

KENNETH MACKENZIE LTD

REPORT AND ACCOUNTS

Year ended 30 June 2000

Company Number: 047484



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KENNETH MACKENZIE LIMITED

REPORT AND ACCOUNTS

Year ended 30 June 2000

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KENNETH MACKENZIE LIMITED**DIRECTORS' REPORT****Directors:**

D R Murray
K W Rawlinson

Secretary and Registered Office:

K W Rawlinson, Sandwick Road, Stornoway, Isle of Lewis PA87 2SJ

The directors present their report and audited accounts for the year ended 30 June 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

Select suitable accounting policies and then 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 accounts;

Prepare the accounts 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 accounts 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.

Change in Profit and loss account format

The format of the profit and loss account has been changed from previous years to format 1, which brings the presentation of the accounts into line with the ultimate parent company.

Principal activities, business review and future prospects

In common with other British textile companies, business for the year has been adversely affected by the continued strength of Sterling.

Early indications for the coming year, however, show that tweed is coming back into fashion and an increase in turnover is expected to improve results.

KENNETH MACKENZIE LIMITED**DIRECTORS' REPORT (cont'd)****Results and dividends**

The loss for the year, after taxation was £26,866 (1999: loss £64,466) which has been taken to reserves. The directors do not recommend the payment of a dividend.

Directors and directors' interests

Both directors served as directors throughout the year.

Neither of the directors of the company had any immediate beneficial interest in the shares of the company. Directors' interests in the shares of the ultimate parent company are shown in that company's accounts.

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditors will be put to the members at the annual general meeting.

By order of the board



K W RAWLINSON

Secretary

27 February 2001

KENNETH MACKENZIE LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF KENNETH MACKENZIE LIMITED

We have audited the accounts on pages 4 to 16.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 an examination, on a test basis of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SCOTT-MONCRIEFF

Chartered Accountants
Registered Auditors

Allan House
25 Bothwell Street
Glasgow G2 6NL

28 February 2001

KENNETH MACKENZIE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2000

		2000 £	1999 £
TURNOVER		2,400,253	2,574,915
Cost of sales		<u>1,760,680</u>	<u>1,955,913</u>
Gross profit		639,573	619,002
Distribution costs		275,863	281,271
Administrative expenses		<u>452,314</u>	<u>491,180</u>
		(88,604)	(153,449)
Other operating income	6	<u>13,819</u>	<u>8,038</u>
Operating loss		(74,785)	(145,411)
Interest receivable		<u>42,694</u>	<u>38,820</u>
Loss on ordinary activities before taxation	4	(32,091)	(106,591)
Taxation		<u>(5,225)</u>	<u>(42,125)</u>
Loss on ordinary activities after taxation		<u><u>(26,866)</u></u>	<u><u>(64,466)</u></u>

All amounts relate to continuing activities

The notes on pages 8 to 16 form part of these accounts.

KENNETH MACKENZIE LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 30 June 2000

	2000 £	1999 £
Reported loss on ordinary activities before taxation	(32,091)	(106,591)
Difference between actual and historical cost depreciation	<u>3,708</u>	<u>3,708</u>
Historical cost loss on ordinary activities before taxation	<u>(28,383)</u>	<u>(102,883)</u>
Retained historical cost loss for the year	<u>(23,158)</u>	<u>(60,758)</u>

The notes on pages 8 to 16 form part of these accounts.

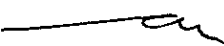
KENNETH MACKENZIE LIMITED

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	980,031	1,120,891
CURRENT ASSETS			
Stocks	9	549,575	535,654
Debtors	10	1,088,753	1,047,305
Cash at bank and in hand		826,360	791,593
		<u>2,464,688</u>	<u>2,374,552</u>
CREDITORS: amounts falling due within one year	11	1,688,948	1,698,483
		<u>775,740</u>	<u>676,069</u>
NET CURRENT ASSETS			
		<u>1,755,771</u>	<u>1,796,960</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	11	26,210	30,685
PROVISIONS FOR LIABILITIES AND CHARGES	12	14,610	24,458
		<u>1,714,951</u>	<u>1,741,817</u>
CAPITAL AND RESERVES			
Called-up share capital	13	100,000	100,000
Share premium account		367,232	367,232
Revaluation reserve	14	489,810	505,229
Profit and loss account	14	757,909	769,356
		<u>1,714,951</u>	<u>1,741,817</u>
SHAREHOLDERS' FUNDS - EQUITY	15		
		<u>1,714,951</u>	<u>1,741,817</u>

The accounts on pages 4 to 16 were approved by the board of directors on *27 February 2001* and were signed on its behalf by:


D R Murray


Director


K W Rawlinson

Director

The notes on pages 8 to 16 form part of these accounts.

