
REPORT AND ACCOUNTS

**James Johnston & Co.
of Elgin Limited**

Registered Number 22553

31 DECEMBER 1994



 **ERNST & YOUNG**

DIRECTORS

J A D Harrison, OBE
J E Sugden
E P Harrison
I G M Urquhart
D Montgomery
G C Archibald FCCA
K A Pollock

SECRETARY

G C Archibald FCCA

AUDITORS

Ernst & Young
50 Huntly Street
Aberdeen AB9 1XN

BANKERS

Bank of Scotland
90 High Street
Elgin

Bank of Scotland
120 St. Vincent Street
Glasgow

SOLICITORS

MacRoberts
152 Bath Street
Glasgow, G2 4TB

REGISTERED OFFICE

Newmill
Elgin IV30 2AF
Scotland

REGISTERED NUMBER

22553

James Johnston & Co. of Elgin Limited

DIRECTORS' REPORT

The directors submit their report and group accounts for the year ended 31 December 1994.

PRINCIPAL ACTIVITIES

The company is principally engaged in the manufacture and sale of cashmere and woollen goods.

BUSINESS REVIEW

The profit for the year after taxation amounted to £3,117,000 (1993 - £2,915,000). The directors recommend a final dividend of £102,000 (1993 - £80,000) making a total of £224,400 (1993 - £200,000) for the year, which leaves a profit of £2,893,000 (1993 - £2,715,000) to be retained.

DIRECTORS

The directors in office throughout the year are listed below.

E P Harrison and D Montgomery retire from the board at the Annual General Meeting and, being eligible, offer themselves for re-election.

The interests of the directors in the shares of the company including interests of a wife or infant children, were as follows:

	<i>At 31 December 1994</i>	<i>At 31 December 1993</i>
J A D Harrison OBE	160,000	160,000
J E Sugden	28,200	16,500
E P Harrison	200,000	200,000
I G M Urquhart	271,150	271,150
D Montgomery	-	-
G C Archibald	12,700	6,000
K A Pollock	6,600	-
The following directors have interests as trustees:		
I G M Urquhart and E P Harrison	129,250	129,250

FIXED ASSETS

All movements in fixed assets are shown in note 7 to the accounts.

The directors are of the opinion that the market value of land and buildings is in excess of book value.

EMPLOYEE INVOLVEMENT

Company representatives have discussed the employment of Disabled Persons within James Johnston & Company of Elgin Limited with appropriate officials representing disabled workers. Agreement reached was that applicant suitability for each vacancy would be the criteria for selection.

Regular management meetings enables both executives and employees to be aware of and discuss matters which can affect the future of the business.

During 1993 the company received approval from the Inland Revenue for a profit related pay scheme which has operated from 1 January 1994. All employees eligible to be a member of the company pension scheme are eligible to participate in the PRP scheme.

DIRECTORS' REPORT

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made various charitable donations totalling £7,975 and £500 to the Conservative Party.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



G C Archibald FCCA
Secretary

8 March 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of James Johnston & Co. of Elgin Limited

We have audited the accounts on pages 6 to 18 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 4 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.

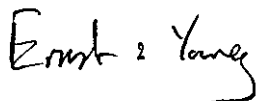
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes 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 which 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 affairs of the company and of the group as at 31 December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Aberdeen

8 March 1995

James Johnston & Co. of Elgin Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

	<i>Notes</i>	<i>1994 £000</i>	<i>1993 £000</i>
TURNOVER	1	27,702	21,166
Cost of sales		(19,354)	(14,080)
GROSS PROFIT		8,348	7,086
Other operating charges and income	2	(3,794)	(3,098)
OPERATING PROFIT		4,554	3,988
Interest	3	132	375
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,686	4,363
Taxation on profit on ordinary activities	5	(1,569)	(1,448)
PROFIT FOR FINANCIAL YEAR		3,117	2,915
Dividends	6	(224)	(200)
RETAINED PROFIT	14 & 19	2,893	2,715

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,117,000 in the year ended 31 December 1994 and of £2,915,000 in the year ended 31 December 1993.

