

Mills (East Midlands) Limited  
Annual report  
for the 52 weeks ended 31 January 2004

Registered Number 2265281



# Mills (East Midlands) Limited

## Annual report

for the 52 weeks ended 31 January 2004

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# Mills (East Midlands) Limited

## Directors' report for the 52 weeks ended 31 January 2004

The directors present their report and the audited financial statements of the company for the 52 weeks ended 31 January 2004.

### Principal activity

The principal activity of the company is that of retail newsagents and convenience stores.

### Review of business and future developments

The directors have been very encouraged with the results for the year which has seen turnover, margin and overall profitability not only exceed previous years' levels but also the budgets for the year. This in part has been down to the continued roll out of Electronic Point Of Sale (EPOS) which all stores are benefiting from at the end of the financial year. The benefits associated with such systems should be seen in the year ahead and enable the company to increase further, the levels of activity and profitability achieved this year.

### Results and dividends

The company realised a profit for the period after taxation of £114,986 (2003: £71,527). A dividend of £132,000 was paid during the period (2003: £Nil). The directors do not recommend the payment of a final dividend (2003: £20,000).

### Directors and their interests

The directors who held office during the period, together with their interests in the company's £1 ordinary shares, are given below:

	31 January 2004	1 February 2003
	Number	Number
J R Mills	-	-
N J Mills	-	-
R C Linsell	25	25
M G Stokoe	-	-
D M Linsell	-	-

Mr J R Mills, Mr N J Mills and Mr M G Stokoe are directors of the holding company and their interests in its share capital are disclosed in its directors' report.

Mr R C Linsell and Mrs D M Linsell have no interest in the shares of any other group company.

# Mills (East Midlands) Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

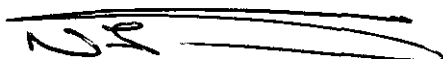
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 52 weeks ended 31 January 2004 and that applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board



N J Mills  
Secretary

21 June 2004

7/11 Earsdon Road  
Whitley Bay

# **Mills (East Midlands) Limited**

## **Independent auditors' report to the members of Mills (East Midlands) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

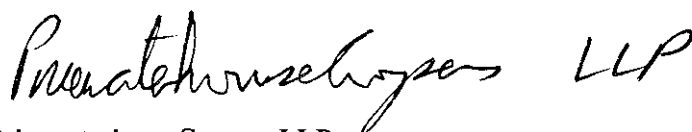
### **Basis of audit opinion**

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 31 January 2004 and of its profit and cash flows for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

21 June 2004

# Mills (East Midlands) Limited

## Profit and loss account for the 52 weeks ended 31 January 2004

	Note	52 weeks ended 31 January 2004 £	52 weeks ended 1 February 2003 £
Turnover		7,152,763	6,805,164
Cost of sales		(5,372,944)	(5,177,353)
<b>Gross profit</b>		<b>1,779,819</b>	<b>1,627,811</b>
Administrative expenses		(1,799,131)	(1,684,304)
Rents receivable		22,116	19,750
Other operating income		154,955	126,643
<b>Operating profit</b>		<b>157,759</b>	<b>89,900</b>
Loss on sale of fixed assets		-	(1,562)
Interest receivable and similar income		-	5
Interest payable and similar charges	1	(3,296)	(1,647)
<b>Profit on ordinary activities before taxation</b>	2	<b>154,463</b>	<b>86,696</b>
Tax on profit on ordinary activities	4	(39,477)	(15,169)
<b>Profit on ordinary activities after taxation</b>		<b>114,986</b>	<b>71,527</b>
Dividends - paid		(132,000)	-
- proposed		-	(20,000)
<b>(Loss)/retained profit for the financial period</b>	13	<b>(17,014)</b>	<b>51,527</b>

All of the company's operations are continuing.

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There are no differences between the profit on ordinary activities before taxation and the (loss)/retained profit for the financial period stated above and their historical cost equivalents.

# Mills (East Midlands) Limited

## Balance sheet as at 31 January 2004

	Note	2004 £	2003 £
<b>Fixed assets</b>			
Intangible assets	5	1,202,195	1,202,195
Tangible assets	6	656,066	532,434
Investments	7	-	7,000
		<b>1,858,261</b>	<b>1,741,629</b>
<b>Current assets</b>			
Stocks		352,662	377,738
Debtors	8	147,776	127,823
Cash at bank and in hand		7,152	4,872
		<b>507,590</b>	<b>510,433</b>
<b>Creditors - Amounts falling due within one year</b>	9	<b>(1,186,876)</b>	<b>(1,005,528)</b>
<b>Net current liabilities</b>		<b>(679,286)</b>	<b>(495,095)</b>
<b>Total assets less current liabilities</b>		<b>1,178,975</b>	<b>1,246,534</b>
<b>Creditors - Amounts falling due after more than one year</b>	10	<b>(522,148)</b>	<b>(581,631)</b>
<b>Provisions for liabilities and charges</b>	11	<b>(51,595)</b>	<b>(42,657)</b>
<b>Net assets</b>		<b>605,232</b>	<b>622,246</b>
<b>Capital and reserves</b>			
Called up equity share capital	12	100	100
Share premium account	13	19,000	19,000
Profit and loss account	13	586,132	603,146
<b>Total equity shareholders' funds</b>	15	<b>605,232</b>	<b>622,246</b>

