

**THE SCOTCH HOUSE LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**  
**REGISTRATION NUMBER: 103819**



## **THE SCOTCH HOUSE LIMITED**

### **Board of Directors**

V.J.Barnett (Resigned as Chairman on 25.07.2001) (Resigned as a director on 13.06.2002)

R.M.Bravo (Chief Executive Officer)

W.J.Chellingsworth (Resigned 18.01.2002)

H.M.Coughlan (Resigned 19.06.2001)

M.E.Metcalf

S.Ireland (Resigned 05.04.2001)

Viscount Suirdale

C.A.Gibbons

### **Secretary**

S.Corbett (Resigned 10.08.2001)

M.N.C.Mahony (Appointed 10.08.2001)

### **Auditors**

PricewaterhouseCoopers

### **Bankers**

Lloyds Bank plc.

Whiteaway Laidlaw Bank Ltd.

### **Registered Office**

18-22 Haymarket

London SW1Y 4DQ

### **Administrative Office**

10 St. Albans Street, London SW1Y 4SQ

**THE SCOTCH HOUSE LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002**

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# THE SCOTCH HOUSE LIMITED

## Report of the Directors

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

### Principal activities and business review

The Company's business is the retailing of men's, women's and children's outerwear and accessories. At the end of February 2002 the Scotch House trade in the United Kingdom was discontinued.

The UK trading stores are to be converted into Burberry stores (where Burberry Limited is also a fellow subsidiary of GUS plc). The Scotch House brand will be retained and trading through the licence in Japan will continue.

### Profits and dividends

The profit for the year after taxation amounted to £1,213,000 (Restated 2001:£1,015,000). The directors paid an interim dividend during the year totalling £22,000,000 (2001:£776,000).

The deficit for the year of £20,787,000 (Restated 2001: Surplus of £239,000) is transferred from reserves. The directors do not recommend the payment of a final dividend.

### Directors

The directors of the Company during the year were:-

V.J.Barnett (Resigned as Chairman on 25.07.2001) (Resigned as director on 13.06.2002)

R.M.Bravo (Chief Executive Officer)

W.J.Chellingsworth (Resigned 18.01.2002)

H.M.Coughlan (Resigned 19.06.2001)

M.E.Metcalf

S.Ireland (Resigned 05.04.2001)

Viscount Suirdale

C.A.Gibbons

# THE SCOTCH HOUSE LIMITED

## Report of the Directors (continued)

### Directors' interests in shares

At 31 March 2002 V.J. Barnett was a director of GUS plc. of which the company is a wholly owned subsidiary. Accordingly his interests in the GUS Group companies are disclosed in the accounts of that company.

The following other directors had interests in GUS plc. at 31 March 2002.

	31 March 2002	31 March 2001
	<u>Ordinary Shares of 25p each</u>	<u>Ordinary Shares of 25p each</u>
Beneficial Interest		
- R.M. Bravo	10,000	10,000
- M.E. Metcalf	10,245	2,529

No other directors of the Company holding office at 31 March 2002 held shares in the Company or any other Group companies at 31 March 2002 or at 31 March 2001.

### GUS share options

Options have been granted to directors, under the GUS plc 1998 Approved and Non - Approved Executive Share Option Schemes, during the years ended 31 March 2001 and 2002 in respect of the ordinary shares in GUS plc. Details of these share options held by directors of Scotch House Limited are set out below.

	Number at 1 April 2001	Granted in the year	Exercised in the year	Number at 31 March 2002
R.M. Bravo	-	356,747	-	356,747
M.E. Metcalf	73,197	51,411	-	124,608
C.A. Gibbons	-	16,321	-	16,321
Viscount Suirdale	-	18,769	-	18,769

### Save as you earn (SAYE)

A SAYE share option scheme was introduced for employees by GUS plc on 1 April 2001. The options granted to the directors of the Scotch House Limited are shown in the table below.

	Number at 1 April 2001	Granted in the year	Exercised in the year	Number at 31 March 2002
M.E. Metcalf	2,522	-	-	2,522
Viscount Suirdale	1,009	-	-	1,009

# THE SCOTCH HOUSE LIMITED

## Report of the Directors (continued)

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are 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.

### Disabled persons

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

### Employee involvement

The Company consults its employees on matters of concern to them in the context of their employment. This is achieved through the Joint Consultative Committee, a body of employee representatives which ensures that the views of all employees are taken into account in decisions affecting the business and its employees.

