

**Strategic Report, Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 December 2019**  
**for**  
**Mackay's Ltd.**

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**for the Year Ended 31 December 2019**

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**Mackay's Ltd.**  
**Company Information**  
**for the Year Ended 31 December 2019**

<b>DIRECTORS:</b>	C P Grant Mrs H M Grant M C Grant
<b>SECRETARY:</b>	M C Grant
<b>REGISTERED OFFICE:</b>	Unit 4 James Chalmers Road Kirkton Industrial Estate Arbroath DD11 3LR
<b>REGISTERED NUMBER:</b>	SC155016 (Scotland)
<b>SENIOR STATUTORY AUDITOR:</b>	Paul Crichton, BAcc, CA, CTA
<b>AUDITORS:</b>	MMG Archbold Statutory Auditor Chapelshade House 78-84 Bell Street Dundee DD1 1RQ
<b>SOLICITORS:</b>	Thorntons Law LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

**Strategic Report**  
**for the Year Ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019.

**REVIEW OF BUSINESS**

The board reports that revenues were reduced compared with last year; down from £18,865,824 in 2018 to £17,964,922 in 2019. UK sales accounted for 69% of sales lower in both percentage and revenue terms on last year. International sales increased to 31% of turnover, a rise on 2018 in both percentage and revenue terms.

Performance was impacted by a significant increase in the wholesale price of sugar, only part of which has been recovered by improved customer pricing. Otherwise, raw material costs were controlled during the year, down by 3.03% over 2018, following the trend in reduced turnover. These are under constant review and future pricing arrangements with key suppliers will continue for the foreseeable future. We managed to maintain our operating margin very closely to last year, 44.82% being achieved against the 2018 figure of 45.34%

The Mackay's brand continues to develop in home and international markets and the board places great emphasis on this. Following the re-branding of Mrs Bridges between 2016 and 2018 the board reports that it continues to hold its market leading position in the retail channels supplied.

Movements in the value of sterling have to be continually monitored. The business has continued with its policy of steady progress in capital investment and a total of £503,012 was expended on plant and machinery, office equipment, premises refreshment and replacing vehicles where necessary.

**FUTURE OUTLOOK**

The Covid-19 pandemic presents an unprecedented challenge for all businesses, large and small. The company gives the highest priority to the health and safety to all staff.

It is facing uncertainty due to the ongoing and developing impact from Coronavirus. The leadership team have reacted with astonishing speed and diligence to the current crisis both in terms of controlled day to day operational changes and forward planning.

Accordingly, it is its policy to manage activities in a way that avoids unnecessary or unacceptable risks. Covid-19 procedures have been carefully instituted and staff trained in their observance. We have added to and augmented measures so that they are able to work within the social distancing guidelines set out by the United Kingdom and Scottish Governments for food producers. We are thankful for the support of our employees during this period of uncertainty and we continue to work with them on strengthening our processes and procedures.

The board believes that the operating margin can be maintained in 2020. Home and International markets remain challenging, particularly with Brexit not yet fully determined. We are mindful of the fact that, having left the European Union, the United Kingdom is in a transitional period which currently ends in December this year. In this regard, we are hopeful that the exit from this temporary arrangement will be via a trade agreement which affords us market access on no less advantageous terms than we currently enjoy. Conversations with the company's bankers are ongoing in respect of currency transactions in order to mitigate the effect of these as far as possible.

The price rises applied as a result in the increased sugar prices which came in towards the end of the year were fully implemented at the start of 2020. The effect of these and customer acceptance of them, so far, has run smoothly.

As reported last year, the lease of adjoining premises in James Chalmers Road from the previous tenants and a second building on the site sub-leased from Angus Council were acquired to allow distribution and co-packing to be moved to these new facilities. In the space released in the main factory the process of installation of further manufacturing capability continued accounting for the majority of capital expenditure. This will enable the company to expand its product range and development of new customer offerings continues apace.

Ultimately, the board believes that the enduring nature of customer relationships and the absolute quality of the products manufactured, coupled with a long-term programme of capital investment leaves the company well placed to meet the challenges of the current economic environment.

