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**BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000
REG NO. SC92002**

Pannell Kerr Forster

PKF



BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

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BARK PRODUCTS (SCOTLAND) LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2000

The directors present their annual report and audited financial statements for the year ended 30 June 2000.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £29,113 (1999 : £29,841). 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 and sale 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

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. These companies bought bark and provided haulage services respectively and each 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.

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.

BARK PRODUCTS (SCOTLAND) LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2000

AUDITORS

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'E W Dawe', written over a horizontal line.

E W DAWE
Secretary

11 JANUARY 2001
Lincoln

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

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 1 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 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 affairs of the company as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF
Registered Auditors

11 January 2001
Lincoln

BARK PRODUCTS (SCOTLAND) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2000

	<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
TURNOVER		978,188	963,232
OPERATING CHARGES	2	<u>956,561</u>	<u>939,223</u>
OPERATING PROFIT		21,627	24,009
INTEREST RECEIVABLE	4	<u>5,346</u>	<u>12,520</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		26,973	36,529
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	<u>2,140</u>	<u>(6,688)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>29,113</u>	<u>29,841</u>

The movement on reserves is shown in note 12 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 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		£	£
FIXED ASSETS			
Tangible assets	6	168,041	197,161
CURRENT ASSETS			
Stocks	7	103,866	51,036
Debtors	8	491,136	422,971
Cash at bank and in hand		-	47,948
		<u>595,002</u>	<u>521,955</u>
CREDITORS			
Amounts falling due within one year	9	<u>539,016</u>	<u>515,202</u>
NET CURRENT ASSETS		<u>55,986</u>	<u>6,753</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>224,027</u>	<u>203,914</u>
CREDITORS			
Amounts falling due after one year	9	83,500	83,500
PROVISION FOR LIABILITIES			
AND CHARGES	10	<u>1,000</u>	<u>10,000</u>
		<u>84,500</u>	<u>93,500</u>
NET ASSETS		<u><u>139,527</u></u>	<u><u>110,414</u></u>
CAPITAL AND RESERVES			
Called up equity share capital	11	5,000	5,000
Profit and loss account	12	<u>134,527</u>	<u>105,414</u>
EQUITY SHAREHOLDERS			
FUNDS	13	<u><u>139,527</u></u>	<u><u>110,414</u></u>

Approved by the Board on 11 JANUARY 2001

P J F BARTON

I A BANNERMAN

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Turnover

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

(c) Depreciation

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

Freehold buildings	-	2% - 20%	On cost
Plant and machinery	-	10% - 20%	On cost
Motor vehicles	-	30%	Reducing Balance Method
Office equipment	-	20% - 33%	On cost

(d) 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.

(e) 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.

(f) Pension costs

Contributions payable to the company's defined benefit scheme are charged to the profit and loss account so far to spread the cost of pensions over the service lives of employees in the scheme. The pension charge is calculated on the basis of actuarial advice.

Contributions payable under the company's defined contribution scheme are charged to the profit and loss account in the period to which they relate.

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

2 OPERATING CHARGES

	<u>2000</u>	<u>1999</u>
	£	£
Operating profit is stated after charging (or crediting):		
Change in stocks of finished goods	(40,620)	23,976
Raw materials and consumables	647,339	627,459
Staff costs (note 3)	103,864	88,670
Depreciation (note 6)	39,141	50,019
Other operating charges	206,837	149,099
	<u>956,561</u>	<u>939,223</u>
Other operating charges include:		
Auditors remuneration - audit fee	2,475	2,400
- other services	510	585

3 STAFF COSTS

	<u>2000</u>	<u>1999</u>
	£	£
Wages and salaries	94,833	81,019
Social security costs	7,215	6,368
Pension costs	1,097	843
Other life and sickness insurance	719	440
	<u>103,864</u>	<u>88,670</u>

	<u>Number</u>	<u>Number</u>
The average weekly number of employees during the year was:		
Factory	7	6
Sales and administration	1	1
	<u>8</u>	<u>7</u>
	£	£
Directors emoluments:-		
Aggregate emoluments	-	-

