

WALLACES OF AYR LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2002

Company Registration Number SC081527



ROBERT J HART & COMPANY
Chartered Accountants & Registered Auditors
Riversleigh
9 Kilwinning Road
Irvine
Ayrshire KA12 8RR

WALLACES OF AYR LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

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WALLACES OF AYR LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	D.S. Cosh E.A.Y. Cosh B.J. Calder C. Cosh L. Simpson
Company secretary	E.A.Y. Cosh
Registered office	17/19 Burns Statue Square Ayr
Auditors	Robert J Hart & Company Chartered Accountants & Registered Auditors Riversleigh 9 Kilwinning Road Irvine Ayrshire KA12 8RR
Bankers	Clydesdale Bank 43 Alloway Street Ayr KA7 1SP
Solicitors	McMillan Kilpatrick 12 Alloway Place Ayr

WALLACES OF AYR LIMITED

THE DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company during the year were conducted in the retail and wholesale licensed trade.

During the year, the company continued its policy of expanding wholesale operations and the disposal of retail outlets.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 March 2002	At 1 April 2001
D.S. Cosh	Beneficial Interests	287,500	287,500
E.A.Y. Cosh	Beneficial Interests	200,000	200,000
B.J. Calder	Beneficial Interests	-	-
	As Trustee	12,500	12,500
C. Cosh		-	-
L. Simpson		-	-

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 9 to 10, 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 financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

WALLACES OF AYR LIMITED
THE DIRECTORS' REPORT *(continued)*
FOR THE YEAR ENDED 31ST MARCH 2002

DIRECTORS' RESPONSIBILITIES *(continued)*

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. The directors 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.

AUDITORS

A resolution to re-appoint Robert J Hart & Company as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
17/19 Burns Statue Square
Ayr

Signed by order of the directors



E.A.Y. COSH
Company Secretary

Approved by the directors on 13th June 2002

WALLACES OF AYR LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31ST MARCH 2002

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 2 to 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 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 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 31st March 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



ROBERT J HART & COMPANY
Chartered Accountants
& Registered Auditors

Riversleigh
9 Kilwinning Road
Irvine
Ayrshire KA12 8RR

14th June 2002

WALLACES OF AYR LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2002

	Note	2002 £	2001 £
TURNOVER	2	56,495,823	44,702,298
Cost of sales		48,916,852	38,210,383
GROSS PROFIT		<u>7,578,971</u>	<u>6,491,915</u>
Administrative expenses		5,016,373	4,344,287
Other operating income	3	(57,486)	(175,259)
OPERATING PROFIT	4	<u>2,620,084</u>	<u>2,322,887</u>
Interest receivable	7	119,046	73,296
Interest payable	8	(5,319)	(7,108)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,733,811</u>	<u>2,389,075</u>
Tax on profit on ordinary activities	9	(851,722)	(833,251)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>1,882,089</u></u>	<u><u>1,555,824</u></u>

All of the activities of the company are classed as continuing.

The notes on pages 9 to 17 form part of these financial statements.

WALLACES OF AYR LIMITED
FOR THE YEAR ENDED 31ST MARCH 2002

NOTE OF HISTORICAL COST PROFITS

	2002 £	2001 £
Reported profit on ordinary activities before taxation	2,733,811	2,389,075
Realisation of gains recognised in previous periods	237,775	1,072,777
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	4,373	9,999
Historical cost profit on ordinary activities before taxation	<u>2,975,959</u>	<u>3,471,851</u>
Historical cost profit for the year retained after taxation and dividends	<u>2,124,237</u>	<u>2,638,600</u>

The notes on pages 9 to 17 form part of these financial statements.

WALLACES OF AYR LIMITED

BALANCE SHEET

AS AT 31ST MARCH 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Intangible assets	10	442,481	498,949
Tangible assets	11	2,779,041	3,970,896
		<u>3,221,522</u>	<u>4,469,845</u>
CURRENT ASSETS			
Stocks	12	3,938,569	4,469,316
Debtors	13	6,217,767	5,677,628
Cash at bank and in hand		4,691,422	2,792,706
		<u>14,847,758</u>	<u>12,939,650</u>
CREDITORS: Amounts falling due within one year	14	<u>(4,945,938)</u>	<u>(6,158,296)</u>
NET CURRENT ASSETS		9,901,820	6,781,354
TOTAL ASSETS LESS CURRENT LIABILITIES		13,123,342	11,251,199
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(166,271)	(176,217)
		<u>12,957,071</u>	<u>11,074,982</u>
CAPITAL AND RESERVES			
Called-up equity share capital	18	500,000	500,000
Share premium account		97,377	97,377
Revaluation reserve	19	236,840	474,615
Profit and Loss Account	20	12,122,854	10,002,990
SHAREHOLDERS' FUNDS	21	<u>12,957,071</u>	<u>11,074,982</u>

These financial statements were approved by the directors on the 13th June 2002 and are signed on their behalf by:

D.S. COSH
Director

The notes on pages 9 to 17 form part of these financial statements.