**Strategic Report**  
**for the Year Ended 31 December 2019**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The day-to-day management of the business and execution of the board's strategy exposes the company to a variety of financial and demand and supply side risks. In addition, there are other factors such as government regulation and unexpected economic conditions in overseas markets affecting the financial position of customers and their willingness to commit expenditure. The company monitors developments in these areas on an ongoing basis to ensure it is able to mitigate the effect of such changes.

Demand based risks are managed by the operation of a broadly based business with a diverse customer base and sales in a significant number of markets across the world. On the supply side, the company takes steps where possible to limit exposure to input price inflation through the negotiation of medium to long-term contracts and it remains committed to the use of only the finest ingredients available.

The company also has a loyal and committed workforce and believes its focus on the maintenance of well established relationships with customers and suppliers alike remains a key differentiator. All these provide a route to continued long-term success.

**Financial key performance indicators (KPIs)**

The directors rely upon a number of financial KPIs and, for the period under review, consider all of these to be in line with their expectations.

**Non financial key performance indicators (KPIs)**

The directors consider a number of non financial performance indicators on an ongoing basis, such as the recruitment and retention of talented employees with skills to meet its objectives and the monitoring of health and safety incident reports.

**Financial risk management objectives and policies**

The company's principal financial instruments comprise bank and other loans, hire purchase contracts. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments relate to interest rates, commodity price rises, liquidity, foreign currency fluctuations and credit. The board reviews and agrees policies for managing each of these risks and these are summarised below.

**Interest rate risk**

The company's exposure to market risk for changes in interest rates relates primarily to the company's long-term debt obligations. The company's policy is to manage its interest cost using a mix of fixed and variable rate debt and to minimise its overdraft as far as possible. The company finances specific large plant acquisitions via hire purchase contracts.

**Foreign currency risk**

As a result of sales to customers outwith the United Kingdom, the company's profits can be affected by movements in foreign exchange rates. The company does not seek to hedge this exposure, with any gains or losses arising on movements in exchange rates being recognised as they occur.

**Strategic Report**  
**for the Year Ended 31 December 2019**

**Commodity price risk**

The company's exposure to the price of production materials and ingredients is significant; selling prices are, therefore, monitored regularly to reduce the impact of such risk.

**Credit risk**

The company trades with only recognised, creditworthy third parties. It is company policy that customers who wish to trade on credit terms are subject to credit vetting procedures. In the case of overseas customers, either a partial or full deposit payment may be requested before goods are shipped or, alternatively, letters of credit may be obtained from the customers' bankers. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

**Liquidity risk**

The company's objective is to maintain a balance between a continuity of funding and flexibility through the use of overdrafts, bank and other loans and hire purchase contracts. This balance mitigates the risk of potential cashflow issues which may have an impact on operational requirements of the company.

**PENSION PROVISION**

In line with the government's push to widen access to workplace pensions, the board is pleased to report that all employees now have the opportunity to join the company's defined contribution pension scheme, with company contributions higher than those set out in the relevant legislation. As an employer with a long standing commitment to all of its people, the company has always believed in and practised promotion of pension saving and, on this point, it is confident that its contribution level will minimise opt out rates and will not incur additional cost or risk.

**HEALTH AND SAFETY**

The company gives a high priority to the health and safety of all staff and the general public and, accordingly, it is its policy to manage activities in a way that avoids unnecessary or unacceptable risks.

**ENVIRONMENT**

The company recognises its environmental responsibilities and products are constantly reviewed to ensure a proper balance is struck between the conflicting requirements of product protection and unnecessary packaging. The company is also committed to reducing its carbon footprint through schemes to recycle waste materials and improve the efficiency of energy and water consumption.

**ON BEHALF OF THE BOARD:**

M C Grant - Director

24 November 2020

**Report of the Directors**  
**for the Year Ended 31 December 2019**

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

**PRINCIPAL ACTIVITY**

The principal activities of Mackay's Ltd. are the manufacture and sale of the finest quality marmalade, jams, preserves, relishes, chutneys and sauces.

**DIVIDENDS**

The results for the year are set out on page 9. No interim dividends have been paid. The directors do not recommend the payment of a final dividend.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

C P Grant  
Mrs H M Grant  
M C Grant

Other changes in directors holding office are as follows:

A N Williamson ceased to be a director after 31 December 2019 but prior to the date of this report.

