

STEWARTS OF EDINBURGH LIMITED

YEAR ENDED 31 MARCH 2010

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

REGISTERED COMPANY NUMBER: SC262691



STEWARTS OF EDINBURGH LIMITED

FINANCIAL STATEMENTS

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STEWARTS OF EDINBURGH LIMITED

DIRECTORS

K Murray
T O'Hare
M Reid
J Mahoney

SECRETARY

J Mahoney

BANKERS

Clydesdale Bank plc
Edinburgh

Bank of Scotland plc
Edinburgh

AUDITORS

Scott-Moncrieff
Chartered Accountants

REGISTERED OFFICE

1 Lister Road
Kirkton Campus
Livingston
EH54 7BL

REGISTERED NUMBER

SC262691

STEWARTS OF EDINBURGH LIMITED

DIRECTORS' REPORT

The directors submit their report and financial statements for the year to 31 March 2010.

DIRECTORS

The directors of the company in 2009 and 2010 were as follows:-

T O'Hare
M Reid
K Murray
J Mahoney

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £21,197 (2009: Loss £338,119).

The directors recommend that no dividend be paid, and that the loss be met from reserves.

PRINCIPAL ACTIVITIES

Stewarts of Edinburgh Limited's principal activities are digital and print media, direct marketing, print management, and office supplies.

Arthurs Seat Management Limited was dormant for the year.

REVIEW OF THE BUSINESS

The company operates a Group Money Purchase Defined Contribution Scheme for its employees. The employer costs are shown within note 3 to these financial statements.

The company had a subdued trading performance as a result of extremely competitive market conditions, combined with increased costs of raw materials and energy. Whilst market conditions were challenging, in particular within the financial services sector, renewed business development success resulted in winning new contracts from new and existing clients from a broader spectrum of business sectors.

The company continued its investment programme in the digital media technology and direct mail equipment to provide comprehensive cross-platform media solutions.

FUTURE DEVELOPMENTS

Whilst the company expects market conditions to remain challenging, it is committed to increasing sales from target markets, and will continue to achieve further market opportunities through operational efficiencies resulting from its investment programme. The company's continued commitment to its investment programme and specialist skills base will facilitate a robust service to clients over the medium and long term.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's governance structure is designed to oversee the proper management of risks inherent in conducting business. Internal processes and procedures have been implemented to manage financial integrity, business, operational and legal compliance risk.

Competitive pressure in the UK, mainly through downward pressure on price, is a continuing risk for the group, which could result in losing sales to key competitors. The group manages this risk by maintaining strong relationships with our customers and providing them with the best value and service we can offer.

STEWARTS OF EDINBURGH LIMITED

DIRECTORS' REPORT (Continued)

The most important aspects of financial risk are interest rate risk, credit risk and liquidity risk.

KEY PERFORMANCE INDICATORS

Stock / sales days 9.9

Debtor days at year end 38.0

Debtor days average 64.3

Creditor days at year end 73.3.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

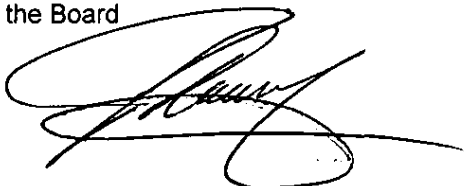
- a) so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- b) the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

AUDITORS

A resolution to reappoint Scott-Moncrieff, as auditors, will be put to the members at the annual general meeting.

By order of the Board

J Mahoney
Secretary



Date: 28/4/2011

STEWARTS OF EDINBURGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STEWARTS OF EDINBURGH LIMITED

YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Stewarts of Edinburgh Limited for the year ended 31 March 2010 which comprise the Group Profit and Loss Account, the Group Statement of Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group'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 group'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

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 21 to the financial statements concerning the ongoing negotiations whereby the company may bear the liabilities of its subsidiary company's pension scheme.