# THE SCOTCH HOUSE LIMITED

## Report of the Directors (continued)

### Creditor payment policy

The Company pays its creditors according to contractual and other legal obligations. Payment terms are clearly stated on each contract or purchase order and all changes are agreed by both parties. Trade creditors at the year end represented 19 days (2001: 25 days) of purchases.

### Annual general meeting and re-appointment of auditors

The Company has passed elective resolutions dispensing with the need to hold an Annual General Meeting and annually reappoint auditors. Accordingly, PricewaterhouseCoopers are deemed to have been re-appointed as auditors for the forthcoming year.

**BY ORDER OF THE BOARD**



**M.N.C. Mahony**

Secretary

24 June 2002



**REPORT OF THE AUDITORS**  
**TO THE MEMBERS OF THE SCOTCH HOUSE LIMITED**

**Independent auditors' report to the members of The Scotch House Limited**

We have audited the financial statements on pages 6 to 17 and the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the Annual Report and consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

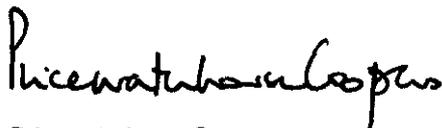
**Basis of audit opinion**

We conducted our audit in accordance with 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 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

London  
24 June 2002

**THE SCOTCH HOUSE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2002**

	<b><u>Notes</u></b>	<b><u>2002</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2001</u></b>
				<b><u>Restated</u></b>	<b><u>Restated</u></b>
		<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>	<b><u>£000</u></b>
Turnover					
Continuing operations		1,162		1,206	
Discontinued operations		<u>5,046</u>		<u>11,740</u>	
Total turnover	1		6,208		12,946
Cost of sales	2		<u>2,655</u>		<u>5,855</u>
Gross profit	2		3,553		7,091
Operating expenses	2		<u>3,969</u>		<u>6,289</u>
			(416)		802
Other operating income	4		<u>2,188</u>		<u>751</u>
Operating profit/(loss)					
Continuing operations		3,350		1,957	
Discontinued operations		<u>(1,578)</u>		<u>(404)</u>	
Total operating profit			1,772		1,553
Interest and other income	3		-		17
Profit on ordinary activities before taxation	4		1,772		1,570
Taxation	6		<u>559</u>		<u>555</u>
Profit on ordinary activities after taxation			1,213		1,015
Dividends	7		<u>22,000</u>		<u>776</u>
Retained (loss)/profit for the year	15		<u>(20,787)</u>		<u>239</u>

**Statement of total recognised gains and losses**

		<b><u>2002</u></b>	<b><u>2001</u></b>
			<b><u>Restated</u></b>
		<b><u>£000</u></b>	<b><u>£000</u></b>
Profit on ordinary activities after taxation		1,213	1,015
Total recognised gains for the year		1,213	<u>1,015</u>
Prior year adjustment - FRS 19	15	<u>147</u>	
Total recognised gains since last annual report		<u>1,360</u>	

**THE SCOTCH HOUSE LIMITED**

**BALANCE SHEET**  
**AT 31 MARCH 2002**

	<b><u>Notes</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
		<b><u>£000</u></b>	<b><u>Restated</u></b>
			<b><u>£000</u></b>
Fixed assets			
Tangible assets	8	<u>99</u>	<u>614</u>
Current assets			
Stocks	9	-	1,123
Debtors	10	3,563	23,904
Deferred tax	11	191	147
Cash at bank and in hand		<u>-</u>	<u>260</u>
		3,754	25,434
Creditors - amounts falling due within one year	12	<u>1,868</u>	<u>2,981</u>
Net current assets		1,886	22,453
Total assets less current liabilities		<u>1,985</u>	<u>23,067</u>
Provision for liabilities and charges	13	<u>-</u>	<u>295</u>
Net Assets		<u>1,985</u>	<u>22,772</u>
Capital and Reserves			
Called-up share capital	14	-	-
Profit and loss account	15	<u>1,985</u>	<u>22,772</u>
Equity shareholders' funds	16	<u>1,985</u>	<u>22,772</u>

The financial statements were approved by the Board of Directors on 24 June 2002 and signed on its behalf by:

C.A.Gibbons



Director

# THE SCOTCH HOUSE LIMITED

## PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and comply with the accounting and disclosure provisions of the Companies Act 1985.

b) Turnover

Turnover, which is stated excluding VAT is the amount receivable for goods supplied (less returns, trade discounts and allowances) and royalties received.

