

BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003
REG NO. SC92002



BARK PRODUCTS (SCOTLAND) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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BARK PRODUCTS (SCOTLAND) LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2003

The directors present their annual report and audited financial statements for the year ended 30 June 2003.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was **£36,013** (2002 : £36,336). The directors do not recommend the payment of a dividend (2002: nil).

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:-

I A Bannerman	
R R Bannerman	
P T Davenport	
R S D Feaviour	(Resigned 31/12/2002)
S Rowland	(Appointed 27/2/2003)

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 and S Rowland 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

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 2003

AUDITORS

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


S ROWLAND
Secretary

2nd March 2004
Lincoln

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BARK PRODUCTS (SCOTLAND) LIMITED

We have audited the financial statements of Bark (Scotland) Limited for the year ended 30 June 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the statement of historical cost profits and losses and notes 1 to 16. 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 auditors' 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 2003 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
CHARTERED ACCOUNTANTS

Registered Auditors
Leeds

Grant Thornton
5 March 2004

BARK PRODUCTS (SCOTLAND) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
TURNOVER		804,162	950,067
OPERATING CHARGES	2	<u>767,465</u>	<u>910,763</u>
OPERATING PROFIT		36,697	39,304
INTEREST RECEIVABLE	4	<u>5,406</u>	<u>6,645</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,103	45,949
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	<u>(6,090)</u>	<u>(9,613)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>36,013</u></u>	<u><u>36,336</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 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
FIXED ASSETS			
Tangible assets	6	177,525	200,653
CURRENT ASSETS			
Stocks	7	79,066	56,096
Debtors	8	452,234	261,819
Cash at bank and in hand		50,878	223,181
		<u>582,178</u>	<u>541,096</u>
CREDITORS			
Amounts falling due within one year	9	<u>431,985</u>	<u>449,044</u>
NET CURRENT ASSETS		<u>150,193</u>	<u>92,052</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>327,718</u>	<u>292,705</u>
CREDITORS			
Amounts falling due after one year	9	83,500	83,500
PROVISION FOR LIABILITIES			
AND CHARGES	10	<u>700</u>	<u>1,700</u>
		<u>84,200</u>	<u>85,200</u>
NET ASSETS		<u><u>243,518</u></u>	<u><u>207,505</u></u>
CAPITAL AND RESERVES			
Called up equity share capital	11	5,000	5,000
Profit and loss account	12	<u>238,518</u>	<u>202,505</u>
EQUITY SHAREHOLDERS			
FUNDS	13	<u><u>243,518</u></u>	<u><u>207,505</u></u>

Approved by the Board on 2nd March 2004

P T DAVENPORT

I A BANNERMAN

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

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

(b) Turnover

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

(c) Depreciation

Depreciation is calculated to write down the cost or valuation, less residual value, of all tangible fixed assets other than freehold land. The principal rates applied 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 taxation is recognized on all timing differences where the transactions or events that give the company 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 2003

2 OPERATING CHARGES

	<u>2003</u>	<u>2002</u>
	£	£
Operating profit is stated after charging/(crediting):		
Change in stocks of finished goods	(40,625)	75,986
Raw materials and consumables	535,848	506,610
Staff costs (note 3)	118,162	134,132
Depreciation (note 6)	23,128	23,639
Other operating charges	130,952	170,396
	<u>767,465</u>	<u>910,763</u>
Other operating charges include:		
Auditors remuneration - audit fee	4,200	5,000
- other services	-	-
	<u>-</u>	<u>-</u>

3 STAFF COSTS

	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	109,257	121,891
Social security costs	8,254	9,354
Pension costs	1,364	1,607
Other life and sickness insurance	(713)	1,280
	<u>118,162</u>	<u>134,132</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>

No directors were remunerated through this company during the year (2002:£nil)

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

4 INTEREST RECEIVABLE

	<u>2003</u> £	<u>2002</u> £
Bank interest receivable	5,406	6,645

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	<u>2003</u> £	<u>2002</u> £
Current tax		
Corporation tax on profits	7,970	9,100
Adjustment in respect of previous periods	(880)	(187)
Total Current Tax	7,090	8,913
Deferred tax		
Deferred tax charge for the period	600	700
Adjustment to deferred tax in respect of previous periods	(1,600)	-
	(1,000)	700
Tax on profit on ordinary activities	6,090	9,613

The tax assessed for the period is lower than the standard rate of Corporation tax in the UK 30% (2002:30%)

The differences are explained below:

Profit on Ordinary Activities before tax	42,103	45,949
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 30% (2002 30%)	12,631	13,785
Effects of		
Expenses not deductible for tax purposes	554	(3,985)
Capital allowances for the period in excess of depreciation	(600)	(700)
Adjustments to tax in respect of previous periods	(880)	(187)
Adjustments in respect of lower rate of corporation tax applying	(4,615)	-
Current tax charge for the period	7,090	8,913

