Mackays Stores Limited

Directors' report and financial statements
Registered number SC36368
26 February 2010

Contents

Directors' report

The directors present their annual report, together with the audited consolidated financial statements of the company, for the 53 weeks ended 26 February 2010.

Activities of the company

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

Summary of trading results

The company results for the year ended 26 February 2010 are set out in the profit and loss account on page 7 and are summarised below:

	53 weeks ended 26 February 2010 £000	52 weeks ended 20 February 2009 £000
Turnover	**181,905**	162,687
Operating profit before charge for share schemes	**11,120**	3,554
EBITDA*	**18,655**	13,699
EBITDA* excluding loss/gain on sale of fixed assets and charge for share schemes	**20,032**	12,753

* EBITDA is defined as profit before interest, taxation, depreciation and amortisation

Business review

The company achieved an excellent result in 2009/10 with operating profits (excluding share scheme charges) increasing by £7.6m to £11.1m. Like for like sales (excluding the effect of the 53rd week) increased by 8.3% and turnover was further boosted by new store openings. This increase was particularly encouraging as, for much of the year, the economy was still in recession and clearly showed that our customers liked not only the quality of our products but also the value for money on offer.

Product margins also improved over the previous year as a result of the excellent sales performance and tight control of stocks. Overhead increases were well contained.

Profit before tax increased by £5.4 million to £8.1 million and EBITDA (excluding loss/gain on sale of fixed assets and charge for share schemes) was up by £7.3m to £20.0m. This resulted in substantial cash generation during the period and bank borrowings (net of cash and inter group debt) decreased by £13.1m to £0.5m.

The company traded from 10 new sites during the period, two of which were relocations. Further new stores are expected to open in 2010/11. Three non profitable stores were closed during the period. The company's total capital expenditure was £5.4 million.

The principal risks and uncertainties affecting the business include the following:

- A key factor in determining the success of the company is providing our customers each season with an exciting product range which reflects current market trends. Clearly there is a risk to the profitability of the business in product selection and we seek to mitigate this risk as far as possible with a thorough review process prior to placing order commitments.

Directors' report *(continued)*

- Competitive risk: the company operates in highly competitive markets. Product innovations and price action by competitors can adversely affect our performance. The diversity of product ranges sold and age company catered for reduces the possible effect of action by any single competitor.
- Unseasonal weather: a significant proportion of the company's products are purchased for a specific season and unseasonal weather can therefore have a negative impact on profitability. It is the company's policy to substantially clear seasonal stock by the end of each season so that there is no negative impact on future trading.
- Key personnel: the company also operates in a competitive market in relation to retention of staff and seeks to offer a competitive remuneration package and an appealing working environment to promote staff loyalty. There is also a Share Incentive Plan which has resulted in around 1,300 current staff being shareholders with a further share issue planned for 2010/11.
- Foreign currency exchange: the company monitors exchange rates closely and has a policy of hedging against currency fluctuations relating to product purchased overseas.
- Major disruption/disaster: by far the greatest risk to business continuity would be the occurrence of an event rendering the company's Head Office and warehouse inoperable. A formal Business Continuity Plan has been developed to mitigate the effect of such an eventuality.
- IT Systems: the company is dependent on the continuous operation of its IT systems in order to ensure that stock is supplied and replenished effectively and that management is provided with accurate information. Internal and external back up arrangements, including a disaster recovery facility, are in place to mitigate the risk of system failure.
- The effect of legislation or other regulatory activities: the company monitors forthcoming and current legislation regularly.
- Pension funding risk: the company operates a defined benefit pension scheme as detailed in note 6. The funding of the pension liabilities at the year end was 36% by equities and property and 64% by other assets. The company is subject to funding risks, principally poor performance of the equity investment and increased longevity of the members but has in the recent past contributed £10 million to the scheme in order to improve the deficit position.
- Liquidity risk: the company continues to generate significant cash, and has ongoing bank facilities well in excess of its borrowing requirement. Most of the company's loan facility is not repayable until 2012.

