

J & J Crombie Limited

Directors' report and financial statements

31 March 2003

Registered number 1298



J & J Crombie Limited

Directors

A J Lewis
I.M. Directors Limited
I.M. Secretaries Limited

Secretary

I.M. Secretaries Limited

Registered Office

Ashley House
4 Bon Accord Crescent
Aberdeen
AB11 6DH

Auditors

Grant Thornton
Registered Auditors
Chartered Accountants
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

Bankers

National Westminster Bank Plc
7 Hustlergate
Bradford
West Yorkshire
BD1 1PP

J & J Crombie Limited

Directors' report and financial statements

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J & J Crombie Limited

Directors' report

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

Principal activities and business review

The company is an investment holding company.

During the year the company subscribed for a further £4,999,999 shares in Crombie Limited.

The company also assigned its loan accounts with Birchgill Limited (together with the benefit of the debenture securing the loan) and Crombie Retail Limited to Crombie Limited

Results and dividends

The loss for the financial year was £4,337,000 (2002 : profit £28,000).

The directors do not recommend the payment of a dividend (2002: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

A J Lewis

I.M. Directors Limited

I.M. Secretaries Limited – appointed 12 September 2002

A M Murray – resigned 12 September 2002

A J Lewis retires by rotation and, being eligible, offers himself for re-election.

Mr A J Lewis is also a director of Hartley Investment Trust Limited, the company's ultimate parent undertaking, in which he beneficially owns all the issued share capital.

None of the other directors had any disclosable interest in the shares of the company or other group undertakings.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Grant Thornton as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



for and on behalf of

I.M. Secretaries Limited

Secretary

Ashley House
4 Bon Accord Crescent
Aberdeen
AB11 6DH

22 December 2003

J & J Crombie Limited

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom 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;
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors to the members of J & J Crombie Limited

We have audited the financial statements of J & J Crombie Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet and notes 1 to 12. These financial statements have been prepared under 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

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

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

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 with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 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 as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Leeds

Grant Thornton

29 January 2004

J & J Crombie Limited

Profit and loss account for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Administrative expenses		22	(213)
Other operating income	2	251	241
Provision against loans to subsidiary and fellow subsidiary undertakings		(21)	-
Provision against investments		(4,888)	-
		<hr/>	<hr/>
Operating (loss)/profit		(4,636)	28
Group interest receivable		299	-
		<hr/>	<hr/>
Retained (loss)/profit for the financial year	10	(4,337)	28
		<hr/>	<hr/>

A statement of movements in reserves and shareholders' funds is given in note 10.

The company had no recognised gains or losses other than those reflected above (2002 : none).

J & J Crombie Limited

Balance sheet

31 March 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investments	5	8,791	8,678
Debtors: amounts falling due within one year	6	6	150
Debtors: amounts falling due after more than one year	6	5,938	7,104
Cash at bank and in hand		4	6
		<u>5,948</u>	<u>7,260</u>
Creditors: amounts falling due within one year	7	(250)	(1,356)
		<u>5,698</u>	<u>5,904</u>
Net current assets			
		<u>14,489</u>	<u>14,582</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	8	(13,165)	(8,921)
		<u>1,324</u>	<u>5,661</u>
Net assets			
Capital and reserves			
Called up equity share capital	9	5,540	5,540
Profit and loss account	10	(4,216)	121
		<u>1,324</u>	<u>5,661</u>
Equity shareholders' funds			
		<u>1,324</u>	<u>5,661</u>

These financial statements were approved by the Board of Directors on 22 December 2003 and signed on its behalf by:

A. M. Murray
for and on behalf of
I.M. Directors Limited
Director

J & J Crombie Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting convention

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidation

Under Section 228 of the Companies Act 1985 the company is exempt from the obligation to prepare and deliver group accounts.

Investments

Investments are stated at cost less provisions.

