

**HIGHLAND INDUSTRIES LIMITED
(FORMERLY STRATHLOMOND LIMITED)
COMPANY NO. - 113613**

Abbreviated Accounts
For the year ended 31st January 2003

HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
73 UNION STREET
GREENOCK



HIGHLAND INDUSTRIES LIMITED
(Formerly Strathlomond Limited)

Directors: Michael Cantlay, B.A., M.B.A.

Registered Office: Callandrade Lodge, Invertrossachs Road, Callander
(Registered in Scotland No. - 113613)

DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST JANUARY 2003

The director has pleasure in presenting his report and the audited accounts for the year ended 31st January 2003.

Principal Activity

The company's principal activity during the year was the retailing of fancy goods and the operation of whisky shops based around Scotland.

Review of the Business

During a further year of consolidation in the company the director is pleased to report that turnover reduced only marginally due mainly to the temporary relocation of one of the branches. Trading margins reduced in a highly competitive market and increased overhead expenses resulted in the company returning a net operating loss in the year. The director is pleased to report that a substantial gain on sale of the company's property in Callander almost returned the result to break even before interest payable.

Fixed Assets

Movements in Fixed Assets are shown in Notes 8 and 9.

The Land at Tarbet, Argyll was valued on 22nd September 1999 by Messrs. Graham & Sibbald, Chartered Surveyors on an open market basis assuming planning consent, which has since been agreed, and the land is currently for sale at offers over £750,000, but the director has had no cause to adjust the accounts in line with the valuation.

Future Developments

The director intends continuing to concentrate on the core whisky shop business and is hopeful that the company can return to profitability in the current year.

Directors/

Directors and their Shareholdings

The directors who held office during the year and their interests in the share capital of the Company were:-

	31st January 2003	1st February 2002
	Ordinary Shares of £1 each, Fully Paid	
Mr. M. Cantlay	7,000	7,000

In addition to the above the remaining 3,000 issued shares are held equally by William Glen and Son Limited and Glencarr Holdings Limited who are controlled by Mr. M Cantlay.

Auditors

Messrs. Henderson & Company, Chartered Accountants , have signified their willingness to continue in office and a motion to appoint them as auditors for the ensuing year will be proposed at the Annual General Meeting.

Statement of Director's Responsibilities

Company Law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with The Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



K.J. BUTLER
Company Secretary

11th November 2003

**REPORT OF THE AUDITORS TO HIGHLAND INDUSTRIES LIMITED
(FORMERLY STRATHLOMOND LIMITED)
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 4 to 13, together with the financial statements of the company for the year ended 31st January 2003 prepared under Section 226 of the Companies Act 1985.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of Opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 4 to 13 are properly prepared in accordance with those provisions.


HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

73 Union Street
Greenock

11th November 2003

HIGHLAND INDUSTRIES LIMITED
(formerly Strathlomond Limited)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JANUARY 2003

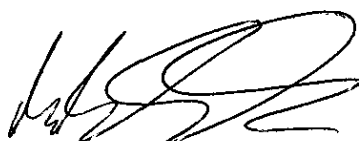
	2003	2002	Note
	£	£	
Gross Profit	872,486	1,008,710	
Distribution Costs and Administrative Expenses	1,038,491	962,177	2
	(166,005)	46,533	
Other Operating Income	6,630	27,500	
Operating (Loss)/Profit	(159,375)	74,033	3
Income from Participating Interests	-	66	
Gain on Disposal of Fixed Assets	157,000	-	4
Interest Payable	(39,649)	(37,889)	5
(Loss)/Profit on Ordinary Activities Before Taxation	(42,024)	36,210	
Tax on (Loss)/Profit on Ordinary Activities	-	-	7
(Loss)/Profit on Ordinary Activities After Taxation	(42,024)	36,210	
Retained Profit Brought Forward	48,951	12,741	
Retained Profit Carried Forward	6,927	48,951	16

The company has no recognised gains or losses other than the results for the financial years as set out above.
All turnover derives from continuing operations.

