

**BARK PRODUCTS (SCOTLAND)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2004



Company no SC 92002

BARK PRODUCTS (SCOTLAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2004

Company registration number: SC 92002

Registered office: The Burbage
Tain
Ross-shire
IV19 1BW

Directors: I A Bannerman
R R Bannerman
P T Davenport
S Rowland

Secretary: S Rowland

Bankers: Clydesdale Bank
Tain
Ross-shire
IV19 1AR

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

BARK PRODUCTS (SCOTLAND) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2004

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BARK PRODUCTS (SCOTLAND) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 30 June 2004.

Principal activity

The company's principal activity is the preparation and sale of pulverised bark products.

Business review

There was a profit for the year after taxation amounting to £56,881 (2003: £36,013). The directors do not recommend the payment of a dividend.

Directors

The present membership of the Board is set out below. All served on the Board throughout the year.

The interests of the directors and their families in the shares of the company as at 1 July 2003 and 30 June 2004 were as follows:

	Ordinary shares of £1 each	
	30 June 2004	30 June 2003
I A Bannerman	-	-
R R Bannerman	-	-
P T Davenport	-	-
S Rowland	-	-

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the company's business except as disclosed in note 18 to the financial statements.

Directors' responsibilities for the financial statements

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP do not intend to offer themselves for reappointment as auditors.

BY ORDER OF THE BOARD



S Rowland

Secretary

12 January 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

BARK PRODUCTS (SCOTLAND) LIMITED

We have audited the financial statements of Bark Products (Scotland) Limited for the year ended 30 June 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 19. 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 the 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 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 opinion

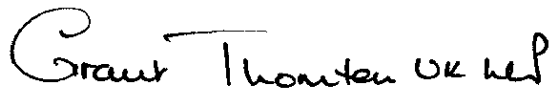
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

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

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LEEDS
12 January 2005

BARK PRODUCTS (SCOTLAND) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The rates generally applicable are:

Freehold buildings	2% - 20% straight line
Plant and machinery	10% - 20% straight line
Office equipment	20% - 33% straight line
Motor vehicles	30% reducing balance

STOCKS

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

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.

DEFERRED TAXATION

Deferred tax is recognised 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 recognised 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.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

BARK PRODUCTS (SCOTLAND) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2004

	Note	2004 £	2003 £
Turnover	1	845,715	804,162
Operating charges	2	<u>(776,183)</u>	<u>(767,465)</u>
Operating profit		69,532	36,697
Bank interest receivable		<u>1,683</u>	<u>5,406</u>
Profit on ordinary activities before taxation	1	71,215	42,103
Tax on profit on ordinary activities	4	<u>(14,334)</u>	<u>(6,090)</u>
Profit on ordinary activities after taxation transferred to reserves	13	<u>56,881</u>	<u>36,013</u>

There were 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.

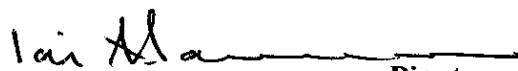
BARK PRODUCTS (SCOTLAND) LIMITED**BALANCE SHEET AT 30 JUNE 2004**

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	5	<u>178,939</u>	<u>177,525</u>
Current assets			
Stocks	6	124,784	79,066
Debtors	7	460,003	452,234
Cash at bank and in hand		<u>10,313</u>	<u>50,878</u>
		595,100	582,178
Creditors: amounts falling due within one year	8	<u>(386,901)</u>	<u>(431,985)</u>
Net current assets		<u>208,199</u>	<u>150,193</u>
Total assets less current liabilities		387,138	327,718
Creditors: amounts falling due after more than one year	9	(83,500)	(83,500)
Provisions for liabilities and charges	10	(3,239)	(700)
		<u>300,399</u>	<u>243,518</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account	13	<u>295,399</u>	<u>238,518</u>
Equity shareholders' funds	14	<u>300,399</u>	<u>243,518</u>

The financial statements were approved by the Board of Directors on 12 January 2005.

S Rowland  Director

I A Bannerman


Director

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

BARK PRODUCTS (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation is attributable to the preparation and sale of pulverised bark products and arises entirely within the United Kingdom.

