

Company Registration Number SC128179

**THE HAWICK CASHMERE COMPANY  
LIMITED  
ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED  
31 DECEMBER 2004**



# THE HAWICK CASHMERE COMPANY LIMITED

## ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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# THE HAWICK CASHMERE COMPANY LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

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### **The Board of Directors**

Lord Sanderson of Bowden  
J A Thomson  
C D R Sanderson  
J M Didsbury  
E E S Young  
G E Thomson  
P H Reddihough  
G R C Wood  
A L Lauder  
G W Scott

### **Company Secretary**

J M Didsbury

### **Registered Office**

Trinity Mills  
Duke Street  
Hawick  
TD9 9QA

### **Auditors**

Chiene & Tait, CA  
61 Dublin Street  
Edinburgh  
EH3 6NL

### **Bankers**

Bank of Scotland  
228 Kilmarnock Road  
Glasgow  
G43 1TS

### **Solicitors**

Shepherd and Wedderburn WS  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2ET

# THE HAWICK CASHMERE COMPANY LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

### Principal activity, review of business and future developments

The principal activity of the business remains the manufacture and sale of knitwear. During the year, the Board has sought to consolidate its retail expansion of recent years and the Geneva Outlet was relocated to larger and more prestigious premises.

The Board has also sought to further develop Whole Garment manufacture within the business. To that effect, the company invested in two additional 12 Needle Whole Garment Machines and also took delivery of an 8 Needle Whole Garment Machine on a trial basis. The 8 Needle Machine on trial is part of the process of further developing Whole Garment manufacture across the gauges.

### 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 recommended the following dividends:

	2004 £	2003 £
Dividends paid on ordinary shares	<u>44,000</u>	<u>44,000</u>

### Donations

The company made charitable donations of £3,484 during the year.

### The directors and their interests in the 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:

	Ordinary Shares of £1 each	
	At 31 December 2004	At 1 January 2004 or later date of appointment
Lord Sanderson of Bowden	23,400	23,400
J A Thomson	97,708	97,708
C D R Sanderson	74,800	74,800
J M Didsbury	2,500	2,500
E E S Young	6,000	6,000
G E Thomson	—	—
P H Reddihough	80,500	80,500
G R C Wood	70,000	70,000
A L Lauder (Appointed 12 May 2004)	—	—
G J B Algie (Retired 2 April 2004)	—	—

G W Scott was appointed a director on 1<sup>st</sup> January 2005.

# THE HAWICK CASHMERE COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

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### **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 8 to 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 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 Chiene & Tait, CA as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



J M Didsbury  
Company Secretary

Approved by the directors on 23 MAY 2005

# THE HAWICK CASHMERE COMPANY LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE COMPANY

### PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

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We have examined the abbreviated accounts on pages 5 to 17, together with the financial statements of the company for the year ended 31 December 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the directors and the 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 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 Act, and the abbreviated accounts on pages 5 to 17 are properly prepared in accordance with those provisions.



CHIENE & TAIT, CA  
Registered Auditors  
61 Dublin Street  
Edinburgh  
EH3 6NL

30 May 2005

# THE HAWICK CASHMERE COMPANY LIMITED

## ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Gross profit		2,131,680	2,024,708
Distribution costs		(748,307)	(732,739)
Administrative expenses		(1,078,855)	(993,568)
Operating profit	2	304,518	298,401
Income from fixed asset investments	5	20,014	15,059
Interest receivable		18,641	6,211
Interest payable	6	(107,553)	(87,350)
Profit on ordinary activities before taxation		235,620	232,321
Tax on profit on ordinary activities	7	(70,421)	(63,442)
Profit on ordinary activities after taxation		165,199	168,879
Dividends	8	(44,000)	(44,000)
Retained profit for the financial year		121,199	124,879

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

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 17 form part of these abbreviated accounts.