The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Opinion on other matter(s) prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

STEWARTS OF EDINBURGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STEWARTS OF EDINBURGH LIMITED

YEAR ENDED 31 MARCH 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Donald Forsyth

**Donald Forsyth (Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL**

Date: *28 April 2011*

STEWARTS OF EDINBURGH LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2010

	Notes	Total 2010 £	Total 2009 £
Turnover	2	6,522,346	5,913,942
Cost of sales		(3,668,331)	(3,482,949)
Gross profit		2,854,015	2,430,993
Administrative expenses		(2,382,049)	(2,226,141)
Depreciation	8	(390,488)	(429,791)
Exceptional costs	20	(76,888)	(126,797)
Operating profit/(loss)	5	4,590	(351,736)
Other income and interest receivable	4	92,141	27,120
Interest payable and similar charges	6	(114,720)	(124,637)
Loss on ordinary activities before taxation		(17,989)	(449,253)
Tax on loss on ordinary activities	7	(3,028)	111,134
Loss on ordinary activities after taxation	17	(21,017)	(338,119)

All amounts relate to continuing operations.

The notes on pages 12 to 24 form part of the financial statements.

STEWARTS OF EDINBURGH LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 MARCH 2010

	Notes	Total 2010 £	Total 2009 £
Loss for the year		(21,197)	(338,119)
Actuarial loss recognised in the pension scheme	19	-	(914,000)
Total recognised gains and losses for the year		<u>(21,197)</u>	<u>(1,625,000)</u>

The notes on pages 12 to 24 form part of the financial statements.

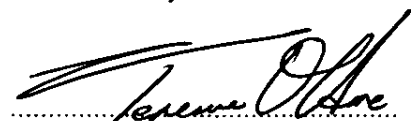
STEWARTS OF EDINBURGH LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	£	2010	£	£	2009	£
Fixed assets							
Tangible assets	8			3,166,037			3,413,970
Investment	9			2,428			2,428
				<u>3,168,465</u>			<u>3,416,398</u>
Current assets							
Stock	10	177,189			315,611		
Debtors	11	1,043,825			1,192,943		
Cash at bank and in hand		163,538			65,679		
		<u>1,384,552</u>			<u>1,574,233</u>		
Creditors: Amounts falling due within one year	12	(1,373,536)			(1,538,841)		
Net current assets				<u>11,016</u>			<u>35,395</u>
Total assets less current liabilities				<u>3,179,481</u>			<u>3,451,790</u>
Creditors: Amounts falling due after more than one year	13		(1,803,010)			(2,057,330)	
Provision for liabilities	15		(61,750)			(58,722)	
Pension scheme deficit	19		(576,000)			(576,000)	
Net assets				<u>738,721</u>			<u>759,738</u>
Capital and reserves							
Equity share capital	16		78,260			78,260	
Share premium			75,000			75,000	
Profit and loss account	17		585,461			606,478	
Total shareholders' funds	18		<u>738,721</u>			<u>759,738</u>	

The financial statements were authorised for issue by the board of directors on 28/4/11 2011 and signed on their behalf by:



T O'HARE

Director

Registered Company Number: SC262691

The notes on pages 12 to 24 form part of the financial statements.

STEWARTS OF EDINBURGH LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	8		3,166,037		3,413,970
Investment	9		2,428		2,428
Investment in subsidiary			-		-
			<u>3,168,465</u>		<u>3,416,398</u>
Current assets					
Stock	10	177,189		315,611	
Debtors	11	1,043,825		1,192,943	
Cash at bank and in hand		163,538		65,679	
		<u>1,384,552</u>		<u>1,574,233</u>	
Creditors: Amounts falling due within one year	12	<u>(1,373,536)</u>		<u>(1,538,841)</u>	
Net current assets			<u>11,016</u>		<u>35,395</u>
Total assets less current liabilities			<u>3,179,481</u>		<u>3,451,790</u>
Creditors: Amounts falling due after more than one year	13		(1,803,010)		(2,057,330)
Provision for liabilities	15		(61,750)		(58,722)
Net assets			<u>1,314,721</u>		<u>1,335,738</u>
Capital and reserves					
Equity share capital	16		78,260		78,260
Share premium			75,000		75,000
Profit and loss account	17		1,161,461		1,182,478
Total shareholders' funds	18		<u>1,314,721</u>		<u>1,335,738</u>

The financial statements were authorised for issue by the board of directors on 29/4/11 2011 and signed on their behalf by:

 T. O'HARE Director

Registered Company Number: SC262691

The notes on pages 12 to 24 form part of the financial statements.