WALLACES OF AYR LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2002

	Note	2002	2001
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	1,358,031	519,763
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		119,046	73,296
Interest paid		(5,319)	(7,108)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		113,727	66,188
TAXATION		(979,570)	(582,528)
CAPITAL EXPENDITURE			
Payments to acquire intangible fixed assets		-	(414,683)
Payments to acquire tangible fixed assets		(831,178)	(428,557)
Receipts from sale of fixed assets		1,601,564	2,167,826
NET CASH INFLOW FROM CAPITAL EXPENDITURE		770,386	1,324,586
INCREASE IN CASH	23	<u>1,262,574</u>	<u>1,328,009</u>

The notes on pages 9 to 17 form part of these financial statements.

1. ACCOUNTING POLICIES

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

1. ACCOUNTING POLICIES *(continued)*

(h) Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	<u>56,495,823</u>	<u>44,702,298</u>

3. OTHER OPERATING INCOME

	2002 £	2001 £
Profit on disposal of fixed assets	-	52,453
Other operating income	<u>57,486</u>	<u>122,806</u>
	<u>57,486</u>	<u>175,259</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Amortisation	56,468	35,734
Depreciation	367,385	351,031
Loss on disposal of fixed assets	54,084	-
Profit on disposal of fixed assets	-	(52,453)
Auditors' remuneration		
- as auditors	5,500	4,500
- accountancy	5,500	9,126
Operating lease costs:		
Vehicles	<u>41,589</u>	<u>42,819</u>

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of retail and distribution staff	183	178
Number of administrative staff (including directors)	30	27
	<u>213</u>	<u>205</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	2,925,122	2,520,329
Social security costs	227,851	197,000
Other pension costs	19,848	17,716
	<u>3,172,821</u>	<u>2,735,045</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	384,283	308,290
Value of company pension contributions to money purchase schemes	16,848	14,681
	<u>401,131</u>	<u>322,971</u>

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments (excluding pension contributions):	<u>111,780</u>	<u>96,260</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2002	2001
	No.	No.
Money purchase schemes	<u>5</u>	<u>5</u>

7. INTEREST RECEIVABLE

	2002	2001
	£	£
Bank interest receivable	<u>119,046</u>	<u>73,296</u>

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

8. INTEREST PAYABLE

	2002 £	2001 £
Interest payable on bank borrowing	<u>5,319</u>	<u>7,108</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
In respect of the year:		
Corporation Tax based on the results for the year at 30% (2001 - 30%)	871,067	825,670
(Decrease)/Increase in deferred tax provision (Note 15):		
Capital allowances	303	4,178
Other	<u>(10,249)</u>	<u>3,403</u>
	(9,946)	7,581
	<u>861,121</u>	<u>833,251</u>
Adjustment in respect of previous years:		
Corporation Tax	<u>(9,399)</u>	-
	<u>851,722</u>	<u>833,251</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1st April 2001 and 31st March 2002	<u>564,683</u>
AMORTISATION	
At 1st April 2001	65,734
Charge for the year	<u>56,468</u>
At 31st March 2002	<u>122,202</u>
NET BOOK VALUE	
At 31st March 2002	<u>442,481</u>
At 31st March 2001	<u>498,949</u>

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

11. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Fixtures & Equipment £	Motor Vehicles £	Total £
COST OR VALUATION					
At 1 April 2001	3,153,527	146,419	735,266	1,220,020	5,255,232
Additions	406,964	-	37,598	386,616	831,178
Disposals	(1,489,315)	(146,419)	(208,777)	(170,922)	(2,015,433)
At 31 March 2002	<u>2,071,176</u>	<u>-</u>	<u>564,087</u>	<u>1,435,714</u>	<u>4,070,977</u>
DEPRECIATION					
At 1 April 2001	125,825	-	501,296	657,215	1,284,336
Charge for the year	33,284	-	66,193	267,908	367,385
On disposals	(59,130)	-	(151,964)	(148,691)	(359,785)
At 31 March 2002	<u>99,979</u>	<u>-</u>	<u>415,525</u>	<u>776,432</u>	<u>1,291,936</u>
NET BOOK VALUE					
At 31 March 2002	<u>1,971,197</u>	<u>-</u>	<u>148,562</u>	<u>659,282</u>	<u>2,779,041</u>
At 31 March 2001	<u>3,027,702</u>	<u>146,419</u>	<u>233,970</u>	<u>562,805</u>	<u>3,970,896</u>

Revaluation of fixed assets

The directors carried out a valuation of the company's properties as at 31st March 1999 in conjunction with Chris Hart & Co. The valuation, which was incorporated in the financial statements, was on an open market basis for existing use.