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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 2002	127,733	528,937	18,495	4,451	679,616
Additions	-	-	-	-	-
At 30 June 2003	<u>127,733</u>	<u>528,937</u>	<u>18,495</u>	<u>4,451</u>	<u>679,616</u>
Depreciation					
At 1 July 2002	20,647	444,072	9,793	4,451	478,963
Charge for year	1,759	18,468	2,901	-	23,128
At 30 June 2003	<u>22,406</u>	<u>462,540</u>	<u>12,694</u>	<u>4,451</u>	<u>502,091</u>
Net book amounts					
At 30 June 2003	<u>105,327</u>	<u>66,397</u>	<u>5,801</u>	<u>-</u>	<u>177,525</u>
At 30 June 2002	<u>107,086</u>	<u>84,865</u>	<u>8,702</u>	<u>-</u>	<u>200,653</u>

7 STOCKS

	<u>2003</u>	<u>2002</u>
	£	£
Raw materials and consumables	4,905	22,560
Finished goods and goods for resale	74,161	33,536
	<u>79,066</u>	<u>56,096</u>

8 DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Due within one year:-		
Trade debtors	72,291	79,032
Amounts due from associated undertakings	363,771	180,180
Prepayments and accrued income	16,172	2,607
	<u>452,234</u>	<u>261,819</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

9 CREDITORS

	<u>2003</u>	<u>2002</u>
	£	£
Amounts falling due within one year:-		
Bank overdraft	-	-
Trade creditors	69,937	49,876
Amounts due to associated undertakings	280,046	321,947
Corporation tax	7,970	9,100
Other taxation and social security	21,367	34,176
Other creditors	1,211	1,816
Accruals and deferred income	51,454	32,129
	<u>431,985</u>	<u>449,044</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>2003</u>
	£
Deferred taxation:	
At 1 July 2002	1,700
Charge for the period	600
Adjustment in respect of previous periods	(1,600)
At 30 June 2003	<u>700</u>

Deferred taxation provided comprises:-

	<u>2003</u>	<u>2002</u>
	£	£
Accelerated capital allowances	1,000	2,000
Other timing differences	(300)	(300)
	<u>700</u>	<u>1,700</u>

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

11 CALLED UP SHARE CAPITAL

	<u>2003</u>	<u>2002</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

	<u>Profit and loss account</u>
	£
At 1 July 2002	202,505
Retained profit for the financial year	<u>36,013</u>
At 30 June 2003	<u>238,518</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
	£	£
Profit for the financial year	36,013	36,336
Opening shareholders' funds	<u>207,505</u>	<u>171,169</u>
Closing shareholders' funds	<u>243,518</u>	<u>207,505</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.

BARK PRODUCTS (SCOTLAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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 **£295,228** (2002: £410,214) and sales amounted to **£603,647** (2002 : £722,363). The amounts outstanding at the balance sheet date are shown in notes 8 and 9.

16 CAPITAL COMMITMENTS

At the year end the company had capital expenditure commitments which were contracted for but not provided in these financial statements totalling £nil (2002: £nil).

BARK PRODUCTS (SCOTLAND) LIMITED
MANAGEMENT INFORMATION SCHEDULE A
TRADING AND PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2003

	<u>2003</u>	<u>2002</u>
	£	£
SALES (less returns and allowances)	804,162	950,067
Less:		
Carriage outward	<u>142,681</u>	<u>199,035</u>
	661,481	751,032
COST OF SALES		
Opening stock	56,096	127,887
Purchases	<u>375,512</u>	<u>311,773</u>
	431,608	439,660
Closing stock	<u>79,066</u>	<u>56,096</u>
	352,542	383,564
	308,939	367,468
DIRECT OVERHEADS (Schedule B)	<u>151,958</u>	<u>170,667</u>
GROSS PROFIT	156,981	196,801
INTEREST RECEIVABLE	<u>5,406</u>	<u>6,645</u>
	162,387	203,446
OVERHEADS		
Establishment expenses (Schedule B)	14,969	15,449
Administration expenses (Schedule B)	50,224	47,220
Other operating expenses (Schedule B)	<u>55,091</u>	<u>94,831</u>
	120,284	157,500
PROFIT ON ORDINARY		
ACTIVITIES BEFORE TAXATION	<u>42,103</u>	<u>45,946</u>

BARK PRODUCTS (SCOTLAND) LIMITED
MANAGEMENT INFORMATION SCHEDULE B
TRADING AND PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2003

	<u>2003</u>	<u>2002</u>
	£	£
DIRECT OVERHEADS		
Wages	92,939	107,132
Salaries	24,572	24,113
Repairs and maintenance	18,037	24,024
Heat, light and power	15,603	14,636
Maintenance charges	-	-
Machinery hire	807	762
	<u>151,958</u>	<u>170,667</u>
ESTABLISHMENT EXPENSES		
Rent, rates and water	13,210	13,667
Depreciation of buildings	1,759	1,782
	<u>14,969</u>	<u>15,449</u>
ADMINISTRATION EXPENSES		
Pension premium and life assurance	651	2,887
Insurance	9,637	6,312
Motor expenses	1,995	2,040
Travel and entertaining	459	119
Telephone and telex	1,006	840
Printing, stationery and postage	286	503
Audit and professional	3,901	5,535
Advertising and promotional costs	406	945
Depreciation	21,369	21,857
Sundries	3,173	1,549
Commissions	7,341	4,633
Grant released	-	-
Trailer rental	-	-
	<u>50,224</u>	<u>47,220</u>
OTHER OPERATING EXPENSES		
Bank charges	201	216
Bad debts	(110)	188
Management charges	55,000	94,427
	<u>55,091</u>	<u>94,831</u>