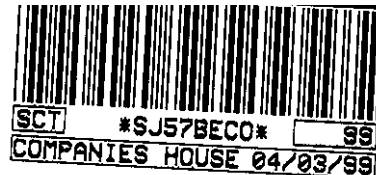


Ogilvie Homes Limited
DIRECTORS' REPORT



The directors submit their report and accounts for the year to 30 June 1998.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £53,336 and is transferred to reserves. The directors do not recommend the payment of a final dividend.

REVIEW OF THE BUSINESS

The company's principal activity during the year was residential property development.

The company is progressing its plans to deal with Year 2000 issues, and is working with its suppliers to achieve compliance ahead of the millennium.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:

D H Ogilvie
J F Watson
D A Baker
A D Ogilvie (appointed 1 September 1997)

None of the directors held any interest in the shares of the company.

The directors' interests in other group companies are disclosed in the directors' report of Ogilvie Group Limited, the ultimate parent company.

CLOSE COMPANY

The company is a close company within the provisions of the Income and Corporation Taxes Act, 1988.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

On behalf of the Board

A handwritten signature, likely of J F Watson, is written over the text 'On behalf of the Board'.

J F Watson
Director and Secretary

Pirnhall Works
Whins of Milton
Stirling

23 November 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- 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 to 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.

REPORT OF THE AUDITORS
to the members of Ogilvie Homes Limited

We have audited the accounts on pages 4 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 to report our opinion to you.

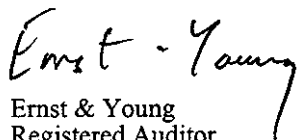
Basis of opinion

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 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 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 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 information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 June 1998 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Glasgow

23 November 1998

Ogilvie Homes Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1998

	<i>Notes</i>	<i>1998</i> £	<i>1997</i> £
TURNOVER	3	7,903,291	12,193,044
Cost of sales		6,771,258	11,013,365
GROSS PROFIT		1,132,033	1,179,679
Distribution costs		420,123	481,757
Administrative expenses		337,079	255,083
OPERATING PROFIT	4	374,831	442,839
Interest payable	6	321,495	302,466
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		53,336	140,373
Tax on profit on ordinary activities	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	53,336	140,373

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £53,336 in the year ended 30 June 1998 and the profit of £140,373 in the period ended 30 June 1997.

Ogilvie Homes Limited

BALANCE SHEET

at 30 June 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	36,075	14,213
Investments	9	100	100
		<u>36,175</u>	<u>14,313</u>
CURRENT ASSETS			
Stocks	10	4,422,807	4,880,571
Debtors	11	2,205,169	2,591,788
Cash at bank and in hand		500,418	1,000,402
		<u>7,128,394</u>	<u>8,472,761</u>
CREDITORS: amounts falling due within one year	12	8,339,345	9,715,186
NET CURRENT LIABILITIES		<u>(1,210,951)</u>	<u>(1,242,425)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,174,776)</u>	<u>(1,228,112)</u>
CAPITAL AND RESERVES			
Share capital	13	100	100
Profit and loss account	14	(1,174,876)	(1,228,212)
EQUITY SHAREHOLDERS' FUNDS		<u>(1,174,776)</u>	<u>(1,228,112)</u>

J F Watson

Director

23 November 1998

NOTES TO THE ACCOUNTS

at 30 June 1998

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern concept because the parent company has confirmed its intention to support the activities of the company over the next twelve months from 23 November 1998 or, if shorter, for so long as the company remains a wholly owned subsidiary of the parent company.

2. ACCOUNTING POLICIES*Accounting convention*

The accounts are prepared under the historical cost convention. The accounts are prepared in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on fixed assets on the following basis:

Sales office equipment	-	33 $\frac{1}{3}$ % straight line
Fixtures and fittings	-	20% reducing balance

Stocks

Work-in-progress is valued at the cost of related land, direct materials and labour plus attributable production overheads less provision for any known or anticipated losses.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account so as they become payable in accordance with the rules of the scheme.

3. TURNOVER

Turnover which is stated net of value added tax represents the invoiced amount of goods sold and services provided. The date of sale is taken as the date a habitation certificate is issued following signing of missives.

