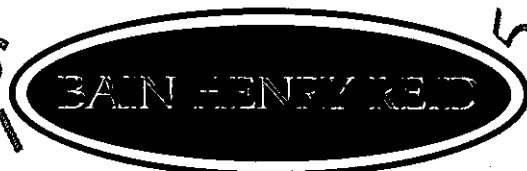
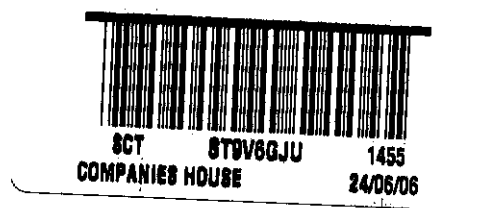


REGISTERED

REGISTERED NUMBER: SC078409 (Scotland)

**REPORT OF THE DIRECTORS AND
UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2005
FOR
MACKINNON'S OF DYCE LIMITED**



CHARTERED ACCOUNTANTS

4 West Craibstone Street Bon-Accord Square Aberdeen AB11 6YL
Telephone 01224 590227 Facsimile 01224 575409
e-mail: aberdeen@bainhenryreid.co.uk

also at Peterhead, Turriff and Ellon



MACKINNON'S OF DYCE LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005**

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**COMPANY INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2005**

DIRECTORS:	Dr M G A Mackinnon E A D Mackinnon C R Wark
SECRETARY:	E A D Mackinnon
REGISTERED OFFICE:	Units 14 & 15, Twin Spires Business Park 400 Mugiemooss Road Bucksburn ABERDEEN AB21 9NU
REGISTERED NUMBER:	SC078409 (Scotland)
ACCOUNTANTS:	Bain Henry Reid Chartered Accountants 4 West Craibstone Street Bon Accord Square ABERDEEN AB11 6YL
BANKERS:	The Royal Bank of Scotland plc Aberdeen Central Branch 12 Golden Square ABERDEEN AB9 8DU
SOLICITORS:	Laurie & Company 17 Victoria Street ABERDEEN

MACKINNON'S OF DYCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 AUGUST 2005

The directors present their report with the financial statements of the company for the year ended 31 August 2005.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of the operation of retail stores trading mainly in the sale of photographic and digital imaging equipment, film and accessories and onsite fast service film processing.

No significant change in the nature of these activities occurred during the year.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The downturn in film processing, combined with significant one-off restructuring costs, has affected the financial position of the Company, but following a substantial investment in digital processing equipment, the Directors expect to see the financial position improve.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2005.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 September 2004 to the date of this report.

The beneficial interests of the directors holding office at 31 August 2005 in the shares of the company, according to the register of directors' interests, were as follows:

	31.8.05	1.9.04
Preference shares of £1 each		
Dr M G A Mackinnon	38	38
E A D Mackinnon	25	25
C R Wark	-	-
'B' Preference shares of £1 each		
Dr M G A Mackinnon	50	50
E A D Mackinnon	50	50
C R Wark	-	-

These directors did not hold any beneficial interests in the Ordinary shares of £1 each.

These directors did not hold any non-beneficial interests in any of the shares of the company.

The above directors are also directors of the parent company. Their beneficial interests in the issued share capital of the parent company are disclosed in the directors report of that company.

ON BEHALF OF THE BOARD:



E A D Mackinnon - Secretary

5 June 2006

MACKINNON'S OF DYCE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2005**

	Notes	2005 £	2004 £
TURNOVER		4,890,920	6,197,432
Cost of sales		<u>2,741,446</u>	<u>3,409,407</u>
GROSS PROFIT		2,149,474	2,788,025
Administrative expenses		<u>2,684,766</u>	<u>3,024,225</u>
		(535,292)	(236,200)
Other operating income		<u>478</u>	<u>-</u>
OPERATING LOSS	3	(534,814)	(236,200)
Interest receivable and similar income		<u>592</u>	<u>5,092</u>
		(534,222)	(231,108)
Interest payable and similar charges	4	<u>29,940</u>	<u>34,148</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(564,162)	(265,256)
Tax on loss on ordinary activities	5	<u>(90,952)</u>	<u>(55,780)</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(473,210)	(209,476)
Dividends (including non-equity shares)	6	<u>-</u>	<u>92,980</u>
DEFICIT FOR THE YEAR		<u>(473,210)</u>	<u>(302,456)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