Retail sales are reflected at the dates of transactions with customers.

Royalty receivable from licences is accrued as earned on the basis of the terms of the royalty agreement.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation of fixed assets is calculated to write off the cost of the asset in equal instalments over their estimated useful lives at the following rates:-

Land	Not depreciated
Freehold buildings	Up to 50 years
Leaseholds – less than 50 years unexpired	Over the unexpired term of the lease
Plant, machinery, fixtures and fittings	3 - 8 years
Office equipment	5 years
Computer equipment	3 - 5 years

d) Properties

Leasehold properties are carried at original cost and are amortised over the remainder of the lease term on a straight-line basis.

e) Stock

Stock and work in progress is valued on a first-in-first-out basis at the lower of cost or net realisable value. Provision is made to reduce cost to net realisable value having regard to the age and condition of stock.

f) Taxation including deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

The company has adopted FRS 19 "Deferred tax" in the financial statements. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly.

# THE SCOTCH HOUSE LIMITED

## PRINCIPAL ACCOUNTING POLICIES (continued)

### g) Pension costs

The pension costs in the financial statements are determined in accordance with Statement of Standard Accounting Practice 24 ("SSAP24") which is to be replaced by a new Standard, Financial Reporting Standard 17 ("FRS17").

#### GUS plc defined benefit scheme

Eligible employees of Scotch House Limited participate in a GUS plc defined benefit scheme. The assets covering these arrangements are held in independently administered funds. The cost of providing defined pension benefits to participating employees is charged to the profit and loss account of the Company over the anticipated period of employment, in accordance with recommendations made by independent qualified actuaries.

#### Defined contribution scheme

Eligible employees also participate in the GUS plc defined contribution pension scheme. The assets covering these arrangements are held in independently administered funds. The cost of providing these benefits to participating employees is recognised in the profit and loss account of the Company and comprises the amount of contributions payable to the scheme in respect of the year.

#### FRS 17 'Retirement Benefits'

For FRS 17 the Company has adopted the transitional arrangements permitted by the accounting standard as set out in note 19.

### h) Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction or at the forward contract rate where hedged. Monetary assets and liabilities denominated in foreign currencies which are held at year end are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are taken to the profit and loss account.

### i) Operating leases

Rental income and expenditure in respect of operating leases is recognised on a straight line basis over the period of the leases.

### j) Cash Flow Statement

The Company is exempt from the requirement to prepare a cash flow statement under the FRS 1, as it is a wholly owned subsidiary of GUS plc and the cash flows are included in the consolidated cash flow statement of GUS plc.

### k) Related party transactions

Financial Reporting Standard 8, "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8, not to disclose details of transactions with entities that are part of GUS plc group.

**THE SCOTCH HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

1) Turnover	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	5,046	11,740
Japan	1,162	1,206
	<u>6,208</u>	<u>12,946</u>

2)	<b>2002</b>			<b>2001</b>		
	<b>Continuing</b>	<b>Discontinued</b>	<b>Total</b>	<b>Continuing</b>	<b>Discontinued</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Turnover	1,162	5,046	6,208	1,206	11,740	12,946
Cost of sales	-	2,655	2,655	-	5,855	5,855
Gross profit	<u>1,162</u>	<u>2,391</u>	<u>3,553</u>	<u>1,206</u>	<u>5,885</u>	<u>7,091</u>
Distribution costs	-	994	994	-	2,589	2,589
Administrative expenses	-	2,975	2,975	-	3,700	3,700
Total operating expenses	<u>-</u>	<u>3,969</u>	<u>3,969</u>	<u>-</u>	<u>6,289</u>	<u>6,289</u>
Other operating income	<u>2,188</u>	<u>-</u>	<u>2,188</u>	751	-	751
Operating profit/(loss)	<u>3,350</u>	<u>(1,578)</u>	<u>1,772</u>	1,957	(404)	1,553

Other operating income arises from sub-letting certain leasehold properties.