Key areas of strategic development and performance of the business include:

- General strategy: the company holds regular sessions with its senior employees, and cascades the company's strategy to all levels of staff in order that all employees can understand and contribute to the achievement of objectives.
- Sales growth: it is a prime objective of the company to increase its market share by growing like for like sales and by adding to its store base. Same store sales grew strongly during 2009/10 and the company added 10 new sites to the estate. Further new stores are expected during 2010/11.
- Store environment: the company is committed to maintaining an up to date and appealing store environment from which to sell its products.
- People: the company is committed to the development of its staff and has attained Investors in People status in its stores, Head Office and London Buying Office.
- Health and Safety: accident rates are constantly monitored and investigated and the company continues to seek ways of ensuring that a safe and healthy working environment is maintained. Health and Safety matters are regularly monitored at Board level.

Directors' report *(continued)*

Key performance indicators are as follows:

	2010	2009	Measure
Sales Growth	**11.8%**	(4.7%)	Increase/decrease in sales v previous year
Gross Profit %	**21.4%**	18.9%	Ratio of gross profit (including other income) to sales
Stock turnover ratio	**8.3**	7.3	Turnover/stock

Financial instruments

The company's policy is to minimise the use of complex financial instruments. Within this framework specific consideration is given to managing foreign currency risk through forward contracts where there is significant potential exposure and to managing interest rate risk through interest swaps where considered appropriate.

Dividends

No dividend was paid during the period *(2009: £Nil)*.

Directors

The directors who held office during the period are noted below:

IW McGeoch
MR McKimmie
C Williamson
N Bennett
L Koser
B Howie
C Rutherford
AJ McGeoch (appointed 30 November 2009)

In accordance with the Articles of Association, IW McGeoch and N Bennett retire at the annual general meeting and, being eligible, offer themselves for re-election.

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 £47,829 *(2009: £198,849)*. 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. The Share Incentive Plan ("SIP"), for employees with over eighteen months service, saw no further assignment of shares to staff *(2009: no assignments of shares to staff)* during the period.

Directors' report *(continued)*

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

MR McKimmie
Director

Caledonia House
5 Inchinnan Drive
Inchinnan Business Park
Inchinnan
Renfrew
PA4 9AF

21 June 2010

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 and applicable law (UK Generally Accepted Accounting Practice).

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 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006. 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

KPMG LLP
191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of Mackays Stores Limited

We have audited the financial statements of Mackays Stores Limited for the 53 week period ended 26 February 2010 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company'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 company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 Directors' Responsibilities Statement set out on page 5, 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 Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 February 2010 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

M Ross (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 June 2010

Profit and loss account
for the 53 week period ended 26 February 2010

	Note	2010 (53 weeks) £000	2009 (52 weeks) £000
Turnover	2	**181,905**	162,687
Cost of sales		**(151,283)**	(140,093)
Gross profit		**30,622**	22,594
Administrative expense		**(28,885)**	(26,165)
Other operating income	3	**8,329**	8,158
Operating profit		**10,066**	4,587
Loss on sale of tangible fixed assets		**(323)**	(84)
Net interest payable	7	**(1,686)**	(1,845)
Profit on ordinary activities before tax	4	**8,057**	2,658
Tax on profit on ordinary activities	8	**(3,008)**	(1,032)
Profit for the financial period		**5,049**	1,626

All amounts relate to continuing activities.

