

**Mackays Stores Limited**

Directors' report and financial statements

Registered number 36368

27 February 2004



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## Directors' report

The directors present their annual report, together with the audited financial statements of the company for the 53 week period ended 27 February 2004.

### 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 53 week period ended 27 February 2004 are £10,343,000 compared with £10,133,000 for the 52 week period ended 21 February 2003.

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

### Dividends

During the period the directors authorised the payment of a dividend of £280 (2003: £280), representing 5.6p per share, on the cumulative preference shares and a dividend payable to the parent undertaking of £4,950,000 (2003: £Nil) on the issued ordinary shares.

### Directors and directors' interests

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

IW McGeoch  
PJ Vann  
MR McKimmie  
J O'Hara  
C Williamson  
SE Swannie  
JA Heaviside  
N Bennett

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

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

	27 February 2004		21 February 2003		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	-	-	-	-	-
PJ Vann	-	87,210	-	72,675	509,457	-	14,535	494,922
MR McKimmie	-	30,523	-	20,349	118,643	-	10,174	108,469
J O'Hara	-	1,800	-	-	138,992	-	1,800	137,192
C Williamson	-	29,000	-	-	138,992	-	29,000	109,992
SE Swannie	-	-	-	-	212,849	-	-	212,849
JA Heaviside	-	5,000	-	-	138,992	-	5,000	133,992
N Bennett	-	-	-	-	138,992	-	-	138,992

## Directors' report *(continued)*

### Charitable and political contributions

Charitable contributions made by the company during the period amounted to £8,581 (2003: £7,368). 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.

### 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

5 July 2004

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

24 Blythswood Square  
Glasgow  
G2 4QS  
United Kingdom

### **Report of the independent auditors to the members of Mackays Stores Limited**

We have audited the financial statements on pages 5 to 20.

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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

#### **Basis of audit 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 27 February 2004 and of its profit for the fifty three week period then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

5 July 2004

## Profit and loss account

for the 53 weeks ended 27 February 2004

	Note	2004 (53 weeks) £000	2003 (52 weeks) £000
Turnover	2	137,658	133,780
Cost of sales		(109,524)	(108,581)
<b>Gross profit</b>		<b>28,134</b>	<b>25,199</b>
Administrative expense		(20,609)	(18,581)
Other operating income	3	3,170	2,920
<b>Operating profit</b>	4	<b>10,695</b>	<b>9,538</b>
Income from shares in group undertakings		-	756
Loss on sale of fixed assets		(337)	(137)
Interest (net)	7	(15)	(24)
<b>Profit on ordinary activities before tax</b>		<b>10,343</b>	<b>10,133</b>
Tax on profit on ordinary activities	8	(3,250)	(2,959)
<b>Profit for the financial period</b>		<b>7,093</b>	<b>7,174</b>
Dividend to parent undertaking	9	(4,950)	-
<b>Retained profit for the financial period</b>	17	<b>2,143</b>	<b>7,174</b>

There were no recognised gains or losses in either year other than the above profit after tax.

## Note of historical cost profits and losses

*for the 53 weeks ended 27 February 2004*

	2004 (53 weeks) £000	2003 (52 weeks) £000
Reported profit on ordinary activities before taxation	10,343	10,133
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	10,345	10,135
Historical cost profit for the period less taxation and dividends	2,145	7,176

## Reconciliation of movements in shareholders' funds

*for the 53 weeks ended 27 February 2004*

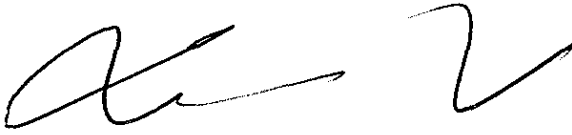
	2004 (53 weeks) £000	2003 (52 weeks) £000
Profit for the financial period	7,093	7,174
Dividends	(4,950)	-
Movement in shareholders' funds	2,143	7,174
Opening shareholders' funds	42,440	35,266
Closing shareholders' funds	44,583	42,440