4. OPERATING PROFIT

	1998 £	1997 £
a) This is stated after charging:		
Auditors' remuneration - audit services	6,750	6,500
- non audit services	795	-
Depreciation	6,882	8,157
	<u> </u>	<u> </u>
b) Directors' remuneration:	£	£
Directors' emoluments including pension contributions	83,128	44,722
	<u> </u>	<u> </u>
Emoluments of highest paid director	55,721	39,976
	<u> </u>	<u> </u>
Defined pension contributions of highest paid director	4,151	2,025
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

at 30 June 1998

5. STAFF COSTS

	1998 £	1997 £
Wages and salaries	207,963	172,678
Social security costs	19,533	15,458
Pension costs	10,110	7,219
	<u>237,606</u>	<u>195,355</u>

The average weekly number of employees during the year was:

No.	No.
13	10

6. INTEREST PAYABLE

	1998 £	1997 £
Bank and development loan interest	<u>321,495</u>	<u>302,466</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax credit in 1998 or 1997 due to the utilisation of group relief for which no payments are received.

8. TANGIBLE FIXED ASSETS

	<i>Sales office equipment</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost:			
At 1 July 1997	16,623	24,763	41,386
Additions	443	28,301	28,744
At 30 June 1998	<u>17,066</u>	<u>53,064</u>	<u>70,130</u>
Depreciation:			
At 1 July 1997	15,088	12,085	27,173
Charge for year	1,978	4,904	6,882
At 30 June 1998	<u>17,066</u>	<u>16,989</u>	<u>34,055</u>
Net book value:			
At 30 June 1998	-	36,075	36,075
At 1 July 1997	<u>1,535</u>	<u>12,678</u>	<u>14,213</u>

Ogilvie Homes Limited

NOTES TO THE ACCOUNTS

at 30 June 1998

9. INVESTMENTS

Subsidiary undertakings at cost: £

At 1 July 1997 and 30 June 1998 100

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Percentage held</i>	<i>Nature of business</i>
Ogilvie Abbotsford Limited	Scotland	Ordinary shares	100	Non-trading

10. STOCKS

	<i>1998</i> £	<i>1997</i> £
Land held for development	682,284	642,887
Work in progress	3,740,523	4,237,684
	<u>4,422,807</u>	<u>4,880,571</u>

11. DEBTORS

	<i>1998</i> £	<i>1997</i> £
Trade debtors	1,732,744	2,081,832
Amounts recoverable on contracts	-	61,200
Amounts due by group undertakings	400,081	401,780
Other taxes and social security costs	24,199	38,379
Prepayments	48,145	8,597
	<u>2,205,169</u>	<u>2,591,788</u>

12. CREDITORS: amounts falling due within one year

	<i>1998</i> £	<i>1997</i> £
Bank overdraft (see below)	5,360,755	3,819,174
Development loans (see below)	-	2,696,232
Trade creditors	129,175	177,321
Amounts due to group undertakings	2,303,313	1,710,133
Other taxes and social security costs	6,726	3,489
Other creditors	500,000	1,103,193
Provision for future costs	-	167,000
Accruals	35,676	36,444
Payments in advance	3,700	2,200
	<u>8,339,345</u>	<u>9,715,186</u>

The bank overdraft and development loans are secured by a floating charge granted in favour of the Clydesdale Bank PLC.

NOTES TO THE ACCOUNTS

at 30 June 1998

13. SHARE CAPITAL

	1998 £	1997 £
Authorised:		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

14. REVENUE RESERVE

	£
At 1 July 1997	(1,228,212)
Profit for the year	53,336
	<u> </u>
At 30 June 1998	(1,174,876)
	<u> </u>

15. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the period	53,336	140,373
Opening equity shareholders' funds	(1,228,112)	(1,368,485)
	<u> </u>	<u> </u>
Closing equity shareholders' funds	(1,174,776)	(1,228,112)
	<u> </u>	<u> </u>

16. CONTINGENT LIABILITIES

The company has a contingent liability for the overdrafts of the other group undertakings which it has guaranteed without limit.

The company has other contingent liabilities in respect of performance bonds granted by the Bank.

17. PENSIONS

The group operates a defined contribution pension scheme, the assets of which are held separately from those of the group in an independently administered fund. Details of these schemes are contained in the accounts of Ogilvie Group Limited.

18. ULTIMATE PARENT COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Ogilvie Group Limited registered in Scotland. Copies of Ogilvie Group Limited's accounts can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.