

Mackays Stores Limited
Directors' report and financial statements
21 April 1995
Registered number 36368



Mackays Stores Limited

Directors' report and financial statements

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Mackays Stores Limited

Directors' report

The directors present their annual report, together with the audited financial statements of the company for the year ended 21 April 1995.

Activities

The company operates as a multiple retailer of clothing with branches throughout the United Kingdom.

Review of the business and future developments

The directors are pleased to report satisfactory growth in the results for the year to 21 April 1995.

The group continued with its strategy of modest expansion and improvement in quality of existing stores.

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

Summary of trading results

The company's trading results for the year are set out in the profit and loss account on page 4 and in note 2 to the financial statements.

Dividends

The directors approved the payment during the year of a dividend of £4,653,000 representing £9.40 per ordinary share.

The directors approved the payment during the year of a dividend of £280 representing 5.6p per cumulative preference share.

Fixed tangible assets

The movements in fixed tangible assets are set out in note 10 to the financial statements.

Directors and directors' interests

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

PD Stevenson
LC McGeoch
IW McGeoch
A Roberts
J O'Hara
JA Lawrie

Mackays Stores Limited

Directors' report *(continued)*

Directors and directors' interests *(continued)*

In accordance with the Articles of Association, L C McGeoch and A Roberts retire at the annual general meeting and, being eligible, offer themselves for re-election.

The beneficial interests of PD Stevenson, LC and IW McGeoch and JA Lawrie in the shares of the ultimate parent undertaking, Mackays Stores (Holdings) PLC, are shown in the financial statements of that company.

Disclosure of directors' interests as required by the Companies Act 1985 is dealt with in note 22 to the financial statements.

Charitable and political contributions

Charitable contributions made by the company during the year amounted to £7,507 (1994: £8,366). There were no political contributions.

Close company

The company is a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988.

Employee involvement

The company has channels of communication with employees on business development, company performance and matters of general concern.


Employment of disabled persons

The company which gives a full and fair consideration to applications for employment made by disabled persons, has continued whenever possible the employment of persons who became disabled while they were with the company and has ensured continuing training, career development and opportunities for the promotion of disabled persons employed by it.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. 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

Paisley

26 September 1995

Mackays Stores Limited

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 (a) select suitable accounting policies and then apply them consistently, (b) make judgements and estimates that are reasonable and prudent, (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and (d) 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.



Report of the auditors to the members of Mackays Stores Limited

We have audited the financial statements on pages 4 to 19.

Respective responsibilities of directors and auditors

As described above 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 21 April 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow
G2 4QS

12 October 1995



Mackays Stores Limited

Profit and loss account
for the 52 weeks ended 21 April 1995

	Note	1995 52 weeks £000	1994 53 weeks £000
Sales	2	126,169	115,141
Cost of sales		(100,898)	(91,938)
Gross profit		25,271	23,203
Administrative expenses		(13,376)	(13,001)
Other operating income	3	3,728	3,465
Operating profit	4	15,623	13,667
Interest	7	2	(214)
Dividend from subsidiary		4,675	-
Profit on ordinary activities before tax		20,300	13,453
Tax on profit on ordinary activities	8	(4,677)	(4,109)
Profit on ordinary activities after tax		15,623	9,344
Dividends	9	(4,653)	(495)
Transferred to reserves		10,970	8,849

A statement of movements on reserves is given in note 20.

There were no recognised gains or losses in either year other than the above retained profits.

