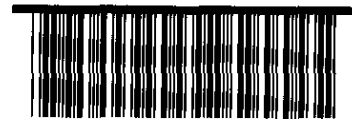


GEORGE MARSHALL (ANCRUM) LTD
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002



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GEORGE MARSHALL (ANCRUM) LTD

COMPANY INFORMATION

Directors

G Marshall
C Marshall
R W G Marshall
E S Marshall

Secretary

D P Sturrock

Company number

32243

Registered office

Camieston
St Boswells
Melrose
Roxburghshire
TD6 0HJ

Auditors

Geoghegan & Co
6 St Colme Street
Edinburgh
EH3 6AD

Bankers

Bank of Scotland
40 High Street
Jedburgh
Roxburghshire
TD8 6BR

Solicitors

Turnbull, Simson & Sturrock W.S.
26 High Street
Jedburgh
Roxburghshire
TD8 6AE

GEORGE MARSHALL (ANCRUM) LTD

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 13

GEORGE MARSHALL (ANCRUM) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

The directors present their report and financial statements for the year ended 30 June 2002.

Principal activities

The principal activity of the company continued to be that of farming and livestock dealing.

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.

Directors

The following directors have held office since 1 July 2001:

G Marshall
C Marshall
R W G Marshall
E S Marshall

In accordance with the Memorandum and Articles of Association G Marshall will retire by rotation and, being eligible, offers himself for re-election.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	30 June 2002	1 July 2001
G Marshall	5	5
C Marshall	5	5
R W G Marshall	45	45
E S Marshall	45	45

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Geoghegan & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

GEORGE MARSHALL (ANCRUM) LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 financial statements 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



G Marshall
Director
23 April 2003

GEORGE MARSHALL (ANCRUM) LTD

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

We have audited the financial statements of George Marshall (Ancrum) Ltd on pages 4 to 13 for the year ended 30 June 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Geoghagan & Co

Chartered Accountants
Registered Auditor

24 April 2003

6 St Colme Street
Edinburgh
EH3 6AD

GEORGE MARSHALL (ANCRUM) LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 £	2001 £
Turnover		487,709	475,140
Change in stocks		(53,170)	56,680
		434,539	531,820
Other operating income		1,205	4,159
		435,744	535,979
Raw materials and other consumables		228,216	291,640
Other external charges		66,940	53,675
		295,156	345,315
		140,588	190,664
Staff costs		97,444	89,806
Depreciation and amortisation		34,521	41,191
Other operating charges		27,347	28,365
		159,312	159,362
Operating (loss)/profit	2	(18,724)	31,302
Other interest receivable and similar income		33	285
Interest payable and similar charges	3	(14,523)	(9,541)
(Loss)/profit on ordinary activities before taxation		(33,214)	22,046
Tax on (loss)/profit on ordinary activities	4	(28)	-
(Loss)/profit on ordinary activities after taxation		(33,242)	22,046
Dividends		(5,000)	-
Retained (loss)/profit for the year	15	(38,242)	22,046

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

GEORGE MARSHALL (ANCRUM) LTD

BALANCE SHEET AS AT 30 JUNE 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Intangible assets	5		7,312		6,654
Tangible assets	6		540,237		565,668
Investments	7		50		-
			<u>547,599</u>		<u>572,322</u>
Current assets					
Stocks		172,130		227,445	
Debtors	8	40,712		17,300	
		<u>212,842</u>		<u>244,745</u>	
Creditors: amounts falling due within one year	9	(196,331)		(206,254)	
Net current assets			<u>16,511</u>		<u>38,491</u>
Total assets less current liabilities			<u>564,110</u>		<u>610,813</u>
Creditors: amounts falling due after more than one year	10		(7,833)		(16,214)
Accruals and deferred income	12		(456)		(536)
			<u>555,821</u>		<u>594,063</u>
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account	15		555,721		593,963
Shareholders' funds - equity interests	16		<u>555,821</u>		<u>594,063</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 23 April 2003



E S Marshall
Director

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the invoiced value of goods sold and services provided net of VAT.

1.4 Intangible assets

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% Straight line
Plant and machinery	20% Reducing balance
Motor vehicles	25% Reducing balance

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.10 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting policies

(continued)

1.11 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.

2 Operating (loss)/profit	2002 £	2001 £
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	34,521	41,191
Accountancy fees	4,250	3,750
Auditors' remuneration	1,000	1,000
Directors' emoluments	92,551	87,056
and after crediting:		
Government grants	(80)	-
Profit on disposal of tangible assets	(1,770)	-

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2001 - 3).