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

11. TANGIBLE FIXED ASSETS *(continued)*

In respect of assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	2002 £	2001 £
NBV of revalued tangible fixed assets:		
Net book value at end of year	<u>1,289,120</u>	<u>2,626,560</u>
Historical cost:		
At 1 April 2001	2,243,749	3,253,608
Disposals in year	(1,108,225)	(1,009,859)
At 31 March 2002	<u>1,135,524</u>	<u>2,243,749</u>
Depreciation:		
At 1 April 2001	91,250	66,572
On disposals	(44,329)	(20,197)
Charge for year	22,710	44,875
At 31 March 2002	<u>69,631</u>	<u>91,250</u>
Net historical cost value:		
At 31 March 2002	<u>1,065,893</u>	<u>2,152,499</u>
At 1 April 2001	<u>2,152,499</u>	<u>3,187,036</u>
Capital commitments		
	2002 £	2001 £
Contracted but not provided for in the accounts	<u>72,562</u>	<u>-</u>

12. STOCKS

	2002 £	2001 £
Goods for resale	<u>3,938,569</u>	<u>4,469,316</u>

In the opinion of the directors, the replacement cost of stocks is not materially different from the value at which they are stated in the accounts.

13. DEBTORS

	2002 £	2001 £
Trade debtors	5,666,181	5,204,108
Other debtors	218,203	154,246
Prepayments and accrued income	333,383	319,274
	<u>6,217,767</u>	<u>5,677,628</u>

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

13. DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year:

	2002 £	2001 £
Other debtors	<u>176,319</u>	<u>-</u>

14. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Bank overdraft	1,312,697	676,555
Trade creditors	2,531,889	4,273,092
Corporation Tax	507,767	625,669
Other taxation and social security	438,113	389,547
Other creditors	-	148,702
Accruals and deferred income	155,472	44,731
	<u>4,945,938</u>	<u>6,158,296</u>

The bank overdraft is secured by a Floating charge over the assets and undertakings of the company.

15. DEFERRED TAXATION

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	176,217	168,636
(Decrease)/increase in provision	(9,946)	7,581
Provision carried forward	<u>166,271</u>	<u>176,217</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002		2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	166,271	-	165,968	-
Other timing differences	-	71,052	10,249	142,385
	<u>166,271</u>	<u>71,052</u>	<u>176,217</u>	<u>142,385</u>

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

16. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 2 to 5 years	-	50,000

17. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

18. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
500,000 Ordinary shares of £1.00 each	500,000	500,000

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	500,000	500,000

19. REVALUATION RESERVE

	2002	2001
	£	£
Balance brought forward	474,615	1,547,392
Transfer to the Profit and Loss Account on realisation	(237,775)	(1,072,777)
Balance carried forward	236,840	474,615

20. PROFIT AND LOSS ACCOUNT

	2002	2001
	£	£
Balance brought forward	10,002,990	7,374,389
Retained profit for the financial year	1,882,089	1,555,824
Transfer from revaluation reserve	237,775	1,072,777
Balance carried forward	12,122,854	10,002,990

WALLACES OF AYR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	1,882,089	1,555,824
Opening shareholders' equity funds	11,074,982	9,519,158
Closing shareholders' equity funds	<u>12,957,071</u>	<u>11,074,982</u>

**22. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating profit	2,620,084	2,322,887
Amortisation	56,468	35,734
Depreciation	367,385	351,031
Loss/(Profit) on disposal of fixed assets	54,084	(52,453)
Decrease/(Increase) in stocks	530,747	(1,387,935)
Increase in debtors	(540,139)	(1,385,626)
(Decrease)/Increase in creditors	(1,730,598)	636,125
Net cash inflow from operating activities	<u>1,358,031</u>	<u>519,763</u>

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £	2001 £
Increase in cash in the period	1,262,574	1,328,009
Movement in net funds in the period	<u>1,262,574</u>	<u>1,328,009</u>
Net funds at 1 April 2001	2,116,151	788,142
Net funds at 31 March 2002	<u>3,378,725</u>	<u>2,116,151</u>

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 2001 £	Cash flows £	At 31 Mar 2002 £
Net cash:			
Cash in hand and at bank	2,792,706	1,898,716	4,691,422
Overdrafts	(676,555)	(636,142)	(1,312,697)
Net funds	<u>2,116,151</u>	<u>1,262,574</u>	<u>3,378,725</u>