

**Mackays Stores Limited**

**Directors' report and financial statements**

**Registered number SC36368**

**24 February 2006**



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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 24 February 2006.

### Activities

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

### Review of the business and future developments

Performance has continued on the upward trend established in recent years. The directors remain positive about the future prospects of the company.

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 pre tax profits for the 52 week period ended 24 February 2006 are £16,228,000 compared with £12,731,000 for the 52 week period ended 25 February 2005.

The company's detailed trading results for the year are set out in the profit and loss account on page 6.

### Dividends

During the period dividends were paid as follows: £280 (2005: £280), representing 5.6p per share, on the cumulative preference shares and a dividend payable to the parent undertaking of £6,999,300 (2005: £5,499,450) on the issued ordinary shares.

### Directors and directors' interests

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

IW McGeoch  
PJ Vann (resigned 24 March 2005)  
MR McKimmie  
J O'Hara  
C Williamson  
JA Heaviside  
N Bennett  
L Koser

In accordance with the Articles of Association, MR McKimmie and C Williamson retire at the annual general meeting and, being eligible, offer themselves for re-election.

The beneficial interests of directors at the year end in the shares of the ultimate parent undertaking, Mackays Stores Group Limited, are as follows:

	24 February 2006		25 February 2005		Number of A ordinary options during the year			
	Ordinary shares of £1 each	A ordinary shares of £1 each	Ordinary shares of £1 each	A ordinary shares of £1 each	At start of year	Granted	Exercised	At end of year
IW McGeoch	6,503,547	-	6,503,547	-	-	-	-	-
MR McKimmie	-	42,691	-	36,155	69,496	-	6,536	62,960
J O'Hara	-	11,582	-	11,582	69,496	-	-	69,496
C Williamson	-	35,647	-	35,647	63,992	-	-	63,992
JA Heaviside	-	14,320	-	14,320	69,496	-	-	69,496
N Bennett	-	10,042	-	10,042	69,496	-	-	69,496
L Koser	-	1,570	-	-	-	104,986	1,570	103,416

## **Directors' report** *(continued)*

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Charitable and political contributions**

Charitable contributions made by the company during the period amounted to £103,244 (2005: £100,439). There were no political contributions.

### **Employee involvement**

The company has channels of communication with employees on business development, company performance and matters of general concern. For the first time in the company's history share ownership will be widened to include staff at all levels with the introduction of a Share Incentive Plan for employees with over eighteen months service. Shares to the value of £1,210,000 were assigned to 1,600 staff during the year under trust.

### **Employment of disabled persons**

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

### **Auditors**

A resolution for the re-appointment of KPMG LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the board



**IW McGeoch**  
*Director*

Caledonia House  
Caledonia Street  
Paisley  
PA3 2JP

3 July 2006

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



## KPMG LLP

191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

### **Independent auditors' report to the members of Mackays Stores Limited**

We have audited the financial statements of Mackays Stores Limited for the year ended 24 February 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company'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 described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## **Independent auditors' report to the members of Mackays Stores Limited (*continued*)**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 February 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

17 July 2006

**Profit and loss account**  
*for the year ended 24 February 2006*

	<i>Note</i>	2006	2005 (restated – note 6)
		£000	£000
<b>Turnover</b>	2	157,793	142,330
Cost of sales		(121,205)	(110,564)
<b>Gross profit</b>		36,588	31,766
Administrative expense		(26,556)	(23,234)
Other operating income	3	5,695	3,958
<b>Operating profit</b>		15,727	12,490
Loss on sale of tangible fixed assets		(120)	(314)
Interest (net)	7	621	555
<b>Profit on ordinary activities before tax</b>	4	16,228	12,731
Tax on profit on ordinary activities	8	(5,293)	(4,733)
<b>Profit for the financial year</b>		10,935	7,998

**Note of historical cost profits and losses**  
*for the year ended 24 February 2006*

	2006	2005 (restated-note 6)
	£000	£000
<b>Reported profit on ordinary activities before taxation</b>	16,228	12,731
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	2	2
<b>Historical cost profit on ordinary activities before taxation</b>	16,230	12,733
<b>Historical cost profit for the period less taxation and dividends</b>	3,937	2,400