The profit on ordinary activities before taxation is stated after:

	2004	2003
	£	£
Auditors' remuneration:		
Audit services	4,500	4,200
Depreciation:		
Tangible fixed assets owned	18,944	23,128

2 OPERATING CHARGES

	2004	2003
	£	£
Change in stocks of finished goods	(23,909)	(40,625)
Raw materials and consumables	487,567	535,848
Staff costs	148,635	118,162
Depreciation	18,944	23,128
Other operating charges	144,946	130,952
	776,183	767,465

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004	2003
	£	£
Wages and salaries	133,986	109,257
Social security costs	11,173	8,254
Other pension costs	2,419	1,364
Other life and sickness insurance	1,057	(713)
	148,635	118,162

The average number of employees of the company during the year was:

	2004	2003
	Number	Number
Factory	8	8
Sales and administration	1	1
	9	9

The directors received no remuneration in the year (2003: £nil).

BARK PRODUCTS (SCOTLAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2004

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2004	2003
	£	£
Corporation tax at 30% (2003: 30%)	12,175	7,970
Adjustment in respect of prior period	(380)	(880)
Total current tax	11,795	7,090
Origination and reversal of timing differences	2,539	(1,000)
Total deferred tax (note 11)	2,539	(1,000)
Tax on profit on ordinary activities	14,334	6,090

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained as follows:

	2004	2003
	£	£
Profit on ordinary activities before tax	71,215	42,103
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	21,365	12,631
Effect of:		
Expenses not deductible for tax purposes	455	554
Capital allowances for the period in excess of depreciation	(2,309)	(600)
Other short term timing differences	(150)	-
Adjustment to tax charge in respect of prior periods	(380)	(880)
Adjustments in respect of lower rate of corporation tax applying	(7,186)	(4,615)
	11,795	7,090

BARK PRODUCTS (SCOTLAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2004

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2003	127,733	528,937	4,451	18,495	679,616
Additions	-	20,358	-	-	20,358
At 30 June 2004	<u>127,733</u>	<u>549,295</u>	<u>4,451</u>	<u>18,495</u>	<u>699,974</u>
Depreciation					
At 1 July 2003	22,406	462,540	4,451	12,694	502,091
Provided in the year	1,502	14,541	-	2,901	18,944
At 30 June 2004	<u>23,908</u>	<u>477,081</u>	<u>4,451</u>	<u>15,595</u>	<u>521,035</u>
Net book amount at 30 June 2004	<u>103,825</u>	<u>72,214</u>	<u>-</u>	<u>2,900</u>	<u>178,939</u>
Net book amount at 30 June 2003	<u>105,327</u>	<u>66,397</u>	<u>-</u>	<u>5,801</u>	<u>177,525</u>

6 STOCKS

	2004 £	2003 £
Raw materials and consumables	26,714	4,905
Finished goods and goods for resale	<u>98,070</u>	<u>74,161</u>
	<u>124,784</u>	<u>79,066</u>

7 DEBTORS

	2004 £	2003 £
Trade debtors	62,954	72,291
Amounts owed by associated undertakings	389,697	363,771
Prepayments and accrued income	<u>7,352</u>	<u>16,172</u>
	<u>460,003</u>	<u>452,234</u>

BARK PRODUCTS (SCOTLAND) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2004

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade creditors	43,159	69,937
Amounts owed to associated undertakings	282,645	280,046
Corporation tax	12,175	7,970
Other taxation and social security	16,339	21,367
Other creditors	1,840	1,211
Accruals and deferred income	30,743	51,454
	<u>386,901</u>	<u>431,985</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	2003
	£	£
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 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 11) £
At 1 July 2003	700
Origination and reversal of timing differences	<u>2,539</u>
At 30 June 2004	<u>3,239</u>

11 DEFERRED TAXATION

Deferred taxation recognised in the financial statements is set out below.

	2004	2003
	£	£
Accelerated capital allowances	3,389	1,000
Other timing differences	<u>(150)</u>	<u>(300)</u>
	<u>3,239</u>	<u>700</u>

BARK PRODUCTS (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

12 SHARE CAPITAL

	2004	2003
	£	£
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>

13 RESERVES

	Profit and loss account £
At 1 July 2003	238,518
Profit for the year	<u>56,881</u>
At 30 June 2004	<u>295,399</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	56,881	36,013
Shareholders' funds at 1 July 2003	<u>243,518</u>	<u>207,505</u>
Shareholders' funds at 30 June 2004	<u>300,399</u>	<u>243,518</u>

15 CAPITAL COMMITMENTS

The company had no capital commitments at 30 June 2004 or 30 June 2003.