# THE HAWICK CASHMERE COMPANY LIMITED

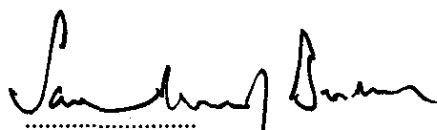
## ABBREVIATED BALANCE SHEET


31 DECEMBER 2004

	Note	£	2004 £	2003 £
<b>Fixed assets</b>				
Tangible assets	9		1,211,195	1,106,872
Investments	10		39,444	39,444
			<u>1,250,639</u>	<u>1,146,316</u>
<b>Current assets</b>				
Stocks	11	1,774,220		1,764,273
Debtors	12	2,044,253		2,053,074
Cash at bank and in hand		83,363		142,477
			<u>3,901,836</u>	<u>3,959,824</u>
Creditors: amounts falling due within one year	13	(1,882,913)		(2,427,087)
<b>Net current assets</b>			<u>2,018,923</u>	<u>1,532,737</u>
<b>Total assets less current liabilities</b>			<u>3,269,562</u>	<u>2,679,053</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(886,427)</u>	<u>(430,262)</u>
			<u>2,383,135</u>	<u>2,248,791</u>
<b>Provisions for liabilities and charges</b>				
Deferred taxation	18		<u>(131,777)</u>	<u>(118,632)</u>
			<u>2,251,358</u>	<u>2,130,159</u>
<b>Capital and reserves</b>				
Called-up equity share capital	20		400,000	400,000
Share premium account	21		110,000	110,000
Capital redemption reserve	21		25,000	25,000
Profit and loss account	21		1,716,358	1,595,159
<b>Shareholders' funds</b>	21		<u>2,251,358</u>	<u>2,130,159</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on the 23 May 2005 and are signed on their behalf by:

  
Lord Sanderson of Bowden

  
J A Thomson

The notes on pages 8 to 17 form part of these abbreviated accounts.



# THE HAWICK CASHMERE COMPANY LIMITED

## CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2004

	Note	£	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	22		558,224	(334,472)
<b>Returns on investments and servicing of finance</b>				
Income from other fixed asset investments		20,014		15,059
Interest received		18,641		6,211
Interest paid		(90,543)		(73,006)
Interest element of hire purchase and finance lease		(17,010)		(14,344)
Net cash outflow from returns on investments and servicing of finance			(68,898)	(66,080)
<b>Taxation</b>			(67,064)	(16,241)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(213,162)		(164,716)
Receipts from sale of fixed assets		—		29,831
Net cash outflow from capital expenditure			(213,162)	(134,885)
<b>Acquisitions and disposals</b>				
Acquisition of shares in group undertakings		—		(30,303)
Net cash outflow from acquisitions and disposals			—	(30,303)
<b>Equity dividends paid</b>			(44,000)	(44,000)
<b>Cash inflow/(outflow) before financing</b>			165,100	(625,981)
<b>Financing</b>				
Purchase of own equity shares		—		(10,000)
Premium on purchase of own equity shares		—		(31,000)
New bank loans		623,106		206,424
(Repayment) of bank loans		(107,113)		(78,235)
Capital element of hire purchase and finance lease		(78,859)		(52,883)
Net outflow from long-term accruals		—		(19,723)
Net cash inflow from financing			437,134	14,583
<b>Increase/(decrease) in cash</b>	23		602,234	(611,398)

The notes on pages 8 to 17 form part of these abbreviated accounts.

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

Group financial statements are not prepared, as the group is considered a medium sized group and is entitled to the exemption from the requirement to prepare group financial statements under section 248 of the Companies Act 1985.

#### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 4% straight line
Plant & Machinery	- 15% reducing balance
Fixtures & Fittings	- 15% reducing balance and 25% straight line
Motor Vehicles	- 25% straight line

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### **Finance lease agreements**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### **Deferred taxation**

Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

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### 1. Accounting policies *(continued)*

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward currency contract rate.

#### Derivative instruments

The group uses derivative financial statements to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency as the hedged item and must reduce the risk of foreign currency exchange movements on the companies operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the companies financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

### 2. Operating profit

Operating profit is stated after charging:

	2004 £	2003 £
Depreciation of owned assets	174,749	145,671
Depreciation of assets held under hire purchase and finance lease agreements	43,098	30,647
Loss on disposal of fixed assets	992	5,879
Auditors' remuneration		
- as auditors	10,216	9,125
Operating lease costs:		
Land and buildings	—	12,500
Plant and equipment	7,236	6,468

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 3. Particulars of employees

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

	2004 No	2003 No
Production	131	127
Administrative	13	13
Retail	32	29
	<u>176</u>	<u>169</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	2,632,052	2,419,147
Social security costs	188,496	172,509
Other pension costs	116,444	111,942
	<u>2,936,992</u>	<u>2,703,598</u>

### 4. Directors' emoluments

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

	2004 £	2003 £
Emoluments receivable	<u>538,426</u>	<u>521,837</u>

**Emoluments of highest paid director:**

	2004 £	2003 £
Total emoluments (excluding pension contributions)	<u>89,357</u>	<u>85,505</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004 No	2003 No
Money purchase schemes	<u>7</u>	<u>6</u>

### 5. Income from fixed asset investments

	2004 £	2003 £
Income from other fixed asset investments	<u>20,014</u>	<u>15,059</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 6. Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	90,543	73,006
Finance charges	17,010	14,344
	<u>107,553</u>	<u>87,350</u>

