

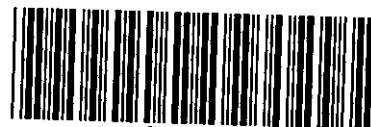
Kinloch Anderson (Holdings) Limited

**Directors' report and financial
statements**

Registered number SC65521

1 April 2006

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Contents

Directors' report	1
Independent auditors' report to the shareholders of Kinloch Anderson (Holdings) Limited	3
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the financial statements for the period ended 1 April 2006

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 judgements and estimates that are reasonable and prudent,
- 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 the directors to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors must have regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles or practice.

Review of business

The company did not trade during the period. The only activity of the company is the holding of an investment in a subsidiary company, Kinloch Anderson Limited, which is involved in the manufacture, wholesale and retailing of high quality clothing and accessories.

Directors and their interests

The directors who held office during the period were as follows

D Kinloch Anderson (Chairman)
 DA Kinloch Anderson

The directors who held office at the end of the financial period had the following interests in the shares of the company

	7% Cumulative £1 preference shares		Ordinary £1 shares	
	Interest at end of period	Interest at beginning of period	Interest at end of period	Interest at beginning of period
D Kinloch Anderson	55,080	55,080	114,007	114,007
DA Kinloch Anderson	44,920	44,920	43,776	43,776

Directors' report *(continued)*

Auditors

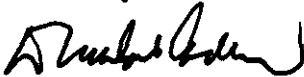
In accordance with Section 384 of the Companies Act 1985, a resolution for the re appointment of Henderson Loggie CA will be submitted at the annual general meeting

Approval of the directors' report

At the time of approving this report, the directors are aware of no relevant audit information of which the company's auditors are unaware and have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

The directors' report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

On behalf of the board



D Kinloch Anderson
Secretary

Commercial Street/Dock Street
Leith, Edinburgh EH6 6EY

19 September 2006



HENDERSON LOGGIE

Chartered Accountants

34 Melville Street
Edinburgh
EH3 7HA
United Kingdom

Independent auditors' report to the shareholders of Kinloch Anderson (Holdings) Limited

We have audited the financial statements of Kinloch Anderson (Holdings) Limited for the period ended 1 April 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared in accordance with 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 auditors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 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.

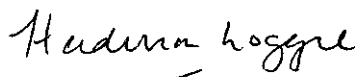
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report to the shareholders of Kinloch Anderson (Holdings) Limited *(continued)*

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 April 2006 and of its loss for the period then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- have a directors' report which is consistent with the financial statements



Henderson Loggie
Chartered Accountants
Registered Auditors

19 September 2006

Profit and loss account
for the period ended 1 April 2006

	<i>Note</i>	2006 £	Restated 2005 £
Interest payable and similar charges	2	(7,000)	(7,000)
Loss for the financial period		(7,000)	(7,000)
Retained loss brought forward		(269,844)	(262,844)
Retained loss carried forward		(276,844)	(269,844)

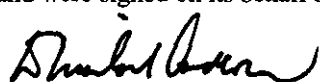
Other than the loss for the current and previous periods there have been no recognised gains and losses. The results for these periods relate wholly to continuing activities.

Balance sheet
at 1 April 2006

	<i>Note</i>	£	2006 £	£	Restated 2005 £
Fixed assets					
Investments	3		108,588		108,588
Creditors amounts falling due within one year	4	(500)		(500)	
Net current liabilities			(500)		(500)
Total assets less current liabilities			108,088		108,088
Creditors amounts falling due after more than one year	5		(179,917)		(172,917)
Net assets			(71,829)		(64,829)
Capital and reserves					
Called up share capital	6		162,425		162,425
Capital redemption reserve			42,590		42,590
Profit and loss account	7		(276,844)		(269,844)
Shareholders' funds – equity	8		(71,829)		(64,829)

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved and authorised for issue by the board of directors on 19 September 2006 and were signed on its behalf by



D Kinloch Anderson
Director

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. Following the reconsideration of preference shares under FRS25, the Board have considered the matter of going concern. They recognise that the company is dependent on the profitability of its subsidiary and expect that it will be profitable in the foreseeable future. Although it may take a number of years before the subsidiary can pay a dividend there is no date for repayment of the preference shares and the Board consider the company is a going concern.

The company is a small company under Sections 246 to 249 of the Companies Act 1985, and is granted exemption under FRS 1 from the requirement to prepare a cash flow statement.

Consolidated financial statements

The accounts present information about the company as an individual undertaking and not about its group. Group financial statements are not prepared, as the group is considered a small sized group and is entitled to the exemption from the requirement to prepare group financial statements under Section 248 of the Companies Act 1985.

Changes in accounting policy

In adopting FRS25, a change in accounting policy has been made in respect of the classification of the preference shares issued by the company. The comparative figures have been restated accordingly and a prior year adjustment has been made. The effect of the change in accounting policy was to reclassify preference shares of £100,000 and interest arising thereon of £79,917 (*prior year* £72,917) from reserves to financial liabilities and to recognise the relevant annual finance cost of these financial liabilities. The finance cost of these liabilities incurred in the prior year amounted to £7,000.

Fixed assets

Fixed asset investments are stated at cost, plus amounts owed as long term loans less provisions.

2 Interest payable and similar charges

	2006 £	2005 £
On other loans	7,000	7,000

Notes (continued)

3 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of period	109,088
<i>Provisions</i>	
At beginning and end of period	500
<i>Net book value</i>	
At 1 April 2006	108,588
At 2 April 2005	108,588

The company holds 100% of the ordinary share capital of Kinloch Anderson Limited which is incorporated in Scotland. The principal activity of Kinloch Anderson Limited is the manufacture, wholesale and retailing of high quality clothing and accessories. The company holds 33% of the ordinary share capital of Tolbooth Management Company Limited which is registered in Scotland. Tolbooth Management Company Limited did not trade during the period and the cost of shares of £500 is fully provided above.

The following shows the results and aggregate of capital and reserves of Kinloch Anderson Limited for the period ended 1 April 2006

	£
Retained loss for the financial period	67,453
Capital and reserves	153,087

4 Creditors, amounts falling due within one year

	2006 £	2005 £
Amount owed to subsidiary undertaking	500	500

5 Creditors: amounts falling due after more than one year

	2006 £	Restated 2005 £
100,000 7% cumulative preference shares of £1 each	100,000	100,000
Interest arrears on cumulative preference shares	79,917	72,917
	179,917	172,917

The holders of the cumulative preference shares are not entitled to vote at general meetings. In a winding up the holders of the cumulative preference shares are entitled to repayment of capital at £1 per share plus any unpaid fixed preference dividend.

Notes *(continued)*

6 Called up share capital

	2006 £	Restated 2005 £
<i>Authorised, allotted, issued and fully paid</i> 162,425 ordinary shares of £1 each	162,425	162,425

7 Profit and loss account

	£
At beginning of period – as reported	(196,927)
Prior year adjustment re interest due on preference shares	(72,917)
At beginning of period – restated	(269,844)
Loss for the financial period	(7,000)
At end of period	(276,844)

8 Reconciliation of movements in shareholders' funds

	Restated £
Opening shareholders' funds	(64,829)
Loss retained for the financial period	(7,000)
Closing shareholders' funds	(71,829)

9 Contingent liabilities

The company has guaranteed the overdraft of its subsidiary up to a maximum of £175,000, the bank overdraft at the period end was £7,092 (2005 £57,387)

10 Related party disclosures

The company is controlled by D Kinloch Anderson