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COMPANY REGISTRATION NUMBER SC047484

**KENNETH MACKENZIE LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**

**31 AUGUST 2011**

WEDNESDAY



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# **KENNETH MACKENZIE LIMITED**

## **Officers and professional advisers**

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### **The board of directors**

J B Haggas  
A P Booth

### **Company secretary**

A P Booth

### **Registered office**

Cabafeidh Road  
Stornoway  
Isle of Lewis  
Western Isles  
HS1 2SE

### **Accountants**

Robertshaw Myers  
Chartered Accountants  
Number 3  
Acorn Business Park  
Keighley Road  
Skipton  
North Yorkshire  
BD23 2UE

### **Bankers**

The Royal Bank of Scotland plc  
17 North Beach Street  
Stornoway  
Isle of Lewis  
HS1 2XH

# **KENNETH MACKENZIE LIMITED**

## **The directors' report**

### **Year ended 31 August 2011**

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The directors present their report and the unaudited financial statements of the company for the year ended 31 August 2011.

#### **Principal activities**

The principal activity of the company during the year was the manufacture and marketing of Harris Tweed.

#### **Directors**

The directors who served the company during the year were as follows:

J B Haggas  
A P Booth

#### **Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Registered office:  
Cabafeidh Road  
Stornoway  
Isle of Lewis  
Western Isles  
HS1 2SE

Signed on behalf of the directors



**J B Haggas**  
Director

Approved by the directors on 19 December 2011

**KENNETH MACKENZIE LIMITED****Profit and loss account****Year ended 31 August 2011**

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|                                                      | Note | 2011<br>£      | 2010<br>£        |
|------------------------------------------------------|------|----------------|------------------|
| Turnover                                             | 1    | 932,069        | 131,638          |
| Cost of sales                                        |      | (658,572)      | (281,187)        |
| Gross profit/(loss)                                  |      | 273,497        | (149,549)        |
| Distribution costs                                   |      | (20,372)       | (7,334)          |
| Administrative expenses                              |      | (109,280)      | (101,414)        |
| Operating profit/(loss)                              | 2    | 143,845        | (258,297)        |
| Interest receivable                                  |      | —              | 13               |
| Profit/(loss) on ordinary activities before taxation |      | 143,845        | (258,284)        |
| Tax on profit/(loss) on ordinary activities          |      | —              | —                |
| Profit/(loss) for the financial year                 |      | <u>143,845</u> | <u>(258,284)</u> |

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The accounting policies and notes on pages 6 to 11 form part of these financial statements.

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# KENNETH MACKENZIE LIMITED

## Balance sheet

31 August 2011

|                                                                | Note | £         | 2011<br>£   | £         | 2010<br>£   |
|----------------------------------------------------------------|------|-----------|-------------|-----------|-------------|
| <b>Fixed assets</b>                                            |      |           |             |           |             |
| Tangible assets                                                | 3    |           | 1,017,936   |           | 1,123,515   |
| <b>Current assets</b>                                          |      |           |             |           |             |
| Stocks                                                         |      | 218,104   |             | 229,882   |             |
| Debtors                                                        | 4    | 505,766   |             | 21,910    |             |
| Cash at bank and in hand                                       |      | 4,035     |             | 39,110    |             |
|                                                                |      | 727,905   |             | 290,902   |             |
| <b>Creditors: Amounts falling due within one year</b>          | 5    | (653,972) |             | (466,393) |             |
| <b>Net current assets/(liabilities)</b>                        |      |           | 73,933      |           | (175,491)   |
| <b>Total assets less current liabilities</b>                   |      |           | 1,091,869   |           | 948,024     |
| <b>Creditors: Amounts falling due after more than one year</b> | 6    |           | (1,058,792) |           | (1,058,792) |
|                                                                |      |           | 33,077      |           | (110,768)   |
| <b>Capital and reserves</b>                                    |      |           |             |           |             |
| Called-up equity share capital                                 | 9    |           | 100,000     |           | 100,000     |
| Share premium account                                          | 10   |           | 367,232     |           | 367,232     |
| Revaluation reserve                                            | 11   |           | 223,791     |           | 225,789     |
| Profit and loss account                                        | 12   |           | (657,946)   |           | (803,789)   |
| <b>Shareholders' funds/(deficit)</b>                           |      |           | 33,077      |           | (110,768)   |

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 2006 (the Act) relating to the audit of the financial statements for the year by virtue of section 477, and that no member or members have requested an audit pursuant to section 476 of the Act.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps adequate accounting records which comply with section 386 of the Act, and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 393, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The Balance sheet continues on the following page.

