Geoffrey (Tailor) Highland Crafts Limited

Directors' report and financial statements

Registered number SC 37721

31 March 2004



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Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2004.

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 £95,321 *(2003: £81,129)* as detailed in the profit and loss account on page 3.

Dividend

An interim ordinary dividend of nil *(2003: nil)* pence per share was paid during the course of the year. During the year a final ordinary dividend of 109 *(2003: 114)* 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

The directors' report is prepared in accordance with special provisions of Part VII of the Companies Act 1985 relating to small companies (S.246(8)(b)).

By order of the board

G Nicholsby
Director

23 September 2004

Profit and loss account

for the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover	*1*	**4,053,000**	4,124,287
Cost of sales		**(1,908,150)**	(1,919,530)
Gross profit		**2,144,850**	2,204,757
Administrative expenses	*2*	**(2,053,367)**	(2,122,837)
Other operating income		**93,200**	69,407
Operating profit		**184,683**	151,327
Interest payable and similar charges	*5*	**(37,240)**	(40,414)
Profit on ordinary activities before tax	*3-4*	**147,443**	110,913
Taxation	*6*	**(52,122)**	(29,784)
Profit for the year		**95,321**	81,129
Dividend		**(51,400)**	(53,500)
Retained profit for the financial year		**43,921**	27,629

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 2004

	2004 £	2003 £
Shareholders' funds at beginning of year	**603,838**	576,209
Profit for the financial year after taxation	**43,921**	27,629
Shareholders' funds at end of year	**647,759**	603,838

Note of historical cost profits and losses

for the year ended 31 March 2004

	2004 £	2003 £
Reported profit on ordinary activities before taxation	**147,443**	110,913
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**6,281**	6,282
Historical cost profit on ordinary activities before taxation	**153,724**	117,195
Historical cost profit for the year retained after taxation and dividends	**50,202**	33,911

Balance sheet
at 31 March 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	7		**587,600**		628,615
Current assets					
Stocks	8	**1,167,664**		1,185,564	
Debtors	9	**113,947**		73,168	
Cash at bank and in hand		**21,201**		57,695	
		1,302,812		1,316,427	
Creditors: amounts falling due within one year	10	**(733,422)**		(807,315)	
Net current assets			**569,390**		509,112
Total assets less current liabilities			**1,156,990**		1,137,727
Creditors: amounts falling due after more than one year	11		**(501,411)**		(523,758)
Provisions for liabilities and charges	12		**(7,820)**		(10,131)
Net assets			**647,759**		603,838
Capital and reserves					
Called up share capital	13		**47,000**		47,000
Revaluation reserve	14		**281,847**		288,128
Profit and loss account	14		**318,912**		268,710
Shareholders' funds - equity			**647,759**		603,838

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act relating to Small Companies (s246(8),s248A(5))

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31 March 2004.

No notice has been deposited under Section 249B(2) of the Companies Act 1985 in relation to its financial statements for the financial period.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985; and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

Balance sheet *(continued)*
at 31 March 2004

These financial statements were approved by the board of directors on 23 September 2004 and were signed on their behalf by:

G Nicholsby
Director

L Nicholsby
Director

Cash flow statement

for the year ended 31 March 2004

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

	2004 £	2003 £
Operating profit	**184,683**	151,327
Depreciation charges	**79,549**	80,326
(Profit)/Loss on disposal of fixed assets	**599**	(2,827)
Decrease in stocks	**17,902**	40,858
(Increase)/decrease in debtors	**(40,779)**	(8,840)
Increase/(decrease) in creditors	**(68,261)**	17,386
Net cash inflow from operating activities	**173,693**	278,230

Cash flow statement

Net cash inflow from operating activities	**173,693**	278,230
Returns on investments and servicing of finance:		
Interest element of finance lease rental payments	**(26,224)**	(12,129)
Interest paid on bank loans and overdrafts	**(11,195)**	(28,464)
Other interest and charges		
Taxation:		
Corporation tax paid	**(27,345)**	(38,000)
Capital expenditure:		
Purchase of tangible fixed assets	**(607)**	(36,993)
Sale of tangible fixed assets	**7,702**	6,300
Equity dividends paid:		
Dividends paid	**(51,400)**	(53,500)
Net cash inflow before financing	**64,624**	115,444
Financing:		
Loans from directors		-
Capital element of finance lease rental payments	**(50,154)**	(49,569)
Bank loan finance received	**-**	500,000
Capital element of bank loan repayments	**(21,687)**	(360,576)
Net cash inflow/(outflow) from financing	**(71,841)**	89,855
Increase in cash	**(7,217)**	205,299