Mackays Stores Limited

Note of historical cost profits and losses
for the 52 weeks ended 21 April 1995

	1995 52 weeks £000	1994 53 weeks £000
Reported profit on ordinary activities before taxation	20,300	13,453
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	95	95
Historical cost profit on ordinary activities before taxation	20,395	13,548
Historical cost profit for the year retained after taxation and dividends	11,065	8,944

Mackays Stores Limited

Balance sheet at 21 April 1995

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	10	33,583	30,978
Investments	11	-	-
		<u>33,583</u>	<u>30,978</u>
Current assets			
Stocks	12	19,060	16,176
Debtors	13	3,907	4,818
Investments	14	1,000	-
Cash at bank and in hand		10,603	5,553
		<u>34,570</u>	<u>26,547</u>
Creditors: amounts falling due within one year	15	(29,604)	(27,966)
Net current assets/(liabilities)		<u>4,966</u>	<u>(1,419)</u>
Total assets less current liabilities		<u>38,549</u>	<u>29,559</u>
Creditors: amounts falling due after more than one year	16	-	(2,925)
Provisions for liabilities and charges	17	(255)	-
Deferred income	18	(690)	-
		<u>37,604</u>	<u>26,634</u>
Capital and reserves			
Called up share capital	19	500	500
Revaluation reserve	20	5,879	5,974
Revenue reserve	20	31,225	20,160
		<u>37,604</u>	<u>26,634</u>

These financial statements were approved by the board of directors on 26 September 1995 and were signed on its behalf by:


LC McGeoch
Director


IW McGeoch
Director

Mackays Stores Limited

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 the 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 21 April 1995. Accordingly, the company is exempt from the requirement to prepare a cash flow statement.

Consolidation

In view of the fact that consolidated financial statements have been prepared by the company's parent undertaking, Mackays Stores (Holdings) PLC, the company has not prepared consolidated financial statements as permitted by Section 228 of Companies Act 1985.

Transactions of UK companies in foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the transaction date.

Balances denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date.

Realised exchange gains or losses on settled trading transactions, and unrealised gains or losses on unsettled short term monetary trading items resulting from restatement to closing rates of exchange are dealt with through the profit and loss account. Exchange gains or losses arising from financing arrangements are charged as finance costs in the profit and loss account.

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 taxation liabilities in the foreseeable future.

Mackays Stores Limited

Notes (continued)

1 Accounting policies (continued)

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; the portion of leasehold premiums applicable to rent evenly over the period to the first rent review;
- all other fixed tangible assets evenly over their estimated useful lives on annual rates ranging as follows:

Plant and machinery, fixtures, fittings and equipment	15% - 33%
Motor vehicles	25%

Deferred income

Inducements to enter into lease agreements in respect of property are treated as deferred income. The income is credited to profit evenly over the remaining term of the lease.

Finance leases and hire purchase

Assets held under finance leases and hire purchase contracts are recorded as fixed assets and are depreciated over the shorter of their estimated useful lives or lease terms. Obligations under such arrangements, net of finance charges, are included in creditors.

Finance charges are allocated to profit so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

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 remaining service lives with the company.

Mackays Stores Limited

Notes (continued)

2 Sales and profit

All sales and profit on ordinary activities before tax arise from retailing within the United Kingdom.
Further details of sales are as follows:

	1995 52 weeks £000	1994 53 weeks £000
Sales including value added tax	138,699	126,634
Value added tax	(12,530)	(11,493)
	<u>126,169</u>	<u>115,141</u>
Operating profit	15,623	13,667
Interest and dividend from subsidiary	4,677	(214)
	<u>20,300</u>	<u>13,453</u>

3 Other operating income

	1995 52 weeks £000	1994 53 weeks £000
Property rentals and similar income	1,108	1,262
Discounts received	2,229	2,301
Loss on sale of fixed tangible assets	(245)	(128)
Other income	636	30
	<u>3,728</u>	<u>3,465</u>

4 Operating profit

	1995 52 weeks £000	1994 53 weeks £000
<i>Operating profit is stated after charging</i>		
Depreciation:		
- Fixed tangible assets	3,742	3,304
Auditors' remuneration:		
- Audit	35	34
- Other services	51	66
Hire of equipment	(8)	241
Pension paid to a former director	1	1
Payments made in exchange for the surrender of share options	-	149
	<u></u>	<u></u>

Mackays Stores Limited

Notes (continued)

