

Company Registration No. 2188633 (England and Wales)

ALBA TREES PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

ALBA TREES PLC

COMPANY INFORMATION

Directors	P J Church R Shearer J P Hepburne Scott B Sutton M D Clarke J C Lamont
Secretary	Badger Hakim Secretaries Ltd
Company number	2188633
Registered office	10 Dover Street London W1S 4LQ
Auditors	Geoghegan & Co 6 St Colme Street Edinburgh EH3 6AD
Business address	Lower Winton Gladsmuir East Lothian EH33 2AL
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Solicitors	Biggart Baillie 310 St Vincent Street Glasgow G2 5QR
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

ALBA TREES PLC

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ALBA TREES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2006

The directors present their report and financial statements for the year ended 31 August 2006.

Principal activities and review of the business

In November 2005 60% of the issued shares were acquired by Buccleuch Ventures Limited, a division of Buccleuch Estates Limited. The company remains a PLC, and its shares are traded on the Plus market (formerly OFEX).

The company produces high quality cell-grown plants for traditional forestry and new native woodland creation as well as the landscape and conservation sectors. Trees and shrubs are sold to other nurseries for growing on. Turnover for the twelve month period was £1,603,896 from sales of 5.3 million plants, planting equipment and tree protection products. The company provides consultancy advice to other companies using similar technology.

The company has continued to invest in research and development into new products, i.e. new species for new markets, and innovative methods of protecting young trees against insect attack in the forest.

As shown in the profit and loss account the company made a loss after taxation of £65,615 after an exceptional cost of £128,626 for professional fees in respect of strategic and financial matters. No dividend has been declared.

The principal markets for the company are in the forestry and farm conservation sectors. Both are heavily dependent on government grants which were curtailed during the period. Consequently, turnover and the number of plants sold were proportionately lower than during the previous period.

The extent and direction of future EU and UK government support for woodland creation is as yet unclear. However, climate change concerns are expected to have a positive influence in this respect.

Corporate social responsibility

Working within the Buccleuch Group the company is reviewing all aspects of its corporate social responsibilities. On-going projects include staff training and efficiency in the use of pesticides, packaging, and vehicles.

Employees

Details of the number of employees and related costs can be found in note 21 to the accounts. During the period new government legislation in relation to the employment of seasonal workers resulted in a 41% increase in contract labour rates. However, efficiency measures delivered a proportionate reduction in overall labour costs compared to the previous period.

Future developments

The directors recognise the changing nature of UK forestry in which new planting is declining and re-stocking of felled plantations is set to increase. The company is altering its product mix accordingly and is developing new products for the changing market.

Directors

The following directors have held office since 1 September 2005:

P J Church

R Shearer

G A Heggie

(Resigned 31 March 2006)

J P Hepburne Scott

B Sutton

M D Clarke

(Appointed 17 November 2005)

ALBA TREES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

W A C Thomson (Resigned 31 March 2006)
J C Lamont (Appointed 1 April 2006)

In accordance with the Articles of Association, P J Church and J C Lamont retire by rotation and, being eligible, offer themselves for re-election.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	'A' Ordinary shares of 50p each	
	31 August 2006	1 September 2005
P J Church	-	55
R Shearer	-	55
J P Hepburne Scott	-	-
B Sutton	-	-
M D Clarke	-	-
J C Lamont	-	-

	Ordinary shares of £ 1 each	
	31 August 2006	1 September 2005
P J Church	-	16,818
R Shearer	-	10,000
J P Hepburne Scott	-	2,000
B Sutton	-	2,000
M D Clarke	-	-
J C Lamont	-	-

No director has an interest in the shares of any other group company.

Charitable donations	2006	2005
	£	£

During the year the company made the following payments:

Charitable donations	1,904	452
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Creditor payment policy

The company aims to pay all its suppliers within a reasonable period of their invoice being received and in any case within the supplier's own standard payment terms. The company has no formal policy relating to payment of creditors. On average, trade creditors at the year end represented 83 (2005 - 50) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Geoghegan & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

ALBA TREES PLC

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 AUGUST 2006**

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Badger Hakim Secretaries Ltd

Secretary

20 December 2006

ALBA TREES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALBA TREES PLC

We have audited the financial statements of Alba Trees plc for the year ended 31 August 2006 set out on pages 6 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records or 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 other transactions is not disclosed.