The financial statements on pages 4 to 16 were approved by the board of directors on 21 June 2004 and were signed on its behalf by:

  
M G Stokoe  
Director

# Mills (East Midlands) Limited

## Cash flow statement for the 52 weeks ended 31 January 2004

	Note	52 weeks ended 31 January 2004 £	52 weeks ended 1 February 2003 £
<b>Net cash flow from operating activities</b>	16a	204,271	(74,537)
<b>Returns on investment and servicing of finance</b>			
Interest paid		(3,296)	(1,647)
<b>Taxation</b>			
Taxation paid		-	(27,350)
<b>Capital expenditure</b>			
Proceeds from sale of fixed assets		-	13,173
Payments to acquire tangible fixed assets		(209,518)	(218,243)
<b>Net cash outflow from capital expenditure</b>		(209,518)	(205,070)
<b>Equity dividends paid</b>		(152,000)	-
<b>Financing</b>			
Capital element of finance lease payments		(23,778)	(10,977)
Amounts repaid to group undertakings		(39,977)	-
<b>Decrease in cash</b>	16b,16c	(224,298)	(319,581)



# Mills (East Midlands) Limited

## Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

### Turnover

Turnover represents the net amounts receivable excluding value added tax from the principal activities of the company, being that of newsagency and convenience store retailing. All turnover arises in the United Kingdom.

### Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	Length of lease remaining at balance sheet date
Fixtures and fittings	Between 5% and 25%
Motor vehicles	15% - 25%

### Stocks

Stocks consist of goods for resale and are stated at the lower of cost and net realisable value. Cost is computed by deducting the gross profit margin from the selling value of stock.

### Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Finance leases

Assets subject to finance leases are capitalised at the present value of the minimum lease payments payable during the lease term with the corresponding obligation to the lessor shown as a liability. Depreciation on leased assets is charged to the profit and loss account using the same rates as for other tangible fixed assets. The finance element of the respective lease payments is accounted for as it falls due.

### Pension costs

The company operates money purchase pension schemes for certain of its employees. Pension costs are recognised as they become due.

### Intangible assets

Purchased goodwill arising on the acquisition of retail outlets is recorded at cost.

Goodwill is not amortised over a finite period because the durability of the business is such that the directors consider that the value of goodwill will not reduce over time. Goodwill is tested annually for impairment in accordance with Financial Reporting Standard 11 by discounting estimated future cash flows at an appropriate discount rate.

### Operating leases

Rentals on leasehold properties and other fixed assets are charged to the profit and loss account in the period to which they relate.

# Mills (East Midlands) Limited

## Notes to the financial statements for the 52 weeks ended 31 January 2004

### 1 Interest payable and similar charges

	2004	2003
	£	£
Hire purchase interest	3,187	1,157
Other interest	109	490
	<b>3,296</b>	<b>1,647</b>

### 2 Profit on ordinary activities before taxation

	2004	2003
	£	£
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Depreciation charge for the period:		
Tangible owned fixed assets	82,219	62,081
Tangible fixed assets held under finance leases	12,740	5,841
Operating lease rentals:		
Plant & machinery	5,896	5,378
Other	139,877	139,755
Auditors' remuneration	3,775	3,600
Non-audit services supplied by the company's auditors	3,540	3,600
Management fee payable (see note 18)	202,992	202,992
Management fee receivable (see note 18)	(87,000)	(87,000)
Loss on disposal of fixed assets	-	1,562
<b>Staff costs:</b>		
	2004	2003
	£	£
Wages and salaries	1,200,664	1,101,955
Social security costs	51,468	47,337
Other pension costs	10,275	7,244
	<b>1,262,407</b>	<b>1,156,536</b>

## Mills (East Midlands) Limited

The average number of persons employed during the period was:

	2004	2003
	Number	Number
Office staff and management	5	5
Shop staff	126	123
	131	128

### 3 Directors' emoluments

Included within staff costs (see note 2) are the following amounts in respect of directors' emoluments:

	2004	2003
	£	£
Aggregate emoluments	73,036	69,204
Company contributions paid to a money purchase scheme	3,596	3,351

Retirement benefits are accruing to one (2003: one) director under a money purchase pension scheme.

