SC187900

Report of the Directors and

Financial Statements for the Year Ended 31 July 2002

for

Scott Manufacturing Ltd



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Company Information for the Year Ended 31 July 2002

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

Report of the Directors for the Year Ended 31 July 2002

The directors present their report with the financial statements of the company for the year ended 31 July 2002.

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

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

DIVIDENDS
No dividends will be distributed for the year ended 31 July 2002.

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:

.....
N R Scott - DIRECTOR

Dated: 10/12/02.

Report of the Independent Auditors to the Shareholders of Scott Manufacturing Ltd

We have audited the financial statements of Scott Manufacturing Ltd for the year ended 31 July 2002 on pages four to fifteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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 the company's affairs as at 31 July 2002 and of its profit for the year 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: 23/12/2002.

Scott Manufacturing Ltd

Profit and Loss Account
for the Year Ended 31 July 2002

	Notes	2002 £	2002 £	2001 £	2001 £
TURNOVER			**3,009,106**		2,104,079
Cost of sales			**2,430,099**		1,800,844
GROSS PROFIT			**579,007**		303,235
Distribution costs		**157,713**		142,394	
Administrative expenses		**290,857**		209,996	
			448,570		352,390
			130,437		(49,155)
Other operating income			**-**		120,000
OPERATING PROFIT	3		**130,437**		70,845
Interest receivable and similar income			**2,455**		3,906
			132,892		74,751
Interest payable and similar charges	4		**10,879**		4,973
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**122,013**		69,778
Tax on profit on ordinary activities	5		**34,392**		14,646
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			**87,621**		55,132
Retained profit brought forward			**87,119**		31,987
RETAINED PROFIT CARRIED FORWARD			**£174,740**		£87,119

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

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

The notes form part of these financial statements

Scott Manufacturing Ltd

Balance Sheet
31 July 2002

	Notes	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS:					
Tangible assets	6		**17,621**		7,534
CURRENT ASSETS:					
Stocks	7	**361,987**		208,587	
Debtors	8	**270,981**		389,685	
		632,968		598,272	
CREDITORS: Amounts falling due within one year	9	**469,033**		518,685	
NET CURRENT ASSETS:			**163,935**		79,587
TOTAL ASSETS LESS CURRENT LIABILITIES:			**181,556**		87,121
CREDITORS: Amounts falling due after more than one year	10		**(5,648)**		-
PROVISIONS FOR LIABILITIES AND CHARGES:	14		**(1,166)**		-
			£174,742		£87,121
CAPITAL AND RESERVES:					
Called up share capital	15		**2**		2
Profit and loss account			**174,740**		87,119
SHAREHOLDERS' FUNDS:	18		**£174,742**		£87,121

ON BEHALF OF THE BOARD:



J C Scott - DIRECTOR

Approved by the Board on 10/12/02

The notes form part of these financial statements

Scott Manufacturing Ltd

Cash Flow Statement
for the Year Ended 31 July 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Net cash outflow from operating activities	1		**(262,301)**		(107,349)
Returns on investments and servicing of finance	2		**(8,424)**		(1,067)
Taxation			**(14,946)**		(7,840)
Capital expenditure	2		**(4,926)**		(2,387)
			(290,597)		**(118,643)**
Management of liquid resources	2		-		(1,904)
Decrease in cash in the period			**£(290,597)**		**£(120,547)**

Reconciliation of net cash flow to movement in net debt	3			
Decrease in cash in the period		**(290,597)**	**(120,547)**	
Cash outflow from decrease in debt and lease financing		-	1,905	
Change in net debt resulting *from cash flows*		**(290,597)**		(118,642)
New finance leases		**(8,206)**		-
Movement in net debt in the period		**(298,803)**		**(118,642)**
Net (debt)/funds at 1 August		**(11,208)**		**107,434**
Net debt at 31 July		**£(310,011)**		**£(11,208)**

The notes form part of these financial statements

Notes to the Cash Flow Statement for the Year Ended 31 July 2002

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	**130,437**	70,845
Depreciation charges	**3,045**	1,162
Increase in stocks	**(153,400)**	(37,250)
Decrease/(Increase) in debtors	**118,704**	(221,705)
(Decrease)/Increase in creditors	**(361,087)**	79,599
Net cash outflow from operating activities	**(262,301)**	(107,349)

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

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	**2,455**	3,906
Interest paid	**(10,433)**	(4,682)
Interest element of hire purchase payments	**(446)**	(291)
Net cash outflow for returns on investments and servicing of finance	**(8,424)**	(1,067)
Capital expenditure		
Purchase of tangible fixed assets	**(4,926)**	(2,387)
Net cash outflow for capital expenditure	**(4,926)**	(2,387)
Management of liquid resources		
Hire purchase finance	-	(1,904)
Net cash outflow from management of liquid resources	-	(1,904)

The notes form part of these financial statements

Notes to the Cash Flow Statement for the Year Ended 31 July 2002

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.8.01 £	Cash flow £	Other non-cash changes £	At 31.7.02 £
Net cash:				
Cash at bank	-	-		-
Bank overdraft	(9,779)	(290,597)		(300,376)
	(9,779)	(290,597)		(300,376)
Debt:				
Hire purchase	(1,429)	-	(8,206)	(9,635)
	(1,429)	-	(8,206)	(9,635)
Total	(11,208)	(290,597)	(8,206)	(310,011)
Analysed in Balance Sheet				
Bank overdraft	(9,779)			(300,376)
Hire purchase				
within one year	(1,429)			(3,987)
after one year	-			(5,648)
	(11,208)			(310,011)

