

BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002
REG NO. SC92002



BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

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BARK PRODUCTS (SCOTLAND) LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2002

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

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was **£36,336** (2001 : £31,642). 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 (Resigned 7/12/2001)
I A Bannerman
R R Bannerman
T R Dick (Resigned 1/5/2002)
P T Davenport
R S D Feaviour (Appointed 7/12/2001, resigned 31/12/2002)

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 T Davenport is a director of William Sinclair Horticulture Limited and I A Bannerman and R R Bannerman are directors of Bannerman Company Limited.

STATEMENTS OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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.

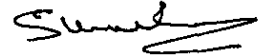
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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 2002

AUDITORS

Grant Thornton were appointed auditors on 26 February 2002 to fill a casual vacancy in accordance with Section 388 (1) of the Companies Act 1985. Special notice pursuant to Section 388 93) having been given, a resolution to re-appoint Grant Thornton as Auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



S ROWLAND
Secretary

Lincoln

27th February 2003

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

We have audited the financial statements of Bark Products (Scotland) Limited for the year ended 30 June 2002 which comprise the principal accounting policies, the profit & loss account, the balance sheet and notes 1 to 15. These financial statements have been prepared under 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 directors and auditors

The directors responsibilities for preparing the directors report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors responsibilities. Our responsibility is to audit the financial statements in accordance with the 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 other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

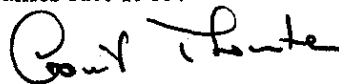
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 affairs of the company as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
Registered Auditors
Leeds



14 March 2002

BARK PRODUCTS (SCOTLAND) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
TURNOVER		950,067	848,172
OPERATING CHARGES	2	<u>910,763</u>	<u>816,833</u>
OPERATING PROFIT		39,304	31,339
INTEREST RECEIVABLE	4	<u>6,645</u>	<u>7,003</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		45,949	38,342
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	<u>(9,613)</u>	<u>(6,700)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>36,336</u></u>	<u><u>31,642</u></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.

The accompanying accounting policies and notes form an integral part of these financial statements.

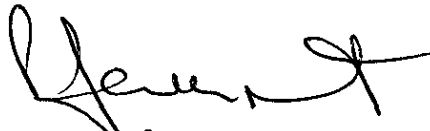
BARK PRODUCTS (SCOTLAND) LIMITED
BALANCE SHEET
30 JUNE 2002

	Notes	2002	2001
		£	£
FIXED ASSETS			
Tangible assets	6	200,653	214,623
CURRENT ASSETS			
Stocks	7	56,096	127,887
Debtors	8	261,819	438,492
Cash at bank and in hand		223,181	-
		<u>541,096</u>	<u>566,379</u>
CREDITORS			
Amounts falling due within one year	9	449,044	525,333
NET CURRENT ASSETS		<u>92,052</u>	<u>41,046</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>292,705</u>	<u>255,669</u>
CREDITORS			
Amounts falling due after one year	9	83,500	83,500
PROVISION FOR LIABILITIES			
AND CHARGES	10	<u>1,700</u>	<u>1,000</u>
		<u>85,200</u>	<u>84,500</u>
NET ASSETS		<u><u>207,505</u></u>	<u><u>171,169</u></u>
CAPITAL AND RESERVES			
Called up equity share capital	11	5,000	5,000
Profit and loss account	12	<u>202,505</u>	<u>166,169</u>
EQUITY SHAREHOLDERS			
FUNDS	13	<u><u>207,505</u></u>	<u><u>171,169</u></u>

Approved by the Board on 27th February 2003

P T DAVENPORT)

I A BANNERMAN)




BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

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

Deferred tax is recognized on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognized when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(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 2002