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

Increase in cash in the year	**(7,217)**	205,299
Cash (inflow)/outflow from financing	**71,841**	(89,855)
Change in net debt resulting from cash flows	**64,624**	115,444
New finance leases	**(46,228)**	(18,832)
Repayment of loans by directors	**-**	-
Movement in net debt	**18,396**	96,612
Net debt at beginning of year	**(558,944)**	(655,556)
Net debt at end of year	**(540,548)**	(558,944)

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% 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 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 Profit on ordinary activities before taxation

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

		2004 £	2003 £
Auditors' remuneration	Audit	-	12,000
	Other	**3,000**	-
Depreciation of tangible fixed assets:	Owned	**40,968**	40,972
	Leased	**38,581**	39,354
Hire of equipment		**5,480**	5,480
Rental of land and buildings		**301,200**	312,200
(Gain)/Loss on disposal of fixed assets		**599**	(2,827)

3 Remuneration of directors

	2004 £	2003 £
Emoluments	**94,677**	83,172
Pension contributions	**7,200**	7,200
	101,877	90,372

The number of directors to whom benefits are accruing under money purchase pension schemes is 2 *(2003: 2)*.

4 Staff number and costs

	Number of employees 2004	2003
Sales and management	**62**	69
Manufacturing	**23**	27
	85	96

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	**1,187,948**	1,232,460
Social security costs	**102,905**	96,195
Other pension costs	**18,522**	18,522
	1,309,375	1,347,177

Notes *(continued)*

5 Interest payable and similar charges

	2004 £	2003 £
Interest on bank loan and overdraft and other short term borrowings	**26,045**	28,285
Hire purchase charges	**11,195**	12,129
	37,240	40,414

6 Taxation

	2004 £	2003 £
UK corporation tax at 30% *(2003: 19%)*	**52,527**	33,666
Underprovision of taxation relating to earlier years	**1,906**	1,640
Total current tax	**54,433**	35,306
Deferred taxation	**(2,311)**	(5,522)
	52,122	29,784

Factors affecting the tax charge for the current period:

The current tax charge for the period is the higher (*2003: higher*) than the standard rate of corporation tax in the UK 30% (*2003: 19%*). The differences are explained below:

	2004 £	2003 £
Current tax reconciliation		
Profit on ordinary activities before tax	**147,443**	110,913
Current tax at 30% (*2003: 19%*)	**44,233**	21,073
Effects of:		
Expenses not deductible for tax purposes	**7,168**	5,960
Depreciation on assets not qualifying for capital allowances		(3,138)
Capital allowances in excess of depreciation	**9,311**	9,771
Adjustment in respect of previous periods	**1,906**	1,640
Small companies relief	**(8,185)**	-
Total current tax charge (see above)	**54,433**	35,306

Notes *(continued)*

7 Tangible fixed assets

	Heritable property £	Leasehold property £	Motor vehicles £	Fittings & equipment £	Computer equipment £	Total £
Cost or valuation						
At beginning of year	554,944	159,304	124,879	233,880	89,898	1,162,905
Additions	-	-	46,228	-	607	46,835
Disposals	-	-	(19,680)	-	(25,918)	(45,598)
At end of year	554,944	159,304	151,427	233,880	64,587	1,164,142
Depreciation						
At beginning of year	73,505	130,860	66,772	194,904	68,249	534,290
Charge for year	11,099	15,930	24,009	13,080	15,431	79,549
On disposals	-	-	(11,379)	-	(25,918)	(37,297)
At end of year	84,604	146,790	79,402	207,984	57,762	576,542
Net book value						
At 31 March 2004	**470,340**	**12,514**	**72,025**	**25,896**	**6,825**	**587,600**
At 31 March 2003	481,439	28,444	58,107	38,976	21,649	628,615

Heritable property

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

	2004 £	2003 £
If stated under historical cost principles, the comparable amounts would be:		
Cost	**205,933**	205,933
Aggregate depreciation	**(51,584)**	(46,866)
	154,349	159,067

Motor vehicles

Included in the total net book value of motor vehicles is £70,167 (*2003; £55,630*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £23,390 (*2003: £18,547*). Included in the total net book value of computer equipment is £6,402 (*2003:£ 21,318*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £14,916 (*2003: £20,534*). Included in the total fixtures and fittings is £275 (*2003: £548*) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets is £273 (*2003; £273*).

