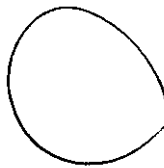


**GEORGE MARSHALL (ANCRUM) LTD
CAMIESTON, ST BOSWELLS**

REPORT AND ACCOUNTS

for the year ended 30 June 1998

Company No SC32243



GEORGE MARSHALL (ANCRUM) LTD

REPORT OF THE DIRECTORS for the year ended 30 June 1998

DIRECTORS: Mr George Marshall
Mrs Christina Marshall
Mr Roy W G Marshall
Mr Eric S Marshall

SECRETARY: Mr David P Sturrock

REGISTERED OFFICE: 26 High Street, Jedburgh

The directors present their annual report and accounts for the year ended 30 June 1998.

FINANCIAL RESULTS

Loss for the year after taxation. £ (42,628)

The directors recommend that no dividend be paid.

PRINCIPAL ACTIVITIES

The company's principal activities are farming and livestock dealing.

REVIEW OF BUSINESS

While not considered satisfactory, the results for the year were to be expected given the prevailing economic and market conditions and the directors expect that the present level of activity will be sustained for the foreseeable future.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 6 to the accounts. The directors consider the market value of land and buildings to be around £750,000 as compared with the net book value of £331,553 shown in the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 30 June 1998 and their interests in the share capital of the company were as follows:

	At 30 June 1998	At 30 June 1997
	Ordinary Shares	Ordinary Shares
Mr George Marshall	5	5
Mrs Christina Marshall	5	5
Mr Roy Marshall	45	45
Mr Eric Marshall	<u>45</u>	<u>45</u>

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution proposing the re-appointment of Geoghegan & Co, CA, as auditors of the company will be submitted at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD



GEORGE MARSHALL
Chairman

Camleston
ST BOSWELLS

15 April 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF
GEORGE MARSHALL (ANCRUM) LIMITED

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of 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 company's affairs as at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GEOGHEGAN & CO
Chartered Accountants and
Registered Auditors

6 St Colme Street
EDINBURGH EH3 6AD

16 April 1999

GEORGE MARSHALL (ANCRUM) LTD

PROFIT AND LOSS ACCOUNT for the year ended 30 June 1998

	Notes		1997
Turnover	2	546,359	577,323
Changes in stocks		<u>(33,175)</u>	<u>(9,378)</u>
		513,184	567,945
Other operating income		<u>8,445</u>	<u>14,426</u>
		521,629	582,371
Raw materials and consumables		362,658	367,544
Other external charges		<u>48,173</u>	<u>53,992</u>
		<u>410,831</u>	<u>421,536</u>
		110,798	160,835
Staff costs	3	88,894	88,312
Depreciation		48,319	51,778
Other operating charges		<u>26,879</u>	<u>31,644</u>
		<u>164,092</u>	<u>171,734</u>
Operating loss		(53,294)	(10,899)
Interest receivable		1,825	2,019
Interest payable	6	<u>3,113</u>	<u>587</u>
		<u>(1,288)</u>	<u>1,432</u>
(Loss) on ordinary activities before taxation		(54,582)	(9,467)
Tax on (loss) on ordinary activities	7	<u>(11,954)</u>	<u>(1,987)</u>
Retained (loss) for the financial year		(42,628)	(7,480)
Retained profit brought forward		<u>661,983</u>	<u>669,463</u>
Retained profit carried forward		<u><u>£619,355</u></u>	<u><u>£661,983</u></u>

All transactions are in respect of continuing operations.

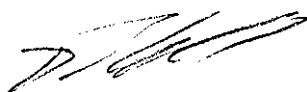
The company had no recognised gains or losses in the years ended 30 June 1997 and 1998 other than disclosed above.

GEORGE MARSHALL (ANCRUM) LTD

BALANCE SHEET as at 30 June 1998

	Notes	1997	
FIXED ASSETS			
Tangible assets	8	493,375	493,498
Intangible assets - sheep quota at cost		4,582	0
CURRENT ASSETS			
Stocks		159,260	192,435
Debtors	9	15,272	15,325
Cash at bank and in hand		25,001	40,559
		199,533	248,319
CREDITORS: Amounts falling due within one year	10	77,161	66,752
NET CURRENT ASSETS		122,372	181,567
TOTAL ASSETS LESS CURRENT LIABILITIES		620,329	675,065
CREDITORS: Amounts falling due after more than one year	10	-	-
		620,329	675,065
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	-	11,954
Deferred income	12	874	1,028
		874	12,982
NET ASSETS		£619,455	£662,083
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		619,355	661,983
EQUITY SHAREHOLDERS' FUNDS		£619,455	£662,083

The accounts on pages 4 to 10 were approved by the board of directors on 13 April 1999 and are signed on its behalf by:



ERIC S MARSHALL
Director

15 April 1999

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of goods sold and services provided, exclusive of value added tax.

Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition and under deduction of capital grants received before 1994. Depreciation is charged as follows:

	Rate %	
Buildings	2	Straight line
Improvements	15	Reducing balance
Implements	20	Reducing balance
Motor vehicles	25	Reducing balance

Depreciation of buildings commenced in the year ended 30 June 1994 and depreciation is not provided on freehold land.

Deferred government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Prior to 30 June 1994 capital grants were deducted from the cost of the relevant assets. Grants of a revenue nature are credited to income in the period to which they relate.

