

MACKAY'S OF CAMBRIDGE LIMITED

Financial Statements

for the year ended

31 March 1997



MACKAY'S OF CAMBRIDGE LIMITED

Company Information

Company No: 1273862

Chairman

D R H Mackay

Registered Office

85 East Road
Cambridge
CB1 1BY

Directors

D R H Mackay
Mrs J N Moore
D J Mackay
N R Mackay

Secretary

Mrs J N Moore

Auditors

Peters Elworthy & Moore
Salisbury House
Station Road
Cambridge
CB1 2LA

Bankers

Barclays Bank plc
PO Box No 2
Bene't Street
Cambridge
CB2 3PZ

MACKAY'S OF CAMBRIDGE LIMITED

Directors' Report

for the year ended 31 March 1997

The directors submit their report together with the audited financial statements for the year ended 31 March 1997.

Directors' Statement

Company Law requires the directors to prepare financial statements for each financial year which 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 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;
- 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 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.

Principal Activity and Business Review

The principal activities of the business are those of general engineering and retail ironmongery and the directors intend to continue and develop these activities.

This has been another satisfactory year. The profit before taxation has increased significantly, due mainly to a profit on the sale of a part of the Company's freehold property. The sale was the next step in the strategy to relocate certain of the engineering departments out of Cambridge. The relocation, to a recently acquired building, will now be made during the early part of 1998. The new building will enable the departments to operate more effectively and will provide the platform for further growth over the coming years.

The directors are also pleased with the trading in the current year and look forward with confidence to the future and the challenges and opportunities that the new century will bring.

The directors consider the state of the Company's affairs to be satisfactory and do not recommend a dividend on the ordinary shares.

Directors and their Interests

The directors who served during the year and their beneficial interests in the share capital of the Company were as follows:

	Ordinary £1 shares	
	At end of year	At beginning of year
D R H Mackay (Chairman)	-	-
Mrs J N Moore	-	-
D J Mackay	780	780
N R Mackay	780	780

At the end of the year, Mrs J N Moore held jointly with Mr D E Collison, who is a partner in the Company's auditors, Peters Elworthy & Moore, an interest as trustee in 400 ordinary shares. Mr D W Collison held a further interest as trustee in 1,040 ordinary shares.

MACKAY'S OF CAMBRIDGE LIMITED

Directors' Report

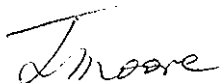
for the year ended 31 March 1997

Auditors

The Auditors, Peters Elworthy & Moore, Chartered Accountants, have indicated that they are willing to be re-appointed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Mrs J Moore
SECRETARY
28 January 1998



MACKAY'S OF CAMBRIDGE LIMITED

Auditors' Report to the Shareholders

on the Financial Statements for the year ended 31 March 1997

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 1, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

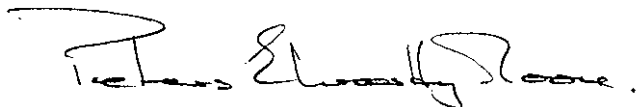
Basis of Opinion

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 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PETERS ELWORTHY & MOORE
Chartered Accountants and
Registered Auditors

CAMBRIDGE
28 January 1998

MACKAY'S OF CAMBRIDGE LIMITED

Profit and Loss Account

for the year ended 31 March 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Turnover	2		3,202,086		3,151,765
Change in stocks of finished goods and work in progress			113,925		49,657
			3,316,011		3,201,422
Raw materials and consumables			(1,538,624)		(1,538,992)
			1,777,387		1,662,430
Staff costs	3	1,204,580		1,119,679	
Depreciation		81,682		79,908	
Other operating charges		467,402		372,321	
			(1,753,664)		(1,574,908)
Operating profit	4		23,723		87,522
Rent receivable, less outgoings			32,001		26,827
Interest receivable			55		69
Interest payable and similar charges	5		(54,814)		(66,088)
Profit before exceptional items			965		48,330
Exceptional item					
Profit on disposal of freehold property			560,561		-
Profit on ordinary activities before tax			561,526		48,330
Tax on profit on ordinary activities	6		(44,181)		(11,000)
Retained profit for the financial year	14		517,345		37,330

There are no recognised gains or losses in the year other than the profit for the year.

