

LOCHAY INVESTMENTS LIMITED
AND SUBSIDIARY UNDERTAKINGS

REPORT and FINANCIAL STATEMENTS

For the year ended 30th September 1997



LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS REPORT

The director presents his report and financial statements for the year ended 30th September 1997.

Review of the business

The principal activities of the company were property investment, development and related consultancy services. During the year a new subsidiary, E G Retail Limited, was set up. This company has a right to participate in the development profit from a retail development.

Results and dividends

The trading profit for the year, after taxation, amounted to £100,054 (1996 £99,390). The director does not recommend the payment of a dividend.

Future developments

The director intends to continue the company's consultancy services. The property investment activity was transferred to a new wholly owned subsidiary, Lochay Properties Limited in October 1997.

Fixed assets

The movement of fixed assets is shown in the notes to the financial statements.

Share capital

The movement of share capital is shown in the notes to the financial statements.

Director and his interest

The director and his interest was as follows:

	As at 30th September 1996 and 1997
W G R Thomson	6,000 =====

Auditors

J F Small Limited have indicated their willingness to continue in office and in accordance with the provisions of the companies Act it is proposed that they be re-appointed auditors to the company for the ensuing year.

Statement of the director's responsibilities

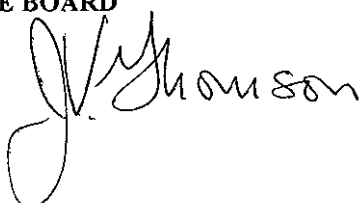
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him 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.

BY ORDER OF THE BOARD

J V Thomson
SECRETARY



14 April 1998

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

We have audited the accounts on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the directors and auditors

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

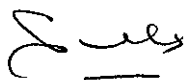
Basis of opinion

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 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**J. & F. Small Limited
Registered Auditors
Ratho Hall
Baird Road
Ratho EH28 8QY**

Dated: 8th May 1998

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT and LOSS ACCOUNT

For the year ended 30th September 1997

	Notes	£	1997 £	£	1996 £
Turnover	2		326,869		404,924
Cost of sales			160,405		121,236
Gross profit			166,464		283,688
Administrative expenses			99,795		62,145
Operating profit	3		66,669		221,543
Income from interest in Associated company			70,256		-
			136,925		221,543
Interest received		34,978		4,804	
Interest payable	4	(37,927)		(27,036)	
			(2,949)		(22,232)
Profit on ordinary activities before taxation			133,976		199,311
Tax on profit on ordinary activities	5		33,922		49,921
Profit on ordinary activities after taxation			100,054		149,390
Dividend paid			-		50,000
Profit retained in year	13		100,054		99,390

There are no recognised gains or losses other than the profit for the year.

There were no discontinued operations during the year.

The notes on pages 6 to 10 form part of these financial statements.

LOCHAY INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET

As at 30th September 1997

	Notes	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	6		319,400		327,038
Investments	7		300,706		250,033
			<u>620,106</u>		<u>577,071</u>
Current assets					
Stock and work in progress	8	541,315		134,290	
Cash at bank		10		1	
Debtors and prepayments	9	206,271		172,016	
			<u>747,596</u>	<u>306,307</u>	
Creditors: Amounts falling due within one year	10	206,970		<u>334,518</u>	
Net current (liabilities)/assets			540,626		(28,211)
			<u>1,160,732</u>		<u>548,860</u>
Creditors: Amounts due after more than one year	11		918,806		406,988
			<u>241,926</u>		<u>141,872</u>
Capital and reserves					
Called up share capital	12		10,000		10,000
Profit and loss account	13		231,926		131,872
			<u>241,926</u>		<u>141,872</u>

The financial statements were approved by the Director on *14th April* 1998.


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W G R THOMSON

Director

The notes on pages 6 to 10 form part of these financial statements.

LOCHAY INVESTMENTS LIMITED

BALANCE SHEET

As at 30th September 1997

	Notes	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	6		319,400		327,038
Investments	7		300,135		250,033
			<u>619,535</u>		<u>577,071</u>
Current assets					
Stock and work in progress	8	23,083		134,290	
Cash at bank		10		1	
Debtors and prepayments	9	252,497		172,016	
		<u>275,590</u>		<u>306,307</u>	
Creditors: Amounts falling due within one year	10	<u>206,931</u>		<u>334,518</u>	
Net current (liabilities)/assets			68,659		(28,211)
			<u>688,194</u>		<u>548,860</u>
Creditors: Amounts due after more than one year	11		446,971		406,988
			<u>241,223</u>		<u>141,872</u>
Capital and reserves					
Called up share capital	12		10,000		10,000
Profit and loss account	13		231,223		131,872
			<u>241,223</u>		<u>141,872</u>

The financial statements were approved by the Director on *14th April* 1998.



