

William Mellroy Swindon Limited

**Directors' report and financial
statements**

Registered number 543328

16 April 1999



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Directors' report

The directors present their annual report, together with the audited financial statements of the company for the year ended 16 April 1999.

Review of the business and future developments

The Swindon store ceased to trade during the year.

The directors would like to thank all members of staff for their hard work, loyalty and support during the year.

The company continues to hold leases on a number of retail properties.

Summary of trading results

The company's trading results for the year are set out in the profit and loss account on page 5 of the financial statements.

Dividend

During the year a dividend of £4.80 per share was paid.

Directors and directors' interests

The directors who held office during the year are as noted below:

M Cryer	(resigned 28 August 1998)
IW McGeoch	
R Murray	(appointed 18 December 1998)

None of the directors had interests in shares of the company at any time during the year.

Charitable and political contributions

The company made neither charitable nor political contributions during the year.

Employee involvement

The company encourages active participation at all levels, through regular contact with employees.

Directors' report *(continued)*

Employment of disabled persons

Where individuals become disabled in the company's employ, every reasonable effort is made to provide opportunity for continued employment within the potential, aptitude and ability of the persons concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential, aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

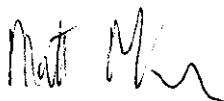
Year 2000

The company is fully aware of the Year 2000 problem and its implications for its computer systems and associated business issues. A formal project to address this issue has been ongoing since July 1997. A detailed plan has been implemented and the directors can confirm that the companies business and critical systems will operate effectively post 1999.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



M McKimmie
Secretary

Caledonia House
Caledonia Street
Paisley
PA3 2JP

1999

Statement of 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 and of the profit or loss 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 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*. They have *general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.*



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Glasgow
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United Kingdom

Report of the auditors to the members of William McIlroy Swindon Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 16 April 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

16 February 2000

Profit and loss account

for the 52 weeks ended 16 April 1999

	Note	1999 £000	1998 £000
Sales	2	34	4,846
Cost of sales		(93)	(4,442)
		<hr/>	<hr/>
Gross (loss)/profit		(59)	404
Administrative expenses		(9)	(546)
Other operating income		210	1,024
		<hr/>	<hr/>
Operating profit	3	142	882
Gain/(loss) on disposal of fixed assets		2,211	(269)
		<hr/>	<hr/>
		2,353	613
Interest receivable and similar income	6	9	15
		<hr/>	<hr/>
Profit on ordinary activities before tax		2,362	628
Tax on profit on ordinary activities	7	(55)	(223)
		<hr/>	<hr/>
Profit on ordinary activities after tax		2,307	405
Dividend paid	8	(3,091)	(1,249)
		<hr/>	<hr/>
Balance for year		(784)	(844)
		<hr/>	<hr/>

A statement of movements on reserves is given in note 14.

There were no recognised gains or losses in either period other than the above profit.

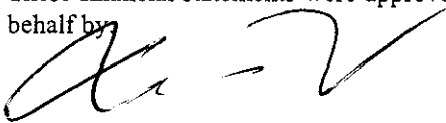
Note of historical cost profits and losses
for the 52 weeks ended 16 April 1999

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	2,362	628
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	4	5
	—	—
Historical cost profit on ordinary activities before taxation	2,366	633
	=====	=====
Historical cost profit for the year less taxation and dividend	(780)	(839)
	=====	=====
 Reconciliation of movements in shareholders' funds		
	1999 £000	1998 £000
Profit and loss account balance for the year	(784)	(844)
Opening shareholders' funds	994	1,838
	—	—
Closing shareholders' funds	210	994
	=====	=====

Balance sheet
at 16 April 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	9	45	1,407
Current assets			
Stocks	10	-	34
Debtors	11	235	106
Cash at bank and in hand		8	270
		<u>243</u>	<u>410</u>
Prepayments and accrued income		21	21
Creditors: amounts falling due within one year	12	(99)	(844)
		<u></u>	<u></u>
Net current assets/(liabilities)		165	(413)
		<u></u>	<u></u>
Total assets less current liabilities		210	994
		<u></u>	<u></u>
Capital and reserves			
Called up share capital	13	161	161
Revaluation reserve	14	-	394
Revenue reserve	14	49	439
		<u></u>	<u></u>
Equity shareholders' funds		210	994
		<u></u>	<u></u>

These financial statements were approved by the board of directors on 15 November 1999 and were signed on its behalf by



IW McGeoch
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules, modified to include revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Financial Reporting Standard Number 1

Mackays Stores (Holdings) PLC, of which the company is a wholly owned subsidiary undertaking, has adopted Financial Reporting Standard Number 1 in its consolidated financial statements for the year ended 16 April 1999. Accordingly, the company is exempt from the requirement to prepare a cash flow statement.

Stock

Stock is valued at the lower of cost and estimated net realisable value. Cost is computed by deducting the appropriate composite trading margin from selling price.

Deferred tax

Deferred tax is provided on timing differences which are anticipated to increase or decrease taxation liabilities in the foreseeable future.

Depreciation

With the exception of land and assets in the course of construction, fixed tangible assets are depreciated as follows:

- Freehold properties evenly over 50 years.
- Leasehold properties evenly over the term of their respective leases or 50 years whichever is the shorter period.
- All other fixed tangible assets evenly over their estimated useful lives on annual rates ranging as follows:

Plant and machinery, fixtures, fittings and equipment	10% - 33%
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Operating leases

Rentals under operating leases are charged to profit as they fall due under the terms of the agreements.

