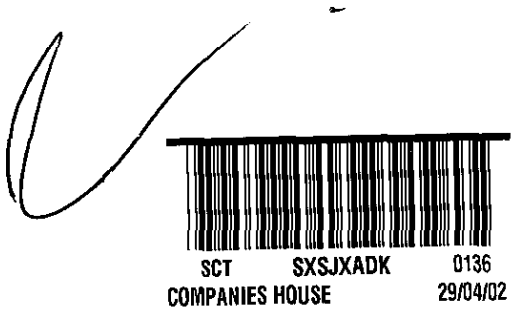
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KENNETH MACKENZIE LTD

REPORT AND ACCOUNTS

Year ended 30 June 2001

Company Number: 047484



KENNETH MACKENZIE LIMITED

REPORT AND ACCOUNTS

Year ended 30 June 2001

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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 2001.

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.

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 profit for the year, after taxation was £103,662 (2000: loss £26,866) 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

24 April 2002

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

SCOTT-MONCRIEFF

Chartered Accountants
Registered Auditors

Allan House
25 Bothwell Street
Glasgow G2 6NL

26 April 2002

KENNETH MACKENZIE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2001

	Note	2001 £	2000 £
TURNOVER	2	3,366,337	2,400,253
Cost of sales		2276,520	1,760,680
Gross profit		1,089,817	639,573
Distribution costs		365,148	275,863
Administrative expenses		598,597	452,314
		126,072	(88,604)
Other operating income	6	5,723	13,819
Operating loss		131,795	(74,785)
Interest receivable		47,554	42,694
Profit / (loss) on ordinary activities before taxation	4	179,349	(32,091)
Taxation	7	75,687	(5,225)
Profit / (Loss) on ordinary activities after taxation		103,662	(26,866)

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 2001

	2001 £	2000 £
Reported profit / (loss) on ordinary activities before taxation	179,349	(32,091)
Difference between actual and historical cost depreciation	3,708	3,708
Historical cost profit / loss on ordinary activities before taxation	183,057	(28,383)
Retained historical cost profit(loss) for the year	107,370	(23,158)

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

KENNETH MACKENZIE LIMITED

BALANCE SHEET AS AT 30 JUNE 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	899,204	980,031
CURRENT ASSETS			
Stocks	9	771,833	549,575
Debtors	10	1,228,548	1,088,753
Cash at bank and in hand		850,037	826,360
		2,850,418	2,464,688
CREDITORS: amounts falling due within one year	11	1,860,229	1,688,948
NET CURRENT ASSETS		990,189	775,740
TOTAL ASSETS LESS CURRENT LIABILITIES		1,889,393	1,755,771
CREDITORS: amounts falling due after more than one year	11	20,771	26,210
PROVISIONS FOR LIABILITIES AND CHARGES	12	50,009	14,610
		1,818,613	1,714,951
CAPITAL AND RESERVES			
Called-up share capital	13	100,000	100,000
Share premium account		367,232	367,232
Revaluation reserve	14	486,102	489,810
Profit and loss account	14	865,279	757,909
SHAREHOLDERS' FUNDS - EQUITY	15	1,818,613	1,714,951

The accounts on pages 4 to 16 were approved by the board of directors on 24 April 2002 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 2001

	Note	2001 £	2000 £
Net cash outflow from operating activities	16	(2,898)	(39,533)
Returns on investments and servicing of finance		47,554	42,694
		44,656	3,161
Taxation		-	-
Capital expenditure	17	(20,979)	31,606
Increase in cash		23,677	34,767
Reconciliation of movement in net cash			
Cash at bank and in hand as at 1 July 2000		826,360	791,593
Increase in cash		23,677	34,767
Cash at bank and in hand as at 30 June 2001		850,037	826,360

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

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

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 2001

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		Profit / (Loss) on ordinary activities before taxation	
	2001	2000	2001	2000
	£	£	£	£
Tweed and associated products	3,366,337	2,400,253	179,349	(32,091)

A geographical analysis of turnover is as follows:

	2001	2000
	£	£
United Kingdom	294,962	197,434
Export	3,071,375	2,202,819
	3,366,337	2,400,253

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 2001

3. Staff costs

	2001 £	2000 £
Staff costs comprise:		
Wages and salaries	1,048,980	843,708
Social security costs	89,832	73,190
Other pension costs	30,651	24,094
	1,169,463	940,992

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

	Number	Number
Production	55	41
Selling and distribution	8	8
Administration	11	12
	74	61

4. Loss on ordinary activities before taxation

	£	£
The loss is stated after charging:		
Depreciation of tangible fixed assets	101,806	116,983
Directors' remuneration (note 5)	53,694	52,257
Auditors' remuneration	13,375	10,500