2 OPERATING CHARGES

	<u>2002</u>	<u>2001</u>
	£	£
Operating profit is stated after charging (or crediting):		
Change in stocks of finished goods	75,986	(28,021)
Raw materials and consumables	506,610	574,135
Staff costs (note 3)	134,132	117,830
Depreciation (note 6)	23,639	32,518
Other operating charges	170,396	120,371
	<u>910,763</u>	<u>816,833</u>
Other operating charges include:		
Auditors remuneration - audit fee	4,000	2,475
- other services	1,200	525

3 STAFF COSTS

	<u>2002</u>	<u>2001</u>
	£	£
Wages and salaries	121,891	107,718
Social security costs	9,354	8,292
Pension costs	1,607	1,086
Other life and sickness insurance	1,280	734
	<u>134,132</u>	<u>117,830</u>

	<u>Number</u>	<u>Number</u>
The average weekly number of employees during the year was:		
Factory	8	8
Sales and administration	1	1
	<u>9</u>	<u>9</u>
	£	£
Directors emoluments:-		
Aggregate emoluments	<u>-</u>	<u>-</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

4 INTEREST RECEIVABLE

	<u>2002</u>	<u>2001</u>
	£	£
Bank interest receivable	6,645	7,003

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u>	<u>2001</u>
	£	£
Corporation tax on the profit for the year at 20% (2001 : 20%)	9,100	6,700
Over provision in previous year	(187)	-
Total current tax	8,913	6,700
Origination and reversal of timing differences	700	-
Total deferred tax	700	-
Tax on profit on ordinary activities	9,613	6,700

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained as follows:

	<u>2002</u>	<u>2001</u>
	£	£
Profit on ordinary activities before tax	45,949	38,342
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%)	13,785	11,503
Effect of:		
Non-qualifying depreciation, expenses not deductible for tax purposes and other permanent differences	(3,985)	(4,803)
Capital allowances in excess of depreciation for the period	(700)	0
Adjustments in respect of prior periods	(187)	
Current tax charge for the period	8,913	6,700

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

6 FIXED ASSETS - TANGIBLE

	Freehold property £	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 July 2001	127,733	528,937	8,826	4,451	669,947
Additions	-	-	9,669	-	9,669
At 30 June 2002	<u>127,733</u>	<u>528,937</u>	<u>18,495</u>	<u>4,451</u>	<u>679,616</u>
Depreciation					
At 1 July 2001	18,865	423,561	8,826	4,072	455,324
Charge for year	1,782	20,511	967	379	23,639
At 30 June 2002	<u>20,647</u>	<u>444,072</u>	<u>9,793</u>	<u>4,451</u>	<u>478,963</u>
Net book amounts					
At 30 June 2002	<u>107,086</u>	<u>84,865</u>	<u>8,702</u>	<u>-</u>	<u>200,653</u>
At 30 June 2001	<u>108,868</u>	<u>105,376</u>	<u>-</u>	<u>379</u>	<u>214,623</u>

7 STOCKS

	2002 £	2001 £
Raw materials and consumables	22,560	18,365
Finished goods and goods for resale	<u>33,536</u>	<u>109,522</u>
	<u>56,096</u>	<u>127,887</u>

8 DEBTORS

	2002 £	2001 £
Due within one year:-		
Trade debtors	79,032	70,218
Amounts due from associated undertakings	180,180	193,741
Prepayments and accrued income	<u>2,607</u>	<u>174,533</u>
	<u>261,819</u>	<u>438,492</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

9 CREDITORS

	<u>2002</u>	<u>2001</u>
	£	£
Amounts falling due within one year:-		
Bank overdraft	-	43,213
Trade creditors	49,876	74,143
Amounts due to associated undertakings	321,947	294,302
Corporation tax	9,100	6,700
Other taxation and social security	34,176	21,640
Other creditors	1,816	1,270
Accruals and deferred income	32,129	84,065
	<u>449,044</u>	<u>525,333</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.