**Statement of total recognised gains and losses**  
*for the year ended 24 February 2006*

	2006	2005 (restated-note 6)
	£000	£000
<b>Profit for the financial period</b>	10,935	7,998
Actuarial gain/(loss) recognised in the pension scheme	171	(1,753)
Movement on deferred tax relating to actuarial gain/(loss)	(51)	526
<b>Total recognised gains and losses relating to the period</b>	11,055	6,771
Prior year adjustment (see note 6)	(8,247)	
	2,808	

**Reconciliation of movements in shareholders' funds**  
*for the year ended 24 February 2006*

	2006	2005 (restated-note 6)
	£000	£000
<b>Profit for the financial period</b>	10,935	7,998
Actuarial gain/(loss) recognised in pension scheme	171	(1,753)
Movement on deferred tax relating to pension scheme	(51)	526
Dividends	(7,000)	(5,500)
Share Incentive Plan	1,210	-
<b>Net increase in shareholders' funds</b>	5,265	1,271
Opening shareholders' funds as previously stated	47,221	44,583
Prior year adjustment in respect of pension scheme (see note 6)	(8,247)	(6,880)
Prior year adjustment in respect of preference shares (see note 1)	(5)	(5)
<b>Restated opening shareholders' funds</b>	38,969	37,698
<b>Closing shareholders' funds</b>	44,234	38,969

**Balance sheet**  
*at 24 February 2006*

	Note	2006 £000	2005 (restated – note 6) £000
<b>Fixed assets</b>			
Tangible assets	10	30,986	23,951
<b>Current assets</b>			
Stocks	11	20,353	22,176
Debtors	12	22,175	20,714
Cash at bank and in hand		2,499	3,615
		<u>45,027</u>	<u>46,505</u>
<b>Creditors: amounts falling due within one year</b>	13	(22,537)	(22,079)
<b>Net current assets</b>		<u>22,490</u>	<u>24,426</u>
<b>Total assets less current liabilities</b>		<u>53,476</u>	<u>48,377</u>
<b>Creditors: amounts falling due in more than one year</b>	13	(5)	(5)
<b>Provisions – deferred tax</b>	14	(1,263)	(932)
<b>Deferred income</b>	15	(208)	(224)
<b>Net pension scheme deficit</b>	6	(7,766)	(8,247)
<b>Net assets</b>		<u>44,234</u>	<u>38,969</u>
<b>Capital and reserves</b>			
Called up share capital	16	495	495
Revaluation reserve	17	223	225
Capital redemption reserve	17	1,210	-
Profit and loss account	17	42,306	38,249
<b>Equity shareholders' funds</b>		<u>44,234</u>	<u>38,969</u>

These financial statements were approved by the board of directors on 3 July 2006 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 the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The full requirements of FRS 17: Pension benefits, have been implemented during the year with comparatives restated accordingly. Further details are included in note 6. During the year the company implemented FRS 25: Financial instruments. As a result, the company's preference shares have been reclassified as liabilities reducing the reported net assets as at 25 February 2005 by £5,000. Under FRS 25, interest on preference shares is shown as interest and as a result profit before tax for the year ended 25 February 2005 has decreased by £280 compared to that previously reported.

#### *Cash flow*

The company's ultimate parent undertaking, Mackays Stores Group Limited, has adopted Financial Reporting Standard Number 1 in its consolidated financial statements. Accordingly, the company is exempt from the requirement to prepare a cash flow statement.

#### *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, or at the hedged rate where forward cover is in place.

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.

#### *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*

In accordance with FRS 19, full provision is made for all material timing differences between the treatment of certain items for accounting and taxation purposes.

A net deferred tax asset is regarded as recoverable and recognised therefore only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### *Tangible fixed assets and 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 tangible fixed 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%

The company's freehold properties were valued in 1990 on the basis of open market value for existing use. On the adoption of FRS 15, the company has followed the transitional provisions to retain the net book value of land and buildings which were revalued in 1990 but not to adopt a policy of revaluation in the future.

## Notes (continued)

### Accounting policies (continued)

#### 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 primary period of the lease.

#### Turnover

Turnover represents the value of goods supplied, net of valued added tax, discounts and returns.

