Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 2003



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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2003.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 to 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 £81,129 *(2002: £100,187)* as detailed in the profit and loss account on page 3.

Dividend

An interim ordinary dividend of nil *(2002: nil)* pence per share was paid during the course of the year. During the year a final ordinary dividend of 114 *(2002: nil)* pence per share was paid.

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

During the year Henderson Loggie were appointed auditors of the company. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Henderson Loggie as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

G Nicholsby
Director

10 September 2003

HENDERSON LOGGIE
Chartered Accountants
10 Great Stuart Street
Edinburgh
EH3 7TN
United Kingdom

Independent auditors' report to the members of Geoffrey (Tailor) Highland Crafts Limited

We have audited the accounts of Geoffrey (Tailor) Highland Crafts Limited for the year ended 31 March 2003 on pages 3 to 13. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Henderson Loggie

18 September 2003

Henderson Loggie
Chartered Accountants
Registered Auditors

Profit and loss account

for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	*1*	**4,124,287**	4,216,606
Cost of sales		**(1,919,530)**	(2,019,009)
Gross profit		**2,204,757**	2,197,597
Administrative expenses	*2*	**(2,122,837)**	(2,068,141)
Other operating income		**69,407**	45,101
Operating profit		**151,327**	174,557
Interest payable and similar charges	*6*	**(40,414)**	(49,426)
Profit on ordinary activities before tax	*3-5*	**110,913**	125,131
Taxation	*7*	**(29,784)**	(24,944)
Profit for the year		**81,129**	100,187
Dividend		**(53,500)**	-
Retained profit for the financial year		**27,629**	100,187

Other than the profit for the year and for the previous year there have been no recognised gains or losses.

Reconciliation of movements in shareholders' funds

for the year ended 31 March 2003

	2003	2002
	£	£
Shareholders' funds at beginning of year	**576,209**	476,022
Profit for the financial year after taxation	**27,629**	100,187
Shareholders' funds at end of year	**603,838**	576,209

Note of historical cost profits and losses

for the year ended 31 March 2003

	2003	2002
	£	£
Reported profit on ordinary activities before taxation	**110,913**	125,131
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**6,282**	6,284
Historical cost profit on ordinary activities before taxation	***117,195***	*131,415*
Historical cost profit for the year retained after taxation and dividends	**33,911**	106,471

Balance sheet

at 31 March 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	*8*		**628,615**		656,589
Current assets					
Stocks	*9*	**1,185,564**		1,226,422	
Debtors	*10*	**73,168**		64,328	
Cash at bank and in hand		**57,695**		1,990	
		1,316,427		1,292,740	
Creditors: amounts falling due within one year	*11*	**(807,315)**		(1,079,058)	
Net current assets			**509,112**		213,682
Total assets less current liabilities			**1,137,727**		870,271
Creditors: amounts falling due after more than one year	*12*		**(523,758)**		(278,409)
Provisions for liabilities and charges	*13*		**(10,131)**		(15,653)
Net assets			**603,838**		576,209
Capital and reserves					
Called up share capital	*14*		**47,000**		47,000
Revaluation reserve	*15*		**288,128**		294,410
Profit and loss account	*15*		**268,710**		234,799
Shareholders' funds - equity			**603,838**		576,209

These financial statements were approved by the board of directors on 10 September 2003 and were signed on its behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 2003

Reconciliation of net movement in funds to net cash inflow from operating activities

	2003 £	2002 £
Operating profit	**151,327**	174,557
Depreciation charges	**80,326**	89,402
Profit on disposal of fixed assets	**(2,827)**	(346)
Decrease in stocks	**40,858**	39,546
(Increase)/decrease in debtors	**(8,840)**	54,921
Increase/(decrease) in creditors	**17,386**	(45,750)
Net cash inflow from operating activities	**278,230**	312,330

