

KENNETH MACKENZIE LTD

REPORT AND ACCOUNTS

Year ended 30 June 2002

Company Number: 047484



KENNETH MACKENZIE LIMITED

REPORT AND ACCOUNTS

Year ended 30 June 2002

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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 2002.

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

The principal activities of the company are the manufacture and marketing of Harris Tweed.

The directors are optimistic that tweed is coming back into fashion and the early indications after the Premier Vision Exhibitions are looking positive, with requests for samples up on previous years.

KENNETH MACKENZIE LIMITED

DIRECTORS' REPORT (cont'd)

Results and dividends

The profit for the year, after taxation was £135,603 (2001: profit £103,662) 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

4 April 2003

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KENNETH MACKENZIE LIMITED

We have audited the financial statements of Kenneth MacKenzie Limited for the year ended 30 June 2002 set out on pages 4 to 16. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 that 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 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


SCOTT-MONCRIEFF

Chartered Accountants
Registered Auditors

25 Bothwell Street
Glasgow G2 6NL

4 April 2003

KENNETH MACKENZIE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2002

	Note	2002 £	2001 £
TURNOVER	2	3,591,400	3,366,337
Cost of sales		2,404,884	2,276,520
Gross profit		1,186,516	1,089,817
Distribution costs		419,264	365,148
Administrative expenses		630,153	598,597
		137,099	126,072
Other operating income	6	7,789	5,723
Operating profit		144,888	131,795
Interest receivable		39,120	47,554
Profit on ordinary activities before taxation	4	184,008	179,349
Taxation	7	48,405	75,687
Profit on ordinary activities after taxation		135,603	103,662

Continuing Operations

None of the company's activities were acquired or discontinued during the above two financial years.

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 2002

	2002 £	2001 £
Reported profit on ordinary activities before taxation	184,008	179,349
Difference between actual and historical cost depreciation	<u>3,708</u>	<u>3,708</u>
Historical cost profit on ordinary activities before taxation	<u>187,716</u>	<u>183,057</u>
Retained historical cost profit for the year	<u>139,311</u>	<u>107,370</u>

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

KENNETH MACKENZIE LIMITED

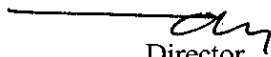
BALANCE SHEET AS AT 30 JUNE 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	866,647	899,204
CURRENT ASSETS			
Stocks	9	733,728	771,833
Debtors	10	1,203,355	1,228,548
Cash at bank and in hand		1,042,601	850,037
		<u>2,979,684</u>	<u>2,850,418</u>
CREDITORS: amounts falling due within one year	11	1,825,628	1,860,229
		<u>1,154,056</u>	<u>990,189</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		2,020,703	1,889,393
CREDITORS: amounts falling due after more than one year	11	15,332	20,771
PROVISIONS FOR LIABILITIES AND CHARGES	12	51,155	50,009
		<u>1,954,216</u>	<u>1,818,613</u>
CAPITAL AND RESERVES			
Called-up share capital	13	100,000	100,000
Share premium account		367,232	367,232
Revaluation reserve	14	482,394	486,102
Profit and loss account	14	1,004,590	865,279
SHAREHOLDERS' FUNDS - EQUITY	15	<u>1,954,216</u>	<u>1,818,613</u>

The accounts on pages 4 to 16 were approved by the board of directors on
~~were signed on its behalf by:~~

4 APRIL 2003 and


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 2002

	Note	2002 £	2001 £
Net cash inflow (outflow) from operating activities	16	188,088	(2,898)
Returns on investments and servicing of finance		39,120	47,554
		<u>227,208</u>	<u>44,656</u>
Taxation		(20,098)	-
Capital expenditure	17	(14,546)	(20,979)
Increase in cash		<u>192,564</u>	<u>23,677</u>
Reconciliation of movement in net cash			
Cash at bank and in hand as at 1 July 2001		850,037	826,360
Increase in cash		<u>192,564</u>	<u>23,677</u>
Cash at bank and in hand as at 30 June 2002		<u>1,042,601</u>	<u>850,037</u>

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

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

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

FRS 19 "Deferred tax" has been adopted. In accordance with this standard, the difference between the accounting treatment and tax treatment for depreciation in respect of accelerated capital allowances and other timing differences is provided in full. Provision is made, or recovery anticipated, where timing differences will reverse in the foreseeable future.

