

Company Registration Number SC009072

BALGONIE ESTATES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002



BALGONIE ESTATES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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BALGONIE ESTATES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors William A Balfour (Chairman)
Micheal J Balfour
Peter E G Balfour
Mary C Balfour
Caroline K Balfour

Company Secretary George R Russell, MBE, WS

Registered Office 48 Castle Street
Edinburgh
EH2 3LX

Auditors Chiene & Tait, CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Solicitors Anderson Strathern WS
48 Castle Street
Edinburgh
EH2 3LX

BALGONIE ESTATES LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2002

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the company during the year was farming and the managing of estates and other investments.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002 £	2001 £
Proposed dividends on ordinary shares	50,000	50,000
Dividends paid on ordinary shares	50,000	50,000
Dividends paid on preference shares	1,055	739
	<u>101,055</u>	<u>100,739</u>

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £10 each 31/12/02		31/12/01	5% Preference Shares of £10 each 31/12/02		31/12/01	7½% Second Preference Shares of £10 each 31/12/02		31/12/01
William A Balfour	2,249		2,249	325		325	350		350
Michael J Balfour	100		100	488		488	250		250
Peter E G Balfour	Nil		Nil	Nil		Nil	Nil		Nil
Mary C Balfour	200		200	Nil		Nil	100		100
Caroline K Balfour	1		1	Nil		Nil	Nil		Nil
William A Balfour and Caroline K Balfour as Trustees	1,450		1,450	Nil		Nil	Nil		Nil

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

BALGONIE ESTATES LIMITED

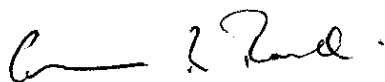
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2002

Auditors

The company has elected under section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually and therefore Chiene & Tait, CA shall be deemed to be re-appointed as auditors.

Signed by order of the directors



George R Russell, MBE, WS
Company Secretary

Approved by the directors on 24 April 2003

BALGONIE ESTATES LIMITED



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 the auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, 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 transactions with the company 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. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 DECEMBER 2002

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Chiene & Tait ca

CHIENE & TAIT, CA

Registered Auditors

61 Dublin Street

Edinburgh EH3 6NL

12 May 2003

BALGONIE ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
Turnover	2	1,047,364	937,999
Cost of sales		1,119,041	992,591
Gross loss		(71,677)	(54,592)
Administrative expenses		(108,928)	(104,228)
Other operating income		1,673	9,441
Operating loss	3	(178,932)	(149,379)
Income and gains from fixed asset investments	6	131,517	196,035
Interest receivable		677	4,613
Interest payable	7	(40,002)	(23,812)
(Loss)/profit on ordinary activities before taxation		(86,740)	27,457
Tax on (loss)/profit on ordinary activities	8	(12,745)	3,176
(Loss)/profit on ordinary activities after taxation		(73,995)	24,281
Dividends (including non-equity)	9	101,055	100,739
Loss for the financial year		(175,050)	(76,458)
Balance brought forward		4,527,504	4,603,962
Balance carried forward		4,352,454	4,527,504

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 15 form part of these financial statements.

BALGONIE ESTATES LIMITED

BALANCE SHEET

31 DECEMBER 2002

	Note	£	2002 £	2001 £
Fixed assets				
Tangible assets	10		4,433,510	4,394,199
Investments	11		502,061	503,046
			<u>4,935,571</u>	<u>4,897,245</u>
Current assets				
Stock	12	325,023		377,120
Debtors	13	63,864		123,199
Cash at bank		181,999		172,639
			<u>570,886</u>	<u>672,958</u>
Creditors: amounts falling due within one year	14	1,005,850		809,163
Net current liabilities			<u>(434,964)</u>	<u>(136,205)</u>
Total assets less current liabilities			<u>4,500,607</u>	<u>4,761,040</u>
Creditors: amounts falling due after more than one year	15		14,700	87,338
			<u>4,485,907</u>	<u>4,673,702</u>
Provisions for liabilities and charges				
Deferred taxation	16		75,853	88,598
			<u>4,410,054</u>	<u>4,585,104</u>
Capital and reserves				
Called-up share capital	19		57,600	57,600
Profit and Loss Account			4,352,454	4,527,504
Shareholders' funds (including non-equity interests)	20		<u>4,410,054</u>	<u>4,585,104</u>

These financial statements were approved by the directors on the 24 April 2003 and are signed on their behalf by:



William A Halfour (Chairman)

The notes on pages 8 to 15 form part of these financial statements.

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties.