**EMPLOYMENT POLICIES**

The company has a comprehensive framework of employment policies, details of which are provided to all employees in the form of a handbook.

The rights and opportunities of people of all ages to seek, obtain and hold employment with dignity and without any form of discrimination is central to the company. It is the company's policy that employees at all levels shall not in their dealings harass or discriminate against other individuals on the grounds of gender, race, nationality, religion, sexual orientation, disability, age or for any other reason whatsoever.

The company gives full and fair consideration to the employment of disabled persons, having regard to their particular aptitudes and abilities. Should an employee become disabled every effort is made to provide appropriate training to allow their employment to continue.

Training and development activities are available to all employees, having due regard to their ambitions, aptitudes and abilities.

**EMPLOYEE INVOLVEMENT**

The company places considerable value on the contribution of its employees and continues to encourage the development of employee involvement in the company. Management meets regularly with employees through a consultative committee to discuss matters of mutual interest and to provide opportunities to employees to contribute to the success of the business. Employee communications are a high priority and the use of email, notice boards and briefings ensure all employees are informed about matters of interest to them.

**DISCLOSURE IN THE STRATEGIC REPORT**

The review of business and principal risks and uncertainties are not shown in the report of the directors as they are now shown in the strategic report under section 414C(11) of the Companies Act 2006.

**Report of the Directors**  
**for the Year Ended 31 December 2019**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, MMG Archbold, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

M C Grant - Director

24 November 2020



**Report of the Independent Auditors to the Members of**  
**Mackay's Ltd.**

**Opinion**

We have audited the financial statements of Mackay's Ltd. (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of**  
**Mackay's Ltd.**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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.

Paul Crichton, BAcc, CA, CTA (Senior Statutory Auditor)  
for and on behalf of MMG Archbold  
Statutory Auditor  
Chapelshade House  
78-84 Bell Street  
Dundee  
DD1 1RQ

24 November 2020

**Income Statement**  
**for the Year Ended 31 December 2019**

	Notes	2019 £	£	2018 £	£
<b>TURNOVER</b>	4		17,964,922		18,865,824
Cost of sales			<u>12,847,221</u>		<u>13,248,510</u>
<b>GROSS PROFIT</b>			5,117,701		5,617,314
Distribution costs		1,015,149		1,053,617	
Administrative expenses		<u>4,498,228</u>		<u>4,232,179</u>	
			<u>5,513,377</u>		<u>5,285,796</u>
			(395,676)		331,518
Other operating income			<u>2,221</u>		<u>137</u>
<b>OPERATING (LOSS)/PROFIT</b>	6		(393,455)		331,655
Interest payable and similar expenses	7		<u>283,949</u>		<u>279,492</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>			(677,404)		52,163
Tax on (loss)/profit	8		<u>(79,450)</u>		<u>60,022</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>			<u>(597,954)</u>		<u>(7,859)</u>

The notes form part of these financial statements

**Mackay's Ltd. (Registered number: SC155016)**

**Other Comprehensive Income**  
**for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
<b>LOSS FOR THE YEAR</b>		(597,954)	(7,859)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(597,954)</u>	<u>(7,859)</u>

The notes form part of these financial statements

**Mackay's Ltd. (Registered number: SC155016)**

**Statement of Financial Position**  
**31 December 2019**

	Notes	2019 £	£	2018 £	£
<b>FIXED ASSETS</b>					
Intangible assets	9		963,018		1,081,981
Tangible assets	10		<u>5,982,066</u>		<u>5,855,495</u>
			6,945,084		6,937,476
<b>CURRENT ASSETS</b>					
Stocks	11	2,537,509		2,644,741	
Debtors	12	4,224,100		5,447,277	
Cash at bank and in hand		<u>2,898</u>		<u>167,794</u>	
		6,764,507		8,259,812	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>6,188,932</u>		<u>8,835,387</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>575,575</u>		<u>(575,575)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,520,659		6,361,901
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		(3,087,203)		(1,304,819)
<b>PROVISIONS FOR LIABILITIES</b>	18		<u>(421,313)</u>		<u>(446,985)</u>
<b>NET ASSETS</b>			<u>4,012,143</u>		<u>4,610,097</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		14,542		14,542
Share premium	20		522,353		522,353
Revaluation reserve	20		1,255,048		1,304,181
Retained earnings	20		<u>2,220,200</u>		<u>2,769,021</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>4,012,143</u>		<u>4,610,097</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 November 2020 and were signed on its behalf by:

M C Grant - Director

The notes form part of these financial statements

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
<b>Balance at 1 January 2018</b>	14,542	2,727,747	522,353	1,353,314	4,617,956
<b>Changes in equity</b>					
Total comprehensive loss	-	41,274	-	(49,133)	(7,859)
<b>Balance at 31 December 2018</b>	14,542	2,769,021	522,353	1,304,181	4,610,097
<b>Changes in equity</b>					
Total comprehensive loss	-	(548,821)	-	(49,133)	(597,954)
<b>Balance at 31 December 2019</b>	14,542	2,220,200	522,353	1,255,048	4,012,143

**Statement of Cash Flows**  
**for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,215,508	190,695
Interest paid		(266,697)	(247,655)
Interest element of hire purchase payments paid		(17,252)	(31,570)
Finance costs paid		-	(267)
Tax paid		(63,202)	(123,398)
Net cash from operating activities		<u>868,357</u>	<u>(212,195)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(29,229)	(43,362)
Purchase of tangible fixed assets		(503,012)	(1,201,843)
Sale of tangible fixed assets		13,099	-
Net cash from investing activities		<u>(519,142)</u>	<u>(1,245,205)</u>
<b>Cash flows from financing activities</b>			
New loans in year		567,004	1,415,624
Loan repayments in year		(96,428)	(598,331)
Capital repayments in year		(300)	(44,636)
Amount withdrawn by directors		(30,357)	(26,711)
Grants received		2,221	137
Net cash from financing activities		<u>442,140</u>	<u>746,083</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		<u>791,355</u>	<u>(711,317)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	(3,128,960)	(2,417,643)
<b>Cash and cash equivalents at end of year</b>	2	<u>(2,337,605)</u>	<u>(3,128,960)</u>

The notes form part of these financial statements

**Notes to the Statement of Cash Flows**  
**for the Year Ended 31 December 2019**

**1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019	2018
	£	£
(Loss)/profit before taxation	(677,404)	52,163
Depreciation charges	512,385	532,840
Profit on disposal of fixed assets	(851)	-
Government grants	(2,221)	(137)
Finance costs	<u>283,949</u>	<u>279,492</u>
	115,858	864,358
Decrease/(increase) in stocks	107,232	(242,543)
Decrease/(increase) in trade and other debtors	1,276,955	(844,634)
(Decrease)/increase in trade and other creditors	<u>(284,537)</u>	<u>413,514</u>
<b>Cash generated from operations</b>	<b><u>1,215,508</u></b>	<b><u>190,695</u></b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2019**

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	2,898	167,794
Bank overdrafts	<u>(2,340,503)</u>	<u>(3,296,754)</u>
	<b><u>(2,337,605)</u></b>	<b><u>(3,128,960)</u></b>

**Year ended 31 December 2018**

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	167,794	229,398
Bank overdrafts	<u>(3,296,754)</u>	<u>(2,647,041)</u>
	<b><u>(3,128,960)</u></b>	<b><u>(2,417,643)</u></b>



**Notes to the Statement of Cash Flows**  
**for the Year Ended 31 December 2019**

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.19 £	Cash flow £	At 31.12.19 £
<b>Net cash</b>			
Cash at bank and in hand	167,794	(164,896)	2,898
Bank overdrafts	<u>(3,296,754)</u>	<u>956,251</u>	<u>(2,340,503)</u>
	<u>(3,128,960)</u>	<u>791,355</u>	<u>(2,337,605)</u>
<b>Debt</b>			
Finance leases	(177,272)	300	(176,972)
Debts falling due within 1 year	(1,801,340)	1,204,911	(596,429)
Debts falling due after 1 year	<u>(865,953)</u>	<u>(1,675,487)</u>	<u>(2,541,440)</u>
	<u>(2,844,565)</u>	<u>(470,276)</u>	<u>(3,314,841)</u>
<b>Total</b>	<u>(5,973,525)</u>	<u>321,079</u>	<u>(5,652,446)</u>

The notes form part of these financial statements

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2019**

**1. STATUTORY INFORMATION**

Mackay's Ltd. is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The accounting policies set out below have been applied consistently, other than where new policies have been adopted.