HIGHLAND INDUSTRIES LIMITED
(formerly Strathlomond Limited)
BALANCE SHEET AS AT 31ST JANUARY 2003

	2003	2002	Note
	£	£	
FIXED ASSETS			
Tangible Assets	297,692	465,668	8
Investments	620,167	620,167	9
	917,859	1,085,835	
CURRENT ASSETS			
Stocks	482,157	476,258	10
Debtors	43,654	503,071	11
Cash at Bank and in Hand	2,104	1,503	
	527,915	980,832	
CREDITORS: Amounts falling due within one year	(974,504)	(1,518,734)	12
NET CURRENT LIABILITIES	(446,589)	(537,902)	
TOTAL ASSETS LESS CURRENT LIABILITIES	471,270	547,933	
CREDITORS: Amounts falling due after more than one year	(454,343)	(488,982)	13
NET ASSETS	16,927	58,951	
CAPITAL AND RESERVES			
Called Up Share Capital	10,000	10,000	15
Profit and Loss Account	6,927	48,951	16
EQUITY SHAREHOLDERS' FUNDS	16,927	58,951	17

Approved by the Board on 11th November 2003 and signed on its behalf by:



MICHAEL CANTLAY
Director

HIGHLAND INDUSTRIES LIMITED
(formerly Strathlomond Limited)
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JANUARY 2003

	2003	2002	Note
£	£	£	
Net Cash (Outflow)/Inflow from Operating Activities	(507,972)	110,155	19
Returns on Investments and Servicing of Finance			
Income from Participating Interests	-	66	
Interest Paid	(39,649)	(37,889)	
	(39,649)	(37,823)	
Taxation	-	-	
Capital Expenditure			
Purchase of Tangible Fixed Assets	-	(27,422)	
Sale of Tangible Fixed Assets	300,000	5,123	
Net Cash Inflow/(Outflow) from Capital Expenditure	300,000	(22,299)	
Net Cash (Outflow)/Inflow Before Use of Liquid Resources and Financing	(247,621)	50,033	
Financing			
Repayment of Loans	(61,918)	(50,850)	
New Term Loan	-	-	
Net Cash (Outflow) from Financing	(61,918)	(50,850)	
(Decrease) in Cash	(309,539)	(817)	20

HIGHLAND INDUSTRIES LIMITED
(formerly Strathlomond Limited)
NOTES ON FOREGOING ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting Convention

The accounts are prepared under the historical cost convention.

(b) Basis of Consolidation

The accounts do not consolidate the subsidiary company accounts as referred to in Note 9.

(c) Turnover

Turnover is the total amount receivable in respect of sales of goods stated after deduction of VAT.

(d) Investments

Investments are included at cost.

(e) Depreciation

Depreciation is calculated on the straight line method over the estimated useful life of the assets at the following percentages:-

Plant and Machinery	20% p.a.
Motor Vehicles	20% p.a.
Fixtures and Fittings	15% - 25% p.a.
Buildings	1% p.a.

Premiums paid for leasehold properties are written off by equal annual instalments over the period of the lease. Further capital expenditure incurred on these properties is being written off over 10 years.

Land is not depreciated.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Deferred Taxation

Deferred taxation is provided using the full provision method following the adoption of Financial Reporting Standard 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

(h) Lease Rentals

Assets obtained under finance leases are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of payments is charged to the Profit and Loss Account evenly over the period of the agreement. Payments made under operating lease agreements are charged to the Profit and Loss Account in the year in which they occur.

2. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs are not material and have therefore not been shown separately from administrative expenses.

