

KINGSTONE LIMITED

REGISTERED NUMBER 214525

DIRECTORS' REPORT AND ACCOUNTS

31 December 2000



KINGSTONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present herewith the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the retailing of household durables and clothing.

BUSINESS REVIEW

The modest increase in turnover accompanied by a reduction in costs has led to a small profit for the year.

FUTURE DEVELOPMENTS

The company has no plans for any major developments at present and a similar result is expected for the current year.

DIRECTORS

The directors during the year, both of whom are directors of the parent undertaking, were as follows:

VW Keene

AC Keene

The interests of the directors in the share capital of the parent undertaking are given in the parent undertaking's statutory accounts.

AC Keene who retires by rotation, being eligible, offers himself for re-election.

TANGIBLE FIXED ASSETS

The changes in tangible fixed assets are shown in note 6 to the accounts.

LAND AND BUILDINGS

The directors are of the opinion that the market value of the freehold property is substantially in excess of the net book amount but, in the absence of a recent valuation, the amount of the excess is not quantified.

KINGSTONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 ensure that the financial statements comply with the Companies Act 1995. 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.

By order of the Board

AC Keene
Secretary
12 March 2001

A. C. Keene

Registered Office:
39 Bedford Street South
Leicester LE1 3JN

Registered Number 214525

AUDITORS' REPORT TO THE MEMBERS OF KINGSTONE LIMITED

We have audited the financial statements on pages 3 to 8.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom standards. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 mis-statement, 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 affairs of the Company as at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

12 March 2001

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

KINGSTONE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
TURNOVER	1	6,501,924	6,255,086
Cost of sales		- <u>4,829,497</u>	- <u>4,656,642</u>
GROSS PROFIT		1,672,427	1,598,444
Administration costs		- <u>1,664,063</u>	- <u>1,723,200</u>
PROFIT / LOSS ON ORDINARY ACTIVITIES BEFORE TAX	2	8,364	- 124,756
Tax on profit / loss on ordinary activities	3	- <u>12,021</u>	- <u>24,706</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		- 3,657	- 100,050
Retained profit brought forward		<u>353,962</u>	<u>454,012</u>
RETAINED PROFIT CARRIED FORWARD		<u>£ 350,305</u>	<u>£ 353,962</u>

There are no recognised gains and losses other than the loss for the period and previous period.

The results shown above have been derived wholly from continuing operations.

The notes on pages 5 to 8 form part of these accounts.

KINGSTONE LIMITED

BALANCE SHEET - 31 DECEMBER 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
FIXED ASSETS			
Tangible assets	6	1,767,822	1,752,643
CURRENT ASSETS			
Stock: Goods for resale		1,335,460	1,155,606
Prepayments		18,165	15,688
Cash in hand		<u>1,435</u>	<u>1,435</u>
		1,355,060	1,172,729
CREDITORS (amounts falling due within one year)	7	<u>- 2,672,577</u>	<u>- 2,471,410</u>
NET CURRENT LIABILITIES		<u>- 1,317,517</u>	<u>- 1,298,681</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ 450,305</u>	<u>£ 453,962</u>
CAPITAL AND RESERVES			
Called up share capital	8	100,000	100,000
Profit and loss account		<u>350,305</u>	<u>353,962</u>
EQUITY SHAREHOLDERS' FUNDS		<u>£ 450,305</u>	<u>£ 453,962</u>

The notes on pages 5 to 8 form part of these accounts.

Approved by the Board on 12 March 2001

DIRECTORS

AC Keene
VW Keene

A. E. Keene


KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been drawn up on the historical cost basis and in accordance with applicable accounting standards.

Turnover

- (2) Turnover represents the total amount receivable by the company for goods and services supplied during the year.

Cash flow statement

- (3) The parent undertaking, Mutual Clothing & Supply Co.Ltd, has included a cash flow statement in its financial statements for the year ended 31 December 2000. Under paragraph 5a of Financial Reporting Standard 1(revised), no cash flow statement is required in the accounts of this company.

(4) Pensions

The company participates in a defined contribution scheme operated by the parent undertaking. The company's contributions to the scheme, which are paid in accordance with the scheme rules, are charged to the profit and loss account as incurred. The 2000 charge was £19,311 (1999 - £20,341).

(5) Stock

Goods for resale are stated at the lower of cost and net realisable value.

Cost comprises the amount charged by the supplier of the goods on a first in first out basis.

Net realisable value represent the amount, after deducting estimated realisation expenses, for which the goods could be sold in their existing state under current market conditions.