### 7. Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	57,278	67,066
Over provision in prior periods	(2)	(1,507)
Total current tax	<u>57,276</u>	<u>65,559</u>
Deferred tax:		
Origination and reversal of timing differences	13,145	(2,117)
Tax on profit on ordinary activities	<u>70,421</u>	<u>63,442</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>235,620</u>	<u>232,321</u>
Profit on ordinary activities multiplied by rate of tax	70,686	69,696
Expenses not deductible for tax purposes	10,202	9,174
Depreciation in advance of capital allowances	(5,753)	(322)
Small companies relief	(7,786)	(6,964)
Over provision in prior periods	(2)	(1,507)
Other short term timing differences	(4,067)	-
Sundry tax adjusting items	(6,004)	(4,518)
Total current tax (note 7(a))	<u>57,276</u>	<u>65,559</u>

### 8. Dividends

The following dividends have been paid in respect of the year:

	2004 £	2003 £
Dividend paid on ordinary shares	<u>44,000</u>	<u>44,000</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 January 2004	411,763	1,614,769	302,698	11,769	2,340,999
Additions	—	292,830	30,332	—	323,162
Disposals	—	(6,750)	(707)	—	(7,457)
<b>At 31 December 2004</b>	<b>411,763</b>	<b>1,900,849</b>	<b>332,323</b>	<b>11,769</b>	<b>2,656,704</b>
<b>Depreciation</b>					
At 1 January 2004	125,319	932,684	168,278	7,846	1,234,127
Charge for the year	15,270	135,435	64,200	2,942	217,847
On disposals	—	(5,935)	(530)	—	(6,465)
<b>At 31 December 2004</b>	<b>140,589</b>	<b>1,062,184</b>	<b>231,948</b>	<b>10,788</b>	<b>1,445,509</b>
<b>Net book value</b>					
<b>At 31 December 2004</b>	<b>271,174</b>	<b>838,665</b>	<b>100,375</b>	<b>981</b>	<b>1,211,195</b>
At 31 December 2003	286,444	682,085	134,420	3,923	1,106,872

#### Hire purchase and finance lease agreements

Included within the net book value of £1,211,195 is £244,224 (2003 - £156,991) relating to assets held under hire purchase agreements, and £Nil (2003 - £3,923) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £43,098 (2003 - £27,705), and £Nil (2003 - £2,942) in respect of assets held under finance lease agreements.

### 10. Investments

#### Investment in group undertakings

	£
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<u>39,444</u>
<b>Net book value</b>	
<b>At 31 December 2004</b>	<u>39,444</u>
At 31 December 2003	<u>39,444</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 10. Investments *(continued)*

The above investments are represented by:

100% of the issued share capital of Hawick Cashmere SARL, a company registered in Switzerland. It operates shops in Geneva, St Moritz and Villars, Switzerland.

100% of the issued share capital of Hawick Cashmere GmbH, a company registered in Germany. It operates a shop in Baden-Baden, Germany.

50% of the issued share capital of Lucien Pellat-Finet (Scotland) Limited, a company incorporated in Scotland. It operates from within the company's own shop in Edinburgh.

	2004 £	2003 £
<b>Aggregate capital and reserves</b>		
Hawick Cashmere SARL	58,382	46,540
Hawick Cashmere GmbH	36,101	28,859
Lucien Pellat-Finet (Scotland) Limited	39,656	100
<b>Profit or (loss) for the year</b>		
Hawick Cashmere SARL	11,842	832
Hawick Cashmere GmbH	7,242	(6,353)
Lucien Pellat-Finet (Scotland) Limited	39,556	—

### 11. Stocks

	2004 £	2003 £
Raw materials	293,968	187,748
Work in progress	426,725	401,646
Finished goods	1,053,527	1,174,879
	<u>1,774,220</u>	<u>1,764,273</u>

### 12. Debtors

	2004 £	2003 £
Trade debtors	1,137,025	1,193,782
Amounts owed by group undertakings	839,380	784,551
Other debtors	15,874	14,684
Prepayments and accrued income	51,974	60,057
	<u>2,044,253</u>	<u>2,053,074</u>

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

	2004 £	2003 £
Amounts owed by group undertakings	<u>488,550</u>	<u>179,616</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 13. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	920,949	1,523,959
Trade creditors	486,858	445,289
Corporation tax	57,278	67,066
Other taxation and social security	89,955	60,649
Hire purchase and finance lease agreements	78,274	55,570
Other creditors	6,824	28,199
Accruals and deferred income	242,775	246,355
	<u>1,882,913</u>	<u>2,427,087</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004 £	2003 £
Bank loans and overdrafts	<u>920,949</u>	<u>1,523,959</u>