The accounting policies and notes on pages 6 to 11 form part of these financial statements.

**KENNETH MACKENZIE LIMITED**

**Balance sheet** *(continued)*

**31 August 2011**

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These financial statements were approved by the directors and authorised for issue on 19 December 2011, and are signed on their behalf by:

**J B Haggas**  
Director



Company Registration Number: SC047484

**The accounting policies and notes on pages 6 to 11 form part of these financial statements.**

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# **KENNETH MACKENZIE LIMITED**

## **Accounting policies**

**Year ended 31 August 2011**

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### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements have also been prepared on the going concern basis which assumes that the company will continue to receive the support of the shareholders and related undertakings.

### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

### **Fixed assets**

All fixed assets are initially recorded at cost.

### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                              |               |
|------------------------------|---------------|
| Buildings                    | - 1% on cost  |
| Plant & Machinery            | - 10% on cost |
| Motor Vehicles               | - 25% on cost |
| Office Furniture & Equipment | - 25% on cost |

No depreciation is charged on freehold land.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

## **KENNETH MACKENZIE LIMITED**

### **Accounting policies *(continued)***

**Year ended 31 August 2011**

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Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### **Property valuation**

As permitted by the transitional provisions of the Financial Reporting Standard 15, the company elected not to adopt a policy of revaluation of tangible fixed assets. The company will retain the book value of land and buildings, previously revalued at 30 June 1995, and will not update the valuation.

# KENNETH MACKENZIE LIMITED

## Notes to the financial statements

Year ended 31 August 2011

### 1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

|                | 2011<br>£      | 2010<br>£      |
|----------------|----------------|----------------|
| United Kingdom | 14,194         | 7,112          |
| Export sales   | 917,875        | 124,526        |
|                | <u>932,069</u> | <u>131,638</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.

### 2. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

|                                    | 2011<br>£      | 2010<br>£      |
|------------------------------------|----------------|----------------|
| Directors' remuneration            | —              | —              |
| Depreciation of owned fixed assets | <u>109,204</u> | <u>116,132</u> |

### 3. Tangible fixed assets

|                          | Land &<br>Buildings<br>£ | Plant &<br>Machinery<br>£ | Motor<br>Vehicles<br>£ | Office<br>Furniture<br>and<br>Equipment<br>£ | Total<br>£       |
|--------------------------|--------------------------|---------------------------|------------------------|----------------------------------------------|------------------|
| <b>Cost or valuation</b> |                          |                           |                        |                                              |                  |
| At 1 September 2010      | 381,086                  | 2,757,102                 | 50,599                 | 48,366                                       | 3,237,153        |
| Additions                | —                        | 3,625                     | —                      | —                                            | 3,625            |
| <b>At 31 August 2011</b> | <u>381,086</u>           | <u>2,760,727</u>          | <u>50,599</u>          | <u>48,366</u>                                | <u>3,240,778</u> |
| <b>Depreciation</b>      |                          |                           |                        |                                              |                  |
| At 1 September 2010      | 48,538                   | 1,971,857                 | 44,877                 | 48,366                                       | 2,113,638        |
| Charge for the year      | 3,250                    | 100,232                   | 5,722                  | —                                            | 109,204          |
| <b>At 31 August 2011</b> | <u>51,788</u>            | <u>2,072,089</u>          | <u>50,599</u>          | <u>48,366</u>                                | <u>2,222,842</u> |
| <b>Net book value</b>    |                          |                           |                        |                                              |                  |
| <b>At 31 August 2011</b> | <u>329,298</u>           | <u>688,638</u>            | <u>—</u>               | <u>—</u>                                     | <u>1,017,936</u> |
| <b>At 31 August 2010</b> | <u>332,548</u>           | <u>785,245</u>            | <u>5,722</u>           | <u>—</u>                                     | <u>1,123,515</u> |

# KENNETH MACKENZIE LIMITED

## Notes to the financial statements

### Year ended 31 August 2011

#### 3. Tangible fixed assets *(continued)*

The land and buildings were revalued by the directors on the basis of an open market value for existing use on 30 June 1995.