Cash flow statement

Net cash inflow from operating activities	**278,230**	312,330
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(12,129)**	(15,357)
Interest paid on bank loans and overdrafts	**(28,464)**	(34,069)
Other interest and charges		-
Taxation:		
Corporation tax paid	**(38,000)**	(91,482)
Capital expenditure:		
Purchase of tangible fixed assets	**(36,993)**	(3,522)
Sale of tangible fixed assets	**6,300**	17,404
Equity dividends paid:		
Dividends paid	**(53,500)**	-
Net cash inflow before financing	**115,444**	185,304
Financing:		
Loans from directors	**-**	65,945
Capital element of finance lease rental payments	**(49,569)**	(65,913)
Bank loan finance received	**500,000**	-
Capital element of bank loan repayments	**(360,576)**	(49,039)
Net cash inflow/(outflow) from financing	**89,855**	(49,007)
Increase in cash	**205,299**	136,297

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

Increase in cash in the year	**205,299**	136,297
Cash (inflow)/outflow from financing	**(89,855)**	49,007
Change in net debt resulting from cash flows	**115,444**	185,304
New finance leases	**(18,832)**	(103,237)
Repayment of loans by directors	**-**	65,945
Movement in net debt	**96,612**	148,012
Net debt at beginning of year	**(655,556)**	(803,568)
Net debt at end of year	**(558,944)**	(655,556)

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under 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 the ability of the company to trade profitably and, if necessary, the support of the company's Directors. If the company were unable 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 instruments over their estimated useful economic lives as follows:

Heritable property	2% straight line
Leasehold property	10% straight line
Motor vehicles	25% straight line
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 value added tax) derived from the provision of goods and services to customers during the year.

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.

Notes *(continued)*

2 Exceptional items

	2003 £	2002 £
Accountancy and taxation fees	-	24,775

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

		2003 £	2002 £
Auditors' remuneration	Audit	**12,000**	14,000
	Other	**-**	29,775
Depreciation of tangible fixed assets:	Owned	**40,972**	41,024
	Leased	**39,354**	48,378
Hire of equipment		**5,480**	7,028
Rental of land and buildings		**312,200**	262,692
Gain on disposal of fixed assets		**(2,827)**	(346)

4 Remuneration of directors

	2003 £	2002 £
Emoluments	**83,172**	94,892
Pension contributions	**7,200**	7,200
	90,372	102,092

The number of directors to whom benefits are accruing under money purchase pension schemes is 2 *(2002: 2)*.

5 Staff number and costs

	Number of employees 2003	2002
Sales and management	**69**	62
Manufacturing	**27**	30
	96	92

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	**1,232,460**	1,246,132
Social security costs	**96,195**	99,685
Other pension costs	**18,522**	14,460
	1,347,177	1,360,277

Notes *(continued)*

6 Interest payable and similar charges

	2003	2002
	£	£
Interest on bank loan and overdraft and other short term borrowings	**28,285**	34,069
Hire purchase charges	**12,129**	15,357
	40,414	49,426

7 Taxation

	2003	2002
	£	£
UK corporation tax at 19% *(2002: 20%)*	**33,666**	23,797
Underprovision of taxation relating to earlier years	**1,640**	-
Deferred taxation	**(5,522)**	1,147
	29,784	24,944

Factors affecting the tax charge for the current period:

The current tax charge for the period is the higher (*2002: lower*) than the standard rate of corporation tax in the UK 19% (*2002: 20%*). The differences are explained below:

	2003	2002
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**110,913**	125,131
Current tax at 19% (*2002: 20%*)	**21,073**	25,026
Effects of:		
Expenses not deductible for tax purposes	**5,960**	5,108
Depreciation on assets not qualifying for capital allowances	**(3,138)**	2,080
Capital allowances in excess of depreciation	**9,771**	(7,072)
Repayment supplement	**-**	(198)
Total current tax charge (see above)	**33,666**	24,944

Notes *(continued)*

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	130,279	233,880	71,016	1,114,480
Additions	34,943	-	2,000	-	18,882	55,825
Disposals	-	-	(7,400)	-	-	(7,400)
At end of year	554,944	159,304	124,879	233,880	89,898	1,162,905
Depreciation						
At beginning of year	62,405	114,930	51,326	181,824	47,406	457,891
Charge for year	11,100	15,930	19,373	13,080	20,843	80,326
On disposals	-	-	(3,927)	-	-	(3,927)
At end of year	73,505	130,860	66,772	194,904	68,249	534,290
Net book value						
At 31 March 2003	**481,439**	**28,444**	**58,107**	**38,976**	**21,649**	**628,615**
At 31 March 2002	457,596	44,374	78,953	52,056	23,610	656,589

Heritable property

Heritable property was revalued at open market value at 13 December 1993.