### 14. Creditors: amounts falling due after more than one year

	2004 £	2003 £
Bank loans and overdrafts	730,294	272,639
Hire purchase and finance lease agreements	101,151	92,714
	<u>831,445</u>	<u>365,353</u>
Accruals and deferred income	54,982	64,909
	<u>886,427</u>	<u>430,262</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2004 £	2003 £
Bank loans and overdrafts	<u>730,294</u>	<u>272,639</u>

### 15. Creditors – bank loans

Creditors include bank loans which are due for repayment as follows:

	2004 £	2003 £
Amounts repayable:		
In one year or less or on demand	171,393	113,055
In more than one year but not more than two years	146,138	88,348
In more than two years but not more than five years	406,431	133,705
In more than five years	177,725	50,586
	<u>901,687</u>	<u>385,694</u>



# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 16. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	78,274	55,570
Amounts payable between 1 and 2 years	49,154	58,258
Amounts payable between 3 and 5 years	51,997	34,456
	<u>179,425</u>	<u>148,284</u>

### 17. Pensions

The company operates a defined contribution pensions scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The pension charge for the period was £116,444 (2003: £111,942). At 31 December 2004 contributions of £3,618 (2003: £4,358) were payable to the fund and are included within creditors.

### 18. Deferred taxation

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	118,632	120,749
Profit and loss account movement arising during the year	13,145	(2,117)
Provision carried forward	<u>131,777</u>	<u>118,632</u>

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

	2004 £	2003 £
Accelerated capital allowances	132,344	123,265
Other adjustments	(567)	(4,633)
	<u>131,777</u>	<u>118,632</u>

### 19. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	7,875	3,077	7,875	–
Within 2 to 5 years	34,650	4,275	31,050	6,477
After more than 5 years	55,000	–	55,000	–
	<u>97,525</u>	<u>7,352</u>	<u>93,925</u>	<u>6,477</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 20. Share capital

#### Authorised share capital:

	2004 £	2003 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

#### Allotted, called up and fully paid:

	2004 No	£	2003 No	£
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

### 21. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total shareholders' funds £
Balance brought forward at 1 January 2003	410,000	110,000	15,000	1,511,280	2,046,280
Retained profit for the year	—	—	—	124,879	124,879
Other movements					
Purchase of own shares	<u>(10,000)</u>	<u>—</u>	<u>10,000</u>	<u>(41,000)</u>	<u>(41,000)</u>
Balance brought forward at 1 January 2004	400,000	110,000	25,000	1,595,159	2,130,159
Retained profit for the year	—	—	—	121,199	121,199
Balance carried forward at 31 December 2004	<u>400,000</u>	<u>110,000</u>	<u>25,000</u>	<u>1,716,358</u>	<u>2,251,358</u>

### 22. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004 £	2003 £
Operating profit	304,518	298,401
Depreciation	217,847	176,318
Loss on disposal of fixed assets	992	5,879
Grants released	(11,840)	—
Increase in stocks	(9,947)	(70,266)
Decrease/(increase) in debtors	8,821	(923,385)
Increase in creditors	47,833	178,581
Net cash inflow/(outflow) from operating activities	<u>558,224</u>	<u>(334,472)</u>

# THE HAWICK CASHMERE COMPANY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

### 23. Reconciliation of net cash flow to movement in net debt

	£	2004 £	2003 £
Increase/(decrease) in cash in the year	602,234		(611,398)
Net cash inflow from bank loans	(515,993)		(128,189)
Cash outflow in respect of hire purchase and finance lease	78,859		52,883
Net cash outflow from long-term accruals	-		19,723
<b>Change in net debt resulting from cash flows</b>		<b>165,100</b>	<b>(666,981)</b>
New finance leases		(110,000)	-
Grants due after 1 year released		9,927	-
<b>Movement in net debt in the period</b>		<b>65,027</b>	<b>(666,981)</b>
Net debt at 1 January 2004		(1,867,314)	(1,200,333)
Net debt at 31 December 2004		(1,802,287)	(1,867,314)

### 24. Analysis of changes in net debt

	At 1 Jan 2004 £	Cash flows £	Other changes £	At 31 Dec 2004 £
Net cash:				
Cash in hand and at bank	142,477	(59,114)	-	83,363
Overdrafts	(1,410,904)	661,348	-	(749,556)
	(1,268,427)	602,234	-	(666,193)
Debt:				
Debt due within 1 year	(113,055)	(58,338)	-	(171,393)
Debt due after 1 year	(337,548)	(457,655)	9,927	(785,276)
Hire purchase and finance lease agreements	(148,284)	78,859	(110,000)	(179,425)
	(598,887)	(437,134)	(100,073)	(1,136,094)
<b>Net debt</b>	<b>(1,867,314)</b>	<b>165,100</b>	<b>(100,073)</b>	<b>(1,802,287)</b>

### 25. Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £110,000 (2003 - £Nil).