STEWARTS OF EDINBURGH LIMITED

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

	2010		2009	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		883,600		490,086
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	436		7,864	
HP interest paid	(56,261)		(48,926)	
Other interest paid	(58,459)		(75,711)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(114,284)		(116,773)
TAXATION				
Corporation tax paid		-		-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets	(95,060)		(54,026)	
Receipts from sales of tangible fixed assets	5,700		-	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(89,360)		(54,026)
ACQUISITIONS AND DISPOSALS				
Purchase of subsidiary undertaking		-		(126,797)
NET CASH INFLOW BEFORE FINANCING		679,956		192,490
FINANCING				
Capital element of HP payments	(196,757)		(164,645)	
Loan received	-		1,120,000	
Loan repaid	(82,696)		(1,147,563)	
NET CASH OUTFLOW FROM FINANCING		(279,453)		(192,208)
INCREASE IN CASH		400,503		282

The notes on pages 12 to 24 form part of the financial statements.

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2010	2009
	£	£
Operating profit/(loss)	4,590	(351,736)
Depreciation charges	390,488	429,791
Purchase of subsidiary undertaking	-	126,797
Government grant	91,705	-
Gain on sale of fixed asset	(5,700)	-
Dividend from trade investment	-	19,256
Decrease/(Increase) in stocks	138,422	(91,905)
Decrease in debtors	149,118	14,640
Increase in creditors	114,977	343,243
NET CASH INFLOW FROM OPERATING ACTIVITIES	883,600	490,086

RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

Increase in cash in the year	400,503	282
Inception of HP agreements	(47,495)	(202,539)
Cash outflow from decrease in debt and lease financing	279,453	192,208
Movement in net debt in the year	632,461	(10,049)
Net funds at 1 April 2009	(2,573,749)	(2,261,056)
Net funds at 31 March 2010	(1,941,288)	(2,573,749)

ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2009	Cash flow	Other non-cash changes	At 31 March 2010
	£	£	£	£
Cash	65,679	97,859	-	163,538
Invoice financing	(302,644)	302,644	-	-
Debt due within one year	(82,696)	(6,420)	-	(89,116)
Debt due after one year	(979,215)	89,116	-	(890,099)
Hire purchase agreements	(1,274,873)	196,757	(47,495)	(1,125,611)
	(2,573,749)	679,956	(47,495)	(1,941,288)

The notes on pages 12 to 24 form part of the financial statements.

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and subsidiary undertakings for the financial year. No profit and loss account has been prepared for the company as provided by Section 408 of the Companies Act 2006.

DEPRECIATION

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:-

Buildings	over 50 years following year of acquisition
Plant and machinery	over 3 to 10 years
Fixtures and fittings	over 3 to 10 years
Office equipment	over 2 to 5 years
Motor vehicles	over 4 years

STOCK

Stock is stated at the lower of cost and net realisable value as follows:-

Finished stock	Cost of direct materials and labour plus production overhead
Raw materials	Purchase cost
Work in progress	Cost of direct materials and labour plus production overhead
Office products	Purchase cost

In the case of material short term contracts, turnover reflects costs incurred to date plus an estimate of attributable profit based on the level of completion. Profit is recognised only when the outcome can be foreseen with reasonable certainty. Full provision is made for all known or expected losses on contracts.

DEFERRED TAXATION

Deferred taxation is provided in respect of the tax effect of all timing differences in accordance with FRS 19.

GOVERNMENT GRANTS

Government grants are credited to other income in the period to which they relate.

LEASES

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

STEWARTS OF EDINBURGH LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****YEAR ENDED 31 MARCH 2010****1. ACCOUNTING POLICIES (continued)****PENSION COSTS**

The company operates a defined contribution pension scheme in respect of its employees. The assets of the scheme are held separately from those of the company. The pension cost charge represents the amount of contributions payable by the company to the scheme during the year.

