# Mackinnons of Dyce Limited

## Directors' report and financial statements

**Period ended 30 September 2007**

Registered number SC078409 (Scotland)

# Directors' report and financial statements

## Contents

# Directors' report

The directors present their annual report and the audited financial statements for the thirteen months ended 30 September 2007.

## Principal activities

The company is a wholly owned subsidiary of The Jessop Group Limited and the company's ultimate parent company is Jessops plc.

The company's principal activity is the retail of photographic products and services. On the 3 October 2006 the company was purchased by The Jessop Group Limited and on this date the trade and assets of the business was transferred to that company.

## Directors

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

| | |
|---|---|
| Dr M G A Mackinnon | (resigned 4 October 2006 ) |
| E A D Mackinnon | (resigned 4 October 2006) |
| C R Wark | (resigned 4 October 2006) |
| M Giddings | (appointed 4 October 2006, resigned 30 November 2006) |
| J Redpath | (appointed 4 October 2006, resigned 27 July 2007) |
| I Harris | (appointed 29 May 2007, resigned 30 September 2007) |
| W Rollason | (appointed 13 September 2007) |
| R Gray | (appointed 30 September 2008) |

## Share options

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit plc as auditors of the company and for the Directors to fix their remuneration is to be proposed at the forthcoming Annual General Meeting.

## Directors' report (continued)

### Auditors (continued)

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

**N J Molyneux**
*Secretary*

Date

30/01/2009

98 Scudamore Road
Leicester
LE3 1TZ

## 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).

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACKINNONS OF DYCE LIMITED

We have audited the financial statements of Mackinnons of Dyce Limited for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

**Mackinnons of Dyce Limited**

**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 30 September 2007 and of its loss for the year then ended;

• the financial statements have been properly prepared in accordance with the Companies Act 1985; and

• the information given in the Directors' Report is consistent with the financial statements.

**Emphasis of matter – Going Concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern which is dependant on the ability of the Group to do so. This ability is dependent on two primary factors. Firstly, the Group must continue to operate within available banking facilities, which is dependent on the Group achieving net cash flows substantially in line with, or favourable to, projections. Secondly the Group's facilities are expected to become contractually repayable on demand in the immediate future and consequently the Group and the company is dependent on the lenders not exercising their right to demand immediate repayment of those facilities, and continuing to make the full amount of those facilities, including undrawn amounts, available until their maturity.

These matters, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's and the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KPMG Audit Plc                                                                 30 January 2009

KPMG Audit Plc

Chartered Accountants

Registered Auditor

St Nicholas House,

31 Park Row

NG1 6FQ

# Profit and loss account

*for the year ended 30 September 2007*

| | Note | Thirteen months ended September 2007 £'000 | Year ended 31 August 2006 £'000 |
|---|---|---|---|
| **Turnover** | *2* | - | 4,361 |
| Cost of sales | | - | (2,344) |
| **Gross profit** | | - | 2,017 |
| Administrative expenses | | **(736)** | (2,269) |
| **Operating loss** | | **(736)** | (252) |
| Interest payable and similar charges | | - | (47) |
| **(Loss) on ordinary activities before taxation** | *3* | **(736)** | (299) |
| Taxation credit on loss on ordinary activities | *4* | - | 54 |
| **(Loss) for the financial year** | *13,14* | **(736)** | (245) |

All activities relate to continuing operations.

Movements on reserves are set out in note 14 to the financial statements.

The company had no recognised gains or losses other than the loss for the year.

**Mackinnons of Dyce Limited**

## Balance sheet
*as at 30 September 2007*

| | Note | 2007 £000 | 2007 £000 | 2006 £000 | 2006 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 5 | - | | 8 | |
| Tangible assets | 6 | - | | 524 | |
| Investments | 7 | - | | 18 | |
| | | | - | | 550 |
| **Current assets** | | | | | |
| Stocks | | - | | 513 | |
| Debtors | 8 | - | | 208 | |
| Cash at bank and in hand | | - | | 155 | |
| | | - | | 876 | |
| **Creditors:** amounts falling due within one year | 9 | (726) | | (1,258) | |
| **Net current liabilities** | | | (726) | | (382) |
| **Total assets less current liabilities** | | | (726) | | 168 |
| **Creditors:** amounts falling due after more than one year | 10 | | - | | (158) |
| **Net (liabilities)/assets** | | | (726) | | 10 |
| **Capital and reserves** | | | | | |
| Called up share capital | 11 | | - | | - |
| Share premium account | | | 57 | | 57 |
| Other reserves | | | 86 | | 86 |
| Profit and loss account | | | (869) | | (133) |
| Equity shareholders funds | | | (726) | | 10 |

The attached notes form part of these financial statements.
These financial statements were approved by the board of directors on 3rd January 2008
and were signed on its behalf by:

**W Rollason**
**Director**

# Notes to the financial statements

## 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

*Basis of preparation*

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

The financial statements are being prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

The Company has cross guaranteed the borrowings of the Group and so its ability to continue as a going concern is dependent on the ability of the Group to do so. The Company and the Group meet their day to day working capital requirements and medium term funding requirements through banking facilities. The facilities in place at the year end were established by renegotiating the prior facilities as at 26 September 2008. As at the year end the terms of the facilities, including covenants, were met and hence bank debt, if any, is shown as due in part in greater than one year from the balance sheet date.