3) Interest income	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	-	17

4) Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Depreciation of tangible fixed assets	169	320
Property rental income under operating leases	(2,188)	(751)
Operating lease rentals - land and buildings	522	996
Auditors' remuneration	19	10
Exchange (gains) / losses	<u>(6)</u>	<u>(8)</u>

5) Directors and employees		
Staff costs:		
Wages and salaries	1,831	2,133
Social security costs	152	185
Other pension costs	29	51
	<u>2,012</u>	<u>2,369</u>

**Share option and awards**

Options have been granted to employees under the GUS plc 1998 Approved and Non-Approved Executive Share Option Schemes during the years ended 31 March 2001 and 2002 in respect of the ordinary shares of GUS plc. Details of the share options granted are contained within the financial statements of GUS plc.

**Save As You Earn Scheme**

A Save As you Earn share option scheme (SAYE) was introduced for eligible employees by GUS plc in April 2001. Details of the share options granted in respect of the ordinary shares of GUS plc are contained within the financial statements of GUS plc.

**THE SCOTCH HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

5) (continued)

	<b>2002</b>	<b>2001</b>
The average number of persons employed by the Company was:		
Buying	6	10
Distribution / Sales	70	106
Administration	18	26
	<u>94</u>	<u>142</u>

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Staff costs include the following remuneration in respect of directors:		
Aggregate emoluments	70	204
Amounts received under long term incentive plans	37	-
	<u>107</u>	<u>204</u>

The directors remuneration disclosed above includes the amounts paid to the highest paid director as follows:

Aggregate emoluments	<u>70</u>	<u>128</u>
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The emoluments of V.J. Barnett are paid by a fellow subsidiary which makes no recharge to the company. V.J. Barnett is a director of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of his emoluments in respect of each of these subsidiaries. Accordingly, the above details include no emoluments in respect of V.J. Barnett. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

The emoluments of R.M. Bravo, M.E. Metcalf, C.A.Gibbons and Viscount Suirdale are also paid by a fellow subsidiary which makes no recharge to the company. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Burberry Limited.

The number of directors to whom retirement benefits are accruing under the GUS plc defined benefit scheme in respect of qualifying services is 3 (2001: 2 ).

There are no directors entitled to shares under long term incentive plans, subject to performance criteria (2001: 2).

There was 1 (2001: 0) director who received shares during the year under long term incentive plans.

6) Taxation	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>Restated £000</b>
<b>Current tax</b>		
UK corporation tax	695	535
Double taxation relief	(116)	(119)
Overseas taxation	116	119
<b>Total current tax</b>	<u>695</u>	<u>535</u>
<b>UK Deferred tax</b>		
Origination and reversal of timing differences	(136)	20
Total deferred tax	(136)	20
<b>Tax on profit on ordinary activities</b>	<u>559</u>	<u>555</u>

# THE SCOTCH HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6) Taxation (continued)

The rate of current tax on profit on ordinary activities varies from the standard rate of corporation tax in the UK due to the following:

	2002	2001
	<u>£000</u>	<u>Restated £000</u>
Tax at 30%	532	471
Permanent disallowables	27	16
Other timing differences	136	48
<b>Total current tax</b>	<b><u>695</u></b>	<b><u>535</u></b>

7) Dividends - equity shares

	2002	2001
	<u>£000</u>	<u>£000</u>
Ordinary - Interim dividend paid £220,000 per share (2001: final £7,760 per share)	<u>22,000</u>	<u>776</u>
	<u>22,000</u>	<u>776</u>

8) Tangible assets

	LEASEHOLDS LESS THAN 50 YEARS £000	FIXTURES AND OTHER EQUIPMENT £000	TOTAL £000
<b>Cost</b>			
At 1 April 2001	500	3,942	4,442
Additions	-	224	224
Disposals	-	(3,185)	(3,185)
At 31 March 2002	<u>500</u>	<u>981</u>	<u>1,481</u>
<b>Depreciation</b>			
At 1 April 2001	454	3,374	3,828
Provided in the year	12	157	169
Disposals	-	(2,615)	(2,615)
At 31 March 2002	<u>466</u>	<u>916</u>	<u>1,382</u>
 Net book value at 31 March 2002	 <u>34</u>	 <u>65</u>	 <u>99</u>
 Net book value at 31 March 2001	 <u>46</u>	 <u>568</u>	 <u>614</u>

**THE SCOTCH HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
9) Stocks		
Finished goods	-	1,123
	<u>-</u>	<u>1,123</u>
10) Debtors		
Due within one year:		
Trade debtors	2	47
Prepayments and accrued income	272	591
Amounts owed by group undertakings - Fellow Subsidiaries	3,181	23,227
- Parent	92	-
Value added tax recoverable	16	39
	<u>3,563</u>	<u>23,904</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