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2002

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 profit on ordinary activities before taxation

	Turnover		Profit on ordinary activities before taxation	
	2002 £	2001 £	2002 £	2001 £
Tweed and associated products	<u>3,591,400</u>	<u>3,366,337</u>	<u>234,008</u>	<u>179,349</u>

A geographical analysis of turnover is as follows:

	2002 £	2001 £
United Kingdom	188,181	294,962
Export	<u>3,403,219</u>	<u>3,071,375</u>
	<u>3,591,400</u>	<u>3,366,337</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 2002

3.	Staff costs	2002	2001
		£	£
	Staff costs comprise:		
	Wages and salaries	988,877	1,048,980
	Social security costs	91,666	89,832
	Other pension costs	28,397	30,651
		<u>1,108,940</u>	<u>1,169,463</u>

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

	Number	Number
Production	55	55
Selling and distribution	8	8
Administration	11	11
	<u>74</u>	<u>74</u>

4.	Profit on ordinary activities before taxation	£	£
	The profit is stated after charging:		
	Depreciation of tangible fixed assets	49,453	101,806
	Directors' remuneration (note 5)	56,859	43,778
	Auditors' remuneration	13,700	13,375
		<u>119,912</u>	<u>158,959</u>

5.	Directors' remuneration		
	Emoluments	51,990	42,578
	Contributions to money purchase pension scheme	4,869	1,200
		<u>56,859</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 2002

	2002 £	2001 £
6. Other operating income		
Gain on sale of fixed assets	2,350	-
Release of capital grants	5,439	5,723
	<u>7,789</u>	<u>5,723</u>

7. Tax on loss on ordinary activities

Corporation tax at 30% (2001 - 20%) based on the profit for the year

Corporation tax	47,259	22,339
Deferred tax	1,146	35,399
Group relief	-	17,949
	<u>48,405</u>	<u>75,687</u>

Factors affecting tax charge for year

The tax assessment for the year is higher (2001: higher) than the standard rate of corporation in the UK (20%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>184,008</u>	<u>179,349</u>
Profit on ordinary activities multiplied by standard rate of tax in the UK of 20% (2001: 20%)	36,801	35,870
Corporation tax effects of:		
Depreciation on non-qualifying assets	2,596	2,543
Marginal relief	11,228	(8,898)
Prior year corporation tax adjustment	(2,220)	-
Expenses not deductible for tax purposes	-	53
Rate charge	-	10,720
Deferred tax effects of:		
Change in method from partial to full provision	-	35,399
Current tax charge for year	<u>48,405</u>	<u>75,687</u>

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2002

8. Tangible fixed assets

	Heritable land and buildings £	Plant and machinery £	Motor vehicles £	Office furniture and equipment £	Total £
Cost or valuation:					
At 1 July 2001	750,000	2,513,392	99,592	109,725	3,472,709
Additions	-	3,928	12,569	399	16,896
Disposals	-	-	(18,615)	-	(18,615)
At 30 June 2002	750,000	2,517,320	93,546	110,124	3,470,990
Being:					
At cost	-	2,517,320	93,546	110,124	2,720,990
At valuation in 1997	750,000	-	-	-	750,000
	750,000	2,517,320	93,546	110,124	3,470,990
Depreciation:					
At 1 July 2001	37,372	2,357,396	96,385	82,352	2,573,505
Charge for year	6,500	26,536	6,349	10,068	49,453
On disposals	-	-	(18,615)	-	(18,615)
At 30 June 2002	43,872	2,383,932	84,119	92,420	2,604,343
Net book value:					
At 30 June 2002	706,128	133,388	9,427	17,704	866,647
At 30 June 2001	712,628	155,996	3,207	27,373	899,204