The facilities include an overdraft which is available on a seasonal basis and varies between £1 million and £8 million. In addition to the total facility limit, the facilities include certain covenant tests. The failure of a covenant test renders the entire facilities repayable on demand at the option of the lender.

In the immediate future the Directors expect that the Group will breach its covenants under its existing banking facilities and so the entire bank debt will be repayable on demand at the option of the lender.

The Directors have prepared Group trading and cash flow forecasts for a period in excess of one year from the date of approval of these financial statements which project that the total facility limit is not exceeded over the duration of the forecasts. The forecasts prepared make assumptions in respect of future trading conditions, and in particular the trend in Like-for-like revenue not being significantly worse than achieved in the first 16 weeks of the current financial year, achieving operational improvements, cost reductions and cash outflow deferral in respect of property lease payments.

In addition to this the nature of the Group's business is such that there can be variation in the timing of cash inflows as trading patterns develop, in particular the quantum and timing of Summer and Christmas trading activity. The forecasts take into account the aforementioned factors to an extent which the Directors consider to be reasonable, based on the information that is available to them at the time of approval of these financial statements.

# Notes to the financial statements (continued)

## 1. Accounting policies *(continued)*

*Basis of preparation (continued)*

In discussions with the Group the existing lenders have indicated that, notwithstanding the expected covenant breaches referred to above, it is their current intention (a) not to seek early repayment of the bank loans and (b) to continue to make available the undrawn element of the facilities. However, the existing lenders have also indicated that they will not increase the total borrowing facilities made available to the Group.

In the event that the current intentions of the lenders changes in respect of the existing undrawn facilities or repayment of those facilities, or in the event that additional funds are required in excess of the existing facilities as a result of the group not substantially achieving its forecasts, the Directors would have to supplement, renew or replace those facilities with facilities that are appropriate to the Group's ongoing requirements. The potential source and cost of such facilities is a matter which the Directors are currently considering although they regard the likelihood of securing new or revised facilities to be low

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to continue to realise assets and discharge liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group. The company's results are included in the consolidated accounts of Jessops plc, its ultimate parent company.

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary whose ultimate parent is Jessops plc and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Jessop Group Limited and 100% of the company's voting rights are controlled within the group headed by the ultimate parent company Jessops plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

*Turnover*

Turnover represents the total amounts (excluding value added tax) receivable by the company in the ordinary course of business for services provided.

# Notes to the financial statements (continued)

**1. Accounting policies** *(continued)*

*Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Goodwill | - | 20 years |
| Patents and trademarks | - | 20 years |
| Leases and lease premiums | - | over the terms of the respective leases |
| Freehold buildings | - | 50 years |
| Alterations to leased property | - | over the terms of the respective leases |
| Office equipment | - | 2 to 10 years |
| Fixtures and fittings, plant and machinery and vehicles | - | 3 to 10 years |

No depreciation is provided on freehold land.

*Pensions*

The company operated a number of pension schemes during the year, providing benefits based on final pensionable pay and on contributions respectively.

*Defined Benefit Scheme*
Pension scheme assets were measured using market values. Pension scheme liabilities were measured using the 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 pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges and finance items in the profit and loss account and actuarial gains and losses in the statement of total recognised gains and losses.

*Defined Contribution Scheme*
The company contributes to a defined contribution pension arrangement for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the employer contributions payable to the scheme in respect of the accounting period.

*Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

# Notes to the financial statements (continued)

## 1. Accounting policies *(continued)*

*Taxation*

Current tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have not reversed by the balance sheet date, except as otherwise required by FRS19.

## 2. Turnover

Turnover and operating profit relate principally to the main activity of the retail of photo-imaging products and services in the UK. Therefore, this represents the only class of business and geographical origin.

# Notes to the financial statements (continued)

## 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging /(crediting):

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Auditors' remuneration: | | |
| - Audit of the company's annual accounts | | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| - Owned | - | 147 |
| - Leased assets and those under similar HP contracts | - | 108 |
| Amortisation of intangible fixed assets | - | 4 |

Fees payable to KPMG and their associates for non-audit services to the company are not required to be disclosed as these are disclosed on a consolidated basis within the consolidated financial statements of Jessops Plc.