11) Deferred tax asset

	<b>£000</b>
At 1 April 2001 as previously reported	-
Prior year adjustment - FRS 19	147
At 1 April 2001 as restated	<u>147</u>
Credit to the profit and loss account	136
Transferred to other group companies	<u>(92)</u>
At 31 March 2002	<u>191</u>

The analysis of the deferred tax balance is shown below:

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>Restated £000</b>
Accelerated capital allowances	70	21
Short term timing differences	121	126
Undiscounted deferred tax asset	<u>191</u>	<u>147</u>

The deferred tax asset is likely to reverse as it is recorded in operations that are currently profitable.

12) Creditors

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Bank overdraft	22	35
Trade creditors	92	373
Dividends payable	-	776
Amounts owed to group undertakings - Fellow Subsidiaries	1	10
Corporation tax	864	298
Other creditors	46	305
Accruals and deferred income	843	1,184
	<u>1,868</u>	<u>2,981</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

# THE SCOTCH HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13) Provision for liabilities and charges

	<u>Pensions and similar obligations (note 19)</u>
At 1 April 2001	295
Utilised in the year	(21)
Charged to profit and loss account	26
Transfer to GUS plc	<u>(300)</u>
At 31 March 2002	<u><u>-</u></u>

Pensions and similar obligations - see note 19 for further information.

14) Share capital

Authorised:

100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
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Allotted, issued and fully paid:

100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
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15) Reserves

	<u>Profit &amp; Loss account</u>
At 1 April 2001 as previously reported	£000 22,625
Prior year adjustment - FRS 19	<u>147</u>
At 1 April 2001 as restated	22,772
Retained loss for the year	<u>(20,787)</u>
At 31 March 2002	<u><u>1,985</u></u>

The adoption of FRS 19 "Deferred Tax" has resulted in a decrease of the tax charge on profit on ordinary activities of £135,557 (2001 increase of: £20,068) and an increase in profit for the financial year of £135,557 (2001 decrease of: £20,068).

## THE SCOTCH HOUSE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16) Reconciliation of movements in shareholders' funds		<b>2002</b>	<b>2001</b>
			<b>Restated</b>
		<b>£000</b>	<b>£000</b>
Profit on ordinary activities after taxation		1,213	1,015
Dividends		(22,000)	(776)
Net (reduction in)/addition to shareholders' funds		<u>(20,787)</u>	<u>239</u>
Opening shareholders' funds as previously reported		22,625	22,366
Prior year adjustment - FRS 19		147	167
Opening shareholders' funds restated		<u>22,772</u>	<u>22,533</u>
Closing shareholders' funds		<u>1,985</u>	<u>22,772</u>

17) Capital Commitments

Amounts contracted for future capital expenditure not provided for in the financial statements.

	-	<u>105</u>
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Contractual capital commitments represent contracts entered into by the year end and major capital expenditure projects where activity has commenced by the year end.

18) Operating Lease Commitments

	Land and Buildings	Land and Buildings
	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Payments committed to be made in the next year analysed between those in which the leases expire:		
a) within that year	-	220
b) within two to five years	29	-
c) in more than five years	9	9
	<u>38</u>	<u>229</u>

The commitments for operating lease amounts payable calculated as a percentage of turnover have been based on the minimum payment that is required under the term of the lease. As a result the amounts charged to the profit and loss account are different to the commitment at the year end.

## THE SCOTCH HOUSE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 19) Post-retirement benefits

##### (a) Accounting for pension costs

The Company, through membership of the GUS plc pension schemes, provides post retirement arrangements for its employees which are both defined benefit and defined contribution in nature. Where arrangements are funded, assets are held in independently administered trusts.

The pension costs charged to the profit and loss account in respect of the main plans were:

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Defined benefit schemes	26	51
Defined contribution schemes	4	7

##### Defined benefit schemes

###### GUS plc defined benefit scheme

The Company participates in the GUS plc defined benefit scheme which offers benefits based on service and salary at retirement. The Scheme has rules which specify the benefits to be paid and is financed accordingly with assets being held in independently administered funds. A full actuarial valuation of the Scheme is carried out every three years with interim reviews in the intervening years.

