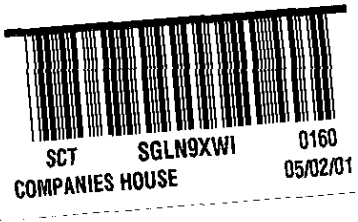
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Report of the Directors and

Financial Statements for the Period 1 December 1999 to 31 July 2000

for

Scott Manufacturing Ltd



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Scott Manufacturing Ltd

Company Information
for the Period 1 December 1999 to 31 July 2000

DIRECTORS:	J C Scott N R Scott
SECRETARY:	N R Scott
REGISTERED OFFICE:	Forties Campus Rosyth Euro Parc Rosyth Fife KY11 2XS
REGISTERED NUMBER:	187900 (Scotland)
AUDITORS:	Rennie Smith & Co Chartered Accountants Registered Auditors 64 Murray Place Stirling FK8 2BX

Scott Manufacturing Ltd

Report of the Directors
for the Period 1 December 1999 to 31 July 2000

The directors present their report with the financial statements of the company for the period 1 December 1999 to 31 July 2000.

PRINCIPAL ACTIVITY
The principal activity of the company in the period under review was that of a pallet manufacturing company.

REVIEW OF BUSINESS
The results for the period and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS
No dividends will be distributed for the period ended 31 July 2000.

DIRECTORS
The directors during the period under review were:

J C Scott
N R Scott

The interests of the directors in the share capital of the parent company Scott Timber (Holdings) Limited who own 100% of the issued share capital are disclosed in the financial statements of that company.

STATEMENT 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
The auditors, Rennie Smith & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



..... - DIRECTOR

Dated: 8/12/2000

Report of the Auditors to the Shareholders of Scott Manufacturing Ltd

We have audited the financial statements on pages four to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditors
As described on page two 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 the company's affairs as at 31 July 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Rennie Smith & Co
Chartered Accountants
Registered Auditors
64 Murray Place
Stirling
FK8 2BX

Rennie Smith & Co

Dated: 14 DECEMBER 2000

Scott Manufacturing Ltd

Profit and Loss Account
for the Period 1 December 1999 to 31 July 2000

	Notes	Period 1.12.99 to 31.7.00 £	£	Period 24.7.98 to 30.11.99 £	£
TURNOVER			**1,485,882**		1,552,799
Cost of sales			**1,257,646**		1,322,337
GROSS PROFIT			**228,236**		230,462
Distribution costs		**94,203**		71,387	
Administrative expenses		**111,897**		163,012	
			206,100		234,399
OPERATING PROFIT/(LOSS)	3		**22,136**		(3,937)
Interest receivable and similar income			**13,793**		8,580
			35,929		4,643
Interest payable and similar charges	4		**194**		277
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**35,735**		4,366
Tax on profit on ordinary activities	5		**7,671**		443
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION			**28,064**		3,923
Retained profit brought forward			**3,923**		-
RETAINED PROFIT CARRIED FORWARD			**£31,987**		£3,923

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current or previous periods.

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current or previous periods.

The notes form part of these financial statements

Scott Manufacturing Ltd

Balance Sheet
31 July 2000

	Notes	2000 £	2000 £	1999 £	1999 £
FIXED ASSETS:					
Tangible assets	6		**6,310**		6,931
CURRENT ASSETS:					
Stocks	7	**171,337**		123,952	
Debtors	8	**167,980**		241,103	
Cash at bank		**110,768**		289,979	
		450,085		655,034	
CREDITORS: Amounts falling due within one year	9	**422,977**		655,342	
NET CURRENT ASSETS/(LIABILITIES):			**27,108**		(308)
TOTAL ASSETS LESS CURRENT LIABILITIES:			**33,418**		6,623
CREDITORS: Amounts falling due after more than one year	10		**1,429**		2,698
			£31,989		£3,925
CAPITAL AND RESERVES:					
Called up share capital	13		**2**		2
Profit and loss account			**31,987**		3,923
SHAREHOLDERS' FUNDS:	16		**£31,989**		£3,925