The financial statements are prepared in sterling, which is the functional currency of the company.

The financial statements have been prepared under the historical cost convention, modified to include certain fixed assets at fair value. The principal accounting policies adopted are set out below.

**Going concern**

The company's business activities, together with factors likely to affect its future development (specifically the Covid-19 pandemic and Brexit), performance and position are set out in the business review in the Strategic report. The financial position of the company, its cashflow, liquidity position and borrowing facilities are also described in that report.

As highlighted in notes 13, 14 and 15 to the financial statements, the company meets its day to day working capital through an overdraft facility, bank loans, hire purchase contracts, and other loans. The current economic conditions create uncertainty particularly over:-

- (a) the level of demand for the company's products;
- (b) the exchange rate between sterling and the currency of countries with which the company trades; and
- (c) the availability of bank finance in the foreseeable future.

The company's forecasts and projections, taking account of possible changes in trading performance, show that the company should be able to operate within its current bank facilities. The company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that appropriate facilities will not be available.

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Turnover**

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch/delivery of the goods.

Revenue is recognised as interest accrues using the effective interest method.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**2. ACCOUNTING POLICIES - continued**

**Business development costs**

Development of products is capitalised where there is expected to be a benefit to future periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses and amortised over its useful economic life. Assessment of useful economic life range from 5 to 20 years. Amortisation expenses for the year and last year are included in administrative expenses.

If there is an indication that there has been a significant change in the amortisation rate or residual value of an asset, the amortisation of that asset is revised to reflect the new expectations.

All other research and development expenditure is recognised as an expense in the period in which it is incurred.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Long leasehold	- 2% on cost
Plant and machinery	- 5% on cost
Motor vehicles	- 25% on cost
Office equipment	- Straight line over 3 years

Depreciation is provided on any revaluation from the date of such revaluation, at rates calculated to write off the cost or valuation (less any estimated residual value) of each asset over its expected useful life.

**Government grants**

Grants are accounted under the accruals model. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

**Stocks**

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

Production in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of production in progress.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Retirement benefits**

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

**Financial instruments**

Financial instruments are classified, and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

**Inventory provisioning**

The Company makes an estimate of the recoverability of the cost of the inventory net of the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of inventory, as well as applying assumptions around the future usage of raw materials. See note 11 for the carrying amount of inventory net of any associated provision.

**Impairment of debtors**

The Company makes an estimate of the recoverable value of amounts owed by customers and other debtors. When assessing impairment of trade and other debtors management considers factors including the ageing profile of debtors and historical experience. See note 12 for the carrying amount of debtors net of any associated impairment provision.

**Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10, and note 1 for the useful economic lives for each class of assets.

**4. TURNOVER**

The turnover and loss (2018 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	12,397,820	13,338,667
Rest of the world	5,567,102	5,527,157
	<u>17,964,922</u>	<u>18,865,824</u>

**5. EMPLOYEES AND DIRECTORS**

	2019 £	2018 £
Wages and salaries	4,174,518	4,078,542
Social security costs	352,421	364,980
Other pension costs	192,906	153,299
	<u>4,719,845</u>	<u>4,596,821</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**5. EMPLOYEES AND DIRECTORS - continued**

The average number of employees during the year was as follows:

	2019	2018
Production	130	136
Administration	38	39
	<u>168</u>	<u>175</u>

	2019	2018
	£	£
Directors' remuneration	<u>296,582</u>	<u>254,428</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
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Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	<u>136,809</u>	<u>97,876</u>

**6. OPERATING (LOSS)/PROFIT**

The operating loss (2018 - operating profit) is stated after charging/(crediting):

	2019	2018
	£	£
Hire of plant and machinery	180,188	167,468
Depreciation - owned assets	323,207	288,325
Depreciation - assets on hire purchase contracts	40,986	87,265
Profit on disposal of fixed assets	(851)	-
Development costs amortisation	148,192	157,250
Auditors' remuneration	18,615	12,600
Foreign exchange differences	<u>45,929</u>	<u>30,661</u>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019	2018
	£	£
Bank interest	53,337	26,188
Bank loan interest	213,360	221,467
Hire purchase	17,252	31,570
Other interest	-	267
	<u>283,949</u>	<u>279,492</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**8. TAXATION**