#### Finance leases

Assets held under finance leases and hire purchase contracts are recorded as fixed assets and are depreciated over their estimates useful lives or the lease term if shorter. 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

During the year ended 24 February 2006, FRS 17: Retirement Benefits was implemented. The effect of this is that the company's defined benefit pension scheme assets are measured using market value whilst pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit. The expected return on scheme assets and the increase during the year in the present value of scheme liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet net of the related deferred tax. The financial impact of this change in accounting policy is set out in note 6.

## 2 Turnover

The company operates as multiple retailers of clothing and household textiles in the United Kingdom. Sales from these activities, net of value added tax, were £157,793,000 (2005: £142,330,000).

## 3 Other operating income

	2006 £000	2005 £000
Property rentals and similar income	1,812	1,436
Discounts received	3,883	2,522
	<hr/> 5,695	<hr/> 3,958
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 4 Profit before tax

	2006 £000	2005 £000
<i>Profit before tax is stated after charging:</i>		
Depreciation of fixed tangible assets	4,917	4,252
Value of shares allocated under trust through SIP	1,210	-
Auditors' remuneration:		
- audit	45	45
- other services	57	47
Hire of equipment	25	28
Pension paid to a former director	2	2
Operating lease charges:		
- land and buildings	16,602	16,014
- other	44	24
	<u>          </u>	<u>          </u>

### 5 Directors' emoluments

	2006 £000	2005 £000
Executive remuneration (excluding pension contributions)	2,056	2,077
	<u>          </u>	<u>          </u>

The highest paid director received emoluments, excluding pension contributions and including the estimated money value of benefits in kind, of £473,310 (2005: £471,210).

Seven of the directors (2005: eight) are members of the group's defined benefits pension scheme.

## Notes (continued)

### 6 Employees and remuneration

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

	Number of employees	
	2006	2005
Retailing	2,861	2,769

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£000	(restated – note 6) £000
Wages and salaries	31,324	28,925
Social security costs	2,090	1,843
Other pension costs	1,184	915
	<u>34,598</u>	<u>31,683</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.

#### FRS 17 information

The reporting requirements in respect of FRS 17: Retirement Benefits, have been incorporated in these financial statements.

A full actuarial valuation was carried out at 30 April 2005 and was updated in accordance with FRS 17 to 25 February 2006 by an independent qualified actuary. The major assumptions used in the valuation and those of prior years were:

	At 24 February 2006	At 25 February 2005	At 27 February 2004	At 21 February 2003
Rate of increase in salaries	3.75%	3.75%	3.75%	3.50%
Rate of increase in pensions in payment	2.50%	2.50%	2.50%	2.25%
Discount rate	4.70%	5.40%	5.50%	5.25%
Inflation assumption	2.75%	2.75%	2.75%	2.50%

## Notes (continued)

### Employees and remuneration (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	Long term rate of return expected at 24 February 2006	At 24 February 2006	Long term rate of return expected at 25 February 2005	At 25 February 2005	Long term rate of return expected at 27 February 2004	At 27 February 2004
		£000		£000		£000
Equities	6.20%	29,948	6.80%	24,555	6.80%	21,709
Corporate bonds	4.30%	8,919	4.70%	7,544	4.80%	5,439
Cash	4.50%	1,950	4.75%	471	4.00%	1,117
Insurance policies	4.30%	2,894	4.70%	2,269	4.80%	2,100
Insurance pensions		719		695		679
Total market value of assets		44,430		35,534		31,044
Actuarial value of scheme liabilities		(55,525)		(47,315)		(40,872)
Deficit in the scheme		(11,095)		(11,781)		(9,828)
Related deferred tax asset		3,329		3,534		2,948
Net deficit in the scheme		(7,766)		(8,247)		(6,880)

The amount of this net pension liability has been incorporated into the company's financial statements in accordance with FRS 17. The effect of implementing FRS 17 on the comparative figures has been to reduce the previously reported net assets as at 25 February 2005 by £8,247,000 and to decrease the previously reported profit for the year then ended by £200,000.