**Balance sheet**  
*at 27 February 2004*

	<i>Note</i>	<b>2004</b> £000	£000	<b>2003</b> £000	£000
<b>Fixed assets</b>					
Tangible assets	10		21,023		18,748
<b>Current assets</b>					
Stocks	11	21,039		21,142	
Debtors	12	15,551		10,403	
Cash at bank and in hand		6,846		6,016	
		<u>43,436</u>		<u>37,561</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(19,635)</u>		<u>(13,611)</u>	
<b>Net current assets</b>			23,801		23,950
<b>Total assets less current liabilities</b>			<u>44,824</u>		<u>42,698</u>
<b>Deferred income</b>	15		(241)		(258)
<b>Net assets</b>			<u>44,583</u>		<u>42,440</u>
<b>Capital and reserves</b>					
Called up share capital	16	500		500	
Revaluation reserve	17	227		229	
Profit and loss account	17	43,856		41,711	
<b>Equity shareholders' funds</b>			<u>44,583</u>		<u>42,440</u>

These financial statements were approved by the board of directors on 5 July 2004 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.

#### *Cash flow*

The company's ultimate parent undertaking, Mackays Stores Group Limited, has adopted Financial Reporting Standard Number 1 in its consolidated financial statements for the period ended 27 February 2004. 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. 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*

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 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%

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

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.

## 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 £137,658,000 (2003: £133,780,000).

## 3 Other operating income

	2004 (53 weeks) £000	2003 (52weeks) £000
Property rentals and similar income	1,051	1,069
Discounts received	2,119	1,851
	<hr/>	<hr/>
	3,170	2,920
	<hr/>	<hr/>

## Notes (continued)

### 4 Operating profit

	2004 (53 weeks) £000	2003 (52 weeks) £000
<i>Operating profit is stated after charging:</i>		
Depreciation of fixed tangible assets	3,803	3,538
Auditors' remuneration:		
- audit	47	44
- other services	39	57
Hire of equipment	22	5
Pension paid to a former director	1	1
Exceptional costs relative to the acquisition of the entire share capital of Mackays Stores (Holdings) Limited by Mackays Stores Group Limited	801	801
Operating lease charges:		
- land and buildings	15,291	14,652
- other	12	22
	<u>          </u>	<u>          </u>

### 5 Directors' emoluments

	2004 (53 weeks) £000	2003 (52 weeks) £000
Executive remuneration (excluding pension contributions)	2,438	2,360
	<u>          </u>	<u>          </u>

The highest paid director received emoluments, excluding pension contributions and including the estimated money value of benefits in kind, of £702,859 (2003: £787,125). The relevant director is a member of the group's defined benefit pension scheme under which the accrued pension to which he would have been entitled from normal retirement age had he retired at the period end was £6,903 per annum (2003: £5,088).

Eight of the directors (2003: 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	
	2004 (53 weeks)	2003 (52 weeks)
Retailing	2,626	2,603

The aggregate payroll costs of these persons were as follows:

	2004 (53 weeks) £000	2003 (52 weeks) £000
Wages and salaries	24,813	23,560
Social security costs	1,665	1,499
Other pension costs (including special payments to group pension scheme)	974	926
	<u>27,452</u>	<u>25,985</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 2002. 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 3% per annum.

The valuation showed that the market value of the scheme's assets was £29,094,000 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in salaries. The contribution rate (inclusive of employee contributions) of 18% of pensionable salaries, which applied from November 2003, is considered adequate to fund future benefits. The cost of insured death benefits is in addition to these rates.

The pension charge for the period represents the contributions paid to the scheme having regard to the advice of the independent qualified actuary.

The pension cost figures used in these accounts and the disclosures detailed above comply with the current pension cost accounting standard SSAP 24. Under the transitional requirements of FRS 17: Retirement Benefits the company is required to disclose further information on the defined benefit scheme on an FRS 17 market value basis.

The full actuarial valuation carried out at 30 April 2002 was updated in accordance with FRS 17 to 27 February 2004 by an independent qualified actuary. The major assumptions used in the valuation were:

	At 27 February 2004	At 21 February 2003	At 22 February 2002
Rate of increase in salaries	3.75%	3.50%	3.50%
Rate of increase in pensions in payment	2.50%	2.25%	2.25%
Discount rate	5.50%	5.25%	5.25%
Inflation assumption	2.75%	2.50%	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 27 February 2004	At 27 February 2004	Long term rate of return expected at 21 February 2003	At 21 February 2003	Long term rate of return expected at 21 February 2002	At 22 February 2002
		£000		£000		£000
Equities	6.80%	21,709	6.50%	16,193	7.00%	21,540
Corporate bonds	4.80%	5,439	4.50%	5,280	5.00%	3,875
Cash	4.00%	1,117	3.75%	762	4.00%	100
Insurance policies	4.80	2,100	4.50%	2,330	5.00%	1,800
Insurance pensions		679		637		615
Total market value of assets		31,044		25,202		27,930
Actuarial value of scheme liabilities		(40,872)		(38,084)		(31,510)
Deficit in the scheme		(9,828)		(12,882)		(3,580)
Related deferred tax asset		2,948		3,865		1,074
Net deficit in the scheme		(6,880)		(9,017)		(2,506)

Had FRS 17 been fully implemented, additional information would have been included in relation to the defined benefits pension scheme as follows:

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

	2004 (53 weeks) £000	2003 (52 weeks) £000
Service cost	925	780
Past service cost	-	55
Total operating charge	925	835

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

	2004 (53 weeks) £000	2003 (52 weeks) £000
Expected return on scheme assets	1,443	1,814
Interest on pension liabilities	(1,984)	(1,781)
Net (charge)/return	(541)	33

## Notes (continued)

### Employees and remuneration (continued)

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

	As a percentage of the scheme assets/liabilities	2004 (53 weeks) £000	As a percentage of the scheme assets/liabilities	2003 (52 weeks) £000
Actual return less expected return on assets	12.0%	3,725	20.2%	(5,084)
Experience gains and losses arising on scheme liabilities	0.3%	(112)	4.3%	(1,656)
Changes in assumptions underlying scheme liabilities	-	-	6.7%	(2,567)
		<hr/>		<hr/>
Actuarial gain/(loss) recognised in STRGL		3,613		(9,307)
		<hr/>		<hr/>

#### Movement in deficit during the year

	2004 (53 weeks) £000	2003 (52 weeks) £000
Deficit in scheme at beginning of period	(12,882)	(3,580)
Current service cost	(925)	(780)
Contributions	907	807
Past service costs	-	(55)
Net (charge)/return on assets	(541)	33
Actuarial gain/(loss)	3,613	(9,307)
	<hr/>	<hr/>
Deficit in scheme at end of period	(9,828)	(12,882)
	<hr/>	<hr/>

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. Contributions payable were increased during the twelve months ended 27 February 2004 and are considered by the directors adequate to fund future benefits.

### 7 Interest (net)

	2004 (53 weeks) £000	2003 (52 weeks) £000
Bank interest receivable	60	65
Bank interest payable – on bank loans and overdrafts	(75)	(89)
	<hr/>	<hr/>
	(15)	(24)
	<hr/>	<hr/>

## Notes (continued)

### 8 Tax

	2004 (53 weeks) £000	2003 (52 weeks) £000
<b>Corporation tax</b>		
UK corporation tax on profit for the period at 30% (2003: 30%)	2,691	2,589
Group relief received	552	360
Adjustments in respect of prior periods	(32)	-
	<hr/>	<hr/>
Overseas tax in respect of prior periods	3,211 10	2,949 -
	<hr/>	<hr/>
Total corporation tax charge	3,221	2,949
<b>Deferred tax</b>		
Credit for the period	(50)	(49)
Adjustments in respect of prior periods	79	59
	<hr/>	<hr/>
Total deferred tax charge	29	10
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>3,250</b>	<b>2,959</b>
	<hr/>	<hr/>

The tax assessed for the period is higher (2003: lower) than the standard rate of corporation tax of 30%.

The differences are explained below:

	2004 (53 weeks) £000	2003 (52 weeks) £000
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	10,343	10,133
	<hr/>	<hr/>
Current tax at 30%	3,102	3,040
<b>Effects of:</b>		
Dividend received from subsidiary	-	(227)
Expenses not deductible for tax purposes	91	10
Depreciation on items not qualifying for capital allowances	22	55
Current deferred tax credit	50	49
Adjustments to corporation tax charge in respect of previous periods	(32)	-
Other items	(22)	22
Adjustments to overseas tax charge in respect of prior periods	10	-
	<hr/>	<hr/>
Corporation tax charge for the period	3,221	2,949
	<hr/>	<hr/>