 W G R THOMSON Director

The notes on pages 6 to 10 form part of these financial statements

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES to the FINANCIAL STATEMENTS

For the year ended 30th September 1997

1. Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Depreciation

Depreciation is not provided on freehold land and buildings as the property is held as an investment. Depreciation is calculated, on all other fixed assets, to write off the cost of fixed assets over their working lives on the following basis:

Office Equipment - 25% straight line

Motor Vehicle - 25% straight line

(c) Pensions

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

(d) Deferred taxation

No provision is made in respect of deferred taxation.

(e) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value as follows:

Cost includes direct acquisition costs plus attributable overheads.

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

2. Turnover

Turnover represents amounts invoiced to third parties. The company is registered for valued added tax. Turnover comprises:

	1997 £	1996 £
Rental income	39,731	35,000
Property trading	182,000	132,900
Other income	105,138	237,024
	-----	-----
	326,869	404,924
	=====	=====

In 1996 other income included income derived from Kenmore Investments Limited under a profit share agreement. W G R Thomson is a director of Kenmore Investments Limited.

3. Operating profit	1997 £	1996 £
This is stated after charging:		
Auditors' remuneration	1,750	Nil
Director's remuneration	72,040	42,170
Irrecoverable V.A.T.	636	-
Depreciation - owned assets	1,127	404
- held under hire purchase contracts	9,096	9,096
	=====	=====

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30th September 1997

4. Interest payable	1997 £	1996 £
Bank loan	19,968	20,874
Other loan	6,103	551
Bank overdraft	8,271	2,250
Interest rate cap	2,133	2,133
Hire purchase interest	1,288	1,228
Interest on overdue taxation	164	-
	<u>37,927</u>	<u>27,036</u>

5. Tax on profit on ordinary activities	1997 £	1996 £
Based on profit for the period	17,039	48,725
Corporation tax at 24% (1996 25% & 24%)	-	1,196
Underprovided in previous years	<u>17,039</u>	<u>49,921</u>
Share of Associated company's tax	16,883	-
	<u>33,922</u>	<u>49,921</u>

6. Tangible fixed assets	Freehold Land and Buildings £	Motor Vehicle £	Office Equipment £	Total £
Group and Company				
Cost				
As at 1st October 1996	298,483	36,383	1,925	336,791
Additions	-	-	2,586	2,586
	<u>298,483</u>	<u>36,383</u>	<u>4,511</u>	<u>339,377</u>
Depreciation				
As at 1st October 1996	-	9,096	657	9,753
Charge for period	-	9,096	1,128	10,224
	<u>-</u>	<u>18,192</u>	<u>1,785</u>	<u>19,977</u>
Net book value				
At 30th September 1997	<u>298,483</u>	<u>18,191</u>	<u>2,726</u>	<u>319,400</u>
At 30th September 1996	<u>298,483</u>	<u>27,287</u>	<u>1,268</u>	<u>327,038</u>

The net book value of motor vehicle above includes an amount of £18,191 (1996 £27,287) in respect of an asset held under a hire purchase contract.

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30th September 1997

7. Investments

	1997 £	1996 £
Group		
Unsecured loan stock	250,000	250,000
Other loan	50,000	-
Shares in Associated Company	606	33
Shares in subsidiary undertaking	100	-
	-----	-----
	300,706	250,033
	=====	=====

The Unsecured loan stock represents an investment in Kenmore Investments Limited. The loan stock return is based on the performance of Kenmore Investments Limited. W G R Thomson is a director of Kenmore Investments Limited.

The other loan represents a loan to Kenmore South Limited. The return is based on the performance of Kenmore South Limited. W. G. R. Thomson is a director of Kenmore South Limited.

Associated Company

The shares are in Lukmore Properties Limited, a company registered in Scotland. The holding amounts to 33 1/3% of the company's share capital.

Subsidiary Undertaking

The shares are in a wholly owned subsidiary called Lochay Properties Limited, a company registered in Scotland. The company did not commence trading until October 1997 therefore its results have not been incorporated in these accounts.