5 Directors' emoluments

	1995 52 weeks £000	1994 53 weeks £000
Directors' emoluments including pension contributions	2,472	1,857

The services of the chairman, Mr Peter Stevenson, are provided by The Stevenson Partnership Limited. That company is entitled to a performance fee based on the results of the financial year ended 16 April 1993 and the two succeeding years, and payable in two tranches in October 1994 and October 1995. A provision of £750,000 in respect of this fee was made against the profits for the year ended 16 April 1993 and a further provision of £750,000 was made against the profits for the year ended 22 April 1994 and the balance of £236,113 charged against the profits for the year ending 21 April 1995.

The first payment of performance fee in October 1994 amounted to £752,500 and was included in the 1994 figures for directors' remuneration; the payment due in October 1995 amounting to £983,613 has been included in directors' remuneration for 1995.

The Stevenson Partnership Limited has an obligation to remit 60% of any such performance fee payments to EFT Group plc, a company of which Mr Stevenson was formerly executive chairman.

Directors' emoluments, excluding pension contributions, were:

	1995 52 weeks £000	1994 53 weeks £000
Chairman (highest paid director)		
- salary	79	65
- performance fee	984	752
	1,063	817

The Stevenson Partnership Limited has an obligation to remit £590,168 (1994 £451,500) of the above performance fee to EFT Group plc.

All directors

		Number of directors	
		1995	1994
£80,001	- £85,000	1	-
£85,001	- £90,000	1	-
£105,001	- £110,000	1	-
£125,001	- £130,000	-	1
£130,001	- £135,000	-	1
£140,001	- £145,000	-	1
£330,001	- £335,000	-	1
£375,001	- £380,000	-	1
£535,001	- £540,000	2	-
£815,001	- £820,000	-	1
£1,060,001	- £1,065,000	1	-

Mackays Stores Limited

Notes (continued)

6 Employees and remuneration

The average number of persons employed by the company during the year was as follows:

	1995 £000	1994 £000
Retailing	2,445	2,389

The aggregate payroll costs of these persons were as follows:

	1995 52 weeks £000	1994 53 weeks £000
Wages and salaries	18,545	17,185
Social security costs	1,172	1,125
Other pension costs	400	430
	<u>20,117</u>	<u>18,740</u>

Pensions

Mackays Stores Limited operates a funded defined benefit pension scheme for group employees. The assets of the scheme are held separately from those of the group in funds administered by trustees independently of the group. The contributions are determined by an independent qualified actuary using the projected unit method. The most recent actuarial valuation was at 30 April 1994. The assumption which has the most significant effect on the results of the valuation is the excess of the rate of return on investments over the rate of increase in pensionable salary, which was assumed to be 2% per annum.

The market value of the scheme assets at the valuation date was £9,085,000 and the valuation showed that the actuarial value of the scheme's assets was more than sufficient to cover the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in salaries.

The net pension charge for the year, based on the advice of the independent qualified actuary, was the same as the contribution rates actually payable to the scheme.

The next actuarial valuation is due to be carried out at 30 April 1997.

7 Interest

	1995 52 weeks £000	1994 53 weeks £000
On bank loans and overdrafts	(708)	(468)
Bank interest receivable	690	254
Interest from fixed asset investment	20	-
	<u>2</u>	<u>(214)</u>

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Notes (continued)

8	Tax	1995		1994	
		52 weeks	£000	53 weeks	£000
		£000		£000	
	<i>Corporation tax</i>				
	Charge for the year at 33% (1994: 33%)				
	on the profit for the year on				
	ordinary activities	(5,542)		(4,963)	
	Prior years adjustments	773		574	
		—		—	
			(4,769)		(4,389)
	<i>Deferred tax</i>				
	Release for the year		92		280
			—		—
			(4,677)		(4,109)
			==		==

The company experiences effective rates of tax (calculated by reference to profits excluding dividends from subsidiaries which are not taxable) that are higher than the rate of corporation tax, due to costs, mainly depreciation, on those items of capital expenditure which are ineligible for tax purposes.