3 Interest payable	2002 £	2001 £
Included in interest payable is the following amount:		
Hire purchase interest	3,380	894

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

4	Taxation	2002 £	2001 £
	Domestic current year tax		
	Adjustment for prior years	28	-
	Current tax charge	28	-
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(33,214)	22,046
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2001 : 20.00%)	(6,311)	4,409
	Effects of:		
	Non deductible expenses	(342)	(461)
	Depreciation add back	6,544	8,238
	Capital allowances	(6,328)	(6,417)
	Tax losses utilised	6,437	(5,769)
	Adjustments to previous periods	28	-
		6,339	(4,409)
	Current tax charge	28	-

If provision were to be made for deferred taxation on the basis of the full potential liability, the tax charge for the year would decrease by £ 5,669 (2001 : £ 3,101).

The company has estimated losses of £ 106,529 (2001 : £ 72,683) available for carry forward against future trading profits.

5 Intangible fixed assets

	Other intangible assets £
Cost	
At 1 July 2001	6,654
Additions	658
At 30 June 2002	7,312
Net book value	
At 30 June 2002	7,312
At 30 June 2001	6,654

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

6 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 July 2001	480,367	332,784	37,416	850,567
Additions	-	46,735	15,000	61,735
Disposals	-	(53,100)	(41,216)	(94,316)
At 30 June 2002	480,367	326,419	11,200	817,986
Depreciation				
At 1 July 2001	48,396	215,336	21,167	284,899
On disposals	-	(29,046)	(12,625)	(41,671)
Charge for the year	5,829	28,027	665	34,521
At 30 June 2002	54,225	214,317	9,207	277,749
Net book value				
At 30 June 2002	426,142	112,102	1,993	540,237
At 30 June 2001	431,971	117,448	16,249	565,668

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
Net book values	
At 30 June 2002	34,760
At 30 June 2001	10,125
Depreciation charge for the year	
30 June 2002	8,690
30 June 2001	3,375

The directors consider the market value of land and buildings to be around £1,100,000 compared with the net book value of £426,142 shown in the accounts.

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

7 Fixed asset investments

	Unlisted investments £
Cost	
At 1 July 2001	-
Additions	50
At 30 June 2002	50

8 Debtors	2002 £	2001 £
Trade debtors	10,100	9,178
Other debtors	30,612	8,122
	40,712	17,300

9 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	112,824	137,380
Net obligations under hire purchase contracts	16,597	12,466
Trade creditors	21,585	16,622
Taxation and social security	5,853	4,902
Other creditors	39,472	34,884
	196,331	206,254

The bank overdraft is secured by a bond and floating charge over the whole assets of the company.

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

10 Creditors: amounts falling due after more than one year	2002 £	2001 £
Net obligations under hire purchase contracts	7,833	16,214
Net obligations under hire purchase contracts		
Repayable within one year	16,597	12,466
Repayable between one and five years	7,833	16,214
	24,430	28,680
Included in liabilities falling due within one year	(16,597)	(12,466)
	7,833	16,214

11 Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	Not provided		Provided	
	2002 £	2001 £	2002 £	2001 £
Accelerated capital allowances	-	-	11,477	11,379
Tax losses available	(8,770)	(3,101)	(11,477)	(11,379)
	(8,770)	(3,101)	-	-

12 Accruals and deferred income

	Government grants £
Balance at 1 July 2001	536
Amortisation in the year	(80)
Balance at 30 June 2002	456

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

13 Pension costs

Defined contribution

	2002 £	2001 £
Contributions payable by the company for the year	5,647	5,647

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.

14 Share capital

	2002 £	2001 £
Authorised		
100 Ordinary of £ 1 each	100	100
Allotted, called up and fully paid		
100 Ordinary of £ 1 each	100	100

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 2001	593,963
Retained loss for the year	(38,242)
Balance at 30 June 2002	555,721

16 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
(Loss)/Profit for the financial year	(33,242)	22,046
Dividends	(5,000)	-
Net (depletion in)/addition to shareholders' funds	(38,242)	22,046
Opening shareholders' funds	594,063	572,017
Closing shareholders' funds	555,821	594,063

GEORGE MARSHALL (ANCRUM) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

17 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans is as follows:

	Amount outstanding		Maximum
	2002	2001	in year
	£	£	£
R Marshall	9,261	1,591	9,261
E Marshall	8,911	891	8,911

During the year directors R Marshall and E Marshall both bought a car from the company at arms length. The sale price of the cars was paid to the company post year end.