### 4 Tax on profit on ordinary activities

#### (a) Analysis of charge in period

	2004	2003
	£	£
<b>Current tax</b>		
United Kingdom corporation tax	32,069	8,115
Adjustments in respect of previous periods	(1,530)	(11,465)
Total current tax	30,539	(3,350)
<b>Deferred tax</b>		
Origination and reversal of timing differences	8,938	18,519
	39,477	15,169

# Mills (East Midlands) Limited

## (b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	154,463	86,696
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 19%)	46,339	16,472
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,138	2,508
Capital allowances for period in excess of depreciation	(12,224)	(10,865)
Tax at marginal rates	(6,184)	-
Adjustments to tax charge in respect of previous periods	(1,530)	(11,465)
Current tax charge/(credit) for period	30,539	(3,350)

## (c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

## 5 Intangible fixed assets

	Goodwill £
At 2 February 2003 and 31 January 2004	1,202,195

Intangible fixed assets comprise goodwill arising on the acquisition of stores. The directors have considered the durability of goodwill and believe, after taking into account the quality of the stores, the localised nature of the customer profile, the particular nature of the products sold, the regulatory barriers to selling certain products and the high costs of opening a store that the goodwill has an indefinite life and does not lose value.

The Companies Act 1985 requires that capitalised goodwill must be amortised. However, amortising the goodwill over a finite period would not give a true and fair view because the durability of the business is such that the directors consider that the value of goodwill will not reduce over time. The application of an impairment test supports the value of goodwill and, as a result, no charge for impairment is required at the balance sheet date. It is not possible to quantify the effect of the departure from the Companies Act because no finite life for goodwill can be identified.

# Mills (East Midlands) Limited

## 6 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 2 February 2003	80,542	897,875	47,289	1,025,706
Additions	46,465	172,126	-	218,591
Disposals	-	-	(19,338)	(19,338)
<b>At 31 January 2004</b>	<b>127,007</b>	<b>1,070,001</b>	<b>27,951</b>	<b>1,224,959</b>
<b>Depreciation</b>				
At 2 February 2003	19,680	447,731	25,861	493,272
Charge for the 52 weeks	5,168	84,201	5,590	94,959
Disposals	-	-	(19,338)	(19,338)
<b>At 31 January 2004</b>	<b>24,848</b>	<b>531,932</b>	<b>12,113</b>	<b>568,893</b>
<b>Net book amount</b>				
<b>At 31 January 2004</b>	<b>102,159</b>	<b>538,069</b>	<b>15,838</b>	<b>656,066</b>
At 1 February 2003	60,862	450,144	21,428	532,434

The net amount of assets held under finance leases as at 1 February 2003 was £66,947 (2003: £84,183) and the related accumulated depreciation was £8,331 (2003: £7,706). The amount of depreciation allocated for the period was £12,740 (2003: £5,841).

## 7 Fixed asset investments

	2004	2003
	£	£
Cost and net book amount	-	7,000

The investment in subsidiary in 2003 represented a 100% interest in C&DA Hiles Limited, a company registered in England. That company was dissolved during the period.

## 8 Debtors

	2004	2003
	£	£
Trade debtors	64,213	48,066
Other debtors	39,882	42,450
Prepayments and accrued income	43,681	37,307
	<b>147,776</b>	<b>127,823</b>

# Mills (East Midlands) Limited

## 9 Creditors - Amounts falling due within one year

	2004	2003
	£	£
Bank overdraft	560,572	333,994
Trade creditors	397,095	436,480
Obligations under finance leases (see note 14)	19,498	21,697
Corporation tax	38,839	8,300
Other taxation and social security	21,551	20,720
Accruals and deferred income	139,783	155,507
Dividends payable	-	20,000
Other creditors	9,538	8,830
	<b>1,186,876</b>	<b>1,005,528</b>

The bank overdraft is secured by a fixed and floating charge over the company's assets.

## 10 Creditors - Amounts falling due after more than one year

	2004	2003
	£	£
Amounts due to group undertakings (see note 18)	489,411	536,388
Obligations under finance leases (see note 14)	32,737	45,243
	<b>522,148</b>	<b>581,631</b>

Amounts due to group undertakings are non-interest bearing with no fixed repayment date.