A full actuarial valuation of the GUS plc defined benefits scheme was carried out as at 31 March 1998 and at 31 March 2001 by independent, qualified actuaries, Mercer Human Resource Consulting Limited, using the projected unit method. The principal actuarial assumptions used in that valuation for SSAP 24 purposes were as follows:

##### Valuation rate of interest

	Valuation at 31 March 1998	Valuation at 31 March 2001
Pre-retirement	7.55% per annum	6.00% per annum
Post-retirement	6.06% per annum	6.00% per annum
Rate of future earnings growth	5.15% per annum	4.30% per annum
Pension and inflation increases	3.00% per annum	2.50% per annum

At 31 March 1998 and 2001 the market value of the GUS plc Scheme's assets was £256m and £327m respectively. On the above assumptions, this represented 105% and 100% respectively of the value of benefits that had accrued to members. For the 2 years ended 31 March 2002 GUS plc allocated to the Company a share of the SSAP 24 charge calculated for the GUS Group as a whole. This allocated charge differed from the contributions the Company made to the scheme. The difference was due to different assumptions and the treatment of surpluses and/or deficits. Any excess of the accumulated pension costs over the payment of contributions to the pension fund was recognised as a provision in the balance sheet. During the year ended 31 March 2002 GUS plc made a special contribution to the scheme of £8.0m in order to fund a shortfall disclosed by the valuation on ongoing actuarial assumptions used for funding purposes. The Company was not allocated any share of this contribution. The pension provision held on the Company's balance sheet was transferred to GUS plc prior to 31 March 2002. The provision held on the Company's balance sheet as at 31 March 2001 was £146,000 (2000: £135,000).

From 1 April 2002, the Company's pension cost represents contributions payable to the GUS defined benefit scheme. With effect from 1 April 2002, the company is contributing 17.9% (13.8% for the two years ended 31 March 2002) in respect of members in the main benefit section and 30.5% (27.9% for the two years ended 31 March 2002) of pensionable salaries in respect of "Class F" members. At 31 March 2002 there were 2 Scotch House employees in the defined benefit scheme.

##### Post-retirement medical benefits

The Company has provided post-retirement healthcare medical benefits to certain former employees (and their spouses). There are no assets held and the arrangement is closed to new entrants. The last actuarial valuation was carried out as at 1 April 1998 by independent, professionally qualified actuaries using the projected unit method.

The assumptions which have the most significant impact on the actuarial valuation are a discount rate of 9.0% and that medical cost inflation will be of 10.0% per annum for five years reducing to 7.0% per annum for the longer term. Prior

# THE SCOTCH HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19) Post-retirement benefits (continued)

provision was transferred to that company. The provision held on the Company's balance sheet as 31 March 2001 was £149,000 (2000: £149,000).

There will be no charge to the Company in respect of these post retirement medical plans after 31 March 2002.

#### Defined contribution schemes

##### The GUS plc Money Purchase Pension Plan

This scheme was introduced during the year ended 31 March 1999 with the aim of providing pension benefits for those employees who, hitherto, had been ineligible for GUS plc defined benefit pension scheme membership. The assets of the Scheme are held separately from those of GUS plc in an independently administered fund. At 31 March 2002, there were no prepaid (or arrears of) Company contributions.

#### (b) FRS 17 – Retirement benefits

##### GUS plc defined benefit scheme

The Company participates in the GUS plc defined benefit schemes along with other GUS Group companies. It is not possible to identify the Company's share of assets and liabilities in the GUS plc defined benefit scheme on a consistent and reasonable basis. In accordance with FRS 17 the scheme will be accounted for as a multi-employer scheme.

The principal actuarial assumptions used in the valuation for FRS17 purposes of the GUS defined benefit scheme were:

	At 31 March 2002
Rate of inflation	2.5%
Rate of salary increases	4.3%
Rate of increase for pensions in payment and deferred pensions	2.5%
Discount rate	6.0%

The deficit for the GUS defined benefit scheme as a whole, on the above basis, was approximately £16.5m at 31 March 2002, before allowing for deferred tax.

### 20) Ultimate Holding Company / Related party transactions

The Company's ultimate holding company is GUS plc, a company registered in England and Wales. The directors regard GUS plc as the ultimate controlling party. Copies of the consolidated financial statements of GUS plc can be obtained from:-

P.O. Box 99  
Universal House  
Devonshire Street  
Manchester M60 1XA