9	Dividends	1995	1994
		52 weeks	53 weeks
		£000	£000
	<i>Ordinary shares</i>		
	Paid	(4,653)	(495)
		==	==

Mackays Stores Limited

Notes (continued)

10 Fixed tangible assets

	Land and buildings		Fixtures fittings and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	16,064	11,744	25,008	52,816
Additions	689	1,928	4,071	6,688
Disposals	(21)	(228)	(962)	(1,211)
Inter company transfer	-	-	374	374
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	16,732	13,444	28,491	58,667
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	(848)	(3,766)	(17,224)	(21,838)
Charge for year	(236)	(587)	(2,919)	(3,742)
Disposals	7	74	771	852
Inter company transfer	-	-	(356)	(356)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	(1,077)	(4,279)	(19,728)	(25,084)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book amount</i>				
At 21 April 1995	15,655	9,165	8,763	33,583
	<hr/>	<hr/>	<hr/>	<hr/>
At 22 April 1994	15,216	7,978	7,784	30,978
	<hr/>	<hr/>	<hr/>	<hr/>

The company's freehold properties were valued as at 30 April 1990.

The equivalent amounts for freehold properties calculated under historical cost accounting rules are as follows:

	1995		1994	
	Valuation £000	Cost £000	Valuation £000	Cost £000
Cost or valuation	15,025	10,346	15,025	10,346
Depreciation	(1,103)	(2,303)	(862)	(2,157)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount	13,922	8,043	14,163	8,189
	<hr/>	<hr/>	<hr/>	<hr/>

Mackays Stores Limited

Notes (continued)

10 Fixed tangible assets (continued)

	1995 £000	1994 £000
The book amount of land included in freehold properties amounts to:	4,803	4,803
	<u> </u>	<u> </u>
The net book amount of leasehold land and buildings comprises:		
Long leasehold	456	401
Short leasehold	8,709	7,577
	<u> </u>	<u> </u>
	9,165	7,978
	<u> </u>	<u> </u>

11 Fixed asset investments

£000

Shares in subsidiary undertakings:

Cost:	At 22 April 1994	12
	Disposals	(2)
		<u> </u>
	At 21 April 1995	10
		<u> </u>
Provision:	At 22 April 1994	(12)
	Applied	2
		<u> </u>
	At 21 April 1995	(10)
		<u> </u>

The principal subsidiary undertakings are as follows:

	Country of registration	Direct holding (ordinary shares)	Nature of business
Mackays Stores (Far East) Limited	Hong Kong	100%	Textile merchandising buying services and related activities
Kilbin Limited (formerly Grandwear Textiles Limited)	Scotland	100%	Textile manufacturers

Mackays Stores Limited

Notes (continued)

12	Stocks	1995 £000	1994 £000
	Finished goods and goods for resale	19,060	16,176
		<u> </u>	<u> </u>
13	Debtors	1995 £000	1994 £000
	Amounts due within one year	151	154
	Trade debtors	735	599
	Amounts owed by subsidiary undertaking	15	193
	Other debtors	1,975	1,829
	Prepayments and accrued income	<u> </u>	<u> </u>
		2,876	2,775
		<u> </u>	<u> </u>
	Amounts due in more than one year	1,325	2,929
	Amounts owed by subsidiary undertakings	(294)	(1,073)
	Less: provisions	<u> </u>	<u> </u>
		1,031	1,856
		<u> </u>	<u> </u>
	Deferred tax recoverable (note 17)	-	187
		<u> </u>	<u> </u>
	Total debtors	3,907	4,818
		<u> </u>	<u> </u>
14	Investments	1995 £000	1994 £000
	UK Treasury Stock at cost	1,000	-
		<u> </u>	<u> </u>

The market value of these investments at 21 April 1995 was £1,049,191.

