Depreciation of tangible fixed assets:	owned	**45,794**	50,184
	leased	**29,210**	28,931
Hire of equipment		**3,144**	5,795
Rental of land and buildings		**243,330**	225,812
Loss/(gain) on disposal of fixed assets		**8,757**	(12,053)

4 Remuneration of directors

	2001 £	2000 £
Emoluments	**107,281**	130,948
Pension contributions	**7,200**	6,074
	114,481	137,022

The numbers of directors to whom benefits are accruing under money purchase pension schemes is 2 *(2000: 2)*.

Notes *(continued)*

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	
	2001	2000
Sales and management	**63**	65
Manufacturing	**30**	29
	93	94

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	**1,237,450**	1,157,855
Social security costs	**103,015**	82,109
Other pension costs	**11,968**	10,580
	1,352,433	1,250,544

6 Interest payable and similar charges

	2001	2000
	£	£
Interest on bank loan and overdraft and other short term borrowings	**50,246**	36,708
Hire purchase charges	**12,483**	10,121
VAT surcharge	**2,032**	11,539
	64,761	58,368

7 Taxation

	2001	2000
	£	£
UK corporation tax at 20% (*2000 - 20%*)	**24,249**	16,530
Overprovision of taxation relating to earlier years	**(37,996)**	(13,217)
Deferred taxation	**3,021**	11,485
	(10,726)	14,798

8 Dividends

	2001	2000
	£	£
Interim dividend paid	**-**	10,000

Notes *(continued)*

9 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	121,739	228,879	35,091	1,065,014
Additions	-	-	31,180	4,101	17,371	52,652
Disposals	-	-	(67,532)	-	-	(67,532)
At end of year	520,001	159,304	85,387	232,980	52,462	1,050,134
Depreciation						
At beginning of year	41,605	83,070	55,622	152,686	14,420	347,403
Charge for year	10,400	15,930	15,129	16,058	17,487	75,004
Released on disposal	-	-	(28,563)	-	-	(28,563)
At end of year	52,005	99,000	42,188	168,744	31,907	393,844
Net book value						
31 March 2001	**467,996**	**60,304**	**43,199**	**64,236**	**20,555**	**656,290**
31 March 2000	478,396	76,234	66,117	76,193	20,671	717,611

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:	**2001** £	2000 £
Cost	**205,933**	205,933
Aggregate depreciation	**(38,632)**	(34,516)
	167,301	171,417

Motor vehicles

Included in the total net book value of motor vehicles is £34,349 (*2000 - £51,701*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £11,450 (*2000 - £17,235*). Included in the total net book value of computer equipment is £20,555 (*2000: £20,671*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £17,487 (*2000: £11,696*). Included in the total fixtures and fittings is £1,094 (*2000: £Nil*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is £273 (*2000: £Nil*).

10 Stocks

	2001 £	2000 £
Goods for resale	**1,265,968**	1,220,458

11 Debtors

	2001 £	2000 £
Sundry debtors	**69,798**	71,058
Prepayments and accrued income	**47,851**	24,901
Directors' loan	**67,545**	116,013
	185,194	211,972

The directors' loan was fully repaid to the company by the directors on 3 April 2001

Notes *(continued)*

12 Creditors: amounts falling due within one year

	£	2001 £	£	2000 £
Bank loan (see note 13)		**150,000**		30,000
Bank overdraft (see note 13)		**316,196**		252,178
Obligations under finance leases and hire purchase contracts (see note 13)		**36,366**		31,068
Trade creditors		**343,691**		478,072
Other creditors including taxation and social security:				
Corporation tax	**117,482**		16,530	
Other taxes and social security	**38,412**		158,542	
VAT	**133,311**		112,344	
Other creditors	**6,744**		13,223	
		295,949		300,639
Accruals and deferred income		**173,716**		127,346
		1,315,918		1,219,303

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loan	**259,615**	320,000
Obligations under finance leases and hire purchase contracts	**43,641**	46,506
	303,256	366,506

The bank loan is repayable in weekly 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.

An additional bank loan taken out during the year is secured by a personal guarantee from the directors and by a second charge over the directors' personal property.

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

	2001 £	2000 £
Within one year	**36,366**	31,068
In the second to fifth years	**43,641**	46,506
	80,007	77,574

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

Notes *(continued)*

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

Analysis of debt:

	2001 £	2000 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**502,562**	313,246
Between one and two years	**93,641**	68,650
Between two and five years	**150,000**	164,856
In five years or more	**59,615**	133,000
	805,818	679,752

14 Provisions for liabilities and charges

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

	2001 Provided £	2001 Unprovided £	2000 Provided £	2000 Unprovided £
Difference between accumulated depreciation and capital allowances	**14,506**	-	11,485	-
On revaluation of land and buildings	-	**95,500**	-	95,500
	14,506	**95,500**	11,485	95,500

15 Share capital

	2001 £	2000 £
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

16 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	306,978	200,389
Retained loss for the year	-	(78,345)
Transfer of reserve arising from depreciation on revalued assets	(6,284)	6,284
At end of year	**300,694**	**128,328**

Notes *(continued)*

17 Commitments

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

	2001		2000	
	Property	**Other**	Property	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	-	-	-	1,055
In two to five years	-	**2,842**	-	4,740
In more than five years	**239,500**	-	213,750	-
	239,500	**2,842**	213,750	5,795

18 Analysis of net debt

	At 1 April 2000	Cash flows	Other non cash changes	**At 31 March 2001**
	£	£	£	**£**
Cash in hand, at bank	1,620	630	-	**2,250**
Overdraft	(252,178)	(64,018)	-	**(316,196)**
Bank loan	(350,000)	(59,615)	-	**(409,615)**
	(600,558)	(123,003)	-	**(723,561)**
Finance leases	(77,574)	44,985	(47,418)	**(80,007)**
Total	(678,132)	(78,018)	(47,418)	**(803,568)**

19 Related party transactions

Included in prepayments and accrued income is an amount of £179 (*2000 - £26,932 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.

Rents amounting to £90,200 (*2000 - £77,800*) and purchases of £Nil (*2000: £7,636*) were paid to Mr and Mrs G Nicholsby or companies wholly owned by them.

Included in prepayments and accrued income is an amount of £62,663 (*2000: £19,976*) owed by L G Marine and Leisure Limited, a company in which the directors of this company are also directors.

Included in sundry debtors is an amount of £6,956 (*2000: £Nil*) owed by G&L Enterprises, a company in which the directors of this company are partners.