Note of historical cost profits and losses

for the 53 week period ended 26 February 2010

	2010 (53 weeks) £000	2009 (52 weeks) £000
Reported profit on ordinary activities before taxation	**8,057**	2,658
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	**2**	2
Historical cost profit on ordinary activities before taxation	**8,059**	2,660
Historical cost profit for the period less taxation and dividends	**5,051**	1,628

Statement of total recognised gains and losses

for the 53 week period ended 26 February 2010

	2010 (53 weeks) £000	2009 (52 weeks) £000
Profit for the financial period	**5,049**	1,626
Actuarial (loss)/gain recognised in the pension scheme	**(8,428)**	3,212
Movement on deferred tax relating to actuarial (loss)/gain	**2,360**	(900)
Total recognised gains and losses relating to the period	**(1,019)**	3,938

Reconciliation of movements in shareholders' funds

for the 53 week period ended 26 February 2010

	2010 (53 weeks) £000	2009 (52 weeks) £000
Profit for the financial period	**5,049**	1,626
Actuarial (loss)/gain recognised in pension scheme	**(8,428)**	3,212
Movement on deferred tax relating to actuarial (loss)/gain	**2,360**	(900)
Net (decrease)/increase in shareholders' funds	**(1,019)**	3,938
Opening shareholders' funds	**44,526**	40,588
Closing shareholders' funds	**43,507**	44,526

Balance sheet
at 26 February 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Tangible assets	9		**47,040**		50,902
Current assets					
Stocks	10	**21,799**		22,235	
Debtors	11	**6,364**		7,834	
Cash at bank and in hand		**7,745**		7,298	
		35,908		37,367	
Creditors: amounts falling due within one year	12	**(20,169)**		(28,544)	
Net current assets			**15,739**		8,823
Total assets less current liabilities			**62,779**		59,725
Creditors: amounts falling due in more than one year	12		**(10,000)**		(11,492)
Provisions for liabilities	13		**(1,403)**		(1,976)
Deferred income	14		**(207)**		(235)
Net pension scheme deficit	6		**(7,662)**		(1,496)
Net assets			**43,507**		44,526
Capital and reserves					
Called up share capital	15		**495**		495
Capital redemption reserve	16		**5**		5
Revaluation reserve	16		**214**		216
Profit and loss account	16		**42,793**		43,810
Equity shareholders' funds			**43,507**		44,526

These financial statements were approved by the board of directors on 21 June 2010 and were signed on its behalf by:

IW McGeoch
Director

Company registered number: SC36368

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.

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.

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	10% - 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.

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.

Notes *(continued)*

Accounting policies *(continued)*

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 estimated 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.

Share based payments

The group share ownership programme allows eligible employees to acquire fully paid up shares in the Mackays Stores Group Limited ("MSGL"), the ultimate parent company. Previously, eligible employees were also able to acquire options to acquire shares, however, all options granted under this arrangement, to the extent not exercised, have now expired. Due to the fact that shares acquired (including shares acquired under the exercise of options) under these arrangements may not be retained by employees on cessation of employment with the group, such transactions are accounted for as "cash settled".

In respect of fully paid up shares issued directly to employees at a consideration less than fair value under the group's Share Incentive Plan, the fair value of such shares is determined independently and recognised immediately in the financial statements as an intergroup liability, with a corresponding charge recognised in the profit and loss account. The liability is subsequently re-measured at each balance sheet date (or settlement date if shares are repurchased during the year) with any changes to fair value being recognised in the profit and loss account. The liability in respect of shares previously acquired under the exercise of options and retained by eligible employees is also re-measured at each balance sheet date, with any changes being recognised in the profit and loss account.

Pensions

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.

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.

Notes *(continued)*

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 £181,905,000 *(2009: £162,687,000)*.

3 Other operating income

	2010 (53 weeks) £000	2009 (52 weeks) £000
Property rentals and similar income	**3,226**	3,021
Discounts received	**5,103**	5,137
	8,329	8,158

4 Profit before tax

	2010 (53 weeks) £000	2009 (52 weeks) £000
Profit before tax is stated after charging/(crediting):		
Depreciation of fixed tangible assets	**8,940**	9,224
Charge/(credit) in respect of share option schemes	**1,054**	(1,033)
Auditors' remuneration:		
- audit of these financial statements	**45**	45
- services relating to taxation	**113**	67
- other services	**28**	-
Hire of equipment	**15**	14
Pension paid to a former director	**2**	2
Operating lease charges:		
- land and buildings	**22,551**	21,710
- other	**374**	333

5 Directors' emoluments

	2010 (53 weeks) £000	2009 (52 weeks) £000
Directors' remuneration (excluding pension contributions)	**1,755**	1,658

The highest paid director received emoluments, excluding pension contributions and including the estimated money value of benefits in kind, of £551,646 *(2009: £485,223)*.