3./

3. OPERATING (LOSS)/PROFIT

This is stated after charging:

	2003	2002
	£	£
Directors' Emoluments	21,187	<i>Nil</i>
Auditors' Remuneration	3,000	3,000
Depreciation - Owned Assets	24,976	23,985
Lease Rentals - Land and Buildings	195,578	192,750
" " - Plant and Machinery	11,746	-

4. GAIN ON DISPOSAL OF FIXED ASSETS

	2003	2002
	£	£
Gain on Disposal of Property	157,000	-

5. INTEREST PAYABLE

	2003	2002
	£	£
Interest on Bank Overdraft and Term Loan	39,649	37,889

6. NUMBERS EMPLOYED AND STAFF COSTS

The average number of persons including directors employed by the group during the year was 47 (2002 - 39) within the following categories.

	2003	2002
Retail	47	39

The aggregate sums paid to or on behalf of the persons employed during the year was:-

	2003	2002
	£	£
Wages and Salaries	456,178	279,249
Social Security Costs	28,948	15,668
	485,126	294,917

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7. TAXATION

	2003	2002
	£	£
No taxation is payable due to the loss for the year	-	-

Factors Affecting Tax Charge for the Year

The Corporation Tax assessed for the year is different from the standard rate of Corporation Tax in the United Kingdom of 30% (2002 – small companies rate of 20%). The differences are explained below:

	2003	2002
	£	£
(Loss)/Profit on Ordinary Activities before tax	(42,024)	36,210
(Loss)/Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the United Kingdom of 30% (2002 – small companies rate of 20%)	(12,607)	7,242
Effects of:		
- Expenses not deductible for tax purposes	2,971	2,383
- Gain on Disposal in excess of Chargeable Gain	(8,706)	-
- Capital allowances for year in excess of depreciation	-	(516)
- Depreciation for year in excess of capital allowances	2,683	-
- Losses created in year	15,659	-
- Utilization of trading losses brought forward	-	(9,109)
	-	-

8. TANGIBLE FIXED ASSETS

	Land & Buildings	Heritable Property Premium And Expenditure on Short Leases	Plant & Machinery & Motor Vehicles	Fixtures & Fittings	Total
	£	£	£	£	£
Cost					
As at 31st January 2002	319,363	136,395	10,550	89,936	556,244
Additions	-	-	-	-	-
Disposals	(150,000)	-	-	-	(150,000)
At 31st January 2003	169,363	136,395	10,550	89,936	406,244
Depreciation					
As at 31st January 2002	8,485	39,389	10,550	32,152	90,576
Charge for year	1,621	13,640	-	9,715	24,976
Disposals	(7,000)	-	-	-	(7,000)
At 31st January 2003	3,106	53,029	10,550	41,867	108,552
Net Book Value					
At 31st January 2003	166,257	83,366	-	48,069	297,692
At 31st January 2002	310,878	97,006	-	57,784	465,668

9. INVESTMENTS

	2003	2002
	£	£
Shares in Group Undertakings	620,167	620,167

The above interest represents 111,549 (2002 - 111,549) Ordinary Shares, being 98.8% (2002 - 98.8%) of the Issued Ordinary Share Capital of Hector Russell Limited, a company registered in Scotland.

During the year the company received no dividend (2002 - £Nil) from its shareholding in Hector Russell Limited.

As stated in Note 1(b), the accounts of Hector Russell Limited have not been consolidated at 31st January 2003 as permitted under Section 248 of the Companies Act 1985.

The retained loss of Hector Russell Limited for the year ended 31st January 2003 was £121,686 (2002 - profit £13,007) and the aggregate of capital and reserves at 31st January 2003 was £1,087,678 (2002 - £1,209,364).

10. STOCKS

	2003	2002
	£	£
Goods for Re-sale	482,157	476,258

11. DEBTORS

	2003	2002
	£	£
Trade Debtors	5,076	15,777
Other Debtors	1,508	460,767
Prepayments	37,070	26,527
	43,654	503,071

12. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Bank Overdraft and Loans	482,314	172,174
Bank Term Loan	68,152	95,431
Trade Creditors	-	10,160
Amounts owed to Group Undertaking (Note 22)	256,818	439,600
Social Security and Other Taxes	24,105	50,969
Other Creditors	93,596	725,728
Accruals	49,519	24,672
	974,504	1,518,734

13./

13. **CREDITORS:** Amounts falling due after more than one year

	2003	2002
	£	£
Bank Term Loan		
Amounts repayable:-		
Between one and two years	68,152	95,432
Between two and five years	204,454	206,114
After five years	181,737	187,436
	454,343	488,982

The loan interest is chargeable at 2% per annum over the bank's base rate. The loan is repayable in monthly instalments of £7,952.

