Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 2002



Contents

Directors' report	1
Independent auditor's report to the members of Geoffrey (Tailor) Highland Crafts Limited	2
Profit and loss account	4
Reconciliation of movements in shareholders' funds	5
Note of historical cost profits and losses	5
Balance sheet	6
Cash flow statement	7
Notes	8

Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2002.

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 £100,187 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

KPMG were re-appointed auditors at last year's Annual General Meeting. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 23 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

G Nicholsby
Director

Edinburgh
26 July 2002

KPMG

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report 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 1985. 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.

Independent auditor's report 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 July 2002

Profit and loss account

for the year ended 31 March 2002

	Note	Before exceptional items 2001 £	Exceptional items (note 2) 2001 £	2002 £	2001 £
Turnover	*1*	**4,216,606**	**-**	**4,216,606**	3,948,096
Cost of sales		**(2,019,009)**	**-**	**(2,019,009)**	(1,870,190)
Gross profit		**2,197,597**	**-**	**2,197,597**	2,077,906
Administrative expenses	*2*	**(2,043,366)**	**(24,775)**	**(2,068,141)**	(2,161,181)
Other operating income		**45,101**	-	**45,101**	58,965
Operating profit/(loss)		**199,332**	**(24,775)**	**174,557**	(24,310)
Interest payable and similar charges	*6*	**(49,426)**	**-**	**(49,426)**	(64,761)
Profit/(loss) on ordinary activities before taxation	*3-5*	**149,906**	**(24,775)**	**125,131**	(89,071)
Taxation	*7*			**(24,944)**	10,726
Retained profit/(loss) for the financial year				**100,187**	(78,345)

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

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2002

	2002 £	2001 £
Shareholders' funds at beginning of year	**476,022**	554,367
Profit/(loss) for the financial year after taxation	**100,187**	(78,345)
Shareholders' funds at end of year	**576,209**	476,022

Note of historical cost profits and losses

for the year ended 31 March 2002

	2002 £	2001 £
Reported profit/(loss) on ordinary activities before taxation	**125,131**	(89,071)
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 profit/(loss) on ordinary activities before taxation	**131,415**	(82,787)
Historical cost profit/(loss) for the year retained after taxation and dividends	**106,471**	(72,061)

Balance sheet
at 31 March 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	8		**656,589**		656,290
Current assets					
Stocks	9	**1,226,422**		1,265,968	
Debtors	10	**64,328**		185,194	
Cash at bank and in hand		**1,990**		2,250	
		1,292,740		1,453,412	
Creditors: amounts falling due within one year	11	**(1,079,058)**		(1,315,918)	
Net current assets			**213,682**		137,494
Total assets less current liabilities			**870,271**		793,784
Creditors: amounts falling due in more than one year	12		**(278,409)**		(303,256)
Provision for liabilities and charges	13		**(15,653)**		(14,506)
Net assets			**576,209**		476,022
Capital and reserves					
Called up share capital	14		**47,000**		47,000
Revaluation reserve	15		**294,410**		300,694
Profit and loss account	15		**234,799**		128,328
Shareholders' funds - equity			**576,209**		476,022

These financial statements were approved by the board of directors on 26 July 2002 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 2002