ON BEHALF OF THE BOARD:



..... DIRECTOR

Approved by the Board on 8/12/00

The notes form part of these financial statements

Scott Manufacturing Ltd

Cash Flow Statement
for the Period 1 December 1999 to 31 July 2000

	Notes	Period 1.12.99 to 31.7.00 £	£	Period 24.7.98 to 30.11.99 £	£
Net cash (outflow)/inflow from operating activities	1		**(191,461)**		284,978
Returns on investments and servicing of finance	2		**13,599**		8,303
Capital expenditure	2		**(80)**		(7,907)
			(177,942)		**285,374**
Management of liquid resources	2		**(1,269)**		4,605
(Decrease)/Increase in cash in the period			**£(179,211)**		**£289,979**
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period		**(179,211)**		**289,979**	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		**1,269**		(4,603)	
Change in net funds resulting from cash flows			**(177,942)**		285,376
Movement in net funds in the period			**(177,942)**		**285,376**
Net funds at 1 December			**285,376**		-
Net funds at 31 July			**£107,434**		**£285,376**

The notes form part of these financial statements

Notes to the Cash Flow Statement for the Period 1 December 1999 to 31 July 2000

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Period 1.12.99 to 31.7.00 £	Period 24.7.98 to 30.11.99 £
Operating profit/(loss)	**22,136**	(3,937)
Depreciation charges	**701**	976
Increase in stocks	**(47,385)**	(123,952)
Decrease/(Increase) in debtors	**73,123**	(241,103)
(Decrease)/Increase in creditors	**(240,036)**	652,994
Net cash (outflow)/inflow from operating activities	**(191,461)**	284,978

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 1.12.99 to 31.7.00 £	Period 24.7.98 to 30.11.99 £
Returns on investments and servicing of finance		
Interest received	**13,793**	8,580
Interest paid	**-**	(50)
Interest element of hire purchase payments	**(194)**	(227)
Net cash inflow for returns on investments and servicing of finance	**13,599**	8,303
Capital expenditure		
Purchase of tangible fixed assets	**(80)**	(7,907)
Net cash outflow for capital expenditure	**(80)**	(7,907)
Management of liquid resources		
Issue of share capital	**-**	2
Hire purchase finance	**(1,269)**	4,603
Net cash (outflow)/inflow from management of liquid resources	**(1,269)**	4,605

The notes form part of these financial statements

Notes to the Cash Flow Statement for the Period 1 December 1999 to 31 July 2000

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.12.99 £	Cash flow £	At 31.7.00 £
Net cash:			
Cash at bank	289,979	(179,211)	110,768
	289,979	(179,211)	110,768
Debt:			
Hire purchase	(4,603)	1,269	(3,334)
	(4,603)	1,269	(3,334)
Total	285,376	(177,942)	107,434
Analysed in Balance Sheet			
Cash at bank	289,979		110,768
Hire purchase			
within one year	(1,905)		(1,905)
after one year	(2,698)		(1,429)
	285,376		107,434

The notes form part of these financial statements

Notes to the Financial Statements for the Period 1 December 1999 to 31 July 2000

1. ACCOUNTING POLICIES

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

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- 15% on reducing balance
Fixtures and fittings	- 15% on reducing balance

Stocks
Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation
Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. STAFF COSTS

	Period 1.12.99 to 31.7.00	Period 24.7.98 to 30.11.99
	£	£
Wages and salaries	**203,882**	205,668
Social security costs	**16,112**	14,770
	219,994	220,438

2. STAFF COSTS - continued

The average monthly number of employees during the period was as follows:

	Period 1.12.99 to 31.7.00	Period 24.7.98 to 30.11.99
Production	27	20
Management	1	1
	28	21

3. OPERATING PROFIT/(LOSS)

The operating profit (1999 - operating loss) is stated after charging:

	Period 1.12.99 to 31.7.00	Period 24.7.98 to 30.11.99
	£	£
Hire of plant and machinery	24,191	30,660
Depreciation - owned assets	145	182
Depreciation - assets on hire purchase contracts	556	794
Auditors' remuneration	2,044	1,500
Property rental charges	4,071	2,184
Directors' emoluments	-	-

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1.12.99 to 31.7.00	Period 24.7.98 to 30.11.99
	£	£
Bank interest	-	50
Hire purchase	194	227
	194	277

5. TAXATION

The tax charge on the profit on ordinary activities for the period was as follows:

	Period 1.12.99 to 31.7.00	Period 24.7.98 to 30.11.99
	£	£
UK corporation tax	**7,396**	443
Underprovision previous year	**275**	-
	7,671	443

UK corporation tax has been charged at 21% (1999 - 21%).