5. Directors' remuneration

Emoluments	50,302	42,578
Contributions to money purchase pension scheme	3,392	1,200
	53,694	43,778

	Number	Number
Number of directors for whom company making contributions to money purchase pension scheme	1	1

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2001

6. Other operating income	2001 £	2000 £
Gain on sale of fixed assets	-	7,729
Release of capital grants	5,723	6,090
	5,723	13,819

7. Tax on loss on ordinary activities

Corporation tax at 20% (2000 - 20%) based on the profit for the year

Corporation tax	22,339	-
Deferred tax	35,399	(9,848)
Group relief	17,949	4,623
	75,687	(5,225)

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2001

8. Tangible fixed assets

	Heritable land and buildings £	Plant and machinery £	Motor vehicles £	Office furniture and equipment £	Total £
Cost or valuation:					
At 1 July 2000	750,000	2,515,112	99,592	108,832	3,473,536
Additions	-	-	-	20,979	20,979
Disposals	-	(1,720)	-	(20,086)	(21,806)
At 30 June 2001	750,000	2,513,392	99,592	109,725	3,472,709
Being:					
At cost	-	2,513,392	99,592	109,725	2,722,709
At valuation in 1997	750,000	-	-	-	750,000
	750,000	2,513,392	99,592	109,725	3,472,709
Depreciation:					
At 1 July 2000	30,872	2,290,155	80,020	92,458	2,493,505
Charge for year	6,500	68,961	16,365	9,980	101,806
On disposals	-	(1,720)	-	(20,086)	(21,806)
At 30 June 2001	37,372	2,357,396	96,385	82,352	2,573,505
Net book value:					
At 30 June 2001	712,628	155,996	3,207	27,373	899,204
At 30 June 2000	719,128	224,957	19,572	16,374	980,031

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 2001	288,876	104,040	184,836

9./

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2001

9. Stocks

	2001 £	2000 £
Raw materials and consumables	241,696	258,389
Work in progress	307,991	191,507
Finished goods	222,146	99,679
	771,833	549,575

10. Debtors

Trade debtors	1,086,078	943,598
Amounts owed by group undertakings	72,728	81,532
Other debtors	66,820	59,414
Prepayments and accrued income	2,922	4,209
	1,228,548	1,088,753

11. Creditors

Amounts falling due within one year:

Trade creditors	122,213	60,778
Amount owed to group undertakings	1,422,451	1,385,809
Corporation tax	22,339	-
Other taxation and social security	36,934	29,624
Accruals and deferred income	256,292	212,737
	1,860,229	1,688,948

Amounts falling due after more than one year:

Accruals and deferred income	20,771	26,210

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

12./

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2001

12. Deferred taxation

	2001		2000	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	-	55,272	36,289	24,458
Other timing differences	-	(5,263)	-	(9,848)
	-	50,009	36,289	14,610

Deferred taxation movements:	£
Balance at 1 July 2000	14,610
Profit and loss account transfer	35,399
Balance at 30 June 2001	50,009

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

	2001 £	2000 £
Authorised, allotted and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000

14. Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 2000	489,810	757,909
Profit for the year	-	103,662
Depreciation transfer	(3,708)	3,708
At 30 June 2001	486,102	865,279

15./

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2001

15. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit / (Loss) for the financial year	103,662	(26,866)
Net reduction from shareholders' funds	103,662	(26,866)
Opening shareholders' funds	1,714,951	1,741,817
Closing shareholders' funds	1,818,613	1,714,951

16. Reconciliation of operating loss to net cash outflow from operating activities

Operating profit / (loss)	131,795	(74,785)
Depreciation	101,806	116,983
Gain on sale of fixed assets	-	(7,729)
Release of government grant	(5,723)	(6,090)
Increase decrease in stocks	(222,258)	(13,921)
Increase in debtors	(139,795)	(41,448)
Decrease (increase) in creditors	131,277	(12,543)
Net cash (outflow) from operating activities	(2,898)	(39,533)

17. Analysis of cashflows for headings netted in cashflow statement

Capital expenditure

Purchase of fixed assets	(20,979)	(14,394)
Sale of fixed assets	-	46,000
	(20,979)	31,606

18. Other financial commitments

As at 30 June 2001, the company has contractual commitments for forward purchases of wool amounting to £107,065 (2000: £34,013).

19. Parent undertaking

The parent undertaking of Kenneth Mackenzie Limited is Kenneth Mackenzie Holdings Limited, which is registered in Scotland.

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

	2001 £	2000 £
Sales to parent company	13,613	77,062
Purchases from parent company	6,255	4,388
Management charge from parent company	50,000	-