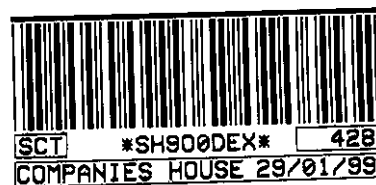


BARK PRODUCTS (SCOTLAND) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1998

REGISTERED NO: SC92002



BARK PRODUCTS (SCOTLAND) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 1998

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BARK PRODUCTS (SCOTLAND) LIMITED**DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 30 June 1998.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £18,062. The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company's principal activity during the year was the preparation of pulverised bark products. Both the level of the business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:-

P J F Barton (Chairman)
I A Bannerman
R R Bannerman
T R Dick
R G Sinclair (resigned 1 July 1998)

No director had any declarable interest in the shares of the company during the year, except by virtue of their connection with the shareholding companies described below.

TRANSACTIONS INVOLVING DIRECTORS

During the year, the company traded on a normal commercial basis with William Sinclair Horticulture Limited (a subsidiary of William Sinclair Holdings plc) and Bannerman Company Limited. Both companies held 50% of the issued share capital of Bark Products (Scotland) Limited throughout the year.

P J F Barton and T R Dick are directors of William Sinclair Horticulture Limited and I A Bannerman and R R Bannerman are directors of Bannerman Company Limited.

BARK PRODUCTS (SCOTLAND) LIMITED**DIRECTORS' REPORT (continued)****STATEMENTS OF 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.

AUDITORS

A resolution to re-appoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

THE YEAR 2000 ISSUE

The company has considered the risks and uncertainties associated with the year 2000 issue and has determined that the effect on the company's business and operations will not be material.

The company has an ongoing programme of upgrading information technology resources where this is necessary, the costs of which are written off to profit and loss as incurred.

BY ORDER OF THE BOARD



E W DAWE
Secretary

18 January 1999
Lincoln

BARK PRODUCTS (SCOTLAND) LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

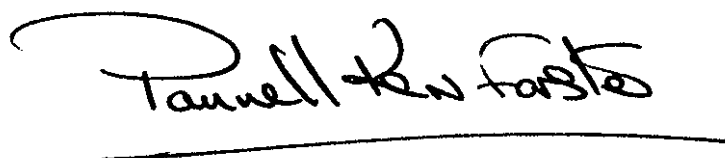
Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 affairs of the company as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading "Pannell Kerr Forster", is written over a horizontal line.

18 January 1999
Lincoln

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

BARK PRODUCTS (SCOTLAND) LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 JUNE 1998**

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER		974,056	887,307
OPERATING CHARGES	1	964,176	884,592
OPERATING PROFIT		9,880	2,715
NET INTEREST RECEIVABLE	3	12,666	11,196
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,546	13,911
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	4,484	1,346
RETAINED PROFIT FOR THE FINANCIAL YEAR		18,062	12,565

The movement on reserves is shown in note 11 to the financial statements.

All amounts relate to continuing operations.

The company had no recognised gains or losses other than the profit for the financial year.

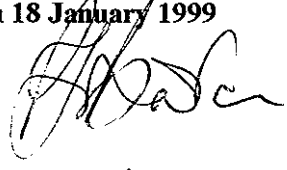
BARK PRODUCTS (SCOTLAND) LIMITED**BALANCE SHEET****30 JUNE 1998**

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible assets	5	239,642	217,474
CURRENT ASSETS			
Stocks	6	83,605	209,503
Debtors	7	303,407	228,015
Cash at bank		157,554	109,602
		<u>544,566</u>	<u>547,120</u>
CREDITORS			
Amounts falling due within one year	8	605,135	605,583
NET CURRENT LIABILITIES		<u>(60,569)</u>	<u>(58,463)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>179,073</u>	<u>159,011</u>
CREDITORS			
Amounts falling due after one year	8	83,500	83,500
PROVISION FOR LIABILITIES AND CHARGES	9	15,000	13,000
		<u>98,500</u>	<u>96,500</u>
NET ASSETS		<u>80,573</u>	<u>62,511</u>
CAPITAL AND RESERVES			
Called up equity share capital	10	5,000	5,000
Profit and loss account	11	75,573	57,511
EQUITY SHAREHOLDERS' FUNDS	12	<u>80,573</u>	<u>62,511</u>

Approved by the board on 18 January 1999

P J F BARTON

I A BANNERMAN





BARK PRODUCTS (SCOTLAND) LIMITED

ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 1998

1. ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention.

2. TURNOVER

Turnover represents sales at invoice value less trade discounts allowed and excluding value added tax. Turnover arose wholly in the UK.

