

THE LOMOND SHIPPING COMPANY LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 5TH APRIL 2002



Thorpe Thompson
Chartered Accountants and Registered Auditors
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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 2002

The directors present their report and the audited accounts for the company for the year ended 5th April 2002.

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 2002	At 6th April 2001
Mr R J Dunlop	Ordinary	10	10
Mr N G T Dunlop	Ordinary	3,066	3,066
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 2002

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

A handwritten signature in black ink, appearing to be 'N G T Dunlop', written over a vertical line.

Mr N G T Dunlop, Secretary
23rd January 2003

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE LOMOND SHIPPING COMPANY LIMITED

We have audited the accounts on pages 4 to 7 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.

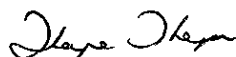
Fundamental uncertainty: going concern

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 2002 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
1st Floor Lincoln Lodge
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Wolverhampton
West Midlands
WV1 4SA
Date: 23rd January 2003

THE LOMOND SHIPPING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 5TH APRIL 2002

	Notes	2002 £	2001 £
Administrative expenses		(323)	(323)
Operating loss	3	(323)	(323)
Loss for the financial year		(323)	(323)
Retained profit brought forward		54,548	54,871
Retained profit carried forward		<u>54,225</u>	<u>54,548</u>

THE LOMOND SHIPPING COMPANY LIMITED

BALANCE SHEET

AS AT 5TH APRIL 2002

	Notes	£	2002 £	£	2001 £
Fixed assets					
Investments	5		157,090		157,090
Current assets					
Debtors	6	68,705		68,705	
		68,705		68,705	
Creditors: amounts falling due within one year	7	(161,570)		(161,247)	
Net current liabilities			(92,865)		(92,542)
Total assets less current liabilities			64,225		64,548
Capital and reserves					
Share capital	8		10,000		10,000
Profit and loss account			54,225		54,548
Shareholders' funds			64,225		64,548

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 23rd January 2003 and signed on its behalf by:

Mr N G T Dunlop
Director



THE LOMOND SHIPPING COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 5TH APRIL 2002

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 £46,500 which were settled by the third party.

The Directors of the related company have, since the year-end, entered into an agreement with a specialist consulting group, on a success only fee basis, for the purpose of securing a buyer for the company's technology.

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 :

	2002	2001
	£	£
Auditors' remuneration	323	323

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 2002, 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.

THE LOMOND SHIPPING COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 5TH APRIL 2002

6	Debtors	2002	2001
		£	£
	Amounts owed by related undertaking	68,645	68,645
	Other debtors	60	60
		<u>68,705</u>	<u>68,705</u>
7	Creditors: amounts falling due within one year	2002	2001
		£	£
	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	6
	Loans	7,000	7,000
	Accruals	1,433	1,110
	Directors' loans	23,131	23,131
		<u>161,570</u>	<u>161,247</u>

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

8	Share capital	2002	2001
		£	£
	Authorised		
	15,000 Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
	Allotted		
	10,000 Allotted, called up and fully paid ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
9	Transactions with directors	2002	2001
		£	£
	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

THE LOMOND SHIPPING COMPANY LIMITED

MANAGEMENT PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 5TH APRIL 2002

	2002	2001
	£	£
Expenses		
Auditors' remuneration	<u>323</u>	<u>323</u>
	323	323
Net loss for the year	<u>(323)</u>	<u>(323)</u>