MACKINNON'S OF DYCE LIMITED

BALANCE SHEET 31 AUGUST 2005

		2005	2004
	Notes	£	£
FIXED ASSETS			
Intangible assets	7	12,000	16,000
Tangible assets	8	778,430	859,962
Investments	9	29,073	193,651
		<u>819,503</u>	<u>1,069,613</u>
CURRENT ASSETS			
Stocks	10	633,361	1,044,051
Debtors	11	264,751	186,731
Cash at bank and in hand		203,763	179,985
		<u>1,101,875</u>	<u>1,410,767</u>
CREDITORS			
Amounts falling due within one year	12	<u>1,258,540</u>	<u>1,369,939</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(156,665)</u>	<u>40,828</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		662,838	1,110,441
CREDITORS			
Amounts falling due after more than one year	13	(407,753)	(360,474)
PROVISIONS FOR LIABILITIES AND CHARGES	17	-	(21,672)
NET ASSETS		<u>255,085</u>	<u>728,295</u>
CAPITAL AND RESERVES			
Called up share capital	18	300	300
Share premium	19	57,336	57,336
Other reserves	19	85,725	85,725
Profit and loss account	19	111,724	584,934
SHAREHOLDERS' FUNDS (including non-equity interests)	22	<u>255,085</u>	<u>728,295</u>

The notes form part of these financial statements

MACKINNON'S OF DYCE LIMITED

BALANCE SHEET - continued
31 AUGUST 2005

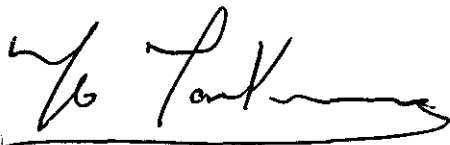
The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 31 August 2005.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 August 2005 in accordance with Section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

ON BEHALF OF THE BOARD:



Dr M G A Mackinnon - Director

Approved by the Board on 5 June 2006

The notes form part of these financial statements

MACKINNON'S OF DYCE LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2005**

		2005	2004
	Notes	£	£
Net cash (outflow)/inflow from operating activities	1	(59,760)	60,870
Returns on investments and servicing of finance	2	(29,348)	(41,036)
Taxation		18,947	(27,928)
Capital expenditure and financial investment	2	161,793	(32,672)
Equity dividends paid		-	(81,000)
		91,632	(121,766)
Financing	2	(179,914)	(53,435)
Decrease in cash in the period		(88,282)	(175,201)
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		(88,282)	(175,201)
Cash outflow from decrease in debt and lease financing		185,043	57,800
Change in net debt resulting from cash flows		96,761	(117,401)
New finance leases		(250,480)	(243,266)
Movement in net debt in the period		(153,719)	(360,667)
Net debt at 1 September		(432,562)	(71,895)
Net debt at 31 August		(586,281)	(432,562)

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2005**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating loss	(534,814)	(236,200)
Depreciation charges	304,167	259,860
Loss on disposal of fixed assets	34,630	-
Decrease in stocks	410,690	202,332
(Increase)/Decrease in debtors	(25,985)	1,176
Decrease in creditors	(248,448)	(166,298)
Net cash (outflow)/inflow from operating activities	(59,760)	60,870

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	592	5,092
Interest paid	(21,185)	(27,603)
Interest element of hire purchase payments	(8,755)	(6,545)
Dividends paid on non-equity shares	-	(11,980)
Net cash outflow for returns on investments and servicing of finance	(29,348)	(41,036)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(20,000)
Purchase of tangible fixed assets	(45,775)	(106,272)
Sale of tangible fixed assets	42,512	93,600
Sale of fixed asset investments	165,056	-
Net cash inflow/(outflow) for capital expenditure and financial investment	161,793	(32,672)
Financing		
New loans in year	-	70,000
Loan repayments in year	(68,973)	(59,358)
Capital repayments in year	(116,069)	(68,444)
Amount introduced by directors	6,979	564
Amounts repaid to parent company	(1,851)	3,803
Net cash outflow from financing	(179,914)	(53,435)