	1997 £	1996 £
Company		
Unsecured loan stock	250,000	250,000
Other loan	50,000	-
Shares in Associated Company	33	33
Shares in subsidiary undertakings	102	-
	-----	-----
	300,135	250,033
	=====	=====

The Unsecured loan stock represents an investment in Kenmore Investments Limited. The loan stock return is based on the performance of Kenmore Investments Limited. W G R Thomson is a director of Kenmore Investments Limited.

The other loan represents a loan to Kenmore South Limited. The return is based on the performance of Kenmore South Limited. W. G. R. Thomson is a director of Kenmore South Limited.

Associated Company

The shares are in Lukmore Properties Limited, a company registered in Scotland. The holding amounts to 33 1/3% of the company's share capital.

Subsidiary Undertakings

Name of company	Holding	Proportion held	Business
E G Retail Limited	Ordinary Shares	100%	
Lochay Properties Limited	Ordinary Shares	100%	Dormant

Both of the subsidiary companies are registered in Scotland.

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30th September 1997

8. Stock and work-in-progress	1997 £	Group 1996 £	1997 £	Company 1996 £
Stock and work-in-progress comprises of properties held for resale.				
Stocks	541,315	134,290	23,083	134,290
	=====	=====	=====	=====

9. Debtors	1997 £	1996 £	1997 £	1996 £
Trade debtors	26,859	101,670	26,859	101,670
Other debtors	96,958	17,679	12,958	17,679
Prepayments	704	2,667	704	2,667
Loan to Associated Company	19,300	50,000	19,300	50,000
Loan to subsidiary undertakings	62,450	-	192,676	-
	-----	-----	-----	-----
	206,271	172,016	252,497	172,016
	=====	=====	=====	=====

10. Creditors: Amounts falling due within one year	1997 £	Group 1996 £	1997 £	Company 1996 £
Bank overdraft	63,286	99,245	63,286	99,245
Bank loan current instalments	18,000	18,000	18,000	18,000
Deferred income	3,188	4,375	3,188	4,375
Other taxes and social security costs	7,406	28,258	7,406	28,258
Current corporation tax	32,129	48,725	32,090	48,725
Accruals	7,122	2,459	7,122	2,459
Other creditors	51	33	51	33
Directors loan	66,048	73,683	66,048	73,683
Hire purchase liability	9,740	9,740	9,740	9,740
Other loan	-	50,000	-	50,000
	-----	-----	-----	-----
	206,970	334,518	206,931	334,518
	=====	=====	=====	=====

The bank overdraft is secured by a floating charge over the assets of the company.

11. Creditors: Amounts falling due after more than one year	1997 £	Group 1996 £	1997 £	Company 1996 £
Bank loan	213,427	233,141	213,427	233,141
Director's loan	372,800	163,300	151,800	163,300
Hire purchase liability	808	10,547	808	10,547
Other loans	180,936	-	80,936	-
Sundry creditors and accruals	150,835	-	-	-
	-----	-----	-----	-----
	918,806	406,988	446,971	406,988
	=====	=====	=====	=====

The bank loan is a 15 year term loan secured over the freehold land and buildings. Interest is payable at 2½% above the Clydesdale Bank base rate.

The director's loan is unsecured and without terms.

Included in sundry creditors is an amount of £20,000 due to Chiene & Tait C.A. W G R Thomson is a partner in Chiene & Tait C.A.

LOCHAY INVESTMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30th September 1997

12. Share capital	Authorised		Allotted called up and fully paid	
	No.	£	No.	£
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
	=====	=====	=====	=====
13. Profit and loss account	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
As at 1 October 1996	131,872	32,482	131,872	32,482
Profit for the year	100,054	99,390	99,351	99,390
	-----	-----	-----	-----
As at 30 September 1997	231,926	131,872	231,223	131,872
	=====	=====	=====	=====
14. Reconciliation of movements in shareholders' funds	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Shareholders' funds at 1 October 1996	141,872	42,482	141,872	42,482
Profit for the year	100,054	99,390	99,351	99,390
	-----	-----	-----	-----
Shareholders' funds at 30 September 1996	241,926	141,872	241,223	141,872
	=====	=====	=====	=====

15. Statement of cash flow

The company has taken advantage of the exemptions conferred by FRS1 from the requirement to prepare a cash flow statement. It has done so on the grounds that it is a small company.