All items dealt with in arriving at turnover and operating profit for both the current year and the previous year are the result of continuing activities.

The attached notes form part of these financial statements.

MACKAY'S OF CAMBRIDGE LIMITED

Balance Sheet

as at 31 March 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible fixed assets	7		861,094		1,388,613
Current assets					
Stock and work in progress	8	501,460		414,532	
Debtors	9	454,721		472,164	
Cash at bank and in hand		1,100,800		800	
		<u>2,056,981</u>		<u>887,496</u>	
Creditors: Amounts falling due within one year	10	<u>(1,026,656)</u>		<u>(872,588)</u>	
Net current assets			1,030,325		14,908
Total assets less current liabilities			<u>1,891,419</u>		<u>1,403,521</u>
Creditors: Amounts falling due after more than one year	11		(584,833)		(617,280)
Provision for liabilities and charges	12		(15,000)		(12,000)
Net assets			<u>1,291,586</u>		<u>774,241</u>
Capital and reserves					
Called up share capital	13		3,000		3,000
Profit and loss account	14		908,897		26,785
Revaluation reserve	14		379,689		744,456
Equity shareholders' funds			<u>1,291,586</u>		<u>774,241</u>

ON BEHALF OF THE BOARD



D R H Mackay
Director

Approved by the board on 28 January 1998

The attached notes form part of these financial statements

MACKAY'S OF CAMBRIDGE LIMITED

Cash Flow Statement

for the year ended 31 March 1997

	Notes	1997 £	1996 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		23,723	87,522
Depreciation charges		81,682	79,908
Profit on sale of tangible fixed assets		(84)	-
Increase in stocks		(86,928)	(53,516)
Decrease/(increase) in debtors		17,443	(26,385)
Increase in creditors		111,276	21,611
Net cash inflow from operating activities		147,112	109,040
Returns on investments and servicing of finance	15	(22,758)	(39,192)
Taxation		(67)	-
Capital receipts/(expenditure)	15	1,006,482	(74,368)
		1,130,769	(4,520)
Financing	15	(28,185)	105,932
Increase in cash	15	1,102,584	101,412
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		1,102,584	101,412
Cash received from bank loan		-	(350,000)
Cash used to repay bank loans		28,185	244,068
Change in net debt		1,130,769	(4,520)
Net debt at beginning of year		(644,612)	(640,092)
Net cash/(debt) at end of year	15	486,157	(644,612)

The attached notes form part of these financial statements

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

1 Principal accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings.

Accounting standards

The financial statements have been prepared in accordance with the applicable accounting standards.

Turnover

Turnover represents amounts receivable, excluding value added tax, for goods invoiced during the year.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives by annual instalments at the following rates.

Freehold property	-	2% on cost or valuation
Plant and machinery	-	15% on net book value
Motor vehicles	-	25% on net book value
Fixtures, fittings and office equipment	-	15% on net book value
Computer equipment	-	25% on net book value

Stocks

Stocks are valued at the lower of cost and net realisable value. In the case of work in progress and finished goods, cost includes an appropriate proportion of fixed and variable factory overhead expenses.

Deferred taxation

Provision is made for deferred taxation in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Pension costs

The Company's pension obligations are covered by contributions paid to a group personal pension scheme. Contributions are written off to the profit and loss account in the year in which they are paid.

