

KINGSTONE LIMITED
REGISTERED NUMBER 214525
DIRECTORS' REPORT AND ACCOUNTS

31 December 2002



KINGSTONE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present herewith the audited accounts for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

Turnover remained at similar levels to previous years. There was an increase in the margin achieved. Expenses also increased so that only a modest increase in profits occurred.

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, all of whom are directors of the parent undertaking, were as follows:

VW Keene
AC Keene FCA

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

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

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

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 2002
(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 then apply them consistently;
- make judgments 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 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.

By Order of the Board

A. C. Keene

AC KEENE
Secretary

17 March 2003

Registered Office

39 Bedford Street South
Leicester
LE1 3JN
Registered number 654990

KINGSTONE LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>Notes</u>	<u>2002</u>	<u>2001 As restated</u>
TURNOVER	1	6,836,586	6,860,850
Cost of sales		<u>(5,114,180)</u>	<u>(5,297,892)</u>
GROSS PROFIT		1,722,406	1,562,958
Administration costs		<u>(1,602,609)</u>	<u>(1,502,947)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	119,797	60,011
Tax on profit on ordinary activities	3	<u>(41,283)</u>	<u>(14,705)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		78,514	45,306
Retained profit brought forward		<u>427,265</u>	<u>381,959</u>
RETAINED PROFIT CARRIED FORWARD		<u>£505,779</u>	<u>£427,265</u>

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

Statement of total recognised gains and losses

Profit for the year	78,514	45,306
Prior year adjustment	<u>25,624</u>	<u>-</u>
Total recognised gains since last annual report	<u>£104,138</u>	<u>£45,306</u>

Prior year comparatives have been restated due to the adoption of Financial Reporting Standard (FRS) 19, "Deferred Tax". (see note 13)

The notes on pages 5 to 9 form part of these financial statements.

KINGSTONE LIMITED

BALANCE SHEET - 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u> <u>As Restated</u>
FIXED ASSETS			
Tangible assets	5	1,692,630	1,738,576
CURRENT ASSETS			
Stock: Goods for resale		1,042,511	1,141,879
Prepayments		21,564	20,397
Deferred Taxation	14	25,991	25,624
Cash at bank and in hand		<u>1,435</u>	<u>1,435</u>
		1,091,501	1,189,335
CREDITORS (amounts falling due within one year)	6	<u>(2,178,352)</u>	<u>(2,400,646)</u>
NET CURRENT LIABILITIES		<u>(1,086,851)</u>	<u>(1,211,311)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£605,779</u>	<u>£527,265</u>
CAPITAL AND RESERVES			
Called up share capital	7	100,000	100,000
Profit and loss account		<u>505,779</u>	<u>427,265</u>
EQUITY SHAREHOLDERS' FUNDS		<u>£605,779</u>	<u>£527,265</u>

The notes on pages 5 to 9 form part of these financial statements.

Prior year comparatives have been restated due to the adoption of Financial Reporting Standard (FRS) 19, "Deferred Tax". (see note 13)

Approved by the Board on 17 March 2003

DIRECTORS

A.C. Keene
AC Keene
VW Keene 

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002

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.

(2) Turnover

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

(3) Cash flow statement

The parent undertaking, Mutual Clothing & Supply Co. Limited, has included a cash flow statement in its financial statements for the year ended 31 December 2002. 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 ultimate 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 2002 charge was £26,052 (2001 - £18,653).

(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 represents 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 in equal annual instalments on the following basis:

Freehold Buildings	Over 50 years
Leasehold Properties	Over the unexpired period of the lease
Motor Vehicles	Over 4 years
Fixtures and fittings	Over 8 years except for office equipment which is over 4 Years

(7) 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.

(8) Deferred Taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future, except as otherwise required by FRS 19. Deferred tax assets and liabilities recognised are not discounted.

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>2002</u>	<u>2001</u>
Auditors' remuneration	£16,000	£15,500
(Profit) on sale of fixed assets	£(10,948)	£(10,319)
Operating Lease rental on land	£16,500	£16,500
Depreciation of tangible fixed assets	£112,400	£82,665
	<u> </u>	<u> </u>

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u>	<u>2001</u>
<u>Current taxation</u>		
Corporation tax payable		
based on the profit for the year at 26.6% (2000 - 20%)	41,017	8,059
Prior year	<u>633</u>	<u>616</u>
	<u>41,650</u>	<u>8,675</u>

Deferred Taxation

Current year	(338)	5,775
Prior year	<u>(29)</u>	<u>255</u>
	<u>(367)</u>	<u>6,030</u>
	<u>£41,283</u>	<u>£14,705</u>

Taxation reconciliation

Profit before taxation	<u>£119,797</u>	<u>£60,011</u>
Taxation at the standard UK corporation tax rate of 26.6% (2001 20%)	31,818	12,002
Permanent differences	8,750	1,832
Capital allowances (in excess of)/ less than depreciation	<u>449</u>	<u>(5,775)</u>
Current taxation charge	<u>£41,017</u>	<u>£8,059</u>

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

4 REMUNERATION

No director's remuneration has been charged in the accounts. No directors accrued benefits under defined benefit or contribution pension schemes in the year (2001 – nil).