	2002 £	2001 £
Reconciliation of net movement in funds to net cash inflow from operating activities		
Operating profit/(loss)	**174,557**	(24,310)
Depreciation charges	**89,402**	75,004
Profit/(loss) on disposal of fixed assets	**(346)**	8,757
Decrease/(increase) in stocks	**39,546**	(45,510)
Decrease/(increase) in debtors	**54,921**	(45,839)
Decrease in creditors	**(45,750)**	(50,307)
Net cash inflow/(outflow) from operating activities	**312,330**	(82,205)
Cash flow statement		
Net cash inflow/(outflow) from operating activities	**312,330**	(82,205)
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(15,357)**	(12,483)
Interest paid on bank loans and overdrafts	**(34,069)**	(54,744)
Other interest and charges	**-**	(2,032)
Taxation:		
Corporation tax paid	**(91,482)**	-
Capital expenditure:		
Purchase of tangible fixed assets	**(3,522)**	(5,234)
Sale of tangible fixed assets	**17,404**	30,212
Net cash outflow before financing	**185,304**	(126,486)
Financing:		
Loans from directors	**65,945**	48,468
Capital element of finance lease rental payments	**(65,913)**	(44,985)
Bank loan finance received	**-**	100,000
Capital element of bank loan repayments	**(49,039)**	(40,385)
Net cash (outflow)/inflow from financing	**(49,007)**	63,098
Increase/(decrease) in cash	**136,297**	(63,388)
Reconciliation of net cash flow to movement in net debt *(Note 17)*		
Increase/(decrease) in cash in the year	**136,297**	(63,388)
Cash inflow from financing	**49,007**	(63,098)
Change in net debt resulting from cash flows	**185,304**	(126,486)
New finance leases	**(103,237)**	(47,418)
Repayment of loans by directors	**65,945**	48,468
Movement in net debt	**148,012**	(125,436)
Net debt at beginning of year	**(803,568)**	(678,132)
Net debt at end of year	**655,556**	(803,568)

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 on 15 December 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% straight line
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

	2002 £	2001 £
Interest and penalties on overdue taxation	-	137,219
Accountancy and taxation fees	**24,775**	12,663
	24,775	149,882

3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		2002 £	2001 £
Auditors' remuneration:	audit	**14,000**	13,500
	other	**29,775**	28,109
Depreciation of tangible fixed assets:	owned	**41,024**	45,794
	leased	**48,378**	29,210
Hire of equipment		**7,028**	3,144
Rental of land and buildings		**262,692**	243,330
Loss/(gain) on disposal of fixed assets		**(346)**	8,757

4 Remuneration of directors

	2002 £	2001 £
Emoluments	**94,892**	107,281
Pension contributions	**7,200**	7,200
	102,092	114,481

The numbers of directors to whom benefits are accruing under money purchase pension schemes is 2 *(2001: 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	
	2002	2001
Sales and management	***62***	*63*
Manufacturing	**30**	30
	92	93

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	**1,246,132**	1,237,450
Social security costs	**99,685**	103,015
Other pension costs	**7,260**	11,968
	1,353,077	1,352,433

6 Interest payable and similar charges

	2002	2001
	£	£
Interest on bank loan and overdraft and other short term borrowings	**34,069**	50,246
Hire purchase charges	**15,357**	12,483
VAT surcharge	**-**	2,032
	49,426	64,761

7 Taxation

	2002	2001
	£	£
UK corporation tax at 20% *(2001 - 20%)*	**23,797**	24,249
Overprovision of taxation relating to earlier years	**-**	(37,996)
Deferred taxation	**1,147**	3,021
	24,944	(10,726)

Notes **(continued)**

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2001: higher) than the standard rate of corportion tax in the UK (20%, 2001: 20%). The differences are explained below.

	2002 £	2001 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**125,131**	(89,071)
Current tax at 20% (2001: 20%)	**25,026**	(17,814)
Effects of:		
Expenses not deductible for tax purposes	**5,108**	41,106
Depreciation on assets not qualifying for capital allowances	**2,080**	2,080
Overprovision of interest on overdue taxation	**(7,072)**	-
Repayment supplement	**(198)**	-
Adjustments to tax charge in respect of previous periods	-	(36,098)
Total current tax charge (see above)	24,944	(10,726)

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	85,387	232,980	52,462	1,050,134
Additions	-	-	79,132	900	26,727	106,759
Disposals	-	-	(34,240)	-	(8,173)	(42,413)
At end of year	520,001	159,304	130,279	233,880	71,016	1,114,480
Depreciation						
At beginning of year	52,005	99,000	42,188	168,744	31,907	393,844
Charge for year	10,400	15,930	26,320	13,080	23,672	89,402
Released on disposal	-	-	(17,182)	-	(8,173)	(25,355)
At end of year	62,405	114,930	51,326	181,824	47,406	457,891
Net book value						
31 March 2002	**457,596**	**44,374**	**78,953**	**52,056**	**23,610**	**656,589**
31 March 2001	467,996	60,304	43,199	64,236	20,555	656,290