Stocks

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

Deferred Taxation

Deferred taxation is provided by the liability method on all timing differences arising between profits as reported and those computed for tax purposes.

Pension

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

2. TURNOVER

The turnover and pre-tax profit are attributable to UK sales and to one activity, farming and livestock dealing.

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE ACCOUNTS (Cont'd)

3.	STAFF COSTS		1997
	Wages and salaries	75,458	75,364
	Social security costs	7,789	7,801
	Other pension costs	5,647	5,147
		<u>£88,894</u>	<u>£88,312</u>

The average weekly number of employees was

<u>7</u>	<u>7</u>
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4.	DIRECTORS' EMOLUMENTS		1997
	Fees	-	-
	Other emoluments (including pension contributions)	79,040	79,078
		<u>£79,040</u>	<u>£79,078</u>

Directors' emoluments (excluding pension contributions) fell within the following ranges:

£ 5,001 - £10,000	1	1
£10,001 - £15,000	1	1
£15,001 - £20,000	-	-
£20,001 - £25,000	-	-
£25,001 - £30,000	-	2
£30,001 - £35,000	2	-

The emoluments (excluding pension contributions) of the Chairman were £5,852 (1997 - £8,936) and the highest paid director were £31,799 (1997 - £27,459).

5.	OPERATING PROFIT		1997
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This is stated after charging/(crediting):

Depreciation	£ 48,473	£51,959
Directors' remuneration	79,040	79,078
Auditors' remuneration - audit services	1,000	1,000
- non audit service	3,400	4,250
Gain on sale of fixed assets	(4,679)	(13,086)
Capital grant released	(154)	(181)

Directors' remuneration consists of:

Remuneration for executive services	73,893	73,931
Pension contributions	5,147	5,147
	<u>£79,040</u>	<u>£79,078</u>

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE ACCOUNTS (Cont'd)

6.	INTEREST PAYABLE			1997
	Bank overdraft interest		<u>£3,113</u>	<u>£587</u>
7.	TAX ON PROFIT ON ORDINARY ACTIVITIES			
	In respect of the year under review:			
	Corporation (recoverable) tax at 24.75% (1997 24.75%)		-	(2,348)
	Deferred taxation		<u>(11,954)</u>	<u>361</u>
			<u>£ (11,954)</u>	<u>£ (1,987)</u>
8.	TANGIBLE ASSETS			
		Heritable Property & Improvements	Plant Machinery & Vehicles	Total
	Cost:			
	At 30 June 1997	343,103	345,905	689,008
	Additions	18,370	43,000	61,370
	Disposals	-	(34,449)	(34,449)
	At 30 June 1998	<u>361,473</u>	<u>354,456</u>	<u>715,929</u>
	Depreciation:			
	At 30 June 1997	23,967	171,543	195,510
	Disposals	-	(21,429)	(21,429)
	Charge for year	<u>5,953</u>	<u>42,520</u>	<u>48,473</u>
	At 30 June 1998	<u>29,920</u>	<u>192,634</u>	<u>222,554</u>
	Net book value at 30 June 1998	<u>£331,553</u>	<u>£161,822</u>	<u>£493,375</u>
	Net book value at 30 June 1997	<u>£319,136</u>	<u>£174,362</u>	<u>£493,498</u>
9.	DEBTORS			1997
	Trade debtors		1,916	1,679
	Other debtors		5,813	3,480
	Prepayments		7,543	7,818
	Corporation Tax		-	2,348
			<u>£15,272</u>	<u>£15,325</u>

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE ACCOUNTS (Cont'd)

10 CREDITORS

	1998		1997	
	Amounts falling due within one year.	Amounts falling due after more than one year.	Amounts falling due within one year.	Amounts falling due after more than one year.
Bank overdraft	27,707	-	-	-
Trade creditors	8,059	-	23,768	-
Loans from directors	27,785	-	29,579	-
Corporation tax	-	-	-	-
Other taxation and social security	3,322	-	3,433	-
Accruals and deferred income	10,288	-	9,972	-
	<u>77,161</u>	<u>£</u>	<u>66,752</u>	<u>£</u>
		-		-
Payable within five years		<u>£</u>		<u>£</u>
		-		-

11. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amount of the total potential liability unprovided are as follows:

	Amount provided		Amount not provided	
	1998	1997	1998	1997
Capital allowances in advance of depreciation	12,615	11,954	-	-
Trading losses	<u>(12,615)</u>	<u>-</u>	<u>(304)</u>	<u>-</u>
	<u>£ -</u>	<u>£ 11,954</u>	<u>£ (304)</u>	<u>£ -</u>

12. DEFERRED INCOME

	Deferred government grants	
	1998	1997
Balance as at 30 June 1997	1,028	1,209
Released during year	<u>(154)</u>	<u>(181)</u>
Balance as at 30 June 1998	<u>£ 874</u>	<u>£ 1,028</u>

13. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid.	
	1998	1997	1998	1997
Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>	<u>£100</u>	<u>£100</u>

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE ACCOUNTS (Cont'd)

14. CAPITAL COMMITMENTS

1997

Contracted	£	-	£	-
Authorised but not contracted		-		-
		<u> </u>		<u> </u>

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors. The assets of the scheme are held separately from those of the company in an independently administered fund.