Included in the valued amount of freehold land and buildings is land with a value of £50,000 (2010 - £50,000) which has not been depreciated.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

|                            | 2011<br>£ | 2010<br>£ |
|----------------------------|-----------|-----------|
| Historical cost            | 144,438   | 144,438   |
| Depreciation:              |           |           |
| At 1 September 2010        | 64,743    | 63,491    |
| Charge for year            | 1,252     | 1,252     |
| At 31 August 2011          | 65,995    | 64,743    |
| Net historical cost value: |           |           |
| At 31 August 2011          | 78,443    | 79,695    |
| At 1 September 2010        | 79,695    | 80,947    |

#### 4. Debtors

|               | 2011<br>£ | 2010<br>£ |
|---------------|-----------|-----------|
| Trade debtors | 488,871   | 5,463     |
| Other debtors | 16,895    | 16,447    |
|               | 505,766   | 21,910    |

All debtors are repayable within one year of the balance sheet date.

#### 5. Creditors: Amounts falling due within one year

|                                    | 2011<br>£ | 2010<br>£ |
|------------------------------------|-----------|-----------|
| Overdrafts                         | 35,772    | 44,729    |
| Trade creditors                    | 9,764     | 42        |
| Other taxation and social security | 8,525     | 1,011     |
| Other creditors                    | 599,911   | 420,611   |
|                                    | 653,972   | 466,393   |

# KENNETH MACKENZIE LIMITED

## Notes to the financial statements

Year ended 31 August 2011

### 6. Creditors: Amounts falling due after more than one year

|                                    | 2011             | 2010             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Amounts owed to group undertakings | <u>1,058,792</u> | <u>1,058,792</u> |

### 7. Deferred taxation

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows:

|                                                 | 2011           | 2010           |
|-------------------------------------------------|----------------|----------------|
|                                                 | £              | £              |
| Excess of depreciation over taxation allowances | (29,000)       | (20,000)       |
| Tax losses available                            | <u>667,000</u> | <u>695,000</u> |
|                                                 | <u>638,000</u> | <u>675,000</u> |

The directors have not provided deferred tax on the revaluation of the freehold land & buildings because there are no commitments to sell the property. If the property was sold at the value shown in the financial statements, the potential tax liability calculated at 21% is approximately £35,000 (2010 - £35,000).

### 8. Related party transactions

Included within creditors, amounts falling due after more than one year, is an amount of £1,058,792 (2010 - £1,058,792) due to Kenneth Macleod (Shawbost) Limited, a fellow subsidiary undertaking. The amount is interest free and has no fixed repayment date.

Included within creditors, amounts falling due within one year, is an amount of £586,000 (2010 - £395,000) due to Predictory Limited. The amount is interest free and repayable on demand.

Predictory Limited is a company in which J B Haggas and A P Booth are directors. Predictory Limited is a wholly owned subsidiary of Predictory (Holdings) Limited, a company in which J B Haggas is a director and shareholder.

### 9. Share capital

Allotted, called up and fully paid:

|                                    | 2011           |                | 2010           |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | No             | £              | No             | £              |
| 100,000 Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> |

### 10. Share premium account

There was no movement on the share premium account during the financial year.

# KENNETH MACKENZIE LIMITED

## Notes to the financial statements

Year ended 31 August 2011

### 11. Revaluation reserve

|                                                        | 2011<br>£      | 2010<br>£      |
|--------------------------------------------------------|----------------|----------------|
| Balance brought forward                                | 225,789        | 227,787        |
| Transfer to the Profit and Loss Account on realisation | (1,998)        | (1,998)        |
| Balance carried forward                                | <u>223,791</u> | <u>225,789</u> |

### 12. Profit and loss account

|                                      | 2011<br>£        | 2010<br>£        |
|--------------------------------------|------------------|------------------|
| Balance brought forward              | (803,789)        | (547,503)        |
| Profit/(loss) for the financial year | 143,845          | (258,284)        |
| Transfer from revaluation reserve    | 1,998            | 1,998            |
| Balance carried forward              | <u>(657,946)</u> | <u>(803,789)</u> |

### 13. Ultimate parent company

The company was a wholly subsidiary undertaking of Xangongo Limited throughout the year. Xangongo Limited was, during the year and the previous year from 15 July 2010, under the control of J B Haggas.

The financial statements of Xangongo Limited are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.