

**BUCHANAN FOREST PRODUCTS TERMINAL
LIMITED**

REPORTS AND ACCOUNTS

31 DECEMBER 1998



REGISTERED NUMBER 3321092

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED
REPORT AND ACCOUNTS 1998

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BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

DIRECTOR

H Mercer

SECRETARY

A C Rhys-Davies

AUDITORS

Ernst & Young
Provincial House
37 New Walk
Leicester LE1 6TU

BANKERS

Bank of Ireland
9 St Michael's Road
Croydon
Surrey CR9 3SA

REGISTERED OFFICE

Duke's Court
Duke Street
Woking
Surrey GU21 5BH

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

DIRECTOR'S REPORT

The Director presents his report and accounts for the year ended 31 December 1998.

The company started trading on 1st May 1997 so comparative profit and loss account figures are for 8 months only.

RESULTS AND DIVIDENDS

The loss for the year after after taxation is £125,182(1997 - loss £87,697) and will be transferred to reserves. The Directors do not recommend payment of a dividend (1997 - Nil).

PRINCIPAL ACTIVITIES

The Company operates a port terminal for the marketing of timber.

REVIEW OF THE BUSINESS

Continued progress was made in establishing relationships with both buyers and suppliers during 1998 but market conditions remained difficult for most of the year.

FUTURE DEVELOPMENTS

The company intends to consolidate its position in the market and to operate profitably.

EMPLOYEES

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of those who become disabled and to provide equal opportunities for them. The company regards the establishment and maintenance of safe working practices as of the highest importance.

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

DIRECTOR'S REPORT (continued)

DIRECTOR AND HIS INTERESTS

Mr H Mercer, the sole Director served throughout the period. Mr H Mercer had no interest in the shares of Buchanan Forest Products Terminal Limited or Buchanan Forest Products Limited.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

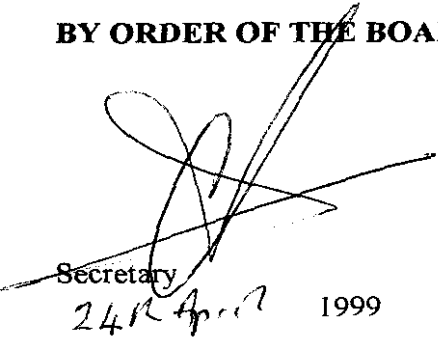
YEAR 2000 COMPLIANCE

The Company uses computer and digital storage systems provided and maintained by Price & Pierce Ltd, a subsidiary of Price & Pierce(Holding Company)Ltd who are a shareholder in the Company.

Price & Pierce Ltd has designed a programme to address the impact of the Year 2000 on our business and our significant suppliers and customers. The Board receives regular reports on progress and believes that it will achieve an acceptable state of readiness and sufficient resources will be provided to deal promptly with any subsequent problems.

The cost of implementing the action plans will be negligible for the Company.

BY ORDER OF THE BOARD



Secretary

24 April 1999

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Director to prepare accounts 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 accounts, 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is 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.

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

REPORT OF THE AUDITORS

to the members of Buchanan Forest Products Terminal Limited

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of the Director and auditors

As described on page 4, the company's Director is responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on those accounts, based on our audit, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Director in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud, other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Griffiths & Long
11/5/99

Registered Auditor
Leicester

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
TURNOVER	2	3,160,371	1,162,816
Cost of sales		3,106,782	1,145,372
GROSS PROFIT		<u>53,589</u>	<u>17,444</u>
Administrative expenses		155,252	96,558
OPERATING (LOSS)	3	(101,663)	(79,114)
Interest receivable		-	-
Interest payable	6	<u>(23,519)</u>	<u>(8,583)</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(125,182)	(87,697)
Tax on ordinary activities		<u>-</u>	<u>-</u>
(LOSS) FOR THE YEAR	13	<u><u>(125,182)</u></u>	<u><u>(87,697)</u></u>

There are no recognised gains or losses in the period ended 31 December 1998 other than the above loss of £125,182 (period ended 31st December 1997 loss of £87,697).

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

BALANCE SHEET at 31 December 1998

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	8	<u>7,808</u>	<u>10,076</u>
 CURRENT ASSETS			
Stocks	9	761,327	1,475,374
Debtors	10	485,315	444,496
		<u>1,246,642</u>	<u>1,919,870</u>
 CREDITORS:- amounts falling due within one year	11	1,417,329	1,967,643
		<u> </u>	<u> </u>
NET CURRENT (LIABILITIES)		<u>(170,687)</u>	<u>(47,773)</u>
		<u>(162,879)</u>	<u>(37,697)</u>
 CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account	13	(212,879)	(87,697)
		<u> </u>	<u> </u>
		<u>(162,879)</u>	<u>(37,697)</u>

These accounts were approved by the Director on APRIL 24th, 1999 and signed by:

H Mercer



BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Fundamental Accounting Concept

The accounts have been prepared on the going concern concept, because the shareholders have agreed to provide adequate funds for the Company to meet its liabilities as they fall due.