We read the directors' report 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 International Standards on Auditing (UK and Ireland) 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.

ALBA TREES PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ALBA TREES PLC

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its loss for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Geoghegan & Co

20 December 2006

Chartered Accountants

Registered Auditor

6 St Colme Street
Edinburgh
EH3 6AD

ALBA TREES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2006

		2006	2005
	Notes	£	£
Turnover	2	1,603,896	1,129,694
Cost of sales		(1,142,482)	(748,242)
Gross profit		461,414	381,452
Distribution costs		(320,856)	(215,301)
Administrative expenses	23	(235,581)	(68,896)
Operating (loss)/profit	3	(95,023)	97,255
Other interest receivable and similar income		1,433	5,362
Interest payable and similar charges	4	(11,205)	(7,315)
(Loss)/profit on ordinary activities before taxation		(104,795)	95,302
Tax on (loss)/profit on ordinary activities	5	39,180	(19,052)
(Loss)/profit for the year	17	(65,615)	76,250
Earnings per share	7	(3.78) p	4.39 p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ALBA TREES PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 AUGUST 2006

	2006	2005 (8 months)
	£	£
(Loss)/profit for the financial year	(65,615)	76,250
Prior year adjustment (note 24)	-	34,708
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	<u>(65,615)</u>	<u>110,958</u>

ALBA TREES PLC

BALANCE SHEET AS AT 31 AUGUST 2006

		2006		2005 (8 months)	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8		425,648		418,734
Investments	9		3,297		3,297
			<u>428,945</u>		<u>422,031</u>
Current assets					
Stocks	10	1,621,917		1,507,937	
Debtors	11	226,049		211,119	
Cash at bank and in hand		28,804		173,349	
		<u>1,876,770</u>		<u>1,892,405</u>	
Creditors: amounts falling due within one year	12	<u>(279,054)</u>		<u>(251,921)</u>	
Net current assets			<u>1,597,716</u>		<u>1,640,484</u>
Total assets less current liabilities			2,026,661		2,062,515
Creditors: amounts falling due after more than one year	13		(42,720)		(12,959)
			<u>1,983,941</u>		<u>2,049,556</u>
Capital and reserves					
Called up share capital	16	1,735,512		1,735,512	
Profit and loss account	17	248,429		314,044	
Shareholders' funds - equity interests	18		<u>1,983,941</u>		<u>2,049,556</u>

The financial statements were approved and authorised for issue by the Board on 20 December 2006

P J Church
Director

ALBA TREES PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2006

	2006	2005
	£	(8 months) £
Net cash inflow from operating activities	21,179	178,903
Returns on investments and servicing of finance		
Interest received	1,433	5,362
Interest paid	(10,528)	(4,753)
Interest element of finance lease rentals	(677)	(2,562)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(9,772)	(1,953)
Taxation	(48,247)	-
Capital expenditure		
Payments to acquire tangible assets	(71,033)	(54,141)
Receipts from sales of tangible assets	1,500	-
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(69,533)	(54,141)
Equity dividends paid	-	(34,708)
	<hr/>	<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing	(106,373)	88,101
Financing		
Capital element of hire purchase contracts	(23,337)	(13,022)
Capital element of finance lease contracts	(14,835)	(11,621)
	<hr/>	<hr/>
Net cash outflow from financing	(38,172)	(24,643)
	<hr/>	<hr/>
(Decrease)/increase in cash in the year	<u>(144,545)</u>	<u>63,458</u>