14. **BANK OVERDRAFT AND TERM LOAN**

The bank overdraft and term loan are secured by a standard security over the 10 acres of land at Tarbet, Argyll and by bonds and floating charges and cross guarantees by William Glen and Son Limited and Glencarr Holdings Limited, who are related parties.

15. **SHARE CAPITAL**

	2003	2002
	£	£
Authorised		
Ordinary Shares of £1 each	10,000	10,000
Allotted, Called Up and Fully Paid		
Ordinary Shares of £1 each	10,000	10,000

16. **RESERVES**

	Profit and Loss Account
	£
At 31st January 2002	48,951
Retained loss for the year	(42,024)
At 31st January 2003	6,927

17. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003	2002
	£	£
(Loss)/Profit for the financial year	(42,024)	36,210
Equity Shareholders' Funds at 31st January 2002	58,951	22,741
Equity Shareholders' Funds at 31st January 2003	16,927	58,951

18./

18. FINANCIAL COMMITMENTS

At 31st January 2003, the company had annual commitments under non-cancellable operating leases as follows:-

	2003	2002
	£	£
Land and Buildings (i.e. Shop Properties)		
Operating Leases which expire:-		
In over five years	184,250	192,750

19. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating (Loss)/Profit	(159,375)	74,033
Depreciation Charges	24,976	23,985
(Increase)/Decrease in Stock	(5,899)	110,876
Decrease/(Increase) in Debtors	459,417	(246,501)
(Decrease)/Increase in Creditors	(827,091)	147,762
Net Cash (Outflow)/Inflow from Operating Activities	(507,972)	110,155

20. RECONCILIATION OF NET CASHFLOW IN MOVEMENT IN NET DEBT

	2003	2002
	£	£
(Decrease) in Cash	(309,539)	(817)
Cash Inflow from Debt and Hire Purchase Agreements	61,918	50,850
Change in Net Debt Resulting from Cashflows	(247,621)	50,033
Net Debt at Start of Year	(755,084)	(805,117)
Net Debt at End of Year	(1,002,705)	(755,084)

21. ANALYSIS OF NET DEBT

	At 1st February 2002	Cashflow	Other Non-Cash Changes	At 31st January 2003
	£	£	£	£
Cash	1,503	601		2,104
Overdrafts	(172,174)	(310,140)		(482,314)
Loans Due Within One Year	(95,431)	61,918	(34,639)	(68,152)
Loans Due After One Year	(488,982)		34,639	(454,343)
	(755,084)	(247,621)	-	(1,002,705)

22./

22. RELATED PARTY TRANSACTIONS

The company and Hector Russell Limited are related parties due to the common involvement of Mr. M. Cantlay. During the year the company purchased goods to the value of £1,875,875 from Hector Russell Limited. At 31st January 2003 there was a balance due to Hector Russell Limited of £18,667.

The company and William Glen and Son Limited are related parties due to the common involvement of Mr. M. Cantlay. During the year the company was charged £19,032 (2002 - £250,000) in management charges by William Glen and Son Limited. In addition William Glen & Son Ltd paid various administration expenses on behalf of the company some of which remain outstanding at the year end. At 31st January 2003 the total amount due to William Glen and Son Limited was £238,151.

The company and Glencarr Holdings Limited are related parties due to the common involvement of Mr. M. Cantlay. At 31st January 2003 there was a balance due to Glencarr Holdings Limited of £95,728.

Mr. M. Cantlay is the ultimate controlling party.