2 Turnover

	1997 £	1996 £
The turnover arose from the following activities within the United Kingdom:		
Retail ironmongery	1,983,613	1,972,453
General engineering	1,218,473	1,179,312
	<hr/> 3,202,086	<hr/> 3,151,765

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

3	Staff costs	1997	1996
		£	£
	Wages and salaries	1,081,322	995,850
	Social security costs	94,562	101,931
	Other pension costs	28,696	21,898
		<u>1,204,580</u>	<u>1,119,679</u>
	The average number of persons, including directors, employed during the year was:	Number	Number
	Office and management	26	24
	Sales and production	66	59
		<u>92</u>	<u>83</u>
	The directors have received no emoluments from the Company.		
4	Operating profit	1997	1996
		£	£
	The operating profit is shown after charging:		
	Auditors' remuneration	6,000	5,750
	Profit on sale of tangible fixed assets	84	-
		<u></u>	<u></u>
5	Interest payable	1997	1996
		£	£
	On bank loans and overdrafts repayable within five years	49,573	61,075
	On hire purchase agreements	5,241	5,013
		<u>54,814</u>	<u>66,088</u>
6	Tax on profit on ordinary activities	1997	1996
		£	£
	Corporation Tax at 24% on the profit for the year	42,000	-
	Adjustments in respect of previous years	(819)	-
	Deferred taxation	3,000	11,000
		<u>44,181</u>	<u>11,000</u>

The Corporation Tax charge for the year includes £35,000 in respect of the exceptional profit on sale of freehold property, after taking account of rollover relief available.

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

7 Tangible fixed assets	Freehold property	Plant and machinery	Motor vehicles	Fixtures, fittings and computer equipment	Total
	£	£	£	£	£
Cost at beginning of year	118,781	621,214	64,868	96,194	901,057
Valuation at beginning of year	1,065,000	-	-	-	1,065,000
Additions	16,000	27,792	18,770	32,497	95,059
Grants receivable	(28,122)	-	-	-	(28,122)
Disposals	(574,087)	(3,717)	-	-	(577,804)
Cost or valuation at end of year	597,572	645,289	83,638	128,691	1,455,190
Accumulated depreciation at beginning of year	102,352	379,646	50,272	45,174	577,444
Charge for year	23,625	38,693	5,603	13,761	81,682
Released on disposals	(61,729)	(3,301)	-	-	(65,030)
Accumulated depreciation at end of year	64,248	415,038	55,875	58,935	594,096
Net book value at end of year	533,324	230,251	27,763	69,756	861,094
Net book value at beginning of year	1,081,429	241,568	14,596	51,020	1,388,613

The freehold property was valued at 30 July 1993 by Herring Baker & Harris, Chartered Surveyors, in the sum of £1,065,000. Of this valuation, a total of £521,850 has been apportioned to the part of the freehold property disposed of during the year ended 31 March 1997. The historical cost of the freehold property included in the balance sheet at 31 March 1997 was £337,231 (1996: £419,421)

Included in the above are the following assets held under finance lease or hire purchase agreements

	Plant and machinery	Motor vehicles	Total
	£	£	£
Net book value at end of year	70,496	16,815	87,311
Depreciation charge for year	12,565	1,955	14,520

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

8	Stocks	1997 £	1996 £
	Raw materials and consumables	15,577	16,813
	Work in progress	59,404	47,704
	Finished goods for resale	426,479	350,015
		<u>501,460</u>	<u>414,532</u>
9	Debtors	1997 £	1996 £
	Due within one year:		
	Trade debtors	408,322	396,665
	Other debtors	28,115	37,659
	Prepayments and accrued income	18,284	37,840
		<u>454,721</u>	<u>472,164</u>
10	Creditors: Amounts falling due within one year:	1997 £	1996 £
	Bank loans (see note 11)	38,000	39,000
	Bank overdrafts (secured)	245,295	247,879
	Trade creditors	475,145	427,717
	Corporation Tax	42,000	-
	Other taxes and social security costs	56,748	61,157
	Other creditors	110,833	42,765
	Accruals and deferred income	58,635	54,070
		<u>1,026,656</u>	<u>872,588</u>
11	Creditors: Amounts falling due after more than one year:	1997 £	1996 £
	Bank loans repayable within five years	104,000	118,000
	Bank loan repayable after more than five years	227,348	240,533
	Other loan repayable within five years	213,043	213,043
	Hire purchase creditors	40,442	45,704
		<u>584,833</u>	<u>617,280</u>

The bank loans and overdraft are secured by a first legal charge over the Company's freehold property and by a standard bank debenture over all assets.

