

**Lochay Investments Limited and
Subsidiary Undertakings**

Financial Statements

30 September 2000

Company