ALBA TREES PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2006

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities		2006	2005	
				(8 months)	
			£	£	
	Operating (loss)/profit		(95,023)	97,255	
	Depreciation of tangible assets		124,263	82,582	
	Profit on disposal of tangible assets		(43)	-	
	(Increase) in stocks		(113,980)	(96,067)	
	Decrease in debtors		24,233	131,621	
	Increase/(decrease) in creditors within one year		81,729	(36,488)	
	Net cash inflow from operating activities		<u>21,179</u>	<u>178,903</u>	
2	Analysis of net (debt)/funds	1 September 2005	Cash flow	Other non-cash changes	31 August 2006
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	173,349	(144,545)	-	28,804
	Debt:				
	Finance lease and hire purchase contracts	(43,814)	38,172	(61,601)	(67,243)
	Net funds/(debt)	<u>129,535</u>	<u>(106,373)</u>	<u>(61,601)</u>	<u>(38,439)</u>
3	Reconciliation of net cash flow to movement in net (debt)/funds		2006	2005	
				(8 months)	
			£	£	
	(Decrease)/increase in cash in the year		(144,545)	63,458	
	Cash outflow from decrease in debt and lease financing		38,172	24,643	
	Change in net debt resulting from cash flows		(106,373)	88,101	
	New finance lease and hire purchase contracts		(61,601)	-	
	Movement in net (debt)/funds in the year		<u>(167,974)</u>	<u>88,101</u>	
	Opening net funds		129,535	41,434	
	Closing net (debt)/funds		<u>(38,439)</u>	<u>129,535</u>	

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land	NIL
Nursery development	3 to 25 years
Tree growing containers	3 to 10 years
Plant & office equipment	4 to 7 years
Motor vehicles	3 to 5 years

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value in the ordinary course of business.

The cost of growing stock includes direct materials, direct wages and attributable overheads based on normal level of activity.

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

1 Accounting policies (continued)

1.9 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 Turnover

Turnover is the amount attributable to the sale of trees, associated planting equipment and consultancy services and is stated net of value added tax. An analysis by geographical market is given below:

Geographical market

	Turnover	
	2006	2005
	£	£
United Kingdom	1,513,643	1,123,492
Other European Union Countries	90,253	6,202
	<u>1,603,896</u>	<u>1,129,694</u>

3 Operating (loss)/profit	2006	2005
	£	(8 months) £
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	124,264	82,582
Auditors' remuneration	6,000	5,500
Remuneration of auditors for non-audit work	3,975	2,250
and after crediting:		
Profit on disposal of tangible assets	<u>(43)</u>	<u>-</u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

4	Interest payable	2006	2005 (8 months)
		£	£
	On bank loans and overdrafts	3,200	1,980
	Lease finance charges and hire purchase interest	8,005	5,335
		<u>11,205</u>	<u>7,315</u>
5	Taxation	2006	2005 (8 months)
		£	£
	Domestic current year tax		
	U.K. corporation tax	(17,271)	17,289
	Adjustment for prior years	(17)	115
	Current tax charge	<u>(17,288)</u>	<u>17,404</u>
	Deferred tax		
	Effects of changes in tax rates and laws	(19,208)	-
	Deferred tax (credit)/charge current year	(2,684)	1,648
		<u>(21,892)</u>	<u>1,648</u>
		<u>(39,180)</u>	<u>19,052</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(104,795)</u>	<u>95,302</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 19.00%)	<u>(31,439)</u>	<u>18,107</u>
	Effects of:		
	Non deductible expenses	583	691
	Depreciation add back	32,106	13,266
	Capital allowances	(33,812)	(14,775)
	Adjustments to previous periods	(17)	115
	Other tax adjustments	15,291	-
		<u>14,151</u>	<u>(703)</u>
	Current tax charge	<u>(17,288)</u>	<u>17,404</u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

6 Dividends	2006	2005 (8 months)
	£	£
Ordinary final paid	-	34,708
	<u> </u>	<u> </u>
7 Earnings per share	2006	2005 (8 months)
EPS - Ordinary shares of £1 each	(3.78) p	4.39 p
	<u> </u>	<u> </u>
EPS calculation based on: (Loss)/profit for financial year/period	£(65,615)	£76,250
	<u> </u>	<u> </u>
	Number	Number
Ordinary shares	1,735,412	1,735,412
	<u> </u>	<u> </u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