Pensions

Contributions are charged to the profit and loss account in accordance with actuarial recommendations so as to spread the cost of pensions over the employees' expected service lives with the group (see note 15).

Notes (continued)

2 Sales and profit

Sales represent amounts derived from the company's normal activities, excluding value added tax, and are all generated within the United Kingdom.

3 Operating profit

	1999 £000	1998 £000
<i>Operating profit is stated after charging</i>		
Depreciation of fixed tangible assets	32	140
Auditors' remuneration:		
- audit	-	7
Amounts payable under operating leases:		
- land and buildings	56	157
- motor vehicles	-	7
	<u> </u>	<u> </u>

The audit fee for the company was borne by another group company.

4 Directors' emoluments

	1999 £000	1998 £000
As executives	43	42
	<u> </u>	<u> </u>

Notes (continued)

5 Employees and remuneration

The average number of persons (including directors) employed by the company during the year was as follows:

	Number of employees	
	1999	1998
Retailing	-	108
	==	==

The aggregate payroll costs of these persons were as follows:

	1999		1998	
	£000		£000	
Wages and salaries	47		890	
Social security costs	5		51	
Pension costs	2		17	
	==		==	
	54		958	
	==		==	

6 Interest

	1999		1998	
	£000		£000	
Interest receivable on bank deposits	9		15	
	==		==	

Notes (continued)

7 Tax

	1999		1998	
	£000	£000	£000	£000
Corporation tax				
Charge for the year at 31% (1998: 33%) on the profit for the year on ordinary activities	(48)		(299)	
Prior year adjustments	(7)		-	
	<u> </u>		<u> </u>	
		(55)		(299)
Deferred tax				
Release/(charge) for the year		-		76
		<u> </u>		<u> </u>
		(55)		(223)
		<u> </u>		<u> </u>

8 Dividends

	1999	1998
	£000	£000
Dividend paid	3,091	1,249
	<u> </u>	<u> </u>

Notes (continued)

9 Tangible fixed assets

	Freehold properties £000	Leasehold properties £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	1,123	1,037	2,160
Disposals	(1,123)	(293)	(1,416)
	<hr/>	<hr/>	<hr/>
At end of year	-	744	744
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	70	683	753
Charge for year	9	23	32
Disposals	(79)	(7)	(86)
	<hr/>	<hr/>	<hr/>
At end of year	-	699	699
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 16 April 1999	-	45	45
	<hr/>	<hr/>	<hr/>
At 17 April 1998	1,053	354	1,407
	<hr/>	<hr/>	<hr/>

Land and buildings at net book amount include:

	1999 £000	1998 £000
Freehold	-	1,053
Long leasehold	-	287
Short leasehold	45	67
	<hr/>	<hr/>
Net book amount	45	1,407
	<hr/>	<hr/>
At cost	45	28
At valuation - 1989	-	68
At valuation - 1992	-	1,311
	<hr/>	<hr/>
	45	1,407
	<hr/>	<hr/>

Notes (continued)

10 Stocks

	1999 £000	1998 £000
Finished goods and goods for resale	-	34
	<u> </u>	<u> </u>

11 Debtors

	1999 £000	1998 £000
Other debtors	-	23
Prepayments and accrued income	-	72
Amounts due from parent undertaking	235	11
	<u> </u>	<u> </u>
	235	106
	<u> </u>	<u> </u>

12 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	-	29
Corporation tax	48	246
Other creditors	-	227
Accruals and deferred income	6	342
Amounts owed to fellow subsidiary	45	-
	<u> </u>	<u> </u>
	99	844
	<u> </u>	<u> </u>

13 Called up share capital

	1999 £000	1998 £000
<i>Authorised, issued and fully paid:</i>		
644,000 ordinary shares of 25p each	161	161
	<u> </u>	<u> </u>

Notes (continued)

14 Reserves

	Revaluation reserve £000	Profit & loss account £000
At 17 April 1998	394	439
Balance for the year	-	(784)
Transfer on disposal of revalued fixed assets	(390)	390
Transfer of amount equivalent to additional depreciation on revalued assets	(4)	4
	<u> </u>	<u> </u>
At 16 April 1999	-	49
	<u> </u>	<u> </u>

The cumulative amount of goodwill written off to the profit and loss account reserve amounts to £2,242,000 (1998: £2,242,000).

15 Pension commitments

The company participates in the funded defined benefit pension scheme operated by its fellow subsidiary Mackays Stores Limited. The scheme funds are administered by trustees and are independent of the group's finances. Full details of the pension scheme are included in the financial statements of Mackays Stores Limited.

16 Capital and lease hire commitments

Commitments payable within 12 months under non-cancellable operating leases are as follows:

	1999		1998	
	Land & Buildings £000	Plant & machinery £000	Land & buildings £000	Plant & machinery £000
Operating leases which expire:				
After five years	56	-	157	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Ultimate parent undertaking

The company's ultimate parent undertaking is Mackays Stores (Holdings) PLC which is registered in Scotland.

The only group in which the results of the company are consolidated is that headed by Mackays Stores (Holdings) PLC. Group accounts are available at Caledonia House, Caledonian Street, Paisley, PA3 2JP