The notes form part of these financial statements

MACKINNON'S OF DYCE LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2005**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/9/04 £	Cash flow £	Other non-cash changes £	At 31/8/05 £
Net cash:				
Cash at bank and in hand	179,985	23,778		203,763
Bank overdraft	(186,100)	(112,060)		(298,160)
	<u>(6,115)</u>	<u>(88,282)</u>		<u>(94,397)</u>
Debt:				
Hire purchase	(263,398)	116,069	(250,480)	(397,809)
Debts falling due within one year	(56,938)	14,106	-	(42,832)
Debts falling due after one year	(106,111)	54,868	-	(51,243)
	<u>(426,447)</u>	<u>185,043</u>	<u>(250,480)</u>	<u>(491,884)</u>
Total	<u>(432,562)</u>	<u>96,761</u>	<u>(250,480)</u>	<u>(586,281)</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2004, is being amortised evenly over its estimated useful life of five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	- Over the lease term
Improvements to property	- Straight line over 10 years
Plant and machinery	- Straight line over 7 years
Fixtures and fittings	- Straight line over 5 years
Motor vehicles	- Straight line over 4 years

Digital processing equipment within plant and machinery is depreciated over 5 years due to rapid technological advances in this type of equipment.

Depreciation is provided on assets transferred from Scotvine Limited at 1/9/01 based on the original cost to Scotvine Limited as opposed to the net book value at which Mackinnons of Dyce Limited acquired the assets.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

2. STAFF COSTS

	2005 £	2004 £
Wages and salaries	1,131,975	1,315,746
Social security costs	75,649	82,566
	<u>1,207,624</u>	<u>1,398,312</u>

The average monthly number of employees during the year was as follows:

	2005	2004
Shop & office staff	<u>141</u>	<u>164</u>

3. OPERATING LOSS

The operating loss is stated after charging:

	2005 £	2004 £
Hire of plant and machinery	11,000	16,153
Other operating leases	471,136	450,455
Depreciation - owned assets	195,566	232,704
Depreciation - assets on hire purchase contracts	104,601	23,156
Loss on disposal of fixed assets	34,630	-
Goodwill amortisation	4,000	4,000
Auditors remuneration	-	12,750
Foreign exchange differences	311	403
	<u>70,000</u>	<u>66,250</u>
Directors' emoluments	<u>70,000</u>	<u>66,250</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank overdraft interest	8,298	16,064
Bank loan interest	8,074	6,839
Interest on overdue taxation	-	23
Other loan interest	4,813	4,677
Hire purchase interest	8,755	6,545
	<u>29,940</u>	<u>34,148</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

5. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	2005 £	2004 £
Current tax:		
Adjustment in respect of prior years	-	(38,947)
Deferred tax:		
Transfer from deferred tax	(90,952)	(16,833)
Tax on loss on ordinary activities	<u>(90,952)</u>	<u>(55,780)</u>

UK corporation tax has been charged at 19% (2004 - 19%).

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(564,162)</u>	<u>(265,256)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 19%)	(107,191)	(50,399)
Effects of:		
Expenses not deductible for tax purposes	10,928	5,336
Expenses deductible for tax purposes but not in accounts	(360)	(508)
Depreciation for the year in excess of capital allowances	56,932	16,833
Group relief	5,672	4,543
Change in tax rates	-	(14,752)
Losses carried forward	34,019	-
Current tax credit	<u>-</u>	<u>(38,947)</u>

6. DIVIDENDS

	2005 £	2004 £
Equity shares:		
Ordinary shares of £1 each		
Interim	-	81,000
Non-equity shares:		
'B' Preference shares of £1 each		
Interim	-	11,980
	<u>-</u>	<u>92,980</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