#### Analysis of the amount charged to operating profit

	2006 £000	2005 £000
Service cost	1,123	864

#### Analysis of amount credited to other financial income

	2006 £000	2005 £000
Expected return on scheme assets	2,199	1,904
Interest on pension liabilities	(2,535)	(2,226)
Net expense	(336)	(322)

## Notes (continued)

### Employees and remuneration (continued)

#### Analysis of amount to be recognised in statement of total recognised gains and losses (STRGL)

	As a %age of the scheme assets/ liabilities	2006 (52 weeks)	As a %age of the scheme assets/ liabilities	2005 (52 weeks)	As a %age of the scheme assets/ liabilities	2004 (53 weeks)	As a %age of the scheme assets/ liabilities	2003 (52 weeks)
Actual return less expected return on assets	11.7%	5,186	5.3%	1,878	12%	3,725	20.2%	(5,084)
Experiences gains and losses arising on scheme liabilities	2.4%	1,350	0.5%	199	0.3%	(112)	4.3%	(1,656)
Changes in assumptions underlying scheme liabilities	11.5%	(6,365)	8.1%	(3,830)	-	-	6.7%	(2,567)
		<u>171</u>		<u>(1,753)</u>		<u>3,613</u>		<u>(9,307)</u>
Actuarial gain/(loss) recognised in STRGL								

#### Movement in deficit during the year

	2006 £000
Deficit in scheme at beginning of period	(11,781)
Current service cost	(1,123)
Contributions paid (inclusive of special contribution of £975,000)	1,974
Net charge on assets	(336)
Actuarial gain/(loss)	171
	<u>(11,095)</u>
Deficit in scheme at end of period	

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which is recommended by the independent actuary based on the expected long term rate of return on the scheme's assets.

### 7 Interest (net)

	2006 £000	2005 (restated – note 6) £000
Interest receivable from parent undertaking	978	783
Bank interest receivable	112	137
Bank interest payable – on bank loans and overdrafts	(133)	(43)
Finance charges from pension scheme liabilities (note 6)	(336)	(322)
	<u>621</u>	<u>555</u>

## Notes (continued)

### 8 Tax

	2006	2005
	£000	(restated – note 6) £000
<b>Corporation tax</b>		
UK corporation tax on profit for the period at 30% (2005: 30%)	4,114	3,121
Group relief received	604	602
Adjustments in respect of prior periods	89	12
<b>Total corporation tax charge</b>	<b>4,807</b>	<b>3,735</b>
<b>Deferred tax</b>		
Charge for the period	220	88
Adjustments in respect of prior periods	111	970
Charge/(credit) in respect of pension liability related items	155	(60)
<b>Total deferred tax charge</b>	<b>486</b>	<b>998</b>
<b>Tax on profit on ordinary activities</b>	<b>5,293</b>	<b>4,733</b>

The tax assessed for the period is lower (2005: lower) than the standard rate of corporation tax of 30%.

The differences are explained below:

	2006	2005
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	16,228	12,731
Current tax at 30%	4,869	3,819
<i>Effects of:</i>		
Expenses not deductible for tax purposes	24	116
Depreciation adjustments on items not qualifying for capital allowances	164	161
Current deferred tax charge	(374)	(28)
Adjustments to corporation tax charge in respect of previous periods	89	12
Other items	19	1
Deduction in relation to shares granted at less than market value	(4)	(389)
Gain on sale of assets not chargeable to corporation tax	20	43
<b>Corporation tax charge for the period</b>	<b>4,807</b>	<b>3,735</b>

## Notes (continued)

### 9 Dividends

	2006 £000	2005 £000
Ordinary shares:		
Dividend paid	7,000	5,500

### 10 Tangible fixed assets

	Land and buildings Freehold	Leasehold	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At beginning of period	1,005	20,233	34,935	56,173
Additions	-	3,296	8,837	12,133
Disposals	-	(240)	(8,572)	(8,812)
At end of period	1,005	23,289	35,200	59,494
<b>Depreciation</b>				
At beginning of period	193	9,620	22,409	32,222
Charge for period	15	1,062	3,840	4,917
Disposals	-	(133)	(8,498)	(8,631)
At end of period	208	10,549	17,751	28,508
<b>Net book value</b>				
At 24 February 2006	797	12,740	17,449	30,986
At 25 February 2005	812	10,613	12,526	23,951

The net book amount of freehold land and buildings includes the following external valuations carried out as at 30 April 1990. The properties have been valued on the basis of open market value for existing use, as defined in the Statements of Asset Valuation Practice and Guidance Notes prepared by the Royal Institution of Chartered Surveyors. Equivalent figures based on original cost are also shown.

Included in the fixtures and fittings disposal cost and depreciation figures is the write off of £6,811,000 of assets that are fully depreciated.

