

Mackays Financial Services Limited

Directors' report and financial statements

Registered number SC 232635

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 (2005: 52 week period ended 25 February 2005).

Activities

The company operated as a financial services company providing card handling services.

Review of the business and future developments

The company ceased to trade on 9 September 2005.

Summary of trading results

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

Dividends

No dividend was proposed or paid during the year (2005: £1,275,000).

Directors and directors' interests

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

IW McGeoch
MR McKimmie

None of the directors has any interest in the share capital of the company. The interests of IW McGeoch and MR McKimmie in the share capital of the ultimate parent company, Mackays Stores Group Limited, are disclosed in the financial statements of that company.

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

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

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

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 Financial Services Limited

We have audited the financial statements of Mackays Financial Services Limited for the year ended 24 February 2006 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes which, as described in note 1, have not been prepared on a going concern basis. 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 2, 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 Financial Services 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>	Discontinued operations	
		2006	2005
		£	£
Turnover	2	1,429,868	2,511,301
Cost of sales		(372,505)	(582,836)
Gross profit		1,057,363	1,928,465
Administrative expense		(16,709)	(79,270)
Operating profit	3	1,040,654	1,849,195
Bank interest received		98	-
Profit on ordinary activities before tax		1,040,752	1,849,195
Tax on profit on ordinary activities	4	(312,225)	(555,760)
Profit for the financial period		728,527	1,293,435

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

Trading ceased on 9 September 2005.

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

	2006	2005
	£	£
Profit for the period	728,527	1,293,435
Dividend	-	(1,275,000)
Net increase in shareholders' funds	728,527	18,435
Opening shareholders' funds	18,841	406
Closing shareholders' funds	747,368	18,841

Balance sheet
at 24 February 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors	6	2,235,594	531,968
Cash at bank and in hand		100,001	1,385,990
		<hr/>	<hr/>
Creditors: amounts falling due within one year	7	2,335,595 (1,588,227)	1,917,958 (1,899,117)
		<hr/>	<hr/>
Net assets		747,368	18,841
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	747,367	18,840
		<hr/>	<hr/>
Equity shareholders' funds		747,368	18,841
		<hr/>	<hr/>

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 preparation

The financial statements have been prepared under the historical cost accounting rules, and in accordance with applicable accounting standards.

In previous years, the financial statements have been prepared on a going concern basis. However, on 9 September 2005 the directors took the decision to cease trading. As they do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis. All assets and liabilities are held within current assets or creditors due within one year.

Cashflow

Mackays Stores Group Limited, of which the company is a wholly owned subsidiary undertaking, has adopted Financial Reporting Standard Number 1 in its consolidated financial statements for the period ended 25 February 2006. Accordingly, the company is exempt from the requirement to prepare a cash flow statement.

2 Turnover

The company operated as a financial services company in the United Kingdom. Sales from these activities, net of value added tax, were £1,429,868 (2005: £2,511,301).

3 Operating profit

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

No directors' emoluments or employee remuneration was paid by the company.

4 Tax

	Discontinued operations	
	2006	2005
	£	£
Corporation tax on profit on ordinary activities (30%)	312,225	555,760

The current tax charge for the period is higher (2005: higher) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2006	2005
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,040,752	1,849,195
Current tax at 30%	312,225	554,759
<i>Effects of:</i>		
Other items	-	1,001
Corporation tax charge for period	312,225	555,760

Notes (continued)

5 Dividends

	2006 £	2005 £
Ordinary share:		
Dividend payable	-	1,275,000
	<u> </u>	<u> </u>

6 Debtors

	2006 £	2005 £
Trade debtors	-	70,527
Amounts owed by group undertakings	2,229,530	358,028
Other debtors	6,064	1,074
Prepayments and accrued income	-	102,339
	<u> </u>	<u> </u>
	2,235,594	531,968
	<u> </u>	<u> </u>

7 Creditors: amounts falling due within one year

	2006 £	2005 £
Corporation tax	313,226	555,760
Other creditors and accruals	1	68,357
Amounts owed to parent undertaking	1,275,000	1,275,000
	<u> </u>	<u> </u>
	1,588,227	1,899,117
	<u> </u>	<u> </u>

8 Share capital

	2006 £	2005 £
<i>Authorised</i>		
1 ordinary share of £1	1	1
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<u> </u>	<u> </u>

Notes (continued)

9 Profit and loss account

	£
At beginning of period	18,840
Retained profit for period	728,527
	<hr/>
At end of period	747,367
	<hr/>

10 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.

11 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.