James Johnston & Co. of Elgin Limited

CONSOLIDATED BALANCE SHEET

at 31 December 1994

	Notes	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	7	7,185	4,632
CURRENT ASSETS			
Stocks	8	9,001	5,200
Debtors	9	7,969	4,752
Cash at bank and in hand		1,217	6,519
		18,187	16,471
CREDITORS: amounts falling due within one year	10	4,871	3,642
NET CURRENT ASSETS		13,316	12,829
TOTAL ASSETS LESS CURRENT LIABILITIES		20,501	17,461
CREDITORS: amounts falling due after more than one year	11	-	-
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	572	461
		19,929	17,000
CAPITAL AND RESERVES			
Called up share capital	13	1,020	1,000
Profit and loss account	14	18,893	16,000
Share premium account	14	16	-
		19,929	17,000

The accounts were approved on 8 March 1995

J E Sugden)
)
) Directors
)
 J A D Harrison)

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[Handwritten signature: J. A. D. Harrison]

James Johnston & Co. of Elgin Limited

BALANCE SHEET

at 31 December 1994

	Notes	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	7	7,185	4,632
Investments	15	13	13
		<u>7,198</u>	<u>4,645</u>
CURRENT ASSETS			
Stocks	8	9,001	5,200
Debtors	9	7,969	4,752
Cash at bank and in hand		1,217	6,519
		<u>18,187</u>	<u>16,471</u>
CREDITORS: amounts falling due within one year	10	4,884	3,655
NET CURRENT ASSETS		<u>13,303</u>	<u>12,816</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,501	17,461
CREDITORS: amounts falling due after more than one year	11	-	-
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	572	461
		<u>19,929</u>	<u>17,000</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,020	1,000
Profit and loss account	14	18,893	16,000
Share premium account	14	16	-
		<u>19,929</u>	<u>17,000</u>

The accounts were approved on 8 March 1995

J E Sugden)
)
) Directors
)
 J A D Harrison)

Johnston
Johnston

James Johnston & Co. of Elgin Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1994

	Notes	1994 £000	1993 £000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	a	(628)	3,785
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		148	383
Interest paid		(11)	(3)
Interest element of finance lease rentals		(5)	(5)
Dividends paid		(201)	(200)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(69)	175
TAXATION			
UK corporation tax paid		(1,297)	(954)
TAX PAID		(1,297)	(954)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(3,342)	(2,069)
Receipts from sales of tangible fixed assets		13	64
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,329)	(2,005)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(5,323)	1,001
FINANCING			
Capital elements of finance lease rentals	b	15	14
Share capital issue	b	(36)	-
NET CASH (INFLOW)/OUTFLOW FROM FINANCING		(21)	14
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	c	(5,302)	987
		(5,323)	1,001

James Johnston & Co. of Elgin Limited

NOTES TO GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1994

	1994 £000	1993 £000
a. Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	4,554	3,988
Depreciation	781	605
Gain on disposal of tangible fixed assets	(5)	(29)
Increase in stocks	(3,801)	(1,811)
(Increase)/decrease in debtors	(3,217)	462
Increase in creditors	1,060	570
	<u>(628)</u>	<u>3,785</u>
b. Changes in financing during the year:		
Balance at 1 January	1,015	1,029
Balance at 31 December	<u>1,036</u>	<u>1,015</u>
Net cash (inflow)/outflow from financing	<u>(21)</u>	<u>14</u>
The balance at 31 December comprises the following:		
Share capital	1,020	1,000
Share premium	16	-
Finance lease creditors	<u>-</u>	<u>15</u>
	<u>1,036</u>	<u>1,015</u>
c. Changes in cash and cash equivalents during year:		
Balance at 1 January	6,519	5,532
Balance at 31 December	<u>1,217</u>	<u>6,519</u>
Net cash (outflow)/inflow	<u>(5,302)</u>	<u>987</u>

ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below:

Basis of consolidation

The group accounts consolidate the accounts of the company and of its subsidiary undertakings. The accounts of each company in the group have been prepared to December 31. No profit and loss account is presented for James Johnston & Co. of Elgin Limited as provided by S.230 of the Companies Act 1985.

Depreciation

Depreciation is provided on all tangible fixed assets except land and capital projects in progress at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Buildings	- over 25 years
Plant and machinery	- over 8 years
Motor vehicles	- over 4 years
Computer hardware	- over 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

In the case of raw materials, cost is purchase price. In the case of work in progress and finished goods, cost consists of direct materials, direct labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less estimated further costs of completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Contributions to pension funds

The company operates a pension scheme providing benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations, using the projected unit credit method.

Foreign currencies

Transactions in foreign currencies are translated at forward contract exchange rates, or, if no contract exists, at the rate ruling on the day the transaction took place. Monetary assets and liabilities resulting from unsettled transactions are translated at forward contract rates or the rate ruling at the balance sheet date. Exchange differences on translation are included in the profit and loss account.

NOTES TO THE ACCOUNTS

at 31 December 1994

1. TURNOVER

Turnover comprises sales invoiced net of value added tax.