Seven of the directors *(2009: six)* 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	
	2010	2009
	(53 weeks)	(52 weeks)
Retailing	**3,463**	3,316

The aggregate payroll costs of these persons were as follows:

	(53 weeks)	(52 weeks)
	£000	£000
Wages and salaries	**38,474**	37,712
Social security costs	**2,422**	2,293
Other pension costs	**976**	1,046
Share based payment arrangements	**1,054**	(1,033)
	42,926	40,018

Pensions

Mackays Stores Limited operates a funded defined benefits pension scheme for eligible 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.

A full actuarial valuation was carried out at 30 April 2008 and has been updated to 26 February 2010 and 20 February 2009 by a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer throughout the periods shown. All defined benefit obligations are funded. The current practice of increasing pensions in line with inflation is included in the measurement of the defined benefit obligation.

	2010	2009
	£000	£000
Present value of funded deficit benefit obligations	**(68,537)**	(52,490)
Fair value of plan assets	**57,896**	50,413
Deficit	**(10,641)**	(2,077)
Related deferred tax asset	**2,979**	581
Net liability	**(7,662)**	(1,496)

Movements in present value of defined benefit obligation

	2010	2009
	£000	£000
At 20 February 2009	**(52,490)**	(57,413)
Current service cost	**(889)**	(977)
Interest cost	**(3,471)**	(3,295)
Actuarial (losses)/gains	**(13,667)**	8,016
Contributions by members	**(380)**	(788)
Benefits paid	**2,360**	1,967
At 26 February 2010	**(68,537)**	(52,490)

Notes *(continued)*

6 Employees and remuneration *(continued)*

***Pensions** (continued)*

Movements in fair value of plan assets

	2010 £000	2009 £000
At 20 February 2009	**50,413**	52,413
Expected return on plan assets	**2,887**	3,044
Actuarial gains/(losses)	**5,239**	(4,804)
Contributions by employer	**1,337**	939
Contributions by members	**380**	788
Benefits paid	**(2,360)**	(1,967)
At 26 February 2010	**57,896**	50,413

Expense recognised in the profit and loss account

	2010 (53 weeks) £000	2009 (52 weeks) £000
Current service cost	**889**	977
Interest on defined benefit pension plan obligation	**3,471**	3,295
Expected return on defined benefit pension plan assets	**(2,887)**	(3,044)
Total	**1,473**	1,228

The expense is recognised in the following line items in the profit and loss account:

	2010 (53 weeks) £000	2009 (52 weeks) £000
Administrative expenses	**889**	977
Interest payable and similar charges	**584**	251
Total	**1,473**	1,228

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £8,428,000 *(2009: gain £3,212,000).*

Cumulative actuarial losses reported in the statement of total recognised gains and losses are cumulative losses £5,574,000 *(2009: cumulative gains £2,854,000).*

Notes *(continued)*

6 Employees and remuneration *(continued)*

***Pensions** (continued)*

The fair value of the plan assets and the return on those assets were as follows:

	Return %	**2010 Fair value £000**	Return %	2009 Fair value £000
Equities/property	**7.74**	**20,558**	6.40	19,011
Bonds	**5.26**	**29,176**	5.80	24,817
Currency and cash	**4.28**	**4,157**	1.00	2,532
Insurance policies	**5.10**	**1,720**	4.50	2,026
Insured pensions		**2,285**		2,027
		57,896		50,413
Actual return on scheme assets		**8,126**		(1,760)

None of the Company's own financial instruments, property occupied, or other assets used by the Company are included within fair value of plan assets.