KENNETH MACKENZIE LIMITED

CASH FLOW STATEMENT

Year ended 30 June 2000

	Note	2000 £	1999 £
Net cash (outflow) inflow from operating activities	16	(39,533)	128,847
Returns on investments and servicing of finance		42,694	38,820
		<u>3,161</u>	<u>167,667</u>
Taxation		-	-
Capital expenditure	17	31,606	(1,208)
Increase in cash		<u>34,767</u>	<u>166,459</u>
Reconciliation of movement in net cash			
Cash at bank and in hand as at 1 July 1999		791,593	625,134
Increase in cash		<u>34,767</u>	<u>166,459</u>
Cash at bank and in hand as at 30 June 2000		<u>826,360</u>	<u>791,593</u>

The notes on pages 8 to 16 form part of these accounts.

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2000

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

Turnover

Turnover represents the value of goods despatched and invoiced during the year, excluding value added tax.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets other than land in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost or valuation of the assets.

The following rates are used:

Buildings	1%
Plant and machinery	5-10%
Office furniture and equipment	25%
Motor vehicles	25%

Government grants

Regional development and other capital grants are allocated to deferred grants account and released to profit and loss account evenly over the estimated useful lives of the assets concerned.

Stocks

Stocks and work in progress are stated at the lower of cost (on a first in first out basis) and net realisable value. Cost of work in progress and finished goods comprises materials, direct wages and attributable overheads.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability will crystallise.

Pension costs

Pension contributions are paid into a group personal pension scheme and contributions are charged to the profit and loss account accordingly.

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

1. Accounting policies (cont'd)

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred, or at a forward exchange contract rate where appropriate. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date or at a forward exchange rate if appropriate. Exchange differences are taken to the profit and loss account.

2. Turnover and loss on ordinary activities before taxation

	Turnover		Loss on ordinary activities before taxation	
	2000 £	1999 £	2000 £	1999 £
Tweed and associated products	<u>2,400,253</u>	<u>2,574,915</u>	<u>(32,091)</u>	<u>(106,591)</u>

A geographical analysis of turnover is as follows:

	2000 £	1999 £
United Kingdom	197,434	226,771
Export	<u>2,202,819</u>	<u>2,348,144</u>
	<u>2,400,253</u>	<u>2,574,915</u>

No further geographical analysis of turnover is given as this, in the opinion of the directors, would be prejudicial to the interests of the company.

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

3. Staff costs	2000	1999
	£	£
Staff costs comprise:		
Wages and salaries	843,708	867,790
Social security costs	73,190	75,637
Other pension costs	24,094	9,061
	<u>940,992</u>	<u>952,488</u>

The average monthly number of persons employed during the year was as follows:

	Number	Number
Production	41	39
Selling and distribution	8	9
Administration	12	13
	<u>61</u>	<u>61</u>

4. Loss on ordinary activities before taxation	£	£
The loss is stated after charging:		
Depreciation of tangible fixed assets	116,983	152,094
Directors' remuneration (note 5)	52,257	43,778
Auditors' remuneration	10,500	15,500
	<u>179,740</u>	<u>211,372</u>

5. Directors' remuneration		
Emoluments	43,965	42,578
Contributions to money purchase pension scheme	3,225	1,200
	<u>47,190</u>	<u>43,778</u>

	Number	Number
Number of directors for whom company making contributions to money purchase pension scheme	<u>1</u>	<u>1</u>

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

	2000	1999
	£	£
6. Other operating income		
Gain on sale of fixed assets	7,729	700
Release of capital grants	6,090	7,338
	<u>13,819</u>	<u>8,038</u>
	<u><u>13,819</u></u>	<u><u>8,038</u></u>
7. Tax on loss on ordinary activities		
Corporation tax at 20% (1999 - 21%) based on the loss for the year		
Deferred tax	(9,848)	(40,078)
Group relief	4,623	(2,047)
	<u>(5,225)</u>	<u>(42,125)</u>
	<u><u>(5,225)</u></u>	<u><u>(42,125)</u></u>