2. TURNOVER

Turnover represents the value of goods sold during the year after discounts and excludes Value Added Tax.

The turnover and pre-tax profit or loss is attributable to the company's principal activities of print and digital media, print management and office supplies.

3. STAFF COSTS

Group and company	2010 £	RESTATED 2009 £
Wages and salaries	1,945,821	2,070,292
Social security costs	208,786	217,557
Other pension costs	65,567	75,627
	<u>2,220,174</u>	<u>2,363,476</u>

Staff costs for the year ended 31 March 2009 did not include allowances of £87,745 which the company paid to staff. The directors are of the opinion that these allowances should have been disclosed as part of staff costs and as such have included this adjustment above. This has no impact on the reported loss for the current or prior year.

At 31 March 2010, unpaid pension contributions amounted to £22,656 (2009: £10,627).

The average number of employees during the year was made up as follows:

- Manufacturing and trading	64	65
- Administration	5	7
	<u>69</u>	<u>72</u>

4. OTHER INCOME

Group and company	2010 £	2009 £
Bank deposit interest	436	7,864
Government grant	91,705	-
Dividend from trade investment	-	19,256
	<u>92,141</u>	<u>27,120</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

5. OPERATING PROFIT/(LOSS)

Group and company	2010 £	2009 £
This is stated after charging:-		
Auditors' remuneration - audit services	12,000	12,000
Depreciation on owned assets	121,418	195,770
Depreciation on assets on HP/finance lease	269,071	234,021
Operating lease charges	97,250	125,686
Directors' remuneration	341,069	392,349
Highest paid director:-		
Total emoluments	107,892	107,102
The number of directors who are members of the defined contribution scheme is:	3	3

6. INTEREST PAYABLE

Group and company	2010 £	2009 £
Interest on hire purchase agreements repayable over 5 years	56,261	48,926
Interest on bank loans and overdraft repayable within 1 year	12,409	3,760
Interest on bank loans and overdraft repayable over 5 years	46,050	71,951
	<u>114,720</u>	<u>124,637</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2010 £	2009 £
Current tax		
Adjustment in respect of previous years	-	(9,500)
Total current tax (see (a) below)	<u>-</u>	<u>(9,500)</u>
Deferred tax		
Adjustment in respect of previous years	-	(7,721)
Origination and reversal of timing differences	3,028	(93,913)
Total deferred tax (see (b) below)	<u>3,028</u>	<u>(101,634)</u>
Total tax on loss on ordinary shares	<u>3,028</u>	<u>(111,134)</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

	2010 £	2009 £
(a) Factors affecting tax charge in year		
The tax assessed for the year differs from the standard rate of tax as follows:		
Loss on ordinary activities before tax	(17,989)	(449,253)
Tax on loss on ordinary activities at effective rate of tax 21% (2009: 28%)	(5,037)	(125,791)
Expenses not deductible for tax purposes	8,065	31,878
Depreciation in excess of capital allowances	2,390	89,714
Other short-term timing differences	(5,418)	-
Adjustment in respect of previous years	-	(9,500)
Unrelieved tax losses and other deductions	-	4,199
	-	(9,500)
(b) Deferred tax		
Origination and reversal of timing differences	3,028	-
(c) Factors that may affect future tax changes		

There are no factors which the directors are aware that would significantly affect future tax charges.

8. TANGIBLE ASSETS
Group and company

	Land & Buildings £	Plant & Machinery £	Fixtures & Fittings £	Office Equipment £	Motor Vehicles £	Total £
COST OR VALUATION						
At 31 March 2009	1,596,394	3,281,985	42,987	242,494	69,937	5,233,797
Additions	-	635	2,768	82,727	56,425	142,555
Disposals	-	-	-	-	(47,547)	(47,547)
At 31 March 2010	1,596,394	3,282,620	45,755	325,221	78,815	5,328,805
DEPRECIATION						
At 31 March 2009	-	1,563,633	17,272	172,565	66,357	1,819,827
Provided during the year	17,501	320,090	7,532	41,785	3,580	390,488
Disposals	-	-	-	-	(47,547)	(47,547)
At 31 March 2010	17,501	1,883,723	24,804	214,350	22,390	2,162,768
NET BOOK VALUE						
At 31 March 2010	1,578,893	1,398,897	20,951	110,871	56,425	3,166,037
At 31 March 2009	1,596,394	3,281,985	42,987	242,494	69,937	5,233,797

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

8. TANGIBLE ASSETS (continued)

Group and company

Included in plant and machinery above are assets held under HP/finance leases with a net book value of £1,405,370 (2009: £1,618,076) and a depreciation charge of £269,071 (2009: £234,021).