One bank loan is repayable by monthly instalments over 10 years commencing September 1996 and bears interest at 2.75% above Barclays Bank base rate. The other bank loan is repayable by monthly instalments over 92 months commencing December 1990 and bears interest at a fixed rate of 8.2%.

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

12 Provision for liabilities and charges	1997	1996
	£	£
The movement in the provision for deferred taxation is as follows:		
Provision at beginning of year	12,000	1,000
Provided in year	3,000	11,000
	<hr/>	<hr/>
Provision at end of year	15,000	12,000
	<hr/>	<hr/>
The provision at the end of the year is made up as follows:		
On accelerated capital allowances	30,000	26,000
On losses available for future relief	(15,000)	(14,000)
	<hr/>	<hr/>
	15,000	12,000
	<hr/>	<hr/>
The total amount of deferred tax not provided is as follows:		
On revaluation of freehold property	95,000	190,000
On capital gain rolled over	195,000	-
	<hr/>	<hr/>
	290,000	190,000
	<hr/>	<hr/>
13 Share capital	1997	1996
	£	£
Authorised:		
20,000 ordinary shares of £1 each	20,000	20,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
3,000 ordinary shares of £1 each	3,000	3,000
	<hr/>	<hr/>
14 Statement of movements in reserves	Profit and loss account	Revaluation reserve
	£	£
Balance at beginning of year	26,785	744,456
Retained profit for the financial year	517,345	-
Transfer in respect of realised gain on disposal of freehold property	364,767	(364,767)
	<hr/>	<hr/>
	908,897	379,689
	<hr/>	<hr/>

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

15 Cash flow statement

(a)	Gross cash flows	1997 £	1996 £	
	Returns on investments and servicing of finance:			
	Rent received	32,001	26,827	
	Interest received	55	69	
	Interest paid	(54,814)	(66,088)	
		<u>(22,758)</u>	<u>(39,192)</u>	
	Capital receipts/(expenditure):			
	Payments to acquire tangible fixed assets	(95,059)	(74,358)	
	Receipts from sales of tangible fixed assets	1,073,419	-	
	Grants received	28,122	-	
		<u>1,006,482</u>	<u>(74,368)</u>	
	Financing:			
	Loans received	-	350,000	
	Net loan repayments	(28,185)	(244,068)	
		<u>(28,185)</u>	<u>105,932</u>	
(b)	Analysis of changes in net cash/(net debt)	At beginning of year £	Cash flows £	At end of year £
	Cash at bank and in hand	800	1,100,000	1,100,800
	Bank overdraft	(247,879)	2,584	(245,295)
	Debt due within one year	(39,000)	1,000	(38,000)
	Debt due after one year	(358,533)	27,185	(331,348)
	Total	<u>(644,612)</u>	<u>1,130,769</u>	<u>486,157</u>

MACKAY'S OF CAMBRIDGE LIMITED

Notes to the Financial Statements

for the year ended 31 March 1997

16 Related party transactions

- (a) During the year, the Company traded on normal commercial terms with Messrs D Mackay, Ironmongers, a business in which the four directors of Mackay's of Cambridge Limited are partners.

1997
£

Total sales to Messrs D Mackay 59,207

Total purchases from Messrs D Mackay , 40,641

- (b) Management charges payable by the company to Messrs D Mackay in respect of the year ended 31 March 1997 totalled £90,000 (1996: £30,000)
- (c) Expenses paid by the company and recharged to Messrs D Mackay in respect of the year ended 31 March 1997 totalled £8,287 (1996: £9,310).
- (d) The balance owed by the company to Messrs D Mackay at 31 March 1997 was £30,948 (1996: nil).
- (e) During the year, the company made sales on normal commercial terms to its directors as follows:

1997
£

Mr D R H Mackay	1,408
Mr D J Mackay	1,008
Mr N R Mackay	1,253

There were no outstanding balances at the year end in respect of these sales.

17 Controlling interest

In the opinion of the directors, a controlling interest in the ordinary shares of the company is represented by the combined holdings of Mr D J Mackay and Mr N R Mackay, who are connected persons for the purposes of Financial Reporting Standard no 8.