6. TANGIBLE FIXED ASSETS

	Plant and machinery	**Fixtures and fittings**	**Totals**
	£	**£**	**£**
COST:			
At 1 December 1999	**7,683**	**224**	**7,907**
Additions	**-**	**80**	**80**
At 31 July 2000	**7,683**	**304**	**7,987**
DEPRECIATION:			
At 1 December 1999	**955**	**21**	**976**
Charge for period	**673**	**28**	**701**
At 31 July 2000	**1,628**	**49**	**1,677**
NET BOOK VALUE:			
At 31 July 2000	**6,055**	**255**	**6,310**
At 30 November 1999	6,728	203	6,931

6. **TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery
	£
COST:	
At 1 December 1999 and 31 July 2000	**6,350**
DEPRECIATION:	
At 1 December 1999	**794**
Charge for period	**556**
At 31 July 2000	**1,350**
NET BOOK VALUE:	
At 31 July 2000	**5,000**
At 30 November 1999	5,556

7. **STOCKS**

	2000	1999
	£	£
Raw material	**155,552**	117,729
Finished goods	**15,785**	6,223
	171,337	123,952

8. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000	1999
	£	£
Trade debtors	**146,698**	226,527
Prepayments	**12,967**	14,574
Amount due from group company	**8,315**	2
	167,980	241,103

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Hire purchase contracts (see note 11)	**1,905**	1,905
Trade creditors	**53,168**	154,978
Amounts due to group companies	**327,469**	465,501
V.A.T.	**12,560**	10,912
Social security & other taxes	**9,017**	9,367
Taxation	**8,114**	443
Accrued expenses	**10,744**	12,236
	422,977	655,342

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Hire purchase contracts (see note 11)	**1,429**	2,698

11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts 2000 £	1999 £
Gross obligations repayable:		
Within one year	**2,196**	2,213
Between one and five years	**1,687**	3,134
	3,883	5,347
Finance charges repayable:		
Within one year	**291**	308
Between one and five years	**258**	436
	549	744
Net obligations repayable:		
Within one year	**1,905**	1,905
Between one and five years	**1,429**	2,698
	3,334	4,603

11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

	Land and buildings operating leases	
	2000	1999
	£	£
Expiring:		
Between one and five years	**6,000**	6,000

12. SECURED DEBTS

The bank hold a bond and floating charge over the whole assets of the company together with cross guarantees and letters of offset between Scott Manufacturing Limited and other group companies.

13. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	**2000** **£**	1999 £
100	Ordinary	£1	**100**	100

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2000** **£**	1999 £
2	Ordinary	£1	**2**	2

14. ULTIMATE PARENT COMPANY

The company is a subsidiary of Scott Timber (Holdings) Limited which is registered in Scotland under reference 187620. Scott Timber (Holdings) Limited own 100% of the issued share capital of the company.

15. RELATED PARTY DISCLOSURES

Details of expenditure to group companies is as follows:-

	Purchases & management fees
	£
Scott Timber Limited	538,557

In addition, certain other expenses, incurred by the company, were met by other group companies and charged through the respective loan accounts. All other expenditure met by the company, on behalf of other group and associate companies has also been charged to the respective loan accounts.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial period	**28,064**	3,923
Scott Timber (Holdings)Ltd	**-**	2
Net addition to shareholders' funds	**28,064**	3,925
Opening shareholders' funds	**3,925**	-
Closing shareholders' funds	**31,989**	3,925
Equity interests	**31,989**	3,925