To develop the expected long term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.10% assumption at 26 February 2010. Insured pensions were not included in this calculation.

	2010 (53 weeks) £000	2009 (52 weeks) £000
Weighted average assumptions used to determine benefit obligations		
Discount rate	**5.70%**	6.60%
Rate of increase in salaries	**4.65%**	4.25%
Rate of increase of pensions in payment	**3.35%**	3.00%
Inflation	**3.65%**	3.25%

Weighted average life expectancy for mortality tables used to determine benefit obligations		
At 26 February 2010:	**Male**	**Female**
Member aged 65 (current life expectancy)	20.3	23.1
Member aged 45 (life expectancy at age 65)	21.3	24.0

Notes *(continued)*

6 Employees and remuneration *(continued)*

Pensions *(continued)*

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	3000
Present value of scheme liabilities	**(68,537)**	(52,490)	(57,413)	(57,783)	(55,525)
Fair value of scheme assets	**57,896**	50,413	52,413	50,678	44,430
Deficit	**(10,641)**	(2,077)	(5,000)	(7,105)	(11,095)

Experience adjustments

	2010	2009	2008	2007	2006
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	-	796	91	(146)	1,350
as a percentage of scheme liabilities	-	1.5%	0.2%	0.2%	2.4%
Experience adjustments on scheme assets	**5,239**	(4,804)	(7,631)	414	5,186
as a percentage of scheme assets	**9.0%**	9.5%	14.6%	0.8%	11.7%

The Company expects to contribute approximately £936,000 to its defined benefit plans in the next financial year.

7 Interest (net)

	2010	2009
	(53 weeks)	(52 weeks)
	£000	£000
Interest payable to parent undertaking	**(125)**	(62)
Bank interest receivable	**6**	61
Bank interest payable – on bank loans and overdrafts	**(983)**	(1,593)
Finance charges from pension scheme liabilities (note 6)	**(584)**	(251)
	(1,686)	(1,845)

Notes *(continued)*

8 Tax

	2010 (53 weeks) £000	2010 (53 weeks) £000	2009 (52 weeks) £000	2009 (52 weeks) £000
Corporation tax				
UK corporation tax on profit for the period at 28% *(2009: 28%)*	**3,705**		1,899	
Adjustments in respect of prior periods	**(86)**		(431)	
Total corporation tax charge		**3,619**		1,468
Deferred tax				
Credit for the period	**(479)**		(626)	
Adjustments in respect of prior periods	**(94)**		271	
Credit in respect of pension liability related items	**(38)**		(81)	
Total deferred tax credit		**(611)**		(436)
Tax on profit on ordinary activities		**3,008**		1,032

The tax assessed for the period is higher *(2009: higher)* than the standard rate of corporation tax of 28% *(2009: 28%)*. The differences are explained below:

	2010 (53 weeks) £000	2009 (52 weeks) £000
Current tax reconciliation		
Profit on ordinary activities before tax	**8,057**	2,658
Current tax at 28% *(2009: 28%)*	**2,256**	744
Effects of:		
Expenses not deductible for tax purposes	**74**	119
Depreciation adjustments on items not qualifying for capital allowances	**566**	569
Current deferred tax credit	**517**	707
Adjustments to corporation tax charge in respect of previous periods	**(86)**	(431)
Other items	**(64)**	82
Loss on sale of assets not chargeable to corporation tax	**61**	(33)
Adjustments in relation to share based payment arrangements	**295**	(289)
Corporation tax charge for the period	**3,619**	1,468

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings Freehold	Land and buildings Leasehold	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of period	3,532	38,079	55,972	97,583
Additions	6	2,815	2,550	5,371
Disposals	-	(331)	(764)	(1,095)
At end of period	3,538	40,563	57,758	101,859
Depreciation				
At beginning of period	339	15,765	30,577	46,681
Charge for period	64	2,168	6,708	8,940
Disposals	-	(173)	(629)	(802)
At end of period	403	17,760	36,656	54,819
Net book value				
At 26 February 2010	**3,135**	**22,803**	**21,102**	**47,040**
At 20 February 2009	3,193	22,314	25,395	50,902

The net book amount of freehold land and buildings includes the following external valuations carried out as at 30 April 1990. The properties were 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 below..