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:	2002 £	2001 £
Cost	**205,933**	205,933
Aggregate depreciation	**(42,148)**	(38,632)
	163,785	167,301

Notes *(continued)*

Motor vehicles

Included in the total net book value of motor vehicles is £74,177 *(2001 - £34,349)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £27,728 *(2001 - £11,450)*. Included in the total net book value of computer equipment is £23,020 *(2001: £20,555)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £23,377 *(2001: £17,487)*. Included in the total fixtures and fittings is £82 *(2001: £1,094)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is £273 *(2001: £273)*.

9 Stocks

	2002 £	2001 £
Goods for resale	**1,226,422**	1,265,968

10 Debtors

	2002 £	2001 £
Sundry debtors	**5,298**	69,798
Prepayments and accrued income	**57,430**	47,851
Directors' loan	**1,600**	67,545
	64,328	185,194

11 Creditors: amounts falling due within one year

	£	2002 £	£	2001 £
Bank loan (see note 13)		**150,000**		150,000
Bank overdraft (see note 13)		**179,639**		316,196
Obligations under finance leases and hire purchase contracts (see note 13)		**49,498**		36,366
Trade creditors		**331,587**		343,691
Other creditors including taxation and social security:				
Corporation tax	**49,797**		117,482	
Other taxes and social security	**52,329**		38,412	
VAT	**99,395**		133,311	
Other creditors	**3,562**		6,744	
		205,083		295,949
Accruals and deferred income		**163,251**		173,716
		1,079,058		1,315,918

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loan	**210,576**	259,615
Obligations under finance leases and hire purchase contracts	**67,833**	43,641
	278,409	303,256

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

Notes *(continued)*

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

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.

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

	2002 £	2001 £
Within one year	**49,498**	36,366
In the second to fifth years	**67,833**	43,641
	117,331	80,007

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

Analysis of debt:

	2002 £	2001 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**379,137**	502,562
Between one and two years	**87,655**	93,641
Between two and five years	**180,179**	150,000
In five years or more	**10,575**	59,615
	657,546	805,818

13 Provisions for liabilities and charges

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

	2002 Provided £	2002 Unprovided £	2001 Provided £	2001 Unprovided £
Difference between accumulated depreciation and capital allowances	**15,653**	-	14,506	-
On revaluation of land and buildings	-	**95,500**	-	95,500
	15,653	**95,500**	14,506	95,500

14 Share capital

	2002 £	2001 £
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	300,694	128,328
Retained loss for the year	-	100,187
Transfer of reserve arising from depreciation on revalued assets	(6,284)	6,284
At end of year	**294,410**	**234,799**

16 Commitments

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

	2002		2001	
	Property £	**Other £**	Property £	Other £
Operating leases which expire:				
In two to five years	-	**7,049**	-	2,842
In more than five years	**239,500**	-	239,500	-
	239,500	**7,048**	239,500	2,842

17 Analysis of net debt

	At 1 April 2001 £	Cash flows £	Other non cash changes £	**At 31 March 2002 £**
Cash in hand, at bank	2,250	(260)	-	**1,990**
Overdraft	(316,196)	136,557	-	**(179,639)**
Bank loan	(409,615)	49,039	-	**(360,576)**
	(723,561)	185,336	-	**(538,225)**
Finance leases	(80,007)	65,913	(103,237)	**(117,331)**
Total	(803,568)	251,249	(103,237)	**(655,556)**

18 Related party transactions

Included in prepayments and accrued income is an amount of £nil (*2001 - £179*) 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 £108,350 (*2001 - £90,200*) and purchases of £2,586 (*2001: £Nil*) were paid to Mr and Mrs G Nicholsby or companies wholly owned by them.

Included in prepayments and accrued income is an amount of £nil (*2001: £62,663*) 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 £nil (*2001: £6,956*) owed by G&L Enterprises, a company in which the directors of this company are partners.