8 Tangible fixed assets

	Land	Nursery development	Tree growing containers	Plant and office equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 September 2005	22,851	801,745	89,047	309,793	91,160	1,314,596
Additions	-	36,283	49,696	17,341	29,315	132,635
Disposals	-	(61,392)	(19,928)	(45,056)	(7,650)	(134,026)
At 31 August 2006	22,851	776,636	118,815	282,078	112,825	1,313,205
Depreciation						
At 1 September 2005	-	558,694	41,981	223,250	71,937	895,862
Charge for the year	-	34,567	26,010	43,193	20,494	124,264
On disposals	-	(61,392)	(19,928)	(43,599)	(7,650)	(132,569)
At 31 August 2006	-	531,869	48,063	222,844	84,781	887,557
Net book value						
At 31 August 2006	22,851	244,767	70,752	59,234	28,044	425,648
At 31 August 2005	22,851	243,051	47,066	86,543	19,223	418,734

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and office equipment	Motor vehicles	Total
	£	£	£
Net book values			
At 31 August 2006	48,163	21,632	69,795
At 31 August 2005	30,923	20,135	51,058
Depreciation charge for the year			
At 31 August 2006	12,956	18,848	31,804
At 31 August 2005	17,094	8,019	25,113

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

9 Fixed asset investments

	Unlisted investments £
Cost	
At 1 September 2005 & at 31 August 2006	3,297
	<u>3,297</u>
Net book value	
At 31 August 2006	3,297
	<u>3,297</u>
At 31 August 2005	3,297
	<u>3,297</u>

10 Stocks	2006 £	2005 £
Raw materials and consumables	1,324,245	1,251,029
Finished goods and goods for resale	297,672	256,908
	<u>1,621,917</u>	<u>1,507,937</u>

11 Debtors	2006 £	2005 £
Trade debtors	144,362	171,844
Corporation tax	17,271	-
Other debtors	9,346	5,624
Prepayments and accrued income	-	473
Deferred tax asset (see note 14)	55,070	33,178
	<u>226,049</u>	<u>211,119</u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

12 Creditors: amounts falling due within one year	2006	2005
	£	£
Net obligations under finance leases and hire purchase contracts	24,523	30,855
Trade creditors	205,232	99,600
Corporation tax	-	48,264
Other taxes and social security costs	12,511	11,279
Other creditors	742	16,673
Accruals and deferred income	36,046	45,250
	<u>279,054</u>	<u>251,921</u>

The Bank of Scotland holds a standard security and debenture incorporating fixed and floating charges over the assets of the company.

13 Creditors: amounts falling due after more than one year	2006	2005
	£	£
Net obligations under finance leases and hire purchase contracts	<u>42,720</u>	<u>12,959</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	29,426	38,981
Repayable between one and five years	51,570	15,839
	<u>80,996</u>	<u>54,820</u>
Finance charges and interest allocated to future accounting periods	(13,753)	(11,006)
	<u>67,243</u>	<u>43,814</u>
Included in liabilities falling due within one year	<u>(24,523)</u>	<u>(30,855)</u>
	<u>42,720</u>	<u>12,959</u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

14 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 11) is made up as follows:

	2006	
	£	
Balance at 1 September 2005	(33,178)	
Profit and loss account	(21,892)	
	<hr/>	
Balance at 31 August 2006	(55,070)	
	<hr/> <hr/>	

	2006	2005
	£	£
Decelerated capital allowances	(49,776)	(33,178)
Tax losses available	(5,294)	-
	<hr/>	<hr/>
	(55,070)	(33,178)
	<hr/> <hr/>	<hr/> <hr/>

15 Pension costs

Defined Contribution

	2006	2005
	£	£
Contributions payable by the company for the year	12,941	8,030
	<hr/> <hr/>	<hr/> <hr/>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

16 Share capital	2006 £	2005 £
Authorised		
300 'A' Ordinary shares of 50p each	150	150
2,199,850 Ordinary shares of £1 each	2,199,850	2,199,850
	<u>2,200,000</u>	<u>2,200,000</u>
Allotted, called up and fully paid		
200 'A' Ordinary shares of 50p each	100	100
1,735,412 Ordinary shares of £1 each	1,735,412	1,735,412
	<u>1,735,512</u>	<u>1,735,512</u>

The 'A' ordinary shares confer in total 0.1% of voting rights, dividend rights and rights to the distribution of surplus assets on a winding up of the company, pro rata to their respective holdings of 'A' ordinary shares. The balance of 99.9% of such rights are conferred to the holders of the ordinary shares pro rata to the respective holdings in the ordinary shares.