Accounting convention

The accounts have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:-

Office equipment - over 5 to 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transport and handling charges. Net realisable value is the estimated selling price at which the stocks can be sold in the normal course of business, after allowing for the cost of realisation.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalised in the balance sheet and are depreciated over their expected useful lives.

The interest element of rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The Company operates a defined contribution scheme which requires contributions to be made to a separately administered fund for each employee. Contributions to this fund are charged to the profit and loss account as they become due.

Cash Flow Statement

The Company has taken advantage of the exemption permitted under FRS 1 revised from preparing a cashflow statement as it qualifies as a small company.

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties with respect to merchanting and related businesses.

The company operates in one main continuing area of activity, that of trading in forest products.

All turnover by origin and destination is within the UK & Eire.

3. OPERATING (LOSS)

	1998	1997
	£	£
This is stated after charging:		
Auditors' remuneration - audit services	2,500	500
Depreciation of tangible fixed assets	2,268	1,265
Operating lease rentals		
- motor vehicles	9,553	5,646
- land and building	<u>507</u>	<u>1,139</u>

4. DIRECTOR'S EMOLUMENTS

The Director received no remuneration from the company in 1998 or in 1997.

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

5. STAFF COSTS - including Director	1998	1997
	£	£
Wages and salaries	78,049	46,496
Social security costs	8,299	4,385
Other pension costs	7,440	2,904
	<u>93,788</u>	<u>53,785</u>

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

	1998	1997
	No.	No.
Management and sales	2	2
Administrative	1	1
	<u>3</u>	<u>3</u>

6. INTEREST PAYABLE

	1998	1997
	£	£
Bank overdraft	641	27
Related company	22,775	8,556
Other	<u>103</u>	<u>-</u>
	<u>23,519</u>	<u>8,583</u>

7. PENSION SCHEME COSTS AND COMMITMENTS

The Company operates a defined contribution scheme for its employees which requires contributions to be made to separately administered funds for each employee.

An amount of £7,440 was charged in the profit and loss account in 1998 in respect of contributions made by the Company to the scheme. (£2,904 - 1997)

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

8. TANGIBLE FIXED ASSETS

	£
Cost	
At 31st December 1997	11,341
	<u> </u>
At 31 December 1998	11,341
	<u> </u>
Depreciation	
At 1st January 1997	1,265
Provided during the year	2,268
	<u> </u>
At 31 December 1998	3,533
	<u> </u>
Net Book Value	
At 31 December 1998	<u>7,808</u>
At 31 December 1997	<u>10,076</u>

9. STOCK	1998	1997
	£	£
Goods for resale	761,327	1,475,374
	<u> </u>	<u> </u>
10. DEBTORS		
	1998	1997
	£	£
Trade debtors	479,031	264,867
Prepayments and accrued income	6,284	7,279
VAT recoverable	-	172,350
	<u>485,315</u>	<u>444,496</u>

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

11. CREDITORS

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Trade creditors	40,660	6,262
Amounts owed to immediate parent undertaking	540,867	1,338,501
Amounts owed to related company	747,854	582,888
Bank overdraft	79,623	9,067
VAT payable	3,444	-
Other creditors	126	275
Accruals and deferred income	<u>4,755</u>	<u>30,650</u>
	<u>1,417,329</u>	<u>1,967,643</u>

12. SHARE CAPITAL

	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Authorised, allotted and fully paid: 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 May 1997	50,000	-	50,000
Loss for the period	-	(87,697)	(87,697)
At 1 January 1998	<u>50,000</u>	<u>(87,697)</u>	<u>(37,697)</u>
Loss for the year	-	(125,182)	(125,182)
At 31 December 1998	<u>50,000</u>	<u>(212,879)</u>	<u>(162,879)</u>

BUCHANAN FOREST PRODUCTS TERMINAL LIMITED

NOTES TO THE ACCOUNTS

at 31 December 1998

14. OPERATING LEASE COMMITMENTS

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>1998</i>		<i>1997</i>	
	<i>Office Premises</i>	<i>Motor Vehicles</i>	<i>Office Premises</i>	<i>Motor Vehicles</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
within 1 year	-	-	506	-
within 2 to 5 years	-	9,553	-	8,700
	-	9,553	506	8,700

15. RELATED PARTY TRANSACTIONS

The Company purchased no timber in 1998 (1997 - £1,712,346) in the normal course of business and at arms length from Northern Wood Inc, a subsidiary of Buchanan Forest Products Ltd. The Company purchased timber in 1998 value £2,122,329 (1997 - £830,941) in the normal course of business and at arms length from Price & Pierce Ltd, a subsidiary of Price & Pierce(Holding Company)Ltd who are a shareholder in the Company.

16. CAPITAL COMMITMENTS

Capital commitments contracted for at 31 December 1998 amounted to Nil. (1997 - Nil). There were no capital commitments authorised but not contracted for at 31 December 1998 (1997 - Nil).

17. ULTIMATE HOLDING COMPANY

The ultimate parent undertaking and the largest group of undertakings of which the company is a member and for which group accounts are prepared, is Buchanan Forest Products Ltd, a company incorporated in Canada. Copies of its group accounts are available from the company secretary, McIntyre Centre, Thunder Bay, Ontario, Canada.