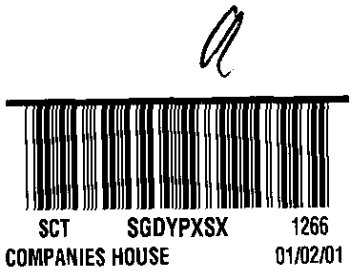
# THE LOMOND SHIPPING COMPANY LIMITED

# DIRECTORS' REPORT AND ACCOUNTS

# FOR THE YEAR ENDED 5TH APRIL 2000

Thorpe Thompson
Chartered Accountants and Registered Auditors
Old Bank Chambers
4 Salop Street
Wolverhampton
West Midlands
WV3 0RQ




Company No. SCO44827

# THE LOMOND SHIPPING COMPANY LIMITED

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# THE LOMOND SHIPPING COMPANY LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 5TH APRIL 2000

The directors present their report and the audited accounts for the company for the year ended 5th April 2000.

The Board has great sadness in noting the death of Sir Thomas Dunlop Bt. in August 1999, and would like to express great appreciation for his service to the company.

### Principal activities

The company's principal activity during the year was that of an investment company.

### Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

| Name of director | Share type | At 5th April 2000 | At 6th April 1999 |
|---|---|---|---|
| Mr R J Dunlop | Ordinary | 10 | 10 |
| Mr N G T Dunlop | Ordinary | 3,066 | 3,066 |
| Mr A J Dunlop - resigned March 2000 | Ordinary | 357 | 357 |
| Dr R A Bidgood | Ordinary | 316 | 316 |

### Statement of directors' responsibilities

Company law requires the directors 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 for that year. In preparing those accounts the directors are required to:

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 accounts;

Prepare the accounts 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 accounts 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.

# THE LOMOND SHIPPING COMPANY LIMITED

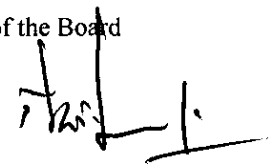
## DIRECTORS' REPORT

## FOR THE YEAR ENDED 5TH APRIL 2000

**Small company exemptions**

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

By order of the Board



**Mr N G T Dunlop, Secretary**
**26th January 2001**

# AUDITORS' REPORT TO THE

# SHAREHOLDERS OF THE LOMOND SHIPPING COMPANY LIMITED

We have audited the accounts on pages 4 to 8 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention and the accounting policies set out on page 6.

## Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and 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 directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

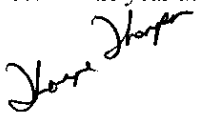
We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

## Fundamental uncertainty: going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the finance requirements of the company. The financial statements have been prepared on a going concern basis, the validity of which, depends on future adequate finance being made available to the related company.
Details of the circumstances relating to this fundamental uncertainty are described in note 2. Our opinion is not qualified in this respect.

## Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 5th April 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Thorpe Thompson**
**Chartered Accountants and Registered Auditors**
**Old Bank Chambers**
**4 Salop Street**
**Wolverhampton**
**West Midlands**
**WV3 0RQ**
**Date: 26th January 2001**

## THE LOMOND SHIPPING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 5TH APRIL 2000

| | Notes | 2000 £ | *1999 £* |
|---|---|---|---|
| Administrative expenses | | **(505)** | *(428)* |
| **Operating loss** | 3 | **(505)** | *(428)* |
| **Loss for the financial year** | | **(505)** | *(428)* |
| **Retained profit brought forward** | | **55,376** | *55,804* |
| **Retained profit carried forward** | | **54,871** | *55,376* |

*The notes on pages 6 to 8 form part of these accounts.*

# THE LOMOND SHIPPING COMPANY LIMITED

## BALANCE SHEET

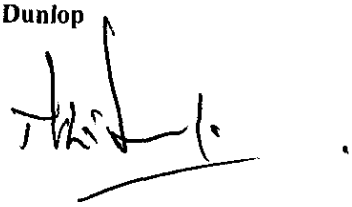
## AS AT 5TH APRIL 2000

| | Notes | | 2000 | | *1999* |
|---|---|---|---|---|---|
| | | £ | £ | £ | *£* |
| **Fixed assets** | | | | | |
| Investments | 5 | | **157,090** | | *157,090* |
| **Current assets** | | | | | |
| Debtors | 6 | **68,705** | | *70,455* | |
| Cash at bank and in hand | | **-** | | *23* | |
| | | **68,705** | | *70,478* | |
| **Creditors: amounts falling due within one year** | 7 | **(160,924)** | | *(162,192)* | |
| **Net current liabilities** | | | **(92,219)** | | *(91,714)* |
| **Total assets less current liabilities** | | | **64,871** | | *65,376* |
| **Capital and reserves** | | | | | |
| Share capital | 8 | | **10,000** | | *10,000* |
| Profit and loss account | | | **54,871** | | *55,376* |
| **Shareholders' funds** | | | **64,871** | | *65,376* |

The accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective March 1999).