Mackays Stores Limited

Notes (continued)

15	Creditors: amounts falling due within one year	1995	1994
		£000	£000
	Bank loans and overdrafts	1,044	4,191
	Trade creditors	4,224	4,202
	Bills of exchange payable	6,253	4,903
	Corporation tax	5,522	6,088
	ACT payable	-	124
	Other tax and social security	533	311
	Other creditors and accruals	6,391	5,475
	Amounts owed to subsidiary undertakings	211	2,662
	Amounts owed to ultimate parent undertaking	5,426	10
		<u>29,604</u>	<u>27,966</u>

The company, in common with other group companies, has entered into cross guarantees in respect of bank loans and overdrafts due by the group.

16	Creditors: amounts falling due after more than one year	1995	1994
		£000	£000
	Repayable within five years:		
	Other creditors	-	750
	Amounts owed to subsidiary undertakings	-	2,175
		<u>-</u>	<u>2,925</u>

Mackays Stores Limited

Notes (continued)

17	Provisions for liabilities and charges	1995 £000	1994 £000
	<i>Deferred tax</i>		
	At 22 April 1994	(187)	94
	Transfer to profit and loss account	(92)	(281)
	Transfer from corporation tax payable	534	-
		—	—
	At 21 April 1995	255	(187)*
		==	==
	*Included in debtors (note 13).		
	<i>Amounts provided</i>		
	Excess capital allowances and other timing differences at 33% (1994: 33%)	255	(187)
		==	==
	Disposal of the freehold properties at the valuation incorporated in the financial statements would not, in aggregate, give rise to any tax charge as capital losses estimated to arise on disposal of some properties would offset capital gains arising on others.		
	The unprovided liability in respect of capital gains rolled over amounts to £860,000 (1994: £858,000).		
	In addition there are capital losses potentially available within the group.		
18	<i>Deferred income</i>	1995 £000	1994 £000
	Balance remaining of landlords inducements	690	-
		==	==
19	<i>Share capital</i>	1995 £000	1994 £000
	<i>Authorised, allotted, issued and fully paid</i>		
	495,000 ordinary shares of £1 each	495	495
	5,000 cumulative 5.6% (plus tax credit) preference shares of £1 each	5	5
		—	—
		500	500
		==	==

Mackays Stores Limited

Notes (continued)

20 Reserves

	Revaluation reserve £000	Revenue reserve £000
At 22 April 1994	5,974	20,160
Transfer of depreciation on revalued fixed assets	(95)	95
Retained profit for year	-	10,970
	<hr/>	<hr/>
At 21 April 1995	5,879	31,225
	<hr/>	<hr/>

All revenue reserves are distributable.

21 Commitments

	1995 £000	1994 £000
Capital		
Contracted but not provided	373	898
Authorised but not contracted	2,395	3,912
	<hr/>	<hr/>

Other

The rental charges incurred by the company under non-cancellable operating leases were:

	1995 £000	1994 £000
Land and buildings	8,715	7,645
Other	13	267
	<hr/>	<hr/>

In 1995/96 these charges are estimated to amount to

	£000
Land and buildings	9,077
Other	13
	<hr/>

22 Directors' interests

Mackays Stores Limited purchased goods under normal trade terms from PEL PLC, a company in which LC McGeoch and IW McGeoch have an interest. The value of the transactions entered into with PEL PLC during the year was £712,179 (1994: £1,699,000). During the year advances amounting to £34,061 were made to and repaid by LC McGeoch.

Mackays Stores Limited

Notes (continued)

23 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.

24 Reconciliation of movements in shareholders' fund

	1995 £000	1994 £000
Profit for the financial year	15,623	9,344
Dividends	(4,653)	(495)
	<hr/>	<hr/>
Net addition to shareholders' funds	10,970	8,849
Opening shareholders' funds	26,634	17,785
	<hr/>	<hr/>
Closing shareholders' funds	37,604	26,634
	<hr/>	<hr/>