17 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 September 2005	314,044
Loss for the year	(65,615)
	<u>248,429</u>
Balance at 31 August 2006	<u>248,429</u>

18 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
(Loss)/Profit for the financial year	(65,615)	76,250
Dividends	-	(34,708)
	<u>(65,615)</u>	<u>41,542</u>
Net (depletion in)/addition to shareholders' funds	(65,615)	41,542
Opening shareholders' funds	2,049,556	2,008,014
	<u>1,983,941</u>	<u>2,049,556</u>
Closing shareholders' funds	<u>1,983,941</u>	<u>2,049,556</u>

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

19 Directors' emoluments	2006	2005 (8 months)
	£	£
Emoluments for qualifying services	140,770	105,808
Fees - Non executive	3,000	2,000
Company pension contributions to money purchase schemes	9,785	6,151
Sums paid to third parties for directors' services	34,882	9,166
	<u>188,437</u>	<u>123,125</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2005- 3).

Fees totalling £17,799 (2005-£6,666) were payable to Ronaash Limited for the services of PJ Church as a consultant. PJ Church is a shareholder of Ronaash Limited.

Fees totalling £5,000 (2005-£2,500) were paid to Private Investors Monitoring Services Limited for the services of GA Heggie as a non-executive director. GA Heggie is a shareholder and director of Private Investors Monitoring Services Limited. At 31 August 2006 the balance due to Private Investors Monitoring Services Limited was £ nil.

Fees totalling £12,083 were payable to The Buccleuch Estates Limited for the services of M D Clarke and J C Lamont as non-executive directors.

20 Transactions with directors

Tree growing containers to the value of £20,933 (2005-£11,647) were purchased in the ordinary course of business and at normal market prices from Ronaash Limited, a company of which PJ Church is a shareholder. At 31 August 2006 the balance due to Ronaash Limited was £10,800 (2005-£nil).

Secretarial fees totalling £830 (2005-£400) were paid to Badger Hakim Secretaries Limited, a company in which GA Heggie is a shareholder and director. At 31 August 2006 the balance due to Badger Hakim Secretaries Limited was £nil (2005-£nil).

ALBA TREES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2006

21 Employees

Number of employees

The average monthly number of employees (including directors but excluding contract labour) during the year was:

	2006 Number	2005 Number
Executive directors	3	3
Production and sales	27	26
Administration	2	2
	<u>32</u>	<u>31</u>

Employment costs

	£	(8 months) £
Wages and salaries	476,273	322,565
Social security costs	40,841	27,888
Other pension costs	12,941	8,030
	<u>530,055</u>	<u>358,483</u>
Contract labour	284,747	196,854
	<u>814,802</u>	<u>555,337</u>

22 Control

The company's immediate parent undertaking is Buccleuch Ventures Limited. In the directors' opinion, the company's ultimate parent company and controlling party is The Buccleuch Estates Limited. Both companies are registered in Scotland.

Growing frames and engineering works to the value of £14,882 were purchased in the ordinary course of business and at normal market prices from The Buccleuch Estates Limited. The company also supplied trees to Buccleuch Woodlands Limited, BQ Farms Limited and The Buccleuch Estates Limited at normal market prices to the value of £51,945, £3,164 and £14,882 respectively. At 31 August 2006 the net amount due by The Buccleuch Estates Limited was £300.

23 Exceptional costs - administrative expenses

Included within administrative expenses are professional fees of £128,626 in relation to strategic and financial matters.

24 Prior year adjustment

Financial Reporting Standard 21 'Events After the Balance Sheet Date' no longer allowed proposed dividends to be recognised as a liability at the balance sheet date. The proposed dividend as at the 31 December 2004 of £34,708 was restated and reflected in the 31 August 2005 financial statements as a current period transaction in line with its authorised declaration.