9. INVESTMENTS

		2010 £	2009 £
(a) Investment in Subsidiary Company:-	Cost	-	-
	Permanent diminution	-	-
		<u>-</u>	<u>-</u>
(b) Trade Investment:		<u>2,428</u>	<u>2,428</u>

(a) The investment in subsidiary company comprises:-

Name	Location	Type of Shares Held	Proportion of Shares Held	Nature of Business
Arthurs Seat Management Ltd.	Scotland	Ord. Shares of £1 each	100%	Non-trading Company

The aggregate value of the capital and reserves of Arthurs Seat Management Ltd. at 31 March 2010 was £(576,000) (2009: £(576,000)). Arthurs Seat Management Ltd. ceased to trade on 13 May 2004, and made a profit of £nil in the year to 31 March 2010 (2009: £nil).

(b) The trade investment comprises 5,925 shares in Reflex Holdings Ltd.

The market value of this investment at 31 March 2010, based on recent share transactions, is £41,475 (2009: £41,475).

10. STOCK

Group and company

	2010 £	2009 £
Finished stock	57,568	35,530
Raw materials	34,192	48,763
Work in progress	46,500	175,363
Office products for resale	38,929	55,955
	<u>177,189</u>	<u>315,611</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

11. DEBTORS

Group and company	2010 £	2009 £
Trade debtors	891,826	1,015,262
Prepayments	109,856	137,603
Current corporation tax	9,500	9,500
Other taxes and social security costs	32,643	30,578
	<u>1,043,825</u>	<u>1,192,943</u>

12. CREDITORS: Amounts falling due within one year

Group and company	2010 £	2009 £
Trade creditors	914,375	781,879
Current instalment on invoice discounting	-	302,644
Other taxes and social security costs	62,200	61,210
Current instalment on loan	89,116	82,696
Current instalment on hire purchase account	212,700	196,758
Other creditors	69,678	57,983
Accruals	25,467	55,671
	<u>1,373,536</u>	<u>1,538,841</u>

The invoice discounting facility is secured over a percentage of the parent company's trade debtors.

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

Group and company	2010 £	2009 £
Loans		
Clydesdale Bank plc	979,215	1,061,911
Less: current instalment	(89,116)	(82,696)
	<u>890,099</u>	<u>979,215</u>
Closing balance		
	<u>890,099</u>	<u>979,215</u>
Amounts falling due:		
One to two years	96,034	89,116
Between two and five years	335,196	311,049
After five years	458,869	579,050
	<u>890,099</u>	<u>979,215</u>

The bank loan is secured by a floating charge and standard security over the company's premises. The bank loans are under two agreements. The interest charged on these loans is 8.27% and 7.28% per annum.

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

13. CREDITORS: Amounts falling due after more than one year (continued)

Group and company	2010 £	2009 £
Hire purchase		
Hire purchase liabilities	1,125,610	1,274,873
Less: current instalment	(212,700)	(196,758)
	<u>912,911</u>	<u>1,078,115</u>
Closing balance		
	<u>912,911</u>	<u>1,078,115</u>
Hire purchase loans are secured over the assets to which they relate.		
Total amounts falling due:		
One to two years	212,575	212,700
Between two and five years	700,336	565,937
After five years	-	299,478
	<u>912,911</u>	<u>1,078,115</u>
	<u>912,911</u>	<u>1,078,115</u>
Total amounts falling due after more than one year	1,803,010	2,057,330
	<u>1,803,010</u>	<u>2,057,330</u>

14. OPERATING LEASE COMMITMENTS

The group and company's commitments under operating leases for the next year are for leases expiring:

	2010 £	2009 £
Plant and Machinery		
Within one year	38,947	39,000
Between one and two years	-	84,520
Between two and five years	-	-
	<u>38,947</u>	<u>123,520</u>
	<u>38,947</u>	<u>123,520</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

15. PROVISIONS FOR LIABILITIES

Group and company	2010 £	2009 £
Provision for deferred tax:		
Accelerated capital allowances	157,089	159,479
Tax losses carried forward and other deductions	(95,339)	(100,757)
	<u>61,750</u>	<u>58,722</u>
 Movements in the year were as follows:		
Opening provision	58,722	160,356
Adjustments in respect of previous year	-	(7,721)
Deferred tax charge/(release) in profit and loss account for year	3,028	(93,913)
Closing provision	<u>61,750</u>	<u>58,722</u>

16. EQUITY SHARE CAPITAL

	2010 £	2009 £
Issued		
Ordinary shares of £1 each fully paid	<u>78,260</u>	<u>78,260</u>

17. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
At 1 April 2009	606,478	944,597	1,182,478	1,520,597
Loss for the year	(21,017)	(338,119)	(21,017)	(338,119)
 At 31 March 2010	<u>585,461</u>	<u>606,478</u>	<u>1,161,461</u>	<u>1,182,478</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Loss on ordinary activities after taxation	(21,017)	(338,119)	(21,017)	(338,119)
Opening shareholders' funds at 1 April 2009	759,738	1,097,857	1,182,478	1,520,597
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds at 31 March 2010	<u>738,721</u>	<u>759,738</u>	<u>1,161,461</u>	<u>1,182,478</u>

19. PENSION COSTS AND ARRANGEMENTS

The subsidiary company, Arthurs Seat Management Limited, operates a defined benefit scheme, known as the Geo. Stewart & Co. Ltd. Retirement Benefits Scheme. The assets of the scheme are held separately from those of the subsidiary, being invested with Britannic Asset Management Limited.

In accordance with the Pensions Act 1995, full independent actuarial valuations of the subsidiary's defined benefit scheme are carried out every three years. The valuation to 30 June 2008 is not yet available.

The pension cost figures used in these financial statements comply with the new pension cost accounting standard, Financial Reporting Standard 17 ("FRS 17").

The Geo. Stewart & Co. Ltd. Retirement Benefits Scheme was closed to new members from 6 February 2002. On 7 May 2004, both the Company and Members ceased to pay contributions to the Scheme. On that date the accrual of future benefits also ceased.

Under the projected unit method the current service cost of the closed scheme will increase as the remaining employee members approach retirement.

The most recent independent actuarial valuation of the scheme was carried out at 30 June 2005, and used the projected unit method. The key financial assumptions adopted were:

Investment returns	6.5% p.a.
Pension increases:	
Pension accrued after 5 April 1988	3.0% p.a.
Pension accrued after 5 April 1997	2.25% p.a.
Annuity rate of interest	5.5% p.a.

The MFR valuation showed that the market value of the scheme's assets was £3,007,000 and that the actuarial value of these assets represented 117.8% of the liabilities of the scheme.

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

19. PENSION COSTS AND ARRANGEMENTS (Continued)

A full actuarial valuation for the Geo. Stewart & Co. Ltd. Retirement Benefits Scheme was carried out on 30 June 2005. This valuation has been updated to 31 March 2008 by Spence & Partners Limited, qualified independent actuaries. A valuation has not been prepared for the scheme at 31 March 2009 or 31 March 2010.

The financial assumptions used by the actuary to calculate the scheme's liabilities for the previous two years where a formal valuation was undertaken were as follows:

	At 31 March 2008	At 31 March 2007
Rate of increase in deferred pensions during deferment	3.5% p.a.	2.0% p.a.
Increase to pensions in payment	3.5% p.a.	2.0% p.a.
Discount rate	6.8% p.a.	5.5% p.a.
Inflation	3.6% p.a.	2.0% p.a.

