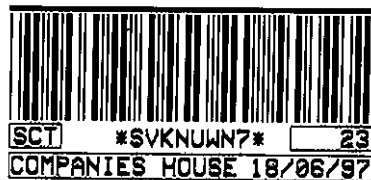


DELNABO ESTATE LIMITED
REPORT AND FINANCIAL STATEMENTS
31 JANUARY 1997

Saffery Champness

CHARTERED ACCOUNTANTS



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DELNABO ESTATE LIMITED

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 1997

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COMPANY INFORMATION

DIRECTORS

B A Yeowart
Mrs V I Yeowart

SECRETARY

Mrs V I Yeowart

REGISTERED OFFICE

15 Atholl Crescent
Edinburgh
EH3 8HA

REGISTERED NUMBER

SC126621

AUDITORS

Saffery Champness
Hill Place House
Inverness
IV2 3AD

SOLICITORS

Brodies WS
15 Atholl Crescent
Edinburgh
EH3 8HA

BANKERS

Bank of Scotland
1 The Square
Grantown on Spey
PH26 3HG

DIRECTORS' REPORT

The directors submit their report and the financial statements of Delnabo Estate Limited for the year ended 31 January 1997.

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 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; and 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. 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £19,081 (1996 £38,225).

The directors do not recommend the payment of a dividend for this year.

REVIEW OF THE BUSINESS

The company's principal activities during the year was the management of Delnabo Estate.

FIXED ASSETS

The movements in fixed assets are shown in note 5 to the financial statements.

DIRECTORS

The directors who have held office since 1 February 1996 are shown on page 1.

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office at 31 January 1997 had the following interests in the shares of the company:

	31 January 1997		1 February 1996	
	Ordinary	Redeemable Preference	Ordinary	Redeemable Preference
B A Yeowart	1	-	1	-
Mrs V I Yeowart	1	400,000	1	400,000

AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the annual general meeting.

SMALL COMPANY EXEMPTIONS

Advantage has been taken, in the preparation of this report, of special exemptions applicable to small companies.

By Order of the Board



Mrs V I Yeowart
Secretary

9th June 1997

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 12.

Respective Responsibilities of Directors and Auditors

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 1997 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

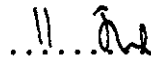
SAFFERY CHAMPNESS

Chartered Accountants

Registered Auditors

Hill Place House

Inverness

 1997

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1997

	Note	1997	1996
TURNOVER	1	61,434	36,856
Cost of sales		(53,920)	(49,524)
GROSS PROFIT		<u>7,514</u>	<u>(12,668)</u>
Operating expenses		(26,595)	(25,730)
OPERATING PROFIT		<u>(19,081)</u>	<u>(38,398)</u>
Interest receivable		-	173
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(19,081)	(38,225)
Taxation	4	-	-
RETAINED LOSS FOR THE YEAR		<u>£(19,081)</u>	<u>£(38,225)</u>

The notes on pages 7 to 12 form part of these financial statements.

All gains or losses arising in the year have been recognised in the profit and loss account and arise from continuing operations.

A reconciliation of movements in shareholders' funds is shown in note 12 to the financial statements.

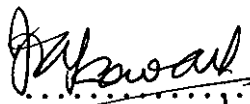
BALANCE SHEET
31 JANUARY 1997

	Notes	1997	1996
FIXED ASSETS			
Tangible assets	5	1,875,260	1,857,809
CURRENT ASSETS			
Stock	6	9,701	10,250
Debtors	7	9,788	3,440
Cash at bank and in hand		5,302	3,626
		<u>24,791</u>	<u>17,316</u>
CREDITORS			
Amounts falling due within one year	8	<u>(3,834)</u>	<u>(7,827)</u>
NET CURRENT ASSETS		20,957	9,489
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,896,217</u>	<u>1,867,298</u>
CREDITORS			
Amounts falling due after more than one year	9	(444,839)	(396,839)
		<u>£1,451,378</u>	<u>£1,470,459</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,700,000	1,700,000
Profit and loss account	12	(248,622)	(229,541)
SHAREHOLDERS' FUNDS	13	<u>£1,451,378</u>	<u>£1,470,459</u>

The notes on pages 7 to 12 form part of these financial statements.

In preparing the annual financial statements, advantage has been taken of special exemptions applicable to small companies on the grounds that the company qualifies as a small company under Section 247 of the Companies Act 1985.

The financial statements were approved by the board on *9th June* 1997


 Mrs V I Yeowart)
)

 B A Yeowart)
) Directors

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TURNOVER

Turnover represents the invoiced amounts of goods sold net of Value Added Tax.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets, except land and buildings, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Furniture and fittings	- 15% pa on the reducing balance basis
Motor vehicles	- 25% pa on the reducing balance basis
Plant and equipment	- 25% pa on the reducing balance basis

No depreciation is provided on land and buildings as the directors are of the opinion that the assets are maintained in such condition that their residual value is in excess of the net book value.