	1994 £000	1993 £000
Sales within the United Kingdom	15,798	12,049
Exports	11,904	9,117
	<u>27,702</u>	<u>21,166</u>

2. OTHER OPERATING CHARGES AND INCOME

	1994 £000	1993 £000
Distribution costs	2,459	1,889
Administrative expenses	1,335	1,209
	<u>3,794</u>	<u>3,098</u>
Operating profit is stated after:		
Depreciation:		
- owned assets	766	590
- assets held under finance leases	15	15
Operating lease rentals:		
- plant, machinery and vehicles	19	18
- land and buildings	31	43
Auditors' remuneration and expenses		
- audit services	17	15
- non audit services	33	2
(Gain) on disposal of tangible fixed assets	(5)	(29)
(Gain) on exchange	(58)	(54)
	<u></u>	<u></u>

3. INTEREST

	1994 £000	1993 £000
Interest payable:		
Interest on bank overdraft	(10)	(1)
Finance charges payable under finance leases	(5)	(5)
Other interest paid	(1)	(2)
	<u>(16)</u>	<u>(8)</u>
Interest receivable:		
On bank deposits	148	383
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

at 31 December 1994

4. DIRECTORS AND EMPLOYEES

The average number of employees of the company during the year and their aggregate emoluments are shown below:

	1994 £000	1993 £000
Wages and salaries	5,301	4,300
Social security costs	427	359
Pension costs	413	399
	<u>6,141</u>	<u>5,058</u>
Average weekly number of employees during the year	<u>383</u>	<u>334</u>
Factory employees	318	274
Other	<u>65</u>	<u>60</u>

Staff costs include remuneration in respect of directors, as follows:

	1994 £000	1993 £000
Fees	15	7
Other emoluments (including pension contributions)	466	368
Ex-gratia payment to former director	-	26
	<u>481</u>	<u>401</u>

The emoluments of the directors, excluding pension contributions, were as follows:

	1994 No	1993 No
£ 0 to £ 5,000	-	2
£ 10,001 to £ 15,000	2	1
£ 30,001 to £ 35,000	-	1
£ 45,001 to £ 50,000	1	-
£ 50,001 to £ 55,000	-	1
£ 70,001 to £ 75,000	-	1
£ 75,001 to £ 80,000	-	1
£ 80,001 to £ 85,000	2	-
£ 85,001 to £ 90,000	1	-
£110,001 to £115,000	-	1
£125,001 to £130,000	<u>1</u>	<u>-</u>

Included in the above are emoluments of:

	1994 £	1993 £
The Chairman	<u>45,031</u>	<u>34,763</u>
The highest paid director	<u>125,161</u>	<u>110,897</u>

James Johnston & Co. of Elgin Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1994 £000	1993 £000
Based on the profit for the year:		
UK Corporation tax at 33% (1993 - 33%)	1,450	1,283
Deferred taxation	115	164
	<u>1,565</u>	<u>1,447</u>
Adjustments in respect of prior years	4	1
	<u>1,569</u>	<u>1,448</u>

6. DIVIDENDS

	1994 £000	1993 £000
First interim dividend of 4% (1993 - 4%)	40	40
Second interim dividend of 4% (1993 - 4%)	41	40
Third interim dividend of 4% (1993 - 4%)	41	40
Final dividend proposed of 10% (1993 - 8%)	102	80
	<u>224</u>	<u>200</u>

7. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant machinery and vehicles £000	Total £000
Group and company			
Cost			
At 1 January 1994	1,870	6,821	8,691
Additions at cost	1,977	1,365	3,342
Disposals	-	(200)	(200)
	<u>3,847</u>	<u>7,986</u>	<u>11,833</u>
At 31 December 1994			
Depreciation			
At 1 January 1994	423	3,636	4,059
Provided in the year	84	697	781
Disposals	-	(192)	(192)
	<u>507</u>	<u>4,141</u>	<u>4,648</u>
At 31 December 1994			
Net book value:			
At 31 December 1994	<u>3,340</u>	<u>3,845</u>	<u>7,185</u>
At 31 December 1993	<u>1,447</u>	<u>3,185</u>	<u>4,632</u>

James Johnston & Co. of Elgin Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

7. TANGIBLE FIXED ASSETS (continued)

Included in the 1993 plant, machinery and vehicles are assets held under finance leases as follows:

	1994 £000	1993 £000
Net book value	-	19
Depreciation charged in year	15	15

These leases were terminated in 1994.

8. STOCKS

	<i>Group and Company</i>	
	1994 £000	1993 £000
Raw materials	5,243	3,186
Work in progress	743	592
Finished goods	3,015	1,422
	<u>9,001</u>	<u>5,200</u>

The replacement cost of raw materials is currently higher than the values disclosed in the accounts.