7. INTANGIBLE FIXED ASSETS

	Goodwill £	Trademark costs £	Totals £
COST			
At 1 September 2004 and 31 August 2005	20,000	871	20,871
AMORTISATION			
At 1 September 2004	4,000	871	4,871
Amortisation for year	4,000	-	4,000
At 31 August 2005	8,000	871	8,871
NET BOOK VALUE			
At 31 August 2005	12,000	-	12,000
At 31 August 2004	16,000	-	16,000

8. TANGIBLE FIXED ASSETS

	Short leasehold £	Improvements to property £	Plant and machinery £
COST			
At 1 September 2004	32,960	126,494	2,081,371
Additions	-	-	201,960
Disposals	(32,960)	(40,337)	(130,340)
At 31 August 2005	-	86,157	2,152,991
DEPRECIATION			
At 1 September 2004	12,548	67,444	1,350,891
Charge for year	3,047	11,076	238,486
Eliminated on disposal	(15,595)	(22,558)	(99,221)
At 31 August 2005	-	55,962	1,490,156
NET BOOK VALUE			
At 31 August 2005	-	30,195	662,835
At 31 August 2004	20,412	59,050	730,480

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

8. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 September 2004	418,290	81,718	2,740,833
Additions	2,745	91,550	296,255
Disposals	(9,014)	(41,750)	(254,401)
At 31 August 2005	412,021	131,518	2,782,687
DEPRECIATION			
At 1 September 2004	381,080	68,908	1,880,871
Charge for year	22,603	24,955	300,167
Eliminated on disposal	(8,087)	(31,320)	(176,781)
At 31 August 2005	395,596	62,543	2,004,257
NET BOOK VALUE			
At 31 August 2005	16,425	68,975	778,430
At 31 August 2004	37,210	12,810	859,962

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 September 2004	282,065	48,733	330,798
Additions	161,330	89,150	250,480
Disposals	-	(41,750)	(41,750)
Transfer to ownership	-	(6,983)	(6,983)
At 31 August 2005	443,395	89,150	532,545
DEPRECIATION			
At 1 September 2004	13,002	36,549	49,551
Charge for year	82,313	22,288	104,601
Eliminated on disposal	-	(31,320)	(31,320)
Transfer to ownership	-	(5,229)	(5,229)
At 31 August 2005	95,315	22,288	117,603
NET BOOK VALUE			
At 31 August 2005	348,080	66,862	414,942
At 31 August 2004	269,063	12,184	281,247

9. FIXED ASSET INVESTMENTS

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

9. FIXED ASSET INVESTMENTS - continued

Investments (neither listed nor unlisted) were as follows:

	2005	2004
	£	£
Antique cameras etc	29,073	193,651

10. STOCKS

	2005	2004
	£	£
Stocks	633,361	1,044,051

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade debtors	38,655	13,664
Amounts owed by group undertakings	1,702	-
Other debtors	3,007	6,630
Taxation	-	18,947
Deferred tax asset	69,280	-
Prepayments	152,107	147,490
	264,751	186,731

Deferred tax asset

	2005
	£
On accelerated capital allowances	35,261
On losses carried forward	34,019
	69,280

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank loans and overdrafts (see note 14)	331,476	233,038
Other loans (see note 14)	9,516	10,000
Hire purchase contracts (see note 15)	107,182	71,344
Trade creditors	575,402	781,686
Amounts owed to group undertakings	-	149
Social security and other taxes	20,347	23,523
VAT	96,446	140,169
Other creditors	34,480	13,694
Directors' current accounts	3,425	19
Accruals	80,266	96,317
	1,258,540	1,369,939

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Bank loans (see note 14)	51,243	82,833
Other loans (see note 14)	-	23,278
Hire purchase contracts (see note 15)	290,627	192,054
Directors loan	65,883	62,309
	<u>407,753</u>	<u>360,474</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	298,160	186,100
Bank loans	33,316	46,938
Other loans	9,516	10,000
	<u>340,992</u>	<u>243,038</u>
Amounts falling due between one and two years:		
Bank loans	27,521	35,807
Other loans	-	10,000
	<u>27,521</u>	<u>45,807</u>
Amounts falling due between two and five years:		
Bank loans	23,722	47,026
Other loans	-	13,278
	<u>23,722</u>	<u>60,304</u>

