

Co. No. 2729984

KIELDER FOREST PRODUCTS LIMITED

ACCOUNTS FOR THE YEAR ENDED

28th FEBRUARY 1997

GREAVES WEST & AYRE

CHARTERED ACCOUNTANTS

BERWICK UPON TWEED



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KIELDER FOREST PRODUCTS LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 28th FEBRUARY 1997

Responsibility for the Preparation of 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 as at the end of the year and of its profit or loss for the financial year. In preparing the financial statements, the directors are required to select suitable accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent, state whether applicable accounting standards have been followed, and 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.

Principal Activities

During the year the company traded in chipping forestry residues at Kielder Forest.

Results

	1997	1996
Profit after taxation	1023	1093

The directors recommend that no dividend be paid, and the profit be transferred to reserves.

Future Developments

The company will continue to expand its operation in the Kielder Forest and to increase the diversity of products produced from the chipping residue retrieved from the forest.

KIELDER FOREST PRODUCTS LIMITED

DIRECTORS REPORT CONTINUED

Directors Interests

	<u>1997</u>	<u>1996</u>
In Shares of the Company	Ordinary £1	Ordinary £1
A.G. Waugh	1	1
S.G. Waugh	1	1

During the year the company traded in conjunction with A.G. Waugh and Sons Limited, a company with which A.G. Waugh and S.G. Waugh are directors. As at 28th February 1997 Kielder Forest Products Limited owed A.G. Waugh and Sons Limited £63576. (1996 £74171).

By Order of the Board


.....
E.D. Waugh

DATE 8th September 1997

Secretary

ACCOUNTANTS REPORT TO THE SHAREHOLDERS

ON THE UNAUDITED ACCOUNTS OF

KIELDER FOREST PRODUCTS LIMITED

We report on the accounts for the year ended 28th February 1997 as set out on pages 4 to 7.

Respective Responsibilities of Directors and Auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of Opinion

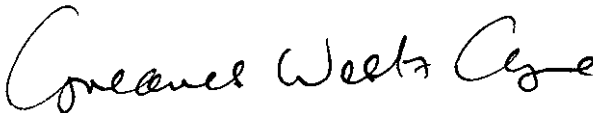
We conducted our work in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the accounts with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion :

- a) the accounts are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985;
- b) having regard only to, and on the basis of, the information contained in those accounting records:
 - i) the accounts have been drawn up in a manner consistent with the accounting requirements specified in section 249(c)6 of the Act; and
 - ii) the company satisfied the conditions for exemption from an audit of the accounts for the year specified in section 249(a)4 of the Act and did not at any time within that year fall within any of the categories of companies not entitled to the exemption specified in section 249(b)1 of the Act.

DATE 9th September 1997



GREAVES WEST & AYRE
CHARTERED ACCOUNTANTS
BERWICK UPON TWEED

KIELDER FOREST PRODUCTS LIMITED
BALANCE SHEET AS AT 28th FEBRUARY 1997

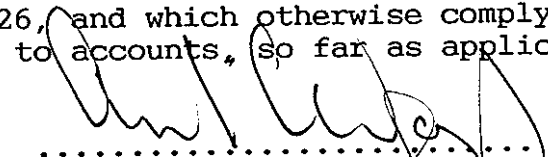
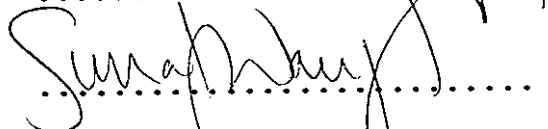
<u>1996</u>		<u>Notes</u>	
	CURRENT ASSETS		
35,000	Stocks		52,459
50,519	Debtors	2	19,878
			72,337
85,519			
	Less : CREDITORS		
86,484	Amounts due within one year	3	72,278
(965)	NET CURRENT LIABILITIES		59
(965)	NET ASSETS		59
	CAPITAL AND RESERVES		
2	Share capital	4	2
(967)	Profit and loss account		57
(965)			59

For the year ended 28th February 1997 the company was entitled to exemption under subsection 2 of section 249(a) of the Companies Act 1985.

No notice has been deposited under subsection 2 of section 249(b) of the Act.

The directors acknowledge their responsibility for :

- i) ensuring that the company keeps proper accounting records which comply with section 221, and
- ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the company.

 A.G. Waugh)
 S.G. Waugh) Directors

DATE 8TH SEPTEMBER 1997.

KIELDER FOREST PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28th FEBRUARY 1997

<u>1996</u>	<u>Notes</u>	
173,556	Turnover	149,358
	1b	
137,946	Cost of sales	121,817
<u>35,610</u>	Gross profit	<u>27,541</u>
34,517	Administrative expenses	25,569
<u>1,093</u>	Operating profit	<u>1,972</u>
-	Interest payable	(1,465)
	<u>Profit from ordinary</u>	
1,093	<u>operations before taxation</u>	507
-	Taxation	(516)
<u>1,093</u>	Profit for the year after taxation	<u>1,023</u>
(2,060)	Profit and loss account brought forward	(966)
<u>(967)</u>	Profit and loss account carried forward	<u>57</u>

There were no further gains or losses during the period other than those shown above.

KIELDER FOREST PRODUCTS LIMITED
NOTES FORMING PART OF THE ACCOUNTS FOR THE
YEAR ENDED 28th FEBRUARY 1997

1. Accounting Policies

a) Basis of Accounting

The accounts are prepared under the historical cost convention, in accordance with accounting standards.

b) Turnover

Turnover represents all goods and services sold or provided net of V.A.T.

	<u>1997</u>	<u>1996</u>
2. Debtors		
Trade debtors	19878	48992
Corporation tax	-	49
Other debtors	-	1478
	<u>19878</u>	<u>50519</u>

3. Creditors: Amounts Falling Due Within One Year

Trade creditors	6338	7917
Accruals	1200	1200
Corporation tax	243	-
Other taxes and social security costs	921	3196
A.G. Waugh and Sons Limited	63576	74171
	<u>72278</u>	<u>86484</u>

4. Share Capital

Authorised

1000 Ordinary £1 shares	<u>1000</u>	<u>1000</u>
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Issued and Fully Paid

2 Ordinary £1 shares	<u>2</u>	<u>2</u>
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KIELDER FOREST PRODUCTS LIMITED
NOTES FORMING PART OF THE ACCOUNTS CONTINUED

1997 1996

5. Operating Profit

Operating profit is stated after charging the following items :-

Auditors remuneration	1048	1200
	<u> </u>	<u> </u>

6. Employee Costs

The following employee costs have been charged in the accounts :-

Wages and salaries	20000	20000
Social security costs	2397	2039
	<u> </u>	<u> </u>
	22397	22039
	<u> </u>	<u> </u>

Included within the above are directors salaries of £20000.

Average number of employees during the year was 1 (1996 1), made up as shown below :-

Non-executive directors	1	1
Production	-	-
	<u> </u>	<u> </u>
	1	1
	<u> </u>	<u> </u>

7. Taxation

Corporation tax : Current year at 23%	(516)	-
	<u> </u>	<u> </u>

8. Capital Commitments

There were no capital commitments as at 28th February 1997.

9. Contingent Liabilities

There were no contingent liabilities as at 28th February 1997.