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

4 INTEREST RECEIVABLE

	<u>2000</u>	<u>1999</u>
	£	£
Bank interest receivable	5,346	12,520

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u>	<u>1999</u>
	£	£
Corporation tax on the profit for the year at 20% (1999 : 21%)	8,000	12,200
Over provision in previous year	(1,140)	(512)
Deferred taxation	(9,000)	(5,000)
	<u>(2,140)</u>	<u>6,688</u>

6 FIXED ASSETS - TANGIBLE

	<u>Freehold property</u>	<u>Plant & machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 1 July 1999	127,733	440,930	8,826	3,337	580,826
Additions	-	8,907	-	1,114	10,021
At 30 June 2000	<u>127,733</u>	<u>449,837</u>	<u>8,826</u>	<u>4,451</u>	<u>590,847</u>
Depreciation					
At 1 July 1999	15,302	358,447	8,432	1,484	383,665
Charge for year	1,782	35,684	394	1,281	39,141
At 30 June 2000	<u>17,084</u>	<u>394,131</u>	<u>8,826</u>	<u>2,765</u>	<u>422,806</u>
Net book amounts					
At 30 June 2000	<u>110,649</u>	<u>55,706</u>	<u>-</u>	<u>1,686</u>	<u>168,041</u>
At 30 June 1999	<u>112,431</u>	<u>82,483</u>	<u>394</u>	<u>1,853</u>	<u>197,161</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

7 STOCKS

	<u>2000</u>	<u>1999</u>
	£	£
Raw materials and consumables	22,365	10,155
Finished goods and goods for resale	81,501	40,881
	<u>103,866</u>	<u>51,036</u>

8 DEBTORS

	<u>2000</u>	<u>1999</u>
	£	£
Due within one year:-		
Trade debtors	112,885	56,613
Amounts due from associated undertakings	226,477	318,327
Prepayments and accrued income	151,774	48,031
	<u>491,136</u>	<u>422,971</u>

9 CREDITORS

	<u>2000</u>	<u>1999</u>
	£	£
Amounts falling due within one year:-		
Bank overdraft	4,791	-
Trade creditors	73,482	56,525
Amounts due to associated undertakings	368,869	282,402
Corporation tax	8,000	12,200
Other taxation and social security	21,835	21,553
Other creditors	1,155	9,126
Accruals and deferred income	60,884	133,396
	<u>539,016</u>	<u>515,202</u>
	£	£
Amounts falling due after more than one year:-		
Other creditors:		
Other loans	<u>83,500</u>	<u>83,500</u>

Other loans represent initial shareholder advances are interest free and have no fixed terms for repayment.

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

10 PROVISION FOR LIABILITIES AND CHARGES

	<u>2000</u>
Deferred taxation:	£
At 1 July 1999	10,000
Credited to the profit and loss account	9,000
At 30 June 2000	1,000

Deferred taxation provision and the amount unprovided comprise:-

	<u>2000</u>		<u>1999</u>	
	<u>Provision</u>	<u>Not</u>	<u>Provision</u>	<u>Not</u>
	£	provided	£	provided
		£		£
Accelerated capital allowances	1,000	-	10,000	-

11 CALLED UP SHARE CAPITAL

	<u>2000</u>	<u>1999</u>
	£	£
Authorised:-		
5,000 ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5,000	5,000

12 RESERVES

	<u>Profit and</u>
	<u>loss account</u>
	£
At 1 July 1999	105,414
Retained profit for the financial year	29,113
At 30 June 2000	134,527

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2000

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2000</u>	<u>1999</u>
	£	£
Profit for the financial year	29,113	29,841
Opening shareholders' funds	110,414	80,573
Closing shareholders' funds	<u>139,527</u>	<u>110,414</u>

14 PENSION SCHEME

The company participates in the pension scheme operated by William Sinclair Holdings plc, 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.

15 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 **£643,795** (1999: £483,771) and sales amounted to **£599,959** (1999 : £713,073). The amounts outstanding at the balance sheet date are shown in notes 8 and 9.