The average number of persons employed by the company during the year excluding directors was 59 (2001-61). The aggregate payroll costs of these persons were:

	<u>2002</u>	<u>2001</u>
Wages and salaries	753,336	758,738
Social security costs	61,815	63,497
Other pension costs	<u>26,052</u>	<u>18,653</u>
	<u>£841,203</u>	<u>£840,888</u>

5 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>		<u>Plant and equipment and motor vehicles</u>	<u>Total</u>
<u>Cost</u>	<u>Freehold</u>	<u>Long Leasehold</u>		
At 1 January 2002	1,464,708	161,514	790,407	2,416,629
Additions	-	-	72,256	72,256
Disposals	-	-	<u>(84,388)</u>	<u>(84,388)</u>
At 31 December 2002	<u>1,464,708</u>	<u>161,514</u>	<u>778,275</u>	<u>2,404,497</u>
<u>Depreciation</u>				
At 1 January 2002	2,522	49,514	626,017	678,053
Charge for the year	29,294	1,620	81,486	112,400
Disposals	-	-	<u>(78,586)</u>	<u>(78,586)</u>
At 31 December 2002	<u>31,816</u>	<u>51,134</u>	<u>628,917</u>	<u>711,867</u>
<u>Net book amount</u>				
At 31 December 2002	<u>£1,432,892</u>	<u>£110,380</u>	<u>£149,358</u>	<u>£1,692,630</u>
At 1 January 2002	<u>£1,462,186</u>	<u>£112,000</u>	<u>£164,390</u>	<u>£1,738,576</u>

6 CREDITORS (amounts falling due within one year)

	<u>2002</u>	<u>2001</u>
Bank Overdraft	19,342	16,357
Trade creditors	485,216	505,266
Amounts owed to group undertakings	1,574,956	1,785,297
Corporation tax	41,017	8,052
Other taxation and social security	<u>(3,669)</u>	<u>(8,777)</u>
Accruals	<u>61,490</u>	<u>94,451</u>
	<u>£2,178,352</u>	<u>£2,400,646</u>

KINGSTONE LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)****7 SHARE CAPITAL**

There has been no change during the year

	<u>Authorised</u>	<u>Allotted and fully paid</u>
Ordinary shares of £1 each	£100,000	£100,000

8 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.

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 2002 is £2,076,000 (20 - £2,551,000)

11 OPERATING LEASE COMMITMENTS

Operating lease commitments in respect of land for 2002 are as follows:

	<u>2002</u>	<u>2001</u>
Lease expiring in more than five years	£16,500	£16,500

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
Opening shareholders' funds at 1 January as previously stated	501,641	450,305
Prior year adjustment - FRS19	<u>25,624</u>	<u>31,654</u>
Opening shareholders' funds as restated	527,265	481,959
Profit on ordinary activities after taxation	<u>78,514</u>	<u>45,306</u>
Shareholders' funds at 31 December	<u>£605,779</u>	<u>£527,265</u>

KINGSTONE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

13 PRIOR YEAR ADJUSTMENT

Implementation of Financial Reporting Standard 19

The adoption of Financial Reporting Standard (FRS) 19 "Accounting for Deferred Tax" has resulted in changes in the method of accounting for deferred tax. FRS 19 requires that deferred tax be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The company's previous policy was not to recognise a deferred tax asset.

As a result of this change in accounting policy comparatives have been restated as follows

Profit and loss account	<u>Tax Charge for the period</u>	<u>Profit attributable to shareholders</u>
Year to 31 December 2001 – as reported	8,675	51,336
Implementation of FRS19	<u>6,030</u>	<u>(6,030)</u>
Year to 31 December 2001 as restated	<u>£14,705</u>	<u>£45,306</u>
Balance Sheet		
	<u>Provision for deferred Tax</u>	<u>Shareholders' Funds</u>
Year to 31 December 2001 – as reported	-	401,641
Implementation of FRS19	<u>25,624</u>	<u>25,624</u>
Year to 31 December 2001 as restated	<u>£25,624</u>	<u>£427,265</u>

14 DEFERRED TAXATION

At the balance sheet date, the potential and recognised asset and liability for deferred taxation calculated at 20% (2001 -20%) was in respect of the following:

	<u>2002</u>	<u>2001</u>
<u>Potential asset/(liability)</u>		
Realised capital gains rolled over	£(16,324)	£16,324)
Excess of depreciation over capital allowances	£25,991	£25,991
<u>Asset recognised</u>		
Opening Deferred tax asset as previously stated	-	-
Prior year adjustment - FRS 19	<u>25,624</u>	<u>31,654</u>
Opening deferred tax asset as restated	25,624	31,654
Current year charge/(credit)	<u>367</u>	<u>(6,030)</u>
Closing deferred tax asset	<u>£25,991</u>	<u>£25,624</u>

The deferred tax asset represents the excess of depreciation over capital allowances calculated at 20% (2001 20%)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGSTONE LIMITED

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and 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 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.

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. The other information comprises only the directors' report.

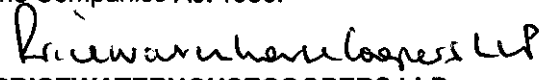
Basis of audit opinion

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 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and
Registered Auditors

17 March 2003

Birmingham