Mackinnons of Dyce Limited

## Notes to the financial statements (continued)

### 4. Taxation

*UK Corporation tax*

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| Current tax charge on income for the period | - | - |
| Adjustments in respect of prior periods | | |
| Total current tax | - | - |
| Deferred tax for the period | - | (54) |
| Deferred tax for prior period | - | - |
| Tax credit on loss on ordinary activities | - | (54) |

***Factors affecting the tax charge for the current period***

| | **2007** | 2006 |
|---|---|---|
| *Current tax reconciliation* | | |
| | **£000** | £000 |
| Loss on ordinary activities before taxation | | (299) |
| Current tax at 30% *(2006 : 19%)* | | (57) |
| Effects of: | | |
| Depreciation for the period in excess of capital allowances | - | 48 |
| Other timing differences | | |
| Depreciation on assets not qualifying for capital allowances | | |
| Other non-tax deductible expenditure | - | - |
| Group relief received | | |
| Losses carried forward | - | 9 |
| Total current tax charge | - | - |

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

The other changes to be enacted would have no further effects on the deferred tax provided at 30 September 2006.

# Notes to the financial statements (continued)

## 5. Intangible fixed assets

| | Trade Marks | Goodwill | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Cost** | | | |
| At 1 September 2006 | 1 | 20 | 21 |
| Additions | - | - | - |
| Disposals | (1) | (20) | (21) |
| At 30 September 2007 | - | - | - |
| **Amortisation** | | | |
| At 1 September 2006 | 1 | 12 | 13 |
| Charge for the period | - | - | - |
| Disposals | (1) | (12) | (13) |
| At 30 September 2007 | - | - | - |
| **Net book value** | | | |
| **At 30 September 2007** | - | - | - |
| At 31 August 2006 | - | 8 | 8 |

The directors consider the goodwill to have a useful economic life of 20 years.

# Notes to the financial statements (continued)

## 6. Tangible fixed assets

| | Fixtures and fittings, plant and machinery and vehicles £000 |
|---|---|
| **Cost** | |
| At 1 September 2006 | 2,730 |
| Reclassification | - |
| Additions | - |
| Disposals | (2,730) |
| **At end of year** | - |
| | |
| **Depreciation** | |
| At 1 September 2006 | 2,206 |
| Reclassification | |
| Charge for the period | |
| Impairment | |
| Disposals | (2,206) |
| **At end of year** | - |
| | |
| **Net book value** | |
| **At 30 September 2007** | - |
| At 31 August 2006 | 524 |

The cost of fixtures, fittings, plant and machinery and vehicles includes £Nil (2006: £532,545) in respect of assets held under finance lease and hire purchase agreements on which the accumulated depreciation at the end of the year was £Nil (2006: £225,203) and for which the depreciation charged in the year was £Nil (2006: £107,600).

## Notes to the financial statements (continued)

### 7. Fixed asset investments

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Antique cameras etc | - | 18 |

### 8. Debtors

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Trade debtors | - | 27 |
| Other debtors | - | 181 |
| | - | 208 |

### 9. Creditors: amounts falling due within one year

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Bank loans and overdrafts | - | 368 |
| Trade creditors | - | 494 |
| Amounts owed to group undertakings | 726 | 40 |
| Other creditors including taxation and social security: | | |
| Taxation and social security | - | 124 |
| Corporation tax | - | - |
| Other creditors | - | 99 |
| Amounts due under finance lease and hire purchase contracts | - | 133 |
| | 726 | 1,258 |

### 10. Creditors: amounts falling due after one year

| | 2007 £000 | 2006 £000 |
|---|---|---|
| Amounts due under finance lease and hire purchase contracts | - | 158 |
| | | 158 |

# Notes to the financial statements (continued)

## 11. Called up share capital

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | **Value (£)** | **Number** | Value (£) | Number |
| ***Authorised*** | | | | |
| Ordinary shares of £1 each | 100,000 | 100,000 | 100,000 | 100,000 |
| Preference shares of £1 | 100 | 100 | 100 | 100 |
| 'B' Preference shares of £1 | 1,000 | 1,000 | 1,000 | 1,000 |
| | **101,100** | **101,100** | **101,100** | **101,100** |
| ***Allotted, called up and fully paid*** | | | | |
| Ordinary shares of £1 each | 100 | 100 | 100 | 100 |
| Preference shares of £1 | 100 | 100 | 100 | 100 |
| 'B' Preference shares of £1 | 100 | 100 | 100 | 100 |
| | **300** | **300** | **300** | **300** |

100% of each of the above classes of shares is owned by The Jessop Group Limited following the purchase of the company on 3 October 2006.

## Notes to the financial statements (continued)

### 12. Reconciliation of movements in shareholder's funds

| | 2007 £000 | 2006 £000 |
|---|---|---|
| (Loss) for the financial period | (736) | (245) |
| Other recognised (loss)/gains for the period | - | - |
| Net movement in shareholder's funds | (736) | (245) |
| Shareholder's funds at start of period | 10 | 255 |
| Shareholder's funds at end of period | (726) | 10 |

### 13. Share premium and reserves

| | Share premium account £000 | Other reserves £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|---|
| As at 1 September 2006 | 57 | 86 | (133) | 10 |
| Retained profit | - | - | (736) | (736) |
| As at 30 September 2007 | 57 | 86 | (869) | (726) |

### 14. Parent company

The immediate parent company is The Jessop Group Limited and the ultimate parent company is Jessops plc, both of which are incorporated in England. Copies of the group financial statements of Jessops plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.