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

	2010		2009	
	Valuation £000	**Cost £000**	Valuation £000	Cost £000
Cost or valuation	**3,538**	**3,444**	3,532	3,444
Depreciation	**(403)**	**(523)**	(339)	(467)
Net book amount	**3,135**	**2,921**	3,193	2,977

	2010	2009
	£000	£000
The book value of land included in freehold properties amounts to:	**651**	651

Notes *(continued)*

9 Tangible fixed assets *(continued)*

	2010 £000	2009 £000
The net book amount of leasehold land and buildings comprises:		
Long leasehold	**2,617**	2,443
Short leasehold	**20,186**	19,871
	22,803	22,314

10 Stocks

	2010 £000	2009 £000
Finished goods and goods for resale	**21,799**	22,235

11 Debtors

	2010 £000	2009 £000
Trade debtors	**611**	413
Amounts owed by group undertakings	**2,334**	3,684
Other debtors	**46**	42
Prepayments and accrued income	**3,373**	3,695
	6,364	7,834

Notes *(continued)*

12 Creditors

Amounts falling due within one year

	2010 £000	2009 £000
Bank overdrafts (secured)	-	4,716
Trade creditors	7,580	5,875
Corporation tax	1,838	598
Other tax and social security	2,399	1,887
Other creditors and accruals	7,806	7,084
Amounts owed to group undertakings	546	8,384
	20,169	28,544

Amounts falling due in more than one year

	2010 £000	2009 £000
Bank loan	10,000	11,492

Analysis of borrowings

Debt can be analysed as follows:

	2010 £000	2009 £000
Repayable:		
In one year or less, or on demand	-	4,716
Between two and five years	10,000	11,492
	10,000	16,208

The bank loan is repayable between February 2012 and April 2012 and bear interest at a rate of between 1% and 2% above LIBOR. The Company's bank borrowings are secured by a floating charge over the assets of the group.

Notes *(continued)*

13 Provision for liabilities

	Deferred tax £000
At beginning of period	(1,976)
Movement in period (note 8)	573
	(1,403)

	2010 £000	2009 £000
Analysed as:		
Excess capital allowances	**(1,829)**	(2,381)
Other timing differences	**426**	405
	(1,403)	(1,976)

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 £2,664 *(2009: £2,740)*. There are no other unprovided potential liabilities.

14 Deferred income

	2010 £000	2009 £000
Balance remaining of inducements to enter into lease agreements in respect of property:		
At beginning of period	**235**	263
Credited to profit and loss account for period	**(28)**	(28)
At end of period	**207**	235

15 Share capital

	2010 £000	2009 £000
Authorised, allotted, issued and fully paid:		
495,000 ordinary shares of £1 each	**495**	495

Notes *(continued)*

16 Reserves

	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At beginning of period	5	216	43,810
Profit for financial period	-	-	5,049
Transfer of depreciation on revalued fixed assets	-	(2)	2
Actuarial loss in the period	-	-	(8,428)
Deferred tax movement relating to pension scheme	-	-	2,360
At end of period	**5**	**214**	**42,793**

17 Commitments

	2010 £000	2009 £000
Capital - contracted but not provided	-	-

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

	2010		2009	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	**2,223**	-	2,099	5
- two to five years	**6,807**	**374**	6,614	328
- over five years	**13,724**	-	13,541	-
	22,754	**374**	22,254	333

18 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 undertakingswere £23,456,000 *(2009: £34,357,000).*

19 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, 5 Inchinnan Drive, Inchinnan Business Park, Inchinnan, Renfrew, PA4 9AF.

20 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.