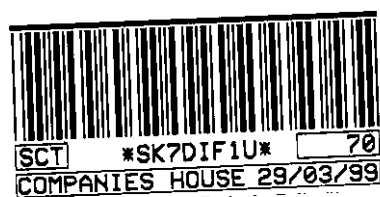


**JOHN CADZOW (AULDCATHIE)
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 1998



Company no SC128917

JOHN CADZOW (AULDCATHIE) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 May 1998

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 1998

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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 1998.

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 1997 or at 31 May 1998. The interests of the director, who is also a director of the parent undertaking, are disclosed in that company's financial statements.

Land

The director is of the opinion that the market value of the land significantly exceeds the book value of the asset.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. The risk to the business relates not only to the company's computer systems, but also to some degree on those of the company's customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. The company itself does not directly operate computer systems, but is reliant upon the computer systems operated by a company which jointly operates its waste disposal site. Discussions with this party indicate that its accounting systems are year 2000 compliant and its significant machinery is being assessed, but indications to date are that the year 2000 does not pose a significant risk.

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.

JOHN CADZOW (AULDCATHIE) LIMITED

REPORT OF THE DIRECTOR

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.

BY ORDER OF THE BOARD



Mrs E M Cadzow

Secretary

Date..... 25.3.99.....

REPORT OF THE AUDITORS TO THE MEMBERS OF

JOHN CADZOW (AULDCATHIE) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and under the accounting policies set out on page 4.

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 1998 and of its profit 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.....20/3/99.....

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%
---------------------	-----

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 1998

	Note	1998 £	1997 £
Turnover	1	664,645	644,422
Cost of sales		(176,307)	(151,275)
Gross profit		488,338	493,147
Administrative expenses		(353,622)	(516,097)
Other operating income		-	632
Operating profit		134,716	(22,318)
Net interest	2	(870)	(5,713)
Profit on ordinary activities before taxation	1	133,846	(28,031)
Tax on profit on ordinary activities	4	(11,019)	4,333
Profit for the financial year		122,827	(23,698)
Dividends paid or proposed		(101,000)	-
Profit transferred to reserves	10	21,827	(23,698)

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

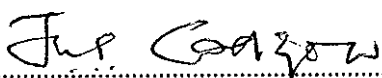
JOHN CADZOW (AULDCATHIE) LIMITED**BALANCE SHEET AT 31 MAY 1998**

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	6	141,113	136,597
Current assets			
Debtors	7	163,521	136,476
		<u>163,521</u>	<u>136,476</u>
Creditors: amounts falling due within one year	8	(303,953)	(294,219)
Net current liabilities		<u>(140,432)</u>	<u>(157,743)</u>
Total assets less current liabilities		<u>681</u>	<u>(21,146)</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	679	(21,148)
		<u>681</u>	<u>(21,146)</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 25.3.99

Director


.....
JGI Cadzow

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 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is wholly attributable to the United Kingdom.

The profit on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration	3,100	3,100
Depreciation:		
Tangible fixed assets, owned	1,809	1,948

2 NET INTEREST

	1998 £	1997 £
Interest payable	870	5,768
Interest receivable	-	(55)
	870	5,713

3 DIRECTOR

The director received no remuneration during the year (1997: £nil). Included within the results for the year is a charge in respect of management charges from the parent company which includes £212,578 (1997 - £302,232), which relates to directors remuneration.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1998 £	1997 £
Corporation tax	30,648	(2,844)
Group relief	(19,629)	-
Adjustments in respect of prior periods:		
Corporation tax	-	(1,489)
	11,019	(4,333)

5 ADMINISTRATIVE EXPENSES

Exceptional item

The company has provided for loans advanced to Glendevon Recycling Limited which is 50% owned by John Cadzow who is the director of the company. The amount provided during the year ended 31 May 1998 amounts to £60,000 (1997 - £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 1998

6 TANGIBLE FIXED ASSETS

	Land £	Plant and machinery £	Total £
Cost			
At 1 June 1997	135,000	13,751	148,751
Additions	-	6,325	6,325
At 31 May 1998	135,000	20,076	155,076
Depreciation			
At 1 June 1997	-	12,154	12,154
Charged for the year	-	1,809	1,809
At 31 May 1998	-	13,963	13,963
Net book amount at 31 May 1998	135,000	6,113	141,113
Net book amount at 31 May 1997	135,000	1,597	136,597

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

	1998 £	1997 £
Trade debtors	150,429	132,602
Other debtors	13,092	3,874
	163,521	136,476

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

For the year ended 31 May 1998

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	3,644	5,051
Trade creditors	42,675	27,063
Amounts owed to parent undertaking	231,303	249,846
Social security and other taxes	18,501	8,759
Other creditors	7,830	3,500
	<u>303,953</u>	<u>294,219</u>

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

9 SHARE CAPITAL

	1998 £	1997 £
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 1997	(21,148)
Retained profit for the year	21,827
At 31 May 1998	<u>679</u>

11 CAPITAL COMMITMENTS

The company had no capital commitments at 31 May 1998 or 31 May 1997 other than those disclosed in note 13.

12 CONTINGENT LIABILITIES

The company has guaranteed the overdraft of John Cadzow (Glendevon) Limited. At 31 May 1998, this overdraft amounted to £25,072 (1997: £125,535). There were no other contingent liabilities at 31 May 1998 or 31 May 1997.

JOHN CADZOW (AULDCATHIE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 1998

13 POST BALANCE SHEET EVENTS

The company has agreed to settle the bank loans and hire purchase repayments as they fall due of Glendevon Recycling Limited which is a related party of the company, amounting to approximately £159,000 (1997 - £214,000), after the balance sheet date, although action is being taken by the director to obtain recoverability of these advances. Glendevon Recycling Limited ceased trading during April 1997.

These post year end advances have not been provided for in the financial statements year ended 31 May 1998.

This post year end commitment of £159,000 (1997 - £214,000) in respect of Glendevon Recycling Limited is additional to the advances made during the year to 31 May 1998, as disclosed in notes 5 and 14.

14 TRANSACTIONS WITH RELATED PARTIES

The company was charged a fee of £252,457 (1997 - £340,897) by John Cadzow (Glendevon) Limited during the year for the management services of John Cadzow.

Under group tax relief John Cadzow (Auldcathie) Limited has utilized losses of £93,470 from John Cadzow (Glendevon) Limited.

A dividend of £101,000 has been proposed as at the year end, which is included in the creditor balance due to John Cadzow (Glendevon) Limited.

The amount due to John Cadzow (Glendevon) Limited at 31 May 1998 was £231,303 (1997 - £249,846).

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

During the year the company loaned £60,000 (1997 - £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.

15 ULTIMATE PARENT UNDERTAKING AND CONTROLLING RELATED PARTY

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.