**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	-	63,202
(Over) / under provision from earlier years	(53,778)	-
Total current tax	<u>(53,778)</u>	<u>63,202</u>
Deferred tax:		
Deferred tax	(34,489)	(3,180)
Underprovision in earlier year	8,817	-
Total deferred tax	<u>(25,672)</u>	<u>(3,180)</u>
Tax on (loss)/profit	<u>(79,450)</u>	<u>60,022</u>

**Reconciliation of total tax (credit)/charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
(Loss)/profit before tax	<u>(677,404)</u>	<u>52,163</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(128,707)	9,911
Effects of:		
Expenses not deductible for tax purposes	48,413	50,111
Adjustments to tax charge in respect of previous periods	844	-
Total tax (credit)/charge	<u>(79,450)</u>	<u>60,022</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**9. INTANGIBLE FIXED ASSETS**

	Development costs £
<b>COST</b>	
At 1 January 2019	2,465,715
Additions	29,229
At 31 December 2019	<u>2,494,944</u>
<b>AMORTISATION</b>	
At 1 January 2019	1,383,734
Amortisation for year	148,192
At 31 December 2019	<u>1,531,926</u>
<b>NET BOOK VALUE</b>	
At 31 December 2019	<u>963,018</u>
At 31 December 2018	<u>1,081,981</u>

**10. TANGIBLE FIXED ASSETS**

	Long leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
<b>COST OR VALUATION</b>					
At 1 January 2019	3,289,187	5,413,718	395,362	444,221	9,542,488
Additions	114,298	299,855	80,132	8,727	503,012
Disposals	-	-	(58,414)	-	(58,414)
At 31 December 2019	<u>3,403,485</u>	<u>5,713,573</u>	<u>417,080</u>	<u>452,948</u>	<u>9,987,086</u>
<b>DEPRECIATION</b>					
At 1 January 2019	663,464	2,329,060	269,893	424,576	3,686,993
Charge for year	63,506	233,899	53,153	13,635	364,193
Eliminated on disposal	-	-	(46,166)	-	(46,166)
At 31 December 2019	<u>726,970</u>	<u>2,562,959</u>	<u>276,880</u>	<u>438,211</u>	<u>4,005,020</u>
<b>NET BOOK VALUE</b>					
At 31 December 2019	<u>2,676,515</u>	<u>3,150,614</u>	<u>140,200</u>	<u>14,737</u>	<u>5,982,066</u>
At 31 December 2018	<u>2,625,723</u>	<u>3,084,658</u>	<u>125,469</u>	<u>19,645</u>	<u>5,855,495</u>

Cost or valuation at 31 December 2019 is represented by:

	Long leasehold £	Plant and machinery £	Motor vehicles £	Office equipment £	Totals £
Valuation in 2012	2,700,000	415,013	-	-	3,115,013
Cost	<u>703,485</u>	<u>5,298,560</u>	<u>417,080</u>	<u>452,948</u>	<u>6,872,073</u>
	<u>3,403,485</u>	<u>5,713,573</u>	<u>417,080</u>	<u>452,948</u>	<u>9,987,086</u>



**Mackay's Ltd. (Registered number: SC155016)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

10. **TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2019	409,037	324,872	733,909
Additions	-	80,132	80,132
Transfer to ownership	(322,596)	(198,635)	(521,231)
At 31 December 2019	<u>86,441</u>	<u>206,369</u>	<u>292,810</u>
<b>DEPRECIATION</b>			
At 1 January 2019	85,326	199,403	284,729
Charge for year	4,322	36,664	40,986
Transfer to ownership	(83,909)	(169,897)	(253,806)
At 31 December 2019	<u>5,739</u>	<u>66,170</u>	<u>71,909</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>80,702</u>	<u>140,199</u>	<u>220,901</u>
At 31 December 2018	<u>323,711</u>	<u>125,469</u>	<u>449,180</u>

11. **STOCKS**

	2019 £	2018 £
Raw materials	1,506,857	1,766,362
Work-in-progress	135,515	146,436
Finished goods	<u>895,137</u>	<u>731,943</u>
	<u>2,537,509</u>	<u>2,644,741</u>