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 2002	288,876	106,929	181,947

KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2002

9.	Stocks	2002 £	2001 £
	Raw materials and consumables	236,551	241,696
	Work in progress	314,724	307,991
	Finished goods	182,453	222,146
		<u>733,728</u>	<u>771,833</u>
10.	Debtors		
	Trade debtors	1,068,087	1,086,078
	Amounts owed by group undertakings	63,632	72,728
	Other debtors (note 21)	69,024	66,820
	Prepayments and accrued income	2,612	2,922
		<u>1,203,355</u>	<u>1,228,548</u>
11.	Creditors		
	Amounts falling due within one year:		
	Trade creditors	50,177	122,213
	Amount owed to group undertakings	1,467,932	1,422,451
	Corporation tax	49,500	22,339
	Other taxation and social security	29,117	36,934
	Accruals and deferred income	228,902	256,292
		<u>1,825,628</u>	<u>1,860,229</u>
	Amounts falling due after more than one year:		
	Accruals and deferred income	<u>15,332</u>	<u>20,771</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 2002

12. Deferred taxation

	2002		2001	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	-	55,309	-	55,272
Other timing differences	-	(4,154)	-	(5,263)
	<u>-</u>	<u>51,155</u>	<u>-</u>	<u>50,009</u>
Deferred taxation movements:				£
Balance at 1 July 2001				50,009
Profit and loss account transfer				1,146
Balance at 30 June 2002				<u>51,155</u>

Deferred tax is calculated at 20% (2001: 20%) analysed over the following timing differences:

	2002 £	2001 £
Accelerated capital allowances	55,309	55,272
Short term timing differences	(4,154)	(5,263)
	<u>51,155</u>	<u>50,009</u>

13. Called up share capital

Authorised, allotted and fully paid:

100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
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KENNETH MACKENZIE LIMITED

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2002

14. Reserves	Revaluation reserve £	Profit and loss account £
At 1 July 2001	486,102	865,279
Profit for the year	-	135,603
Depreciation transfer	(3,708)	3,708
At 30 June 2002	<u>482,394</u>	<u>1,004,590</u>
15. Reconciliation of movements in shareholders' funds	2002 £	2001 £
Profit for the financial year	<u>135,603</u>	<u>103,662</u>
Net addition from shareholders' funds	135,603	103,662
Opening shareholders' funds	<u>1,818,613</u>	<u>1,714,951</u>
Closing shareholders' funds	<u>1,954,216</u>	<u>1,818,613</u>
16. Reconciliation of operating profit to net cash inflow (outflow) from operating activities		
Operating profit	144,888	131,795
Depreciation	49,453	101,806
Gain on sale of fixed assets	(2,350)	-
Release of government grant	(5,439)	(5,723)
Decrease (increase) in stocks	38,105	(222,258)
Decrease (increase) in debtors	25,193	(139,795)
(Increase) decrease in creditors	(61,762)	131,277
Net cash inflow (outflow) from operating activities	<u>188,088</u>	<u>(2,898)</u>
17. Analysis of cashflows for headings netted in cashflow statement		
Capital expenditure		
Purchase of fixed assets	(16,896)	(20,979)
Sale of fixed assets	2,350	-
	<u>(14,546)</u>	<u>(20,979)</u>

NOTES TO THE ACCOUNTS (cont'd)

Year ended 30 June 2002

18. Other financial commitments

As at 30 June 2002, the company has contractual commitments for forward purchases of wool amounting to £95,921 (2001: £107,065).

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	2002 £	2001 £
Sales to parent company	<u>64,854</u>	<u>13,613</u>
Purchases from parent company	<u>25,926</u>	<u>6,255</u>
Management charge from parent company	<u>100,000</u>	<u>50,000</u>

Included in other debtors are loans to individuals of £3,300 who are related to D R Murray, a director of the company.