The assets in the scheme, and the expected rates of return were:

	At 31 March 2008		At 31 March 2007	
	Expected rate of return	Value £	Expected rate of return	Value £
Equities	7.00%	2,879,000	6.70%	3,091,000
Bonds	5.70%	338,000	5.50%	290,000
Other	5.25%	345,000	4.75%	469,000
Property	7.00%	<u>83,000</u>	-	<u>-</u>
Total market value of assets		3,645,000		3,850,000
Present value of scheme liabilities		<u>(4,221,000)</u>		<u>(3,601,000)</u>
(Deficit)/surplus in the scheme		£(576,000)		£249,000

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

20. PENSION COSTS AND ARRANGEMENTS (Continued)

Analysis of amounts credited to other finance income

	2008 £	2007 £
Expected return on pension scheme assets	243,000	237,000
Interest on pension liabilities	<u>(195,000)</u>	<u>(190,000)</u>
	<u>£48,000</u>	<u>£47,000</u>

Analysis of amount recognised in statement of total recognised gains and losses

	2008 £	2007 £
Actual return less expected return on assets	(372,000)	(25,000)
Experience gain on liabilities	24,000	15,000
Changes in assumptions	<u>(566,000)</u>	<u>-</u>
Actuarial loss	<u>£(914,000)</u>	<u>£(10,000)</u>

Movement in surplus during the year

	2008 £	2007 £
Surplus in scheme at beginning of year	249,000	171,000
Movement in year:-		
Contributions	41,000	41,000
Other finance income	48,000	47,000
Actuarial loss	<u>(914,000)</u>	<u>(10,000)</u>
(Deficit)/surplus in scheme at year end	<u>£(576,000)</u>	<u>£249,000</u>

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

20. PENSION COSTS AND ARRANGEMENTS (Continued)

History of experience gains and losses

	2008	2007	2006	2005
Difference between expected and actual return on scheme assets:				
Amount	£(372,000)	£(25,000)	£597,000	£170,000
Percentage of scheme assets	(10)%	(0.6)%	16.4%	5.8%
Experience gains and losses on scheme liabilities				
Amount	£24,000	£15,000	£(15,000)	£28,000
Percentage of scheme liabilities	0.6%	0.4%	(0.4)%	0.8%
Total amount recognised in the statement of total recognised gains and losses:				
Amount	£(914,000)	£(10,000)	£582,000	£198,000
Percentage of scheme liabilities	(22)%	(0.3)%	16.7%	6.0%

20. EXCEPTIONAL COSTS

In December 2008, the company purchased the trading and assets of The Summerhall Press Ltd (In Administration) from Zolfo Cooper Ltd. The directors took the decision to put the subsidiary company into provisional liquidation following the acquisition. The resultant exceptional expenditure, including purchase consideration, of £24,227 is shown separately in the profit and loss account, with costs having been incurred in both the current and prior year. A number of other costs are included under Exceptional Costs in relation to the acquisition of Metropress limited, redundancies, and, legal and professional fees relating to the pension scheme.

STEWARTS OF EDINBURGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED 31 MARCH 2010

21. CONTINGENT LIABILITY (Continued)

The company's subsidiary, Arthurs Seat Management Limited, is the sponsoring employer of a defined benefit pension scheme. Full details of the defined benefit scheme are disclosed within the financial statements of Arthurs Seat Management Limited.

The directors recognise the company's obligation to its subsidiary company's pension scheme. Negotiations are currently in progress with the pension trustee whereby Stewarts of Edinburgh Limited will seek to reach a settlement regarding the scheme's liabilities

The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Whilst the company's obligation to its subsidiary company's pension scheme is likely to be substantial, the Pension Protection Fund has indicated that they will negotiate a payment plan which will allow the company to continue to trade for the foreseeable future.

22. CONTROLLING PARTY

The directors consider the ultimate controlling party to be Terence O'Hare by virtue of his controlling shareholding in the parent company.

23. RELATED PARTY TRANSACTIONS

During the year, the group loaned £6,000 to Neubrand Limited, a company with directors in common and under common control. A balance of £6,000 was outstanding at the year end.

Exemption has been taken under FRS 8: 'Related Party Disclosures' from disclosing group related transactions as the entire share capital and voting rights of the subsidiary is held within the group.