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**JOHN CADZOW (AULDCATHIE)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 1997

JOHN CADZOW (AULDCATHIE) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 May 1997

Company registration number: SC128917

Registered office: Glendevon Farm
Glendevon
Winchburgh
West Lothian
EH52 6PX

Director: Mr J G I Cadzow

Secretary: Mrs E M Cadzow

Bankers: Bank of Scotland

Solicitors: Turcan Connell

Auditors: Grant Thornton
Registered auditors
Chartered accountants

JOHN CADZOW (AULDCATHIE) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 May 1997

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JOHN CADZOW (AULDCATHIE) LIMITED

REPORT OF THE DIRECTOR

The director presents his report together with financial statements for the year ended 31 May 1997.

Principal activities

The company is principally engaged in managing a waste disposal site.

Director

Mr J G I Cadzow served as the company's sole director throughout the year.

The director did not have any interest in the ordinary shares of the company at 1 June 1996 or at 31 May 1997. The interests of the director, who is also a director of the parent undertaking, are disclosed in that company's financial statements.

Director's responsibilities for the financial statements

Company law requires the director 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 director is 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 director is responsible for maintaining 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.

Auditors

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

Small company exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD



Mr J G I Cadzow

Director

Date 30.6.97

**REPORT OF THE AUDITORS TO THE MEMBERS OF
JOHN CADZOW (AULDCATHIE) LIMITED**

We have audited the financial statements on pages 3 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and under the accounting policies set out on page 3.

Respective responsibilities of the director and auditors

As described on page 1 the company's director is responsible for the preparation of the 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.

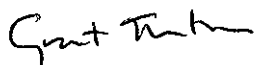
Basis of opinion

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 director 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 May 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

EDINBURGH

Date.....30th June 1998 .

JOHN CADZOW (AULDCATHIE) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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.

DEPRECIATION

Depreciation is calculated to write down the cost of all tangible fixed assets, other than heritable land, by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and equipment	20%
Vehicles	25%

DEFERRED TAXATION

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

JOHN CADZOW (AULDCATHIE) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 May 1997

	Note	1997 £	1996 £
Turnover	1	644,422	872,986
Cost of sales		(151,275)	(143,239)
Gross profit		493,147	729,747
Administrative expenses		(516,097)	(664,828)
Other operating income		632	1,400
Operating loss		(22,318)	66,319
Net interest	2	(5,713)	(3,738)
Loss on ordinary activities before taxation	1	(28,031)	62,581
Tax on loss on ordinary activities	4	4,333	(16,163)
Loss for the financial year		(23,698)	46,418
Dividends paid or proposed		-	(46,000)
Loss transferred from reserves	10	(23,698)	418

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

JOHN CADZOW (AULDCATHIE) LIMITED

BALANCE SHEET AT 31 MAY 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	6	136,597	137,439
Current assets			
Debtors	7	136,476	178,723
Cash at bank and in hand		-	4,292
		<u>136,476</u>	<u>183,015</u>
Creditors: amounts falling due within one year	8	(294,219)	(317,902)
		<u>(157,743)</u>	<u>(134,887)</u>
Net current liabilities		<u>(21,146)</u>	<u>2,552</u>
Total assets less current liabilities		<u><u></u></u>	<u><u></u></u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	(21,148)	2,550
		<u>(21,146)</u>	<u>2,552</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Director on 30.6.97.

JGI Cadzow.....*John Cadzow*.....

Director

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

JOHN CADZOW (AULDCATHIE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 1997

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
The loss on ordinary activities is stated after:		
Auditors' remuneration	3,100	2,950
Depreciation: Tangible fixed assets, owned	<u>1,948</u>	<u>610</u>

2 NET INTEREST

	1997 £	1996 £
Interest payable	5,768	3,872
Interest receivable	(55)	(134)
	<u>5,713</u>	<u>3,738</u>

3 DIRECTOR

The director received no remuneration during the year (1996: £nil). Included within the results for the year is a charge in respect of management charges from the parent company which includes £302,232 (1996 - £578,783), which relates to directors remuneration.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the year and represents:

	1997 £	1996 £
Corporation tax	(2,844)	16,163
Adjustments in respect of prior periods: Corporation tax	<u>(1,489)</u>	<u>-</u>
	<u>(4,333)</u>	<u>16,163</u>

5 ADMINISTRATIVE EXPENSES

Exceptional item

The company has provided for loans advanced to Glendevon Recycling Limited, a company which is 50% owned by John Cadzow who is the director of the company. The amount provided at 31 May 1997 amounts to £135,596 which has been recognised as an exceptional charge in these financial statements within administrative expenses.