## Notes (continued)

### 9 Dividends

	2004 (53 weeks) £000	2003 (52 weeks) £000
Ordinary shares:		
Dividend paid	4,950	-
	£	£
Preference shares:		
Dividend paid	280	280

### 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	923	16,884	41,223	59,030
Additions	-	1,663	4,678	6,341
Disposals	-	(203)	(9,220)	(9,423)
At end of period	923	18,344	36,681	55,948
<b>Depreciation</b>				
At beginning of period	164	8,272	31,846	40,282
Charge for period	14	831	2,958	3,803
Disposals	-	(123)	(9,037)	(9,160)
At end of period	178	8,980	25,767	34,925
<b>Net book value</b>				
At 27 February 2004	745	9,364	10,914	21,023
At 21 February 2003	759	8,612	9,377	18,748

The net book amount of freehold land and buildings includes the following external valuations carried out as at 30 April 1990 by Edward Erdman Property Consultants. 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 £8,147,000 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:

	2004		2003	
	Valuation £000	Cost £000	Valuation £000	Cost £000
Cost or valuation	923	834	923	834
Depreciation	(178)	(316)	(164)	(304)
Net book amount	<u>745</u>	<u>518</u>	<u>759</u>	<u>530</u>
			2004 £000	2003 £000
The book value of land included in freehold properties amounts to:			<u>251</u>	<u>251</u>
The net book amount of leasehold land and buildings comprises:				
Long leasehold			561	461
Short leasehold			<u>8,803</u>	<u>8,151</u>
			<u>9,364</u>	<u>8,612</u>
11 Stocks			2004 £000	2003 £000
Finished goods and goods for resale			<u>21,039</u>	<u>21,142</u>

**Notes (continued)**

**12 Debtors**

	2004 £000	2003 £000
Trade debtors	25	134
Amounts owed by group undertakings	12,692	7,782
Other debtors	65	172
Prepayments and accrued income	2,643	2,160
Deferred tax (note 13)	126	155
	<hr/> 15,551 <hr/>	<hr/> 10,403 <hr/>

**13 Deferred tax asset**

	2004 £000	2003 £000
At beginning of period	155	165
Credit for period (note 8)	(29)	(10)
	<hr/> 126 <hr/>	<hr/> 155 <hr/>
<i>Analysed as:</i>		
Excess capital allowances	(165)	(216)
Other timing differences	291	371
	<hr/> 126 <hr/>	<hr/> 155 <hr/>

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 £677,000 (2003: £717,000). There are no other unprovided potential liabilities.

## Notes (continued)

### 14 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	3,758	4,577
Corporation tax	621	401
Other tax and social security	1,723	2,101
Other creditors and accruals	6,183	6,185
Amounts owed to group undertakings	7,350	347
	<u>19,635</u>	<u>13,611</u>

### 15 Deferred income

	2004 £000	2003 £000
Balance remaining of inducements to enter into lease agreements in respect of property:		
At beginning of period	258	275
Credited to profit and loss account for period	(17)	(17)
At end of period	<u>241</u>	<u>258</u>

### 16 Share capital

	2004 £000	2003 £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
	<u>500</u>	<u>500</u>

## Notes (continued)

### 17 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of period	229	41,711
Transfer of depreciation on revalued fixed assets	(2)	2
Retained profit for period	-	2,143
	<hr/>	<hr/>
At end of period	227	43,856
	<hr/>	<hr/>

### 18 Commitments

	2004 (53 weeks) £000	2003 (52 weeks) £000
Capital - contracted but not provided	599	1,471
	<hr/>	<hr/>

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

	2004 (53 weeks) Land and buildings £000	Other £000	2003 (52 weeks) Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	420	24	124	20
- two to five years	1,481	-	1,653	-
- over five years	14,516	-	13,355	-
	<hr/>	<hr/>	<hr/>	<hr/>
	16,417	24	15,132	20
	<hr/>	<hr/>	<hr/>	<hr/>

### 19 Contingent liabilities

The company, in common with other group companies, has provided a bond and floating charge over its assets in respect of term loan and overdraft facilities extended to Mackays Stores Group Limited and its subsidiaries by its banks. The amounts outstanding in relation to the parent undertaking were £30,857,000 (2003: £35,390,000).

**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.