8 Stocks

	2004 £	2003 £
Goods for resale	**1,167,664**	1,185,564

Notes *(continued)*

9 Debtors

	2004 £	2003 £
Trade debtors	**18,623**	-
Sundry debtors	**21,723**	15,261
Prepayments and accrued income	**73,601**	57,907
	113,947	73,168

10 Creditors: amounts falling due within one year

	2004 £	2004 £	2003 £	2003 £
Bank loan (see note 11)		**23,218**		21,638
Bank overdraft (see note 11)		**769**		30,045
Obligations under finance leases and hire purchase contracts (see note 11)		**36,351**		41,198
Trade creditors		**350,402**		313,280
Other creditors including taxation and social security:				
Corporation tax	**74,193**		47,103	
Other taxes and social security	**23,712**		31,385	
VAT	**59,433**		124,109	
Other creditors	**7,830**		6,277	
		162,970		208,874
Accruals and deferred income		**157,514**		192,280
		733,422		807,315

11 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loans	**455,095**	478,362
Obligations under finance leases and hire purchase contracts	**46,317**	45,396
	501,412	523,758

The loan is secured by a fixed charge over the company's property at 57-59 High Street, Edinburgh. It is repayable in monthly instalments from March 2003 until March 2018 with interest at 2% above the prevailing base rate.

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

Analysis of debt:

	2004 £	2003 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**60,388**	92,881
Between one and two years	**70,587**	62,730
Between two and five years	**81,887**	82,801
In five years or more	**348,938**	378,227
	561,750	616,639

Notes *(continued)*

12 Provision for liabilities and charges

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

	2004 Provided £	2004 Unprovided £	2003 Provided £	2003 Unprovided £
Difference between accumulated depreciation and capital allowances	**7,820**		10,131	-
On revaluation of land and buildings	-	**95,500**	-	95,500
	7,820	**95,500**	10,131	95,500

13 Called up share capital

	2004 £	2003 £
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*

14 Reserves

	Revaluation Reserve £	Profit and loss account £
At the beginning of year	288,128	268,710
Retained profit for the year		43,921
Transfer to reserve arising from depreciation on revalued assets	(6,281)	6,281
At end of year	**281,847**	**319,912**

15 Commitments

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

	2004 Property £	2004 Other £	2003 Property £	2003 Other £
Operating leases which expire:				
In two to five years	-	**5,480**	-	7,074
In more than five years	**301,200**		312,200	-
	301,200	***5,480***	*312,200*	7,074

Notes *(continued)*

16 Analysis of net debt

	At 1 April 2003 £	Cash flows £	Other non cash Changes £	At 31 March 2004 £
Cash in hand, at bank	57,695	(36,493)		**21,202**
Overdraft	(30,045)	29,276		**(769)**
Bank loan	(500,000)	21,687		**(478,313)**
	(472,350)	14,470		**(457,880)**
Finance leases	(86,594)	50,154	(46,228)	**(82,668)**
Total	(558,944)	64,624	(46,228)	**540,548**

17 Related party transactions

Rents amounting to £112,000 (*2003; £112,000*) were paid to G&L Enterprises, a partnership in which Mr and Mrs G Nicholsby are partners.

Included in sundry debtors and trade creditors is an amount of £22,423 (*2003: £3,226*) 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 £4,098 (*2003: £8,981*) owed by G&L Enterprises, a partnership in which the directors of this company are partners.

Included in sundry debtors is an amount of £13,218 (*2003: £2,824*) owed by Geoffrey (Tailor) Highland Crafts USA Inc., a company in which the directors of this company are also directors.

HENDERSON LOGGIE

Chartered Accountants

Accountants' report on the unaudited financial statements to the directors of Geoffrey (Tailor) Highland Crafts Limited

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 March 2004 set out on pages two to eight and you consider that the company is exempt from an audit in accordance with section 249A of the Companies Act 1985. In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

Henderson Loggie

Henderson Loggie
Chartered Accountants
10 Great Stuart Street
Edinburgh
EH7 3TN

23 September 2004