JOHN CADZOW (AULDCATHIE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 1997

6 TANGIBLE FIXED ASSETS

	Land £	Plant and machinery £	Total £
Cost	135,000	12,645	147,645
At 1 June 1996	-	1,106	1,106
Additions			
At 31 May 1997	135,000	13,751	148,751
Depreciation	-	10,206	10,206
At 1 June 1996	-	1,948	1,948
Charged for the year	-	12,154	12,154
At 31 May 1997			
	135,000	1,597	136,597
Net book amount at 31 May 1997			
	135,000	2,439	137,439
Net book amount at 31 May 1996			

The director has entered into a land purchase option agreement whereby a third party has the option to purchase all or part of the company's heritable land at a price which exceeds the net book value.

7 DEBTORS

	1997 £	1996 £
Trade debtors	132,602	178,723
Other debtors	3,874	-
	136,476	178,723

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	5,051	-
Trade creditors	27,063	25,390
Amounts owed to parent undertaking	249,846	262,803
Social security and other taxes	8,759	25,979
Other creditors	3,500	3,730
	294,219	317,902

The bank overdraft is secured by a letter of guarantee from John Cadzow (Glendevon) Limited.

JOHN CADZOW (AULDCATHIE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 May 1997

9 SHARE CAPITAL

	1997 £	1996 £
Authorised Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>2</u>	<u>2</u>

10 RESERVES

	Profit and loss account £
At 1 June 1996	2,550
Retained loss for the year	(23,698)
At 31 May 1997	<u>(21,148)</u>

11 CAPITAL COMMITMENTS

The company had no capital commitments at 31 May 1997 or 31 May 1996.

12 CONTINGENT LIABILITIES

The company has guaranteed the overdraft of John Cadzow (Glendevon) Limited. At 31 May 1997, this overdraft amounted to £125,535 (1996: £25,493). There were no other contingent liabilities at 31 May 1997 or 31 May 1996.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 1997

13 POST BALANCE SHEET EVENTS

The company has agreed to settle the bank loans and hire purchase repayments of Glendevon Recycling Limited which is a related party of the company, amounting to approximately £214,000, after the balance sheet date, although action is being taken by the director to obtain recoverability of these advances. As disclosed in note 14 Glendevon Recycling Limited ceased trading during April 1997.

After the balance sheet date, Glendevon Recycling Limited has entered into an agreement whereby a third party has the option to purchase the plant and machinery of Glendevon Recycling Limited. If this option is exercised then it is anticipated that all of these post year end advances would be recoverable. Accordingly as the recoverability depends on this option being exercised the future repayment of post year end advances is uncertain. These post year end advances have not been provided for in the financial statements year ended 31 May 1997.

This post year end commitment of £214,000 in respect of Glendevon Recycling Limited is additional to the advances made during the year to 31 May 1997, as disclosed in notes 5 and 14.

14 TRANSACTIONS WITH RELATED PARTIES

The company was charged a fee of £340,897 by John Cadzow (Glendevon) Limited during the year for the management services of John Cadzow. The amount due to John Cadzow (Glendevon) Limited at 31 May 1997 was £249,846.

During the year John Cadzow (Glendevon) Limited used land owned by the company free of charge.

During the year the company loaned £135,596 to Glendevon Recycling Limited, a company which is 50% owned by John Cadzow who is the director of the company. The ability of Glendevon Recycling to repay these amounts is doubtful, and therefore they have been fully provided for in these financial statements.

As disclosed in note 13 Glendevon Recycling Limited, which had ceased trading during April 1997, has entered into an option agreement with a third party to provide the third party with an option to purchase the plant and machinery of Glendevon Recycling Limited. If exercised, then it is anticipated that an element of the loans provided as at 31 May 1997, would be recoverable, but as this is uncertain, the loan has been fully provided for in these financial statements, as disclosed in note 5.

15 ULTIMATE PARENT UNDERTAKING

John Cadzow (Glendevon) Limited is this company's controlling related party by virtue of its 100% shareholding. The ultimate controlling related parties are J G I Cadzow and E M Cadzow as a result of their jointly held 100% shareholding in John Cadzow (Glendevon) Limited.