	2003 £	2002 £
If stated under historical cost principles, the comparable amounts would be:		
Cost	**205,933**	205,933
Aggregate depreciation	**(46,866)**	(42,148)
	159,067	163,785

Motor vehicles

Included in the total net book value of motor vehicles is £55,630 (*2002; £74,177*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £18,547 (*2002: £24,728*). Included in the total net book value of computer equipment is £21,318 (*2002: 23,020*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £20,534 (*2002: £23,377*). Included in the total fixtures and fittings is £548 (*2002: £821*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is £273 (*2002; £273*).

9 Stocks

	2003 £	2002 £
Goods for resale	**1,185,564**	1,226,422

Notes *(continued)*

10 Debtors

	2003 £	2002 £
Sundry debtors	**15,261**	5,298
Prepayments and accrued income	**57,907**	57,430
Directors' loan	**-**	1,600
	73,168	64,328

11 *Creditors: amounts falling due within one year*

	2003 £	2003 £	2002 £	2002 £
Bank loan (see note 12)		**21,638**		150,000
Bank overdraft (see note 12)		**30,045**		179,639
Obligations under finance leases and hire purchase contracts (see note 12)		**41,198**		49,498
Trade creditors		**313,280**		331,587
Other creditors including taxation and social security:				
Corporation tax	**47,103**		49,797	
Other taxes and social security	**31,385**		52,329	
VAT	**124,109**		99,395	
Other creditors	**6,277**		3,562	
		208,874		205,083
Accruals and deferred income		**192,280**		163,251
		807,315		1,079,058

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

	2003 £	2002 £
Bank loans	**478,362**	210,576
Obligations under finance leases and hire purchase contracts	**45,396**	67,833
	523,758	278,409

The loan is secured by a fixed charge over the companys' property at 57-59 High Street, Edinburgh and a guarantee in the names of Mr Geoffrey Nicholsby and Mrs Lorna Nicholsby limited to £100,000. It is repayable in monthly instalments from March 2003 until March 20018 with interest at 2% above the prevailing base rate.

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

Analysis of debt:

	2003 £	2002 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**92,881**	379,137
Between one and two years	**62,730**	87,655
Between two and five years	**82,801**	180,179
In five years or more	**378,227**	10,575
	616,639	657,546

Notes *(continued)*

13 Provision for liabilities and charges

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

	2003		2002	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Difference between accumulated depreciation and capital allowances	**10,131**	**-**	15,653	-
On revaluation of land and buildings	**-**	**95,500**	-	95,500
	10,131	**95,500**	15,653	83,920

14 Called up share capital

	2003	2002
	£	£
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 the beginning of year	294,410	234,799
Retained profit for the year	-	27,629
Transfer to reserve arising from depreciation on revalued assets	(6,282)	6,282
At end of year	**288,128**	**268,710**

16 Commitments

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

	2003		2002	
	Property	**Other**	Property	Other
	£	**£**	£	£
Operating leases which expire:				
In two to five years	**-**	**7,074**	-	7,049
In more than five years	**312,200**	**-**	239,500	-
	312,200	**7,074**	239,500	7,049

Notes *(continued)*

17 Analysis of net debt

	At 1 April 2002 £	Cash flows £	Other non cash Changes £	**At 31 March 2003 £**
Cash in hand, at bank	1,990	55,705	-	**57,695**
Overdraft	(179,639)	149,594	-	**(30,045)**
Bank loan	(360,576)	(139,424)	-	**(500,000)**
	(538,225)	65,875	-	**(472,350)**
Finance leases	(117,331)	49,569	(18,832)	**(86,594)**
Total	(655,556)	115,444	(18,832)	**(558,944)**

18 Related party transactions

Rents amounting to £112,000 (*2002: £108,350*) and purchases of £3,888 (*2002: £2,586*) were paid to Mr and Mrs G Nicholsby or companies wholly owned by them.

Included in sundry is an amount of £3,226 (*2002: £Nil*) owed by LG Marine and Leisure Limited, a company in which the directors of this company are also directors.

Included in sundry debtors is an amount of £8,981 (*2002: £Nil*) owed by G&L Enterprises, a company in which the directors of this company are partners.