3. DEPRECIATION

Depreciation is charged on tangible assets at fixed rates calculated to write off the cost over the period of their expected useful lives. The principal rates are:

Freehold buildings	-	2% on cost
Plant and machinery	-	10% - 20% on cost
Motor vehicles	-	30% Reducing Balance Method
Office equipment	-	20% on cost

New capital grants are treated as deferred income and transferred to the profit and loss account in relief of depreciation charged over the life of the relevant assets.

4. STOCKS

Stocks are stated at the lower of cost and net realisable value using the first in first out method.

Cost comprises the direct cost of production and the attributable proportion of all overheads appropriate to location and condition. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

5. DEFERRED TAXATION

Provision is made for deferred tax, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

6. PENSION COSTS

The company provides for and funds pension liabilities on a going concern basis on the advice of external actuaries. Independent actuarial valuations on a going concern basis are normally carried out every three years. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over employees working lives with the company.

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1998

		<u>1998</u> £	<u>1997</u> £
1	OPERATING CHARGES		
	Operating profit is stated after charging (or crediting):		
	Change in stocks of finished goods	102,945	(30,319)
	Raw materials and consumables	612,179	684,929
	Staff costs (Note 2)	82,059	87,995
	Depreciation (Note 5)	47,846	38,646
	Other operating charges	119,147	103,341
		<u>964,176</u>	<u>884,592</u>
	Other operating charges include:		
	Auditors' remuneration - audit fee	2,365	2,250
	- other services	500	500
		<u></u>	<u></u>
2	STAFF COSTS		
	Wages and salaries	75,065	80,275
	Social security costs	5,782	6,387
	Pension costs	806	911
	Other life and sickness insurance	406	422
		<u>82,059</u>	<u>87,995</u>
		<u></u>	<u></u>
		<u>Number</u>	<u>Number</u>
	The average weekly number of employees during the year was:		
	Factory	5	6
	Sales and administration	1	1
		<u>6</u>	<u>7</u>
		<u></u>	<u></u>
		£	£
	Directors' emoluments:		
	Aggregate emoluments	<u>NIL</u>	<u>NIL</u>

BARK PRODUCTS (SCOTLAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 1998**

	<u>1998</u> £	<u>1997</u> £
3 NET INTEREST RECEIVABLE		
Interest receivable	12,666	11,196
	<u> </u>	<u> </u>
4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax on profit for the year at 19.9% (1997: 23.3%)	2,500	4,400
Over provision in previous year	(16)	(54)
Deferred taxation	2,000	(3,000)
	<u> </u>	<u> </u>
	4,484	1,346
	<u> </u>	<u> </u>

5 FIXED ASSETS - TANGIBLE

	<u>Freehold property</u> £	<u>Plant and machinery</u> £	<u>Motor vehicles</u> £	<u>Office equipment</u> £	<u>Total</u> £
<u>Cost</u>					
At 1 July 1997	126,337	367,536	8,826	575	503,274
Additions	1,396	67,835	-	783	70,014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 1998	127,733	435,371	8,826	1,358	573,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Depreciation</u>					
At 1 July 1997	11,995	265,210	8,022	573	285,800
Charge for year	1,525	46,080	241	-	47,846
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 1998	13,520	311,290	8,263	573	333,646
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Net book amounts</u>					
At 30 June 1998	114,213	124,081	563	785	239,642
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 1997	114,341	102,327	804	2	217,474
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1998

	<u>1998</u> £	<u>1997</u> £
6 STOCKS		
Raw materials and consumables	18,748	32,353
Finished goods and goods for resale	64,857	177,150
	<u>83,605</u>	<u>209,503</u>
7 DEBTORS		
Due within one year:		
Trade debtors	88,437	102,731
Amounts due from associated undertakings	200,244	107,420
Prepayments and accrued income	14,726	17,864
	<u>303,407</u>	<u>228,015</u>
8 CREDITORS		
Amounts falling due within one year:		
Trade creditors	90,094	77,311
Amounts due to associated undertakings	358,541	403,406
Corporation tax	2,500	4,400
Other taxation and social security	33,273	21,810
Other creditors	5,972	5,801
Accruals and deferred income	114,755	92,855
	<u>605,135</u>	<u>605,583</u>
Amounts falling due after more than one year:		
Other creditors:		
Shareholders loans	<u>83,500</u>	<u>83,500</u>

The loans are interest free and have no fixed terms for repayment.