## Notes (continued)

### 10 Tangible fixed assets (continued)

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

	2006		2005	
	Valuation £000	Cost £000	Valuation £000	Cost £000
Cost or valuation	1,005	917	1,005	917
Depreciation	(208)	(343)	(193)	(330)
Net book amount	<u>797</u>	<u>574</u>	<u>812</u>	<u>587</u>

The book value of land included in freehold properties amounts to:

2006 £000	2005 £000
<u>251</u>	<u>251</u>

The net book amount of leasehold land and buildings comprises:

Long leasehold	621	655
Short leasehold	<u>12,119</u>	<u>9,957</u>
	<u>12,740</u>	<u>10,612</u>

### 11 Stocks

	2006 £000	2005 £000
Finished goods and goods for resale	<u>20,353</u>	<u>22,176</u>

## Notes (continued)

### 12 Debtors

	2006 £000	2005 £000
Trade debtors	84	50
Amounts owed by group undertakings	19,218	18,006
Other debtors	203	41
Prepayments and accrued income	2,670	2,617
	<u>22,175</u>	<u>20,714</u>

### 13 Creditors

#### *Amounts falling due within one year*

	2006 £000	2005 (Restated – note 1) £000
Trade creditors	7,361	5,196
Corporation tax	1,416	916
Other tax and social security	1,146	1,712
Other creditors and accruals	8,892	7,483
Amounts owed to group undertakings	3,722	6,772
	<u>22,537</u>	<u>22,079</u>

#### *Amounts falling due in more than one year*

	2006 £000	2005 £000
Cumulative 5.6% (plus tax credit) preference shares of £1 each	<u>5</u>	<u>5</u>

## Notes (continued)

### 14 Deferred tax provision

	2006 £000	2005 £000
At beginning of period	(932)	126
(Charge) for period (note 8)	(331)	(1,058)
	<u>(1,263)</u>	<u>(932)</u>
<i>Analysed as:</i>		
Excess capital allowances	(1,495)	(1,216)
Other timing differences	232	284
	<u>(1,263)</u>	<u>(932)</u>

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 and in addition there are unutilised capital losses potentially available within the group.

The unprovided liability in respect of capital gains rolled over amounts to £2,855 (2005: £2,855). There are no other unprovided potential liabilities.

### 15 Deferred income

	2006 £000	2005 £000
Balance remaining of inducements to enter into lease agreements in respect of property:		
At beginning of period	224	241
Credited to profit and loss account for period	(16)	(17)
	<u>208</u>	<u>224</u>
At end of period		

### 16 Share capital

	2006 £000	2005 £000
<i>Authorised, allotted, issued and fully paid:</i>		
495,000 ordinary shares of £1 each	495	495

## Notes (continued)

### 17 Reserves

	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At beginning of period as previously stated	-	225	46,496
Prior year adjustment (see note 6)	-	-	(8,247)
At beginning of period restated	-	225	38,249
Profit for year	-	-	10,935
Transfer of depreciation on revalued fixed assets	-	(2)	2
Actuarial gains/(losses) in the period	-	-	171
Deferred tax movement relating to pension scheme	-	-	(51)
Dividends	-	-	(7,000)
Capital contribution made during the year	1,210	-	-
At end of period	1,210	223	42,306

### 18 Commitments

	2006 £000	2005 £000
Capital - contracted but not provided	2,305	232

Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	1,118	3	1,171	58
- two to five years	3,635	52	2,029	132
- over five years	12,550	3	13,573	-
	17,303	58	16,773	190

### 19 Contingent liabilities

The company, in common with other group companies, has entered into cross guarantees in respect of bank advances to the group. The amounts outstanding in relation to parent undertakings were £17,865,000 (2005: £18,035,000).

## **Notes** *(continued)*

### **20 Ultimate parent undertaking**

The company's ultimate parent undertaking is Mackays Stores Group Limited which is registered in Scotland.

Mackays Stores Group Limited prepares group accounts which include the results of the company. Copies of the group accounts are available from its registered office at Caledonia House, Caledonia Street, Paisley, PA3 2JP.

### **21 Related party transactions**

The company has taken advantage of the exemption permitted by FRS 8: 'Related Party Disclosures' from disclosing transactions with other members of the group where 90% of the voting rights are controlled within the group.