(6) Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets except freehold land and buildings in equal annual instalments the following basis:

Leasehold Properties	Over the unexpired period of the lease
Fixtures and fittings	Over 8 years except for office equipment which is over 4 years
Motor Vehicles	Over 4 years

Freehold land is not depreciated. The freehold buildings are maintained to ensure that their useful economic life is extended and that residual disposal values are, in aggregate, at least equal to the book values. Accordingly the depreciation charge would be immaterial to these accounts.

(7) Deferred Taxation

Provision is only made to the extent that a reversal of past timing differences is likely to have a material effect on corporation tax liabilities in the foreseeable future.

(8) Related Party Transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with fellow Group companies as it is itself a 100% subsidiary.

KINGSTONE LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)****2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2000</u>	<u>1999</u>
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	£15,500	£18,000
(Profit) on sale of other fixed assets	(£11,856)	(£7,380)
Operating lease rental on land	£16,500	£16,500
Depreciation of tangible fixed assets	£84,589	£89,387

3 TAX ON PROFIT / LOSS ON ORDINARY ACTIVITIES

	<u>2000</u>	<u>1999</u>
Corporation tax payable based on the profit/loss for the year at 20% (1999 - 30.25%)	- 12,021	27,905
Prior year adjustment	-	- 3,199
	<u>-£ 12,021</u>	<u>£ 24,706</u>

4 REMUNERATION

No directors remuneration has been charged in the accounts.

The average number of persons employed by the company during the year excluding directors was 61 (1999 - 67)

	<u>2000</u>	<u>1999</u>
The aggregate payroll costs of these persons were:		
Wages and salaries	732,275	759,754
Social security costs	65,144	70,278
other pension costs	19,311	20,341
	<u>£ 816,730</u>	<u>£ 850,373</u>

5 DEFERRED TAXATION

At the balance sheet date, the potential liability for deferred taxation calculated at 30% (1999 - 30.25%) using the liability method was in respect of the following:

	<u>2000</u>	<u>1999</u>
Realised capital gains rolled over	<u>£ 24,486</u>	<u>£ 24,690</u>

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000(CONTINUED)

6 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>		<u>Plant and equipment and motor vehicles</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long leasehold</u>		
Cost				
At 1 January 2000	1,464,708	161,514	787,538	2,413,760
Additions	-	-	100,252	100,252
Disposals	-	-	85,482	85,482
At 31 December 2000	<u>1,464,708</u>	<u>161,514</u>	<u>802,308</u>	<u>2,428,530</u>
Depreciation				
At 1 January 2000	2,522	46,274	612,321	661,117
Charge for the year	-	1,620	82,969	84,589
Disposals	-	-	84,998	84,998
At 31 December 2000	<u>2,522</u>	<u>47,894</u>	<u>610,292</u>	<u>660,708</u>
Net book amount				
At 31 December 2000	<u>£ 1,462,186</u>	<u>£ 113,620</u>	<u>£ 192,016</u>	<u>£ 1,767,822</u>
At 1 January 2000	<u>£ 1,462,186</u>	<u>£ 115,240</u>	<u>£ 175,217</u>	<u>£ 1,752,643</u>

7 CREDITORS (amounts falling due within one year)

	<u>2000</u>	<u>1999</u>
Bank Overdraft	18,315	18,019
Trade Creditors	458,522	432,841
Amounts owed to group undertakings	2,099,984	1,915,254
Corporation Tax	11,830	-
Other taxation and social security	- 11,174	- 5,968
Accruals and deferred income	95,100	111,264
	<u>£ 2,672,577</u>	<u>£ 2,471,410</u>

8 SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted and Fully Paid</u>
There has been no change during the year.		
Ordinary shares of £1 each	<u>£ 100,000</u>	<u>£ 100,000</u>

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

9 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Mutual Clothing & Supply Company Limited, a company registered in England. The directors of the parent undertaking have informed the company that it is their intention to procure finance for the continued operations of Kingstone Limited. A copy of the group accounts may be obtained by writing to the Secretary, Mutual Clothing & Supply Co. Ltd. at the address shown on page 2.

10 CONTINGENT LIABILITIES

There are contingent liabilities in respect of:

- (1) A joint and several liability for all Value Added Tax owing by members of the group.
- (2) A guarantee given by the company jointly and severally with other group undertakings in respect of loans made to the parent undertaking by several clearing and merchant banks. The contingent liability under this guarantee at 31 December 2000 is £3,796,000 (1999-£4,147,000)

11 OPERATING LEASE COMMITMENTS

Operating lease commitments in respect of land for 2000 are as follows:

	<u>2000</u>	<u>1999</u>
Lease expiring in more than five years	£ 16,500	£ 16,500

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUND

Shareholders funds at 1 January	453,962	554,012
Loss/profit on Ordinary activities after taxation	- 3,657	- 100,050
Shareholders funds at 31 December	<u>£ 450,305</u>	<u>£ 453,962</u>