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

8. Tangible fixed assets

	Heritable land and buildings £	Plant and machinery £	Motor vehicles £	Office furniture and equipment £	Total £
Cost or valuation:					
At 1 July 1999	790,000	2,515,112	99,592	94,438	3,499,142
Additions	-	-	-	14,394	14,394
Disposals	(40,000)	-	-	-	(40,000)
At 30 June 2000	<u>750,000</u>	<u>2,515,112</u>	<u>99,592</u>	<u>108,832</u>	<u>3,473,536</u>
Being:					
At cost	-	2,515,112	99,592	108,832	2,723,536
At valuation in 1997	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
	<u>750,000</u>	<u>2,515,112</u>	<u>99,592</u>	<u>108,832</u>	<u>3,473,536</u>
Depreciation:					
At 1 July 1999	25,842	2,199,805	63,834	88,770	2,378,251
Charge for year	6,759	90,350	16,186	3,688	116,983
On disposals	<u>(1,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,729)</u>
At 30 June 2000	<u>30,872</u>	<u>2,290,155</u>	<u>80,020</u>	<u>92,458</u>	<u>2,493,505</u>
Net book value:					
At 30 June 2000	<u>719,128</u>	<u>224,957</u>	<u>19,572</u>	<u>16,374</u>	<u>980,031</u>
At 30 June 1999	<u>764,158</u>	<u>315,307</u>	<u>35,758</u>	<u>5,668</u>	<u>1,120,891</u>

For the land and buildings stated at valuation the comparable amounts determined under the historical cost convention were:

	Cost £	Aggregate depreciation £	Net book value £
At 30 June 2000	<u>288,876</u>	<u>101,151</u>	<u>187,725</u>

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

9.	Stocks	2000 £	1999 £
	Raw materials and consumables	258,389	278,561
	Work in progress	191,507	161,171
	Finished goods	99,679	95,922
		<u>549,575</u>	<u>535,654</u>
10.	Debtors		
	Trade debtors	943,598	873,466
	Amounts owed by group undertakings	81,532	86,511
	Other debtors	59,414	40,799
	Prepayments and accrued income	4,209	46,529
		<u>1,088,753</u>	<u>1,047,305</u>
11.	Creditors		
	Amounts falling due within one year:		
	Trade creditors	60,778	97,161
	Amount owed to group undertakings	1,385,809	1,381,186
	Other taxation and social security	29,624	26,600
	Accruals and deferred income	212,737	193,536
		<u>1,688,948</u>	<u>1,698,483</u>
	Amounts falling due after more than one year:		
	Accruals and deferred income	<u>26,210</u>	<u>30,685</u>

The bank overdraft facility is secured by a bond and floating charge over the assets of the company.

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

12. Deferred taxation

	2000		1999	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	36,289	24,458	70,000	31,357
Other timing differences	-	(9,848)	-	(6,899)
	<u>36,289</u>	<u>14,610</u>	<u>70,000</u>	<u>24,458</u>
Deferred taxation movements:				£
Balance at 1 July 1999				24,458
Profit and loss account transfer				(9,848)
Balance at 30 June 2000				<u>14,610</u>

No deferred taxation has been provided on revaluation surpluses as the company does not intend to dispose of the land and buildings in the foreseeable future.

13. Called up share capital

	2000 £	1999 £
Authorised, allotted and fully paid:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

14. Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 1999	505,229	769,356
Loss for the year	-	(26,866)
Depreciation transfer	(3,708)	3,708
Release on sale of property	(11,711)	11,711
At 30 June 2000	<u>489,810</u>	<u>757,909</u>

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

15.	Reconciliation of movements in shareholders' funds	2000 £	1999 £
	Loss for the financial year	(26,866)	(64,466)
	Net reduction from shareholders' funds	(26,866)	(64,466)
	Opening shareholders' funds	1,741,817	1,806,283
	Closing shareholders' funds	<u>1,714,952</u>	<u>1,741,817</u>
16.	Reconciliation of operating loss to net cash (outflow) inflow from operating activities		
	Operating loss	(74,785)	(145,411)
	Depreciation	116,983	152,094
	Gain on sale of fixed assets	(7,729)	(700)
	Release of government grant	(6,090)	(7,338)
	(Increase) decrease in stocks	(13,921)	235,531
	Increase in debtors	(41,448)	(73,197)
	Decrease in creditors	(12,543)	(32,132)
	Net cash (outflow) inflow from operating activities	<u>(39,533)</u>	<u>128,847</u>
17.	Analysis of cashflows for headings netted in cashflow statement		
	Capital expenditure		
	Purchase of fixed assets	(14,394)	(1,908)
	Sale of fixed assets	46,000	700
		<u>31,606</u>	<u>(1,208)</u>
18.	Other financial commitments		
	As at 30 June 2000, the company has contractual commitments for forward purchases of wool amounting to £34,013 (1999: £82,226).		
19.	Parent undertaking		
	The parent undertaking of Kenneth Mackenzie Limited is Kenneth Mackenzie Holdings Limited, which is registered in Scotland.		

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2000

20. Ultimate controlling party

The ultimate parent undertaking of the company is Kenneth Macleod (Shawbost) Limited, a company registered in Scotland, which is controlled by Mr D R Murray, a director.

21. Related party transactions	2000 £	1999 £
Sales to parent company	<u>77,062</u>	<u>56,950</u>
Purchases from parent company	<u>4,388</u>	<u>14,895</u>