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1998

9 PROVISION FOR LIABILITIES AND CHARGES

	<u>1998</u> £
Deferred taxation:	
At 1 July 1997	13,000
Charged to the profit and loss account	2,000
At 30 June 1998	<u>15,000</u>

Deferred taxation provision and the amount unprovided comprises:

	<u>1998</u>		<u>1997</u>	
	<u>Provision</u>	<u>Not Provided</u>	<u>Provision</u>	<u>Not Provided</u>
	£	£	£	£
Accelerated capital allowances	15,000	-	13,000	-
Short term timing differences	-	-	-	-
	<u>15,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>

10 CALLED UP SHARE CAPITAL

	<u>1998</u> £	<u>1997</u> £
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

11 RESERVES

	<u>Profit and loss account</u> £
At 1 July 1997	57,511
Retained profit for the financial year	18,062
At 30 June 1998	<u>75,573</u>

BARK PRODUCTS (SCOTLAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 1998****12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<u>1998</u> £	<u>1997</u> £
Profit for the financial year	18,062	12,565
Opening shareholders' funds	62,511	49,946
Closing shareholders' funds	<u>80,573</u>	<u>62,511</u>

13 PENSION SCHEME

The company participates in the pension scheme operated by the parent company, details of which are given in that company's financial statements.

The Group operates a single pension scheme which provides benefits based on final pensionable pay (defined benefit basis) for all eligible employees who joined the scheme prior to 18 November 1997. Eligible employees who joined the scheme after that date have been admitted with their benefits based on contributions made (defined contribution basis). The assets of the scheme are held separately from those of the Group.

The contributions to provide benefits under the defined contribution element of the scheme are decided by the Principal Employer while contributions to provide benefits under the defined benefit element are determined by a qualified actuary on the basis of regular valuations using the projected unit credit method. At the present time there is no difference between the contribution rates, either employer or employee, for the two bases of provision.

14 RELATED PARTY TRANSACTIONS

As described on page 1, the company has traded on a normal commercial basis with associated undertakings. Purchases in the year amounted to £322,045 (1997 : £407,963) and sales amounted to £681,333 (1997 : £610,231). The amounts outstanding at the balance sheet date are shown in notes 7 and 8.

BARK PRODUCTS (SCOTLAND) LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 30 JUNE 1998

BARK PRODUCTS (SCOTLAND) LIMITED**MANAGEMENT INFORMATION
SCHEDULE 'A'****TRADING AND PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 JUNE 1998**

	<u>1998</u>	<u>1997</u>
	£	£
SALES (less returns and allowances)	974,056	887,307
Less:		
Carriage outwards	270,936	350,777
	<u>703,120</u>	<u>536,530</u>
COST OF SALES		
Opening stock	209,503	190,121
Purchases	322,138	323,215
	<u>531,641</u>	<u>513,336</u>
Closing stock	83,605	209,503
	<u>448,036</u>	<u>303,833</u>
	255,084	232,697
DIRECT OVERHEADS (Schedule 'B')	112,413	126,697
GROSS PROFIT	<u>142,671</u>	<u>106,000</u>
INTEREST RECEIVABLE	12,666	11,196
	<u>155,337</u>	<u>117,196</u>
OVERHEADS		
Establishment expenses (Schedule 'B')	6,749	4,115
Administration expenses (Schedule 'B')	51,494	52,386
Other operating expenses (Schedule 'B')	74,548	46,784
	<u>132,791</u>	<u>103,285</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u><u>22,546</u></u>	<u><u>13,911</u></u>

BARK PRODUCTS (SCOTLAND) LIMITED**MANAGEMENT INFORMATION****OVERHEADS****SCHEDULE 'B'****YEAR ENDED 30 JUNE 1998****DIRECT OVERHEADS**

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Wages	59,656	62,499
Salaries	21,191	24,163
Repairs and maintenance	12,476	17,886
Heat, light and power	9,682	11,990
Maintenance charges	9,107	9,863
Machinery hire	301	296
	<u>112,413</u>	<u>126,697</u>

ESTABLISHMENT EXPENSES

Rent, rates and water	5,353	2,613
Depreciation of buildings	1,396	1,502
	<u>6,749</u>	<u>4,115</u>

ADMINISTRATION EXPENSES

Pension premium and life assurance	1,212	1,333
Insurance	3,098	3,844
Motor expenses	1,465	2,823
Travel and entertaining	696	974
Telephone and telex	684	1,092
Printing, stationery and postage	753	525
Audit and professional	2,865	2,825
Advertising and promotional costs	28	-
Depreciation	46,450	37,144
Sundries	1,336	995
Commissions	8,579	1,659
Miscellaneous Income	(836)	(54)
Asset Disposal	-	(300)
Grant Received	(5,566)	(551)
Waste Disposal	180	77
Trailer Rental	(9,450)	-
	<u>51,494</u>	<u>52,386</u>

OTHER OPERATING EXPENSES

Bank charges	160	478
Bad debts	188	(45)
Management charges	74,200	46,351
	<u>74,548</u>	<u>46,784</u>