The notes form part of these financial statements

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
Motor vehicles	- 25% 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
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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

	2002	2001
	£	£
Wages and salaries	**391,191**	298,573
Social security costs	**29,328**	22,127
	420,519	320,700

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

	2002	2001
Production	**35**	26
Management	**1**	1
	36	27

3. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£	£
Hire of plant and machinery	**37,960**	37,960
Depreciation - owned assets	**1,130**	412
Depreciation - assets on hire purchase contracts	**1,915**	750
Auditors' remuneration	**2,850**	2,480
Property rental charges	**6,010**	6,507
Directors' emoluments	**-**	-

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank interest	**10,433**	4,682
Hire purchase	**446**	291
	10,879	4,973

5. TAXATION

Analysis of the tax charge

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

	2002	2001
	£	£
Current tax:		
UK corporation tax	**33,200**	14,920
Under/(over) provision PY	**26**	(274)
Total current tax	**33,226**	14,646
Deferred tax:		
Deferred taxation	**1,166**	-
Tax on profit on ordinary activities	**34,392**	14,646

UK corporation tax has been charged at 27.20% (2001 - 21.60%).

6. TANGIBLE FIXED ASSETS

	Plant and *machinery*	Fixtures and *fittings*	Motor *vehicles*	Totals
	£	£	£	£
COST:				
At 1 August 2001	7,958	2,415	-	10,373
Additions	-	-	13,133	13,133
At 31 July 2002	7,958	2,415	13,133	23,506
DEPRECIATION:				
At 1 August 2001	2,494	346	-	2,840
Charge for year	820	310	1,915	3,045
At 31 July 2002	3,314	656	1,915	5,885
NET BOOK VALUE:				
At 31 July 2002	4,644	1,759	11,218	17,621
At 31 July 2001	*5,464*	*2,070*	-	*7,534*

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

	Plant and machinery	Motor vehicles	Totals
	£	£	£
COST:			
At 1 August 2001	6,350	-	6,350
Additions	-	13,133	13,133
Transferred to ownership	(6,350)	-	(6,350)
At 31 July 2002	-	13,133	13,133
DEPRECIATION:			
At 1 August 2001	2,100	-	2,100
Charge for year	-	1,915	1,915
Transferred to ownership	(2,100)	-	(2,100)
At 31 July 2002	-	1,915	1,915
NET BOOK VALUE:			
At 31 July 2002	-	11,218	11,218
At 31 July 2001	4,250	-	4,250

7. STOCKS

	2002	2001
	£	£
Raw material	276,815	181,641
Finished goods	85,172	26,946
	361,987	208,587

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade debtors	249,034	265,436
Prepayments	7,083	3,265
Other debtors	-	982
Amounts due from group companies	14,864	120,002
	270,981	389,685

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loans and overdrafts (see note 11)	300,376	9,779
Hire purchase contracts (see note 12)	3,987	1,429
Trade creditors	46,892	31,329
Amounts due to group companies	35,000	439,898
V.A.T.	10,817	3,420
Social security & other taxes	7,844	6,541
Taxation	33,200	14,920
Accrued expenses	30,917	11,369
	469,033	518,685

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

	2002 £	2001 £
Hire purchase contracts (see note 12)	5,648	-

11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	300,376	9,779

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2002	2001
	£	£
Gross obligations repayable:		
Within one year	4,566	1,687
Between one and five years	6,469	-
	11,035	1,687
Finance charges repayable:		
Within one year	579	258
Between one and five years	821	-
	1,400	258
Net obligations repayable:		
Within one year	3,987	1,429
Between one and five years	5,648	-
	9,635	1,429

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

	Land and buildings operating leases	
	2002	2001
	£	£
Expiring:		
Between one and five years	6,000	6,000

13. SECURED DEBTS

The following secured debts are included within creditors:

	2002	2001
	£	£
Bank overdrafts	300,376	9,779

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.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	2002	2001
	£	£
Deferred taxation	1,166	-

14. PROVISIONS FOR LIABILITIES AND CHARGES - continued

	Deferred tax £
Movement in year	**1,166**
Balance at 31 July 2002	**1,166**

15. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	**2002 £**	2001 £
100	Ordinary	£1	**100**	100

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2002 £**	2001 £
2	Ordinary	£1	**2**	2

16. 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.

17. RELATED PARTY DISCLOSURES

Detail of income from group companies is as follows:-

	Sales, management fees & recharges £
Scott Pallet Management Services Limited	775,750
Scott Recycling Limited	125,580

Detail of expenditure to group companies is as follows:-

	Purchases, management fees & recharges £
Scott Timber Limited	2,147,565
Scott Pallet Management Services Limited	109,987
H M Clark (Scotland) Limited	35,000

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	**87,621**	55,132
Net addition to shareholders' funds	**87,621**	55,132
Opening shareholders' funds	**87,121**	31,989
Closing shareholders' funds	**174,742**	87,121
Equity interests	**174,742**	87,121