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2004 or 30 June 2003.

BARK PRODUCTS (SCOTLAND) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

17 PENSIONS

The company participates in the group pension scheme operated by William Sinclair Holdings plc, details of which are given in that company's financial statements. For all eligible employees who joined the scheme prior to 18 November 1997, benefits are based on final pensionable pay (defined benefit basis). For eligible employees who joined the scheme after that date, benefits are based on contributions made (defined contribution basis). The assets of the scheme are administered by trustees in a fund independent from those of the group.

Defined contribution

Contributions are set by the principal employer.

Defined benefit

Pension costs are assessed in accordance with the advice of a qualified actuary using the projected unit credit method. The assumptions which have the most significant effect on the results of the valuation are set out below. The most recent actuarial valuation was as at 6 April 2001.

Discount rate	5.72%
Future rates of inflation	2.96%
Salary increase rates	2.96%
Expected return on assets	7.48%
Pension increases	2.71%

The market value of scheme assets as at 6 April 2001 was £14.5m. The actuarial value of those assets was sufficient to cover 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

18 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the year, the company traded on a normal commercial basis with William Sinclair Horticulture Limited and Bannerman Company Limited, which each own 50% of the issued share capital of the company.

Details of transactions undertaken during the year and amounts outstanding at the year-end are as follows:

	Sales to/ (purchases from) related party £	2004 Amounts receivable from/ (payable to) related party £	Sales to/ (purchases from) related party £	2003 Amounts receivable from/ (payable to) related party £
William Sinclair Horticulture Limited				
Sale of goods	598,439	504,697	638,647	459,214
Management charges	(35,000)	(115,000)	(35,000)	(95,000)
Bannerman Company Limited				
Provision of haulage services	(257,892)	(167,645)	(275,228)	(185,046)
Management charges	(20,000)	(115,000)	(20,000)	(95,000)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

19 ULTIMATE PARENT UNDERTAKING

The directors consider that there is no controlling related party to this company.

BARK PRODUCTS (SCOTLAND) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2004

	2004 £	2004 £	2003 £	2003 £
Sales (less returns and allowances)		845,715		804,162
Less:				
Carriage outward		<u>(123,180)</u>		<u>(142,681)</u>
		722,535		661,481
Cost of sales				
Opening stock	79,066		56,096	
Purchases	386,196		375,512	
	<u>465,262</u>		<u>431,608</u>	
Closing stock	<u>(124,784)</u>		<u>(79,066)</u>	
		(340,478)		(352,542)
		382,057		308,939
Direct overheads		<u>(191,022)</u>		<u>(151,958)</u>
Gross profit		191,035		156,981
Interest receivable		<u>1,683</u>		<u>5,406</u>
		192,718		162,387
Overheads				
Establishment expenses	15,338		14,969	
Administration expenses	50,965		50,224	
Other operating expenses	<u>55,200</u>		<u>55,091</u>	
		<u>(121,503)</u>		<u>(120,284)</u>
Profit on ordinary activities before taxation		<u>71,215</u>		<u>42,103</u>

THIS PAGE DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

• **BARK PRODUCTS (SCOTLAND) LIMITED**

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2004

	2004	2003
	£	£
Direct overheads		
Wages	118,135	92,939
Salaries	27,024	24,572
Repairs and maintenance	26,101	18,037
Heat, light and power	16,595	15,603
Machinery hire	3,167	807
	191,022	151,958
Establishment expenses		
Rent, rates and water	13,836	13,210
Depreciation of buildings	1,502	1,759
	15,338	14,969
Administration expenses		
Pension premium and life assurance	3,476	651
Insurance	11,425	9,637
Motor expenses	2,441	1,995
Travel and entertaining	837	459
Telephone and telex	999	1,006
Printing, stationery and postage	299	286
Audit and professional	4,801	3,901
Advertising and promotional costs	33	406
Depreciation	17,442	21,369
Sundries	1,910	3,173
Commissions	7,302	7,341
	50,965	50,224
Other operating expenses		
Bank charges	200	201
Bad debts	-	(110)
Management charges	55,000	55,000
	55,200	55,091

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