These accounts were approved by the board on 26th January 2001 and signed on its behalf by:

**Mr N G T Dunlop**
**Director**



*The notes on pages 6 to 8 form part of these accounts.*

# THE LOMOND SHIPPING COMPANY LIMITED

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 5TH APRIL 2000

### 1 Accounting policies

**Basis of accounting**

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

**Investments**

Investments are stated at cost.

### 2 Basis of preparing the financial statements

Of the company's assets, £68,645 is owed by the related company, and the company has agreed not to demand repayment of this amount in the foreseeable future.

The related company had agreed support from a third party regarding payment of present and future patent fees. The related company will repay these costs, to the third party, at a future date.
At the balance sheet date, patent fees outstanding amounted to £41,700 which were settled by the third party.

During the early part of the financial year it became clear that once again, despite the great progress the related company had made and the industry alliances that were secured, venture capital investment was unlikely to materialise.

The directors, with shareholder support, took up an invitation to present a joint-venture proposal in a SE Asian economy at a senior level. This took place in the autumn of 1999 and led to a series of meetings and appraisals with a UK based subsidiary of the overseas interests.

Whilst the potential of overseas investment remains open, the directors of the related company have secured the contract for an automotive project with a third party, and are in discussions to strengthen the relationship with BTG plc. It is from these commercial relationships that a going concern basis can be justified.

In view of the above, concerning the related company's ability to continue as a going concern, the directors consider that they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements the going concern basis. This assumes that outside financial support will be made available to the related company

### 3 Operating loss

| *The operating loss is stated after charging :* | **2000** | *1999* |
|---|---|---|
| | **£** | *£* |
| Auditors' remuneration | **276** | *276* |

### 4 Taxation

There is no liability to corporation tax based on the results for the year.

## 5 Fixed assets

| | 2000 | *1999* |
|---|---|---|
| **Investments** | **£** | *£* |
| Shares in related company at cost | *157,090* | *157,090* |

At 5th April 2000, the company owned 47% of the ordinary issued share capital of Stepped Piston Engines Limited, a company registered in Scotland.

This company is engaged in the development of the stepped piston engine.

## 6 Debtors

| | 2000 | *1999* |
|---|---|---|
| | **£** | *£* |
| Amounts owed by related undertaking | **68,645** | *70,395* |
| Other debtors | **60** | *60* |
| | **68,705** | *70,455* |

## 7 Creditors: amounts falling due within one year

| | 2000 | *1999* |
|---|---|---|
| | **£** | *£* |
| Unsecured loan notes (1984 issue) | **50,000** | *50,000* |
| Unsecured loan notes (1988 issue) | **55,000** | *55,000* |
| Unsecured loan notes (1994 issue) | **25,000** | *25,000* |
| Bank overdraft | **6** | *-* |
| Loans | **7,000** | *7,000* |
| Accruals | **1,110** | *1,157* |
| Directors' loans | **22,808** | *24,035* |
| | **160,924** | *162,192* |

The loan notes are interest free and repayable on demand by the lender at £120 per £100 loan note.

## 8 Share capital

| | 2000 | *1999* |
|---|---|---|
| | **£** | *£* |
| **Authorised** | | |
| 15,000 Ordinary shares of £1 each | **15,000** | *15,000* |
| **Allotted** | | |
| 10,000 Allotted, called up and fully paid ordinary shares of £1 each | **10,000** | *10,000* |

| 9 | **Transactions with directors** | **2000** | *1999* |
|---|---|---|---|
| | | **£** | *£* |
| | Certain directors also had interests in the 1988 and 1994 Unsecured Loan Notes and were as follows: | | |
| | Robert Jack Dunlop | **33,000** | *33,000* |
| | Andrew James Dunlop - resigned March 2000 | **4,000** | *4,000* |