9. DEBTORS

	<i>Group and Company</i>	
	1994 £000	1993 £000
Trade debtors	4,885	4,444
Other debtors	390	40
Prepayments	2,670	268
Unpaid share capital	24	-
	<u>7,969</u>	<u>4,752</u>

10. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	1994 £000	1993 £000	1994 £000	1993 £000
Trade creditors	1,905	1,173	1,905	1,173
Obligations under finance leases (note 11)	-	15	-	15
Current taxation	1,440	1,280	1,440	1,280
Social security and other taxes	136	168	136	168
Proposed dividends	143	120	143	120
Accruals and deferred income	1,247	886	1,247	886
Amounts due to subsidiary undertakings	-	-	13	13
	<u>4,871</u>	<u>3,642</u>	<u>4,884</u>	<u>3,655</u>

NOTES TO THE ACCOUNTS

at 31 December 1994

11. CREDITORS: amounts falling due after more than one year:

	<i>Group and Company</i>	
	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
Obligations under finance leases:		
Amounts payable:		
Within one year	-	20
Within one to two years	-	-
	<u>-</u>	<u>20</u>
Less: Finance charges allocated to future periods	-	5
	<u>-</u>	<u>15</u>
Less: Current obligations	-	15
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

These leases were paid off during 1994.

12. DEFERRED TAXATION

Deferred taxation provided in the accounts being the total potential liability, is set out below:

	<i>Group and Company</i>	
	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	561	438
Other timing differences	47	57
	<u>608</u>	<u>495</u>
Less: Advance corporation tax	(36)	(34)
	<u>572</u>	<u>461</u>

13. SHARE CAPITAL

	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
1,500,000 ordinary shares of £1 each	1,500	1,500
Allotted, called up and fully paid:		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and partly paid:		
20,000 ordinary shares of £1 each	20	-
	<u>1,020</u>	<u>1,000</u>

Following a special general meeting of the members of the company in 1994, it was agreed to increase the issued share capital from 1,000,000 to 1,100,000 shares. In 1994 20,000 ordinary shares of £1 each were issued at £1.80 per share. The share premium on this has been allocated to the share premium account in the balance sheet. A second call will be paid during 1995, with a final call due 12 months thereafter.

James Johnston & Co. of Elgin Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Group and Company</i>			
	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 1993	1,000	-	13,285	14,285
Profit for the year	-	-	2,915	2,915
Dividend	-	-	(200)	(200)
At 1 January 1994	1,000	-	16,000	17,000
Profit for the year	-	-	3,117	3,117
Dividend	-	-	(224)	(224)
Share issue	20	16	-	36
At 31 December 1994	1,020	16	18,893	19,929

15. INVESTMENTS

<i>Company</i>	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
Subsidiary undertakings - shares at cost	13	13

At 31 December 1994 the company had the following wholly owned non- trading subsidiary undertakings:

	<i>Country of Registration (or incorporation)</i>
James Johnston of Scotland Knitwear Limited	Scotland
James Johnston of Scotland Limited	England
Johnstons of Elgin Limited	Scotland
Balmoral Knitwear Limited	Scotland

16. CAPITAL COMMITMENTS

	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
No provision has been made in the accounts for: Expenditure contracted for but not provided in the accounts	86	1,130
Expenditure authorised but not contracted for	-	40

NOTES TO THE ACCOUNTS

at 31 December 1994

17. PENSION COMMITMENTS

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested by professional investment managers.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit credit method. The most recent valuation of the scheme was as at 6 April 1992. The next valuation of the scheme is currently in hand.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and to the rates of increase in salaries and pensions. It was assumed that the investment returns would exceed the growth in pensionable pay by 1½% per annum. It was further assumed that staff category pensions (in excess of the guaranteed minimum pension element) would increase at 4% per annum compound.

The company previously operated two pension schemes but following the actuarial review in 1992 it was agreed the two schemes be merged and members' benefits improved, with flexible retirement ages and annual increases in pensions at 5% per annum compound.

The pension charge for the year was £413,000 (1993 £399,000).

The most recent actuarial valuation showed that the market value of the scheme's assets was £4.92m and that the actuarial value of those assets represented 126% of the benefits accrued to members, after allowing for expected future increases in earnings, but prior to allowing for the improved benefits which were introduced on 1 January 1993.

18. OTHER FINANCIAL COMMITMENTS

The group and company are committed to the following annual payments under operating leases:

	1994 £000	1993 £000
Leases expiring:		
In two to five years:		
Land and buildings	-	-
Plant and machinery	-	3
In over five years time:		
Land and buildings	27	29
Plant and machinery	-	-
	<u>27</u>	<u>29</u>

19. PROFIT OF PARENT UNDERTAKING

The retained profits of £2,893,000 (1993 - £2,715,000) are wholly attributable to the parent undertaking.