GOVERNMENT GRANTS

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.

Cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

DEFERRED TAXATION

Provision is made, using the liability method, for taxation in respect of items where there is a timing difference between their treatment for accounts and taxation purposes if, in the opinion of the directors, it is probable that a material tax liability will crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1997

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The whole of the company's results relate to continuing operations in the United Kingdom.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of, and amounts written off, assets:		
Charge for the year		
- tangible fixed assets	£11,835	£11,244
Auditors' remuneration	£1,300	£1,600
	<u> </u>	<u> </u>

3 DIRECTORS' REMUNERATION

Directors remuneration during the year was nil.

4 TAXATION

	1997	1996
UK Corporation tax at 25/24% on the loss for the year:	-	-
	<u> </u>	<u> </u>

There will be no liability to corporation tax on the results for the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1997

5 TANGIBLE FIXED ASSETS

	Heritable Property	Furniture & Fittings	Motor Vehicles	Plant & Equipment	Total
Cost:					
1 February 1996	1,807,941	65,051	13,927	26,762	1,913,681
Additions	17,827	846	1,625	8,988	29,286
31 January 1997	<u>1,825,768</u>	<u>65,897</u>	<u>15,552</u>	<u>35,750</u>	<u>1,942,967</u>
Depreciation:					
1 February 1996	-	29,941	8,269	17,662	55,872
Charge for the year	-	5,394	1,821	4,620	11,835
31 January 1997	<u>-</u>	<u>35,335</u>	<u>10,090</u>	<u>22,282</u>	<u>67,707</u>
Net book value					
31 January 1997	<u>£1,825,768</u>	<u>£30,562</u>	<u>£5,462</u>	<u>£13,468</u>	<u>£1,875,260</u>
Net book value					
31 January 1996	<u>£1,807,941</u>	<u>£35,110</u>	<u>£5,658</u>	<u>£9,100</u>	<u>£1,857,809</u>

6 STOCKS

	1997	1996
The main categories are:		
Livestock and other	7,232	6,940
Finished goods and goods for resale	2,469	3,310
	<u>£9,701</u>	<u>£10,250</u>

7 DEBTORS

	1997	1996
Due within one year:		
Trade debtors	3,836	268
Other debtors	5,952	3,172
	<u>£9,788</u>	<u>£3,440</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1997

8 CREDITORS

	1997	1996
Amounts falling due within one year:		
Trade creditors	1,861	5,146
Other taxation and social security costs	267	966
Other creditors	1,706	1,715
	<u>£3,834</u>	<u>£7,827</u>

9 CREDITORS

	1997	1996
Amounts falling due after more than one year:		
Directors' loan	414,839	366,839
Shareholders' loan	30,000	30,000
	<u>£444,839</u>	<u>£396,839</u>

The loans are unsecured, interest free and have no fixed terms of repayment.

10 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability, including the amounts for which provision has been made are as follows:

	Amount provided		Total potential liability	
	1997	1996	1997	1996
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation	<u>-</u>	<u>-</u>	<u>£3,456</u>	<u>£3,630</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1997

11 SHARE CAPITAL

	1997	1996
Authorised:		
1,600,000 Ordinary shares of £1 each	1,600,000	1,600,000
400,000 Redeemable preference shares of £1 each	400,000	400,000
	<u>£2,000,000</u>	<u>£2,000,000</u>
Allotted, called up and fully paid:		
1,300,000 Ordinary shares of £1 each	1,300,000	1,300,000
400,000 Redeemable preference shares of £1 each	400,000	400,000
	<u>£1,700,000</u>	<u>£1,700,000</u>

Redemption of the redeemable preference shares requires that the holders be given 6 months written notice of the intention to redeem all or part of the shares which have been issued. The shares are to be redeemed at par plus a premium of £0.07 per share. In the event of a redemption all declared but unpaid dividends require to be paid.

12 RESERVES

	Total
PROFIT AND LOSS ACCOUNT	
1 February 1996	(229,541)
Retained loss for the year	<u>(19,081)</u>
31 January 1997	<u>£(248,622)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
Loss for the financial year	(19,081)	(38,225)
Opening shareholders' funds	<u>1,470,459</u>	<u>1,508,684</u>
Closing shareholders' funds	<u>£1,451,378</u>	<u>£1,470,459</u>

14 CAPITAL COMMITMENTS

The company had no capital commitments outstanding as at 31 January 1997 (1996 - nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JANUARY 1997

15 SUBSEQUENT EVENTS

The Company passed a special resolution on 25th March 1997, allowing the 250,000 authorised but unissued ordinary shares of £1 each, to be converted into and redesignated as deferred shares of £1 each.