10 PROVISION FOR LIABILITIES AND CHARGES

	<u>2002</u>
	£
Deferred taxation:	
At 1 July 2001	1,000
Movement in Year	700
At 30 June 2002	<u>1,700</u>

Deferred taxation provided comprises:-

	<u>2002</u>	<u>2001</u>
	£	£
Accelerated capital allowances	2,000	1,000
Other timing differences	<u>(300)</u>	<u>-</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

11 CALLED UP SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
	£	£
Authorised:-		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

12 RESERVES

	Profit and loss account £
At 1 July 2001	166,169
Retained profit for the financial year	<u>36,336</u>
At 30 June 2002	<u>202,505</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
	£	£
Profit for the financial year	36,336	31,642
Opening shareholders' funds	<u>171,169</u>	<u>139,527</u>
Closing shareholders' funds	<u>207,505</u>	<u>171,169</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2002

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 from Bannerman Company Limited amounted to **£410,214** (2001: £332,662) and sales to William Sinclair Horticulture Limited amounted to **£722,363** (2001 : £512,902). At 30 June 2002, amounts payable to Bannerman Company Limited and William Sinclair Horticulture Limited totaled £363,697 (2001: £336,052) and £41,750 (2001: £41,750) respectively. Amounts receivable from William Sinclair Horticulture Limited at 30 June 2002 totaled £180,180 (2001: £193,741).

BARK PRODUCTS (SCOTLAND) LIMITED
MANAGEMENT INFORMATION SCHEDULE A
TRADING AND PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2002

	<u>2002</u>	<u>2001</u>
	£	£
SALES (less returns and allowances)	950,067	848,172
Less:		
Carriage outward	199,035	178,133
	<u>751,032</u>	<u>670,039</u>
COST OF SALES		
Opening stock	127,887	103,866
Purchases	311,773	392,002
	<u>439,660</u>	<u>495,868</u>
Closing stock	56,096	127,887
	<u>383,564</u>	<u>367,981</u>
	367,468	302,058
DIRECT OVERHEADS (Schedule B)	170,667	149,053
GROSS PROFIT	196,801	153,005
INTEREST RECEIVABLE	6,645	7,003
	<u>203,446</u>	<u>160,008</u>
OVERHEADS		
Establishment expenses (Schedule B)	15,449	15,126
Administration expenses (Schedule B)	47,220	40,835
Other operating expenses (Schedule B)	94,831	65,705
	<u>157,500</u>	<u>121,666</u>
PROFIT ON ORDINARY		
ACTIVITIES BEFORE TAXATION	<u>45,946</u>	<u>38,342</u>

BARK PRODUCTS (SCOTLAND) LIMITED
MANAGEMENT INFORMATION SCHEDULE B
TRADING AND PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2002

	2002	2001
	£	£
DIRECT OVERHEADS		
Wages	107,132	92,443
Salaries	24,113	23,567
Repairs and maintenance	24,024	16,939
Heat, light and power	14,636	16,604
Maintenance charges	-	(2,456)
Machinery hire	762	1,956
	<u>170,667</u>	<u>149,053</u>
ESTABLISHMENT EXPENSES		
Rent, rates and water	13,667	13,345
Depreciation of buildings	1,782	1,781
	<u>15,449</u>	<u>15,126</u>
ADMINISTRATION EXPENSES		
Pension premium and life assurance	2,887	1,820
Insurance	6,312	3,477
Motor expenses	2,040	1,856
Travel and entertaining	119	600
Telephone and telex	840	1,073
Printing, stationery and postage	503	462
Audit and professional	5,535	3,353
Advertising and promotional costs	945	2,024
Depreciation	21,857	30,737
Sundries	1,549	(449)
Commissions	4,633	6,778
Grant released	-	(6,696)
Trailer rental	-	(4,200)
	<u>47,220</u>	<u>40,835</u>
OTHER OPERATING EXPENSES		
Bank charges	216	224
Bad debts	188	-
Management charges	94,427	65,481
	<u>94,831</u>	<u>65,705</u>