Depreciation

Depreciation is calculated so as to write off the cost of each asset (except freehold land and buildings and investment assets), less its estimated residual value, over the useful economic life of that asset as follows:

Self propelled machinery	- 20%
Other plant and equipment	- 10%
Fixtures and fittings	- 10% - 20%

Freehold land and buildings

Depreciation is not provided on freehold land and buildings as a large proportion in value of the freehold properties consists of land and depreciation on buildings is not considered material. The buildings are subjected to an annual impairment review and the directors are of the opinion that the market value of buildings is in excess of their book value and that no impairment requires to be recognised.

Investment properties

Investment properties are accounted for in accordance with SSAP 19, as follows:

- i. investment properties are revalued annually and if material the aggregate surplus or deficit is transferred to a revaluation reserve. Where the total of the revaluation reserve is insufficient to cover a deficit, the amount by which the deficit exceeds the amount in the investment revaluation reserve is charged in the profit and loss account; and
- ii no depreciation is provided in respect of freehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, as the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Grants

Capital grants received are deducted from the cost of the assets to which they relate.

Grants of a revenue nature are credited to income in the period to which they relate.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises expenditure incurred in purchasing, processing or growing and harvesting the stock in hand and bringing it to its current condition.

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. Accounting policies *(continued)*

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the Profit and Loss Account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution scheme for two of the directors. Contributions are charged to the profit and loss account in the year to which they relate. The assets of the scheme are held separately from those of the company in an independently administered fund.

Deferred taxation

Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the company conducted in the United Kingdom and represents the invoiced amount of goods sold (including subsidies received) and rents and feu duties due, all stated net of value added tax.

3. Operating loss

Operating loss is stated after charging/(crediting):

	2002 £	2001 £
Auditors' remuneration	8,400	8,000
Depreciation	211,697	201,363
Operating lease payments	53,111	37,240
Government grants of a revenue nature		
Arable Aid Payments	(218,388)	(226,439)
Livestock subsidies	(7,695)	(8,748)
Net rental income	<u>(163,991)</u>	<u>(167,204)</u>

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2002 No.	2001 No.
Office and management	3	3
Estate and Farm employees	12	12
	<u>15</u>	<u>15</u>

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

4. Particulars of employees *(continued)*

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	243,153	237,259
Social security costs	20,067	20,841
Other pension costs	10,000	10,000
	<u>273,220</u>	<u>268,100</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Aggregate emoluments	<u>103,105</u>	<u>99,141</u>

The number of directors for whom benefits are accruing under company pension schemes was as follows:

	2002 No.	2001 No.
Money purchase schemes	<u>2</u>	<u>2</u>

6. Income and gains from fixed asset investments

	2002 £	2001 £
Income from Investments	109,811	105,526
Gain on disposal of milk quota	—	67,228
Gain on disposal of tangible fixed assets	8,691	23,281
Gain on disposal of investments	13,015	—
	<u>131,517</u>	<u>196,035</u>

7. Interest payable

	2002 £	2001 £
Interest payable on bank borrowing	34,847	18,647
Other loans	5,155	5,165
	<u>40,002</u>	<u>23,812</u>

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

8. Tax on loss or profit on ordinary activities

Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year	-	-
(Over)/under provision in previous years	-	(2,286)
	-	(2,286)
Deferred tax	(12,745)	5,462
Total current tax	(12,745)	3,176

9. Dividends

The following dividends have been paid or proposed in respect of the year:

	2002 £	2001 £
Proposed dividend on ordinary shares	50,000	50,000
Dividend paid on ordinary shares	50,000	50,000
Dividend paid on 5% preference shares	530	371
Dividend paid on 7.5% preference shares	525	368
	101,055	100,739

10. Tangible fixed assets

	Freehold Property £	Plant, Equipment and Motor Vehicles £	Investment Assets £	Total £
Cost				
At 1 January 2002	1,357,190	2,247,804	2,102,322	5,707,316
Additions	168,237	83,604	-	251,841
Transfers	(476,137)	-	476,137	-
Disposals	(646)	(8,879)	-	(9,525)
At 31 December 2002	1,048,644	2,322,529	2,578,459	5,949,632
Depreciation				
At 1 January 2002	-	1,313,117	-	1,313,117
Charge for the year	-	211,697	-	211,697
On disposals	-	(8,692)	-	(8,692)
At 31 December 2002	-	1,516,122	-	1,516,122
Net book value				
At 31 December 2002	1,048,644	806,407	2,578,459	4,433,510
At 31 December 2001	1,357,190	934,687	2,102,322	4,394,199

Residential estate property within freehold land and buildings, which is let to third parties, is investment property under Statement of Standard Accounting Practice No 19 "Investment Property" and has been reclassified as such this year. In the opinion of the directors, the market value of investment properties does not differ substantially from the value shown in the accounts and no revaluation surplus need be recognised in the accounts.

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

10. Tangible fixed assets *(continued)*

In the opinion of the directors the market value of land and estates, excluding investment property, is substantially in excess of their book value; however the directors are unable to assess the amount of appreciation with any degree of accuracy.