Licence fees

Trademark licence fees are included in deferred income and released to the profit and loss account over the period of the licence.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2	Other operating income	2003 £'000	2002 £'000
	Licence fees	250	90
	Trade mark dispute settlement	-	151
	ECGD recovery	1	-
		<hr/>	<hr/>
		251	241
		<hr/>	<hr/>

3 Staff numbers and costs

There were no persons employed by the company during the year (2002 : none). The directors did not receive any remuneration for their services to this company during the year (2002: none).

4 Tax reconciliation

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 : 30%). The differences are explained as follows:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30%	(1,301)	8
Effect of:		
Expenses not deductible	1,398	(26)
Group relief not accounted for	(97)	18
	<hr/>	<hr/>
Current tax charge for the year	-	-
	<hr/>	<hr/>

J & J Crombie Limited

Notes (continued)

5 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost:	
1 April 2002	11,260
Additions	<u>5,001</u>
31 March 2003	16,261
Provisions:	
1 April 2002	2,582
Provided in year	<u>4,888</u>
31 March 2003	7,470
Net book value	
31 March 2003	8,791
31 March 2002	<u>8,678</u>

The principal subsidiary undertakings at the balance sheet date are all registered in England and Wales and are as follows:

Name of company	Principal activity	Class of share capital	Holding %	Country of incorporation
S Schneiders & Sons Limited	Property	Ordinary Preference	100 70.49	Great Britain
Crombie No 1 Limited	Dormant	Ordinary	100	Great Britain
Crombie Limited	Holding Company	Ordinary	100	Great Britain

6 Debtors	2003 £'000	2002 £'000
Amounts falling due within one year:		
Other debtors	<u>6</u>	<u>150</u>
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertaking	5,298	-
Amounts owed by parent and fellow subsidiary undertakings	<u>640</u>	<u>7,104</u>
	5,938	7,104

The loan to the subsidiary undertaking bears interest at 2% above bank base rate.

J & J Crombie Limited

Notes (continued)

7	Creditors: amounts falling due within one year	2003	2002
		£'000	£'000
	Other creditors	-	13
	Accruals and deferred income	250	356
	Amounts owed to subsidiary undertaking	-	987
		<u>250</u>	<u>1,356</u>
8	Creditors: amounts falling due after more than one year	2003	2002
		£'000	£'000
	Amounts owed to subsidiary undertaking	4,797	-
	Amounts owed to parent and fellow subsidiary undertakings	3,155	3,458
	Deferred income (see below)	5,213	5,463
		<u>13,165</u>	<u>8,921</u>

£803,000 of the deferred income relates to the value of a trademark belonging to the company. A fellow group undertaking has, as part of an investment agreement with a Russian company, granted a five year licence for the use of the trademark.

The investment agreement is currently the subject of litigation in London in which the group undertaking is claiming damages for professional negligence from the legal advisers involved in the negotiation of the original investment agreement.

9	Called up equity share capital	2003	2002
		£'000	£'000
	Authorised, allotted, called up and fully paid 5,540,000 ordinary shares of £1 each	5,540	5,540
10	Shareholders' funds		
		Share capital £'000	Profit and loss account £'000
			Shareholders' funds £'000
	At 1 April 2002	5,540	121
	Loss for the financial year	-	(4,337)
		<u>5,540</u>	<u>(4,216)</u>
	At 31 March 2003	5,540	(4,216)
		<u>5,540</u>	<u>1,324</u>

J & J Crombie Limited

Notes *(continued)*

11 Contingent liabilities

Two of the company's previous employer's liability insurers, Iron Trades and Independent Insurance have gone into liquidation resulting in the possibility of unquantifiable risk exposure.

There is a contingent liability of £478,000 in respect of outstanding amounts under a group VAT election. This amount has been fully provided in the accounts of the other members of the group.

12 Parent undertakings, ultimate parent company and transactions with related parties

Hartley Investment Trust Limited, which is incorporated in Great Britain and registered in England and Wales, is the ultimate parent company of J & J Crombie Limited. It is also the parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which J & J Crombie Limited is a member.

Group financial statements of Hartley Investment Trust Limited will be filed with the Registrar of Companies.

As a wholly owned subsidiary of Hartley Investment Trust Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Hartley Investment Trust Limited, on the grounds that group accounts are publicly available from Companies House.