Other Loans consist of loans from Mr and Mrs Wark. No set repayment terms exist and interest is chargeable at bank base rate plus 1%.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2005	2004
	£	£
Net obligations repayable:		
Within one year	107,182	71,344
Between one and five years	290,627	192,054
	<u>397,809</u>	<u>263,398</u>

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	2005	2004
	£	£
Expiring:		
Within one year	21,862	37,330
Between one and five years	78,539	67,101
In more than five years	358,925	377,897
	<u>459,326</u>	<u>482,328</u>

16. SECURED DEBTS

The following secured debts are included within creditors:

	2005	2004
	£	£
Bank overdrafts	298,160	186,100
Bank loans	84,559	129,771
Hire purchase contracts	397,809	263,398
	<u>780,528</u>	<u>579,269</u>

Bank loans and overdraft are secured by a bond and floating charge on all the assets of the company.

Net obligations under hire purchase contracts are secured on the assets acquired.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	2004
	£
Deferred tax	
On accelerated capital allowances	<u>21,672</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005

17. PROVISIONS FOR LIABILITIES AND CHARGES - continued

	Deferred tax £
Balance at 1 September 2004	21,672
Transfer to profit & loss	(90,952)
Balance at 31 August 2005	<u>(69,280)</u>

18. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2005 £	2004 £
100,000	Ordinary	£1	100,000	100,000
100	Preference	£1	100	100
1,000	'B' Preference	£1	1,000	1,000
			<u>101,100</u>	<u>101,100</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2005 £	2004 £
100	Ordinary	£1	100	100
100	Preference	£1	100	100
100	'B' Preference	£1	100	100
			<u>300</u>	<u>300</u>

19. RESERVES

	Profit and loss account £	Share premium £	Other reserves £	Totals £
At 1 September 2004	584,934	57,336	85,725	727,995
Deficit for the year	(473,210)			(473,210)
At 31 August 2005	<u>111,724</u>	<u>57,336</u>	<u>85,725</u>	<u>254,785</u>

20. ULTIMATE PARENT COMPANY

The ultimate parent company is Photo Factory (Scotland) Limited, a property holding company incorporated in Scotland.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2005**

21. RELATED PARTY DISCLOSURES

Directors loans

Included within creditors are loans to the company from the directors. There are no set repayment terms on these loans. No interest is chargeable on the loans from the Mackinnons. Interest is chargeable at bank base rate plus 1% on the loan from Chris Wark.

Other related party transactions

During the year the company was charged rent of £28,500 (2004: £28,500) and a management charge of £14,197 (2004: £10,198) by Photo Factory (Scotland) Limited, the parent company. The rental charge relates to 3 shops owned by the parent company but used by Mackinnons of Dyce Limited and is charged at market value. The company also provided funds to the parent company in order to allow them to make bank loan repayments amounting to £42,697 (2004: £33,908). Funds were also provided as a contribution towards the purchase of property and ancillary costs by the parent company of £1,711 (2004: £81,987). A dividend of nil (2004: £81,000) was also declared by the company on the shares held by the parent company. Included in debtors is a balance owing from Photo Factory (Scotland) Limited of £1,702 (2004: Creditor £149).

Controlling party

Murray and Ewan Mackinnon, directors, control the company by virtue of a controlling interest of 55.8% of the issued ordinary share capital of the ultimate parent company.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial year	(473,210)	(209,476)
Dividends	-	(92,980)
Net reduction of shareholders' funds	(473,210)	(302,456)
Opening shareholders' funds	728,295	1,030,751
Closing shareholders' funds	255,085	728,295
Equity interests	254,885	728,095
Non-equity interests	200	200
	255,085	728,295

MACKINNON'S OF DYCE LIMITED

**REPORT OF THE ACCOUNTANTS TO THE DIRECTORS OF
MACKINNON'S OF DYCE LIMITED**

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 31 August 2005 set out on pages three to eighteen and you consider that the company is exempt from an audit.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.



Bain Henry Reid
Chartered Accountants
4 West Craibstone Street
Bon Accord Square
ABERDEEN
AB11 6YL

5 June 2006

This page does not form part of the statutory financial statements