	2004	2003
	£	£
<b>Maturity of debt</b>		
Due within one year	580,070	355,691
Due in more than one year but not more than two years	18,132	19,498
Due in more than two years but not more than five years	14,605	25,745
Due in more than five years	489,411	536,388
	<b>1,102,218</b>	<b>937,322</b>

# Mills (East Midlands) Limited

## 11 Provisions for liabilities and charges

	2004	2003
	£	£
Deferred taxation		
Accelerated capital allowances	51,595	42,657
At 2 February 2003	42,657	
Deferred tax charged in profit and loss account (see note 4)	8,938	
At 31 January 2004	51,595	

## 12 Called up equity share capital

	2004	2003
	£	£
Authorised		
Ordinary shares of £1 each	250,000	250,000
Allotted and fully paid		
Ordinary shares of £1 each	100	100

## 13 Reserves

	Share premium account	Profit and loss account
	£	£
At 2 February 2003	19,000	603,146
Loss for the financial period	-	(17,014)
At 31 January 2004	19,000	586,132

# Mills (East Midlands) Limited

## 14 Lease obligations

	2004	2003
	£	£
Included in obligations under finance lease payable are amounts falling due as follows:		
Within one year	19,498	21,697
Within two to five years inclusive	32,737	45,243
	52,235	66,940

The company has annual commitments under operating leases expiring as follows:

	Other	Land and buildings		
	2004	2003	2004	2003
	£	£	£	£
In two to five years	10,525	10,093	2,500	-
In more than five years	-	-	138,200	121,300
	10,525	10,093	140,700	121,300

## 15 Reconciliation of movements in equity shareholders' funds

	2004	2003
	£	£
Opening equity shareholders' funds	622,246	570,719
Profit for the financial period	114,986	71,527
Dividends	(132,000)	(20,000)
Closing equity shareholders' funds	605,232	622,246



# Mills (East Midlands) Limited

## 16 Note to the cash flow statement

### (a) Reconciliation of operating profit to net cash flow from operating activities

	2004 £	2003 £
Operating profit	157,759	89,900
Depreciation charge	94,959	67,923
Decrease/(increase) in stock	25,076	(28,161)
Increase in debtors	(19,953)	(47,096)
Decrease in creditors	(53,570)	(157,103)
<b>Net cash flow from operating activities</b>	<b>204,271</b>	<b>(74,537)</b>

### (b) Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Decrease in cash	(224,298)	(319,581)
Decrease in lease financing	23,778	10,977
New finance leases	(9,073)	(66,456)
Decrease in group financing	39,977	-
Elimination of amounts owed to group undertaking	7,000	-
Change in debt	(162,616)	(375,060)
Opening net debt	(932,450)	(557,390)
<b>Closing net debt</b>	<b>(1,095,066)</b>	<b>(932,450)</b>

### (c) Analysis of changes in net debt

	At 2 February 2003 £	Cash flows £	Other non- cash changes £	At 31 January 2004 £
Cash at bank and in hand	4,872	2,280	-	7,152
Bank overdrafts	(333,994)	(226,578)	-	(560,572)
	(329,122)	(224,298)	-	(553,420)
Finance leases due within one year	(21,697)	23,778	(21,579)	(19,498)
Finance leases due after one year	(45,243)	-	12,506	(32,737)
Amounts owed to group undertakings	(536,388)	39,977	7,000	(489,411)
<b>Net debt</b>	<b>(932,450)</b>	<b>(160,543)</b>	<b>(2,073)</b>	<b>(1,095,066)</b>

Other non cash changes comprise new finance leases inception in the period, transfers between categories of finance leases and amounts owed to group undertakings cancelled upon disposal of investment (see note 7).

## **Mills (East Midlands) Limited**

### **17 Contingent liabilities**

The company has an unlimited multilateral guarantee in favour of its bankers dated 17 August 1988 with Mills Group Limited, Gemplanstone Limited and Closewalk Limited. The aggregate borrowings of those other companies at 31 January 2004 amounted to £3,816,445 (2003: £3,294,879).

### **18 Related party transactions**

Mills Group Limited charged Mills (East Midlands) Limited a management fee of £202,992 (2003: £202,992).

During the period the company was charged rent totalling £36,260 (2003: £28,600) by Closewalk Limited. The company also charged Linebush Limited, Linebush II Limited and Linebush III Limited management fees totalling £87,000 (2003: £87,000). These companies are related through the common directorships of N J Mills, J R Mills and M G Stokoe.

During the period rent of £27,000 (2003: £27,000) was paid to connected persons of N J Mills and J R Mills.

At the period end the company owed £489,411 to Mills Group Limited (2003: £529,388).

### **19 Pensions**

The company operates a money purchase pension scheme for some employees. Pension costs for the period were £10,275 (2003: £7,244).

### **20 Immediate and ultimate parent company**

The company's immediate parent undertaking is Mills Group Limited. The company's ultimate parent company is Mills Group Holdings PLC, a company registered in England, which is the parent of the smallest and largest group to consolidate these financial statements. Copies of the group accounts can be obtained from the Registered Office, 7 – 11 Earsdon Road, Whitley Bay, Tyne and Wear.

The company's ultimate controlling party is N J Mills.