Investment property is stated net of £450,000 of grants received from Scottish Borders Enterprise Limited (see note 19).

Hire purchase agreements

Included within the net book value of £4,433,510 is £79,765 (2001 - £63,481) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £17,776 (2001 - £Nil).

11. Investments

	2002 £	2001 £
Cost		
At 1 January 2002	503,046	502,500
Additions	-	546
Disposals	(985)	-
At 31 December 2002	<u>502,061</u>	<u>503,046</u>
Net book value		
At 31 December 2002	<u>502,061</u>	<u>503,046</u>
At 31 December 2001	<u>503,046</u>	<u>502,500</u>
Listed investments at cost		
-listed on the UK Stock Exchange	447,828	448,813
-other listed investments	54,233	54,233
	<u>502,061</u>	<u>503,046</u>
Valuation:		
Listed investments - market value	<u>3,254,704</u>	<u>4,219,099</u>
Estimated taxation on potential capital gain if sold at valuation	<u>523,002</u>	<u>743,211</u>

12. Stocks

	2002 £	2001 £
Livestock and crops	291,299	344,330
Fertiliser, seeds, etc.	33,724	32,790
	<u>325,023</u>	<u>377,120</u>

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

13. Debtors

	2002	2001
	£	£
Trade debtors	36,598	87,420
Other debtors	20,835	35,498
ACT recoverable against future taxation	—	281
Prepayments and accrued income	6,431	—
	<u>63,864</u>	<u>123,199</u>

14. Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank overdrafts	643,782	437,639
Current instalments due on bank term loans (note 15)	69,647	92,857
Loans by directors	47,900	47,900
Other loans*	113,500	113,500
Trade creditors	40,141	20,048
Hire purchase creditors	25,041	27,663
Dividends payable	50,000	50,000
Other creditors	3,789	6,337
Accruals and deferred income	12,050	13,219
	<u>1,005,850</u>	<u>809,163</u>

*Other loans of £113,500 (2001: £113,500) are unsecured and bear interest at 4% per annum.

As security for the overdrafts and business term loan from the Bank of Scotland, the company has given an undertaking to the bank not to grant security over its portfolio of stocks and bonds to any other party and to maintain that portfolio at agreed levels.

15. Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Bank term loans	—	69,647
Other creditors:		
Hire purchase agreements	14,700	17,691
	<u>14,700</u>	<u>87,338</u>

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

16. Deferred taxation

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	88,598	83,136
Charge for year	(12,745)	5,462
Provision carried forward	<u>75,853</u>	<u>88,598</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	75,853	88,598
	<u>75,853</u>	<u>88,598</u>

17. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2002 £	2001 £
Operating leases which expire:		
Within 1 year	<u>15,276</u>	<u>37,000</u>

18. Contingencies

The company has been granted £450,000 by Scottish Borders Enterprise Limited towards the costs of reconstruction of The Pavilion Leisure Complex, Galashiels. The company will be liable to repay the full amount or a proportion thereof if it sells The Pavilion within a period of 10 years from the date of disbursement of the last instalment (23 February 1996) or if it defaults on any other condition of the agreement.

The company has granted a Standard Security to Scottish Borders Enterprise Limited over The Pavilion Leisure Complex to secure the contingent liabilities of the company arising from the grant.

BALGONIE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

19. Share capital

Authorised share capital:

	2002 £	2001 £
7,000 Ordinary shares of £10 each	70,000	70,000
1,060 5% Preference shares of £10 each shares of £10 each	10,600	10,600
700 7.5% Preference shares of £10 each shares of £10 each	7,000	7,000
	<u>87,600</u>	<u>87,600</u>

Allotted, called up and fully paid:

	2002 No.	£	2001 No.	£
Ordinary shares	4,000	40,000	4,000	40,000
5% Preference shares of £10 each shares	1,060	10,600	1,060	10,600
7.5% Preference shares of £10 each shares	700	7,000	700	7,000
	<u>5,760</u>	<u>57,600</u>	<u>5,760</u>	<u>57,600</u>

20. Reconciliation of movements in shareholders' funds

Equity shareholders' funds

	2002 £	2001 £
(Loss)/Profit for the financial year	(73,995)	24,281
Dividends	(101,055)	(100,739)
	<u>(175,050)</u>	<u>(76,458)</u>
Opening shareholders' equity funds	4,567,504	4,643,962
Closing shareholders' equity funds	<u>4,392,454</u>	<u>4,567,504</u>

Non-equity shareholders' funds

Opening and closing shareholders' non-equity funds	<u>17,600</u>	<u>17,600</u>
Total shareholders' funds	<u>4,410,054</u>	<u>4,585,104</u>

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £174,047 (2001 - £32,000).