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £	2018 £
Trade debtors	3,150,668	4,412,638
Other debtors	132,503	132,503
Tax	53,778	-
VAT	209,229	292,230
Prepayments	<u>677,922</u>	<u>609,906</u>
	<u>4,224,100</u>	<u>5,447,277</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Bank loans and overdrafts (see note 15)	2,936,932	5,098,094
Hire purchase contracts (see note 16)	71,686	102,296
Trade creditors	2,773,522	3,069,158
Tax	-	63,202
Social security and other taxes	42,969	170,325
Other creditors	91,601	41,601
Directors' current accounts	65,846	96,203
Accruals and deferred income	132,963	121,095
Deferred lease reserve	73,413	73,413
	<u>6,188,932</u>	<u>8,835,387</u>

Dividends on the 3% floating rate cumulative redeemable preference shares are in arrears for the period from 16 December 2010 to 31 December 2015.

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019	2018
	£	£
Bank loans (see note 15)	2,541,440	865,953
Hire purchase contracts (see note 16)	105,286	74,976
Deferred lease reserve	440,477	363,890
	<u>3,087,203</u>	<u>1,304,819</u>

**15. LOANS**

An analysis of the maturity of loans is given below:

	2019	2018
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,340,503	3,296,754
Bank loans	<u>596,429</u>	<u>1,801,340</u>
	<u>2,936,932</u>	<u>5,098,094</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>369,052</u>	<u>385,716</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,660,734</u>	<u>480,237</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans - more than 5 years	<u>511,654</u>	<u>-</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

15. **LOANS - continued**

Included in bank loans and overdrafts are term loans being repaid over various terms. New terms and conditions were negotiated with the bank during 2020 and the last payment now falls due in April 2030.. Interest is charged at the bank base rate plus a percentage agreed at the time of the loan agreement.

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2019	2018
	£	£
Gross obligations repayable:		
Within one year	81,776	118,093
Between one and five years	<u>120,321</u>	<u>83,811</u>
	<u>202,097</u>	<u>201,904</u>
Finance charges repayable:		
Within one year	10,090	15,797
Between one and five years	<u>15,035</u>	<u>8,835</u>
	<u>25,125</u>	<u>24,632</u>
Net obligations repayable:		
Within one year	71,686	102,296
Between one and five years	<u>105,286</u>	<u>74,976</u>
	<u>176,972</u>	<u>177,272</u>
	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	154,400	186,396
Between one and five years	617,600	745,584
In more than five years	<u>308,800</u>	<u>559,188</u>
	<u>1,080,800</u>	<u>1,491,168</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2019**

**17. SECURED DEBTS**

The following secured debts are included within creditors:

	2019	2018
	£	£
Bank overdrafts	2,340,503	3,296,754
Bank loans	3,137,869	2,667,293
Hire purchase contracts	176,972	177,272
	<u>5,655,344</u>	<u>6,141,319</u>

The bank loans and overdrafts are secured by a standard security over the company's leasehold property in Arbroath and a floating charge over the assets of the company.

The hire purchase creditors are secured on the underlying assets.

**18. PROVISIONS FOR LIABILITIES**

	2019	2018
	£	£
Deferred tax		
Other timing differences	83,759	74,942
Accelerated capital allowances	337,554	372,043
	<u>421,313</u>	<u>446,985</u>
		Deferred tax
		£
Balance at 1 January 2019		446,985
Credit to Income Statement during year		(25,672)
Balance at 31 December 2019		<u>421,313</u>

**19. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
		£1	£	£
14,542	Ordinary		<u>14,542</u>	<u>14,542</u>

**20. RESERVES**

	Retained earnings	Share premium	Revaluation reserve	Totals
	£	£	£	£
At 1 January 2019	2,769,021	522,353	1,304,181	4,595,555
Deficit for the year	(597,954)			(597,954)
Transfer of depreciation on revalued asset	49,133	-	(49,133)	-
At 31 December 2019	<u>2,220,200</u>	<u>522,353</u>	<u>1,255,048</u>	<u>3,997,601</u>

**21. RELATED PARTY DISCLOSURES**

All directors who have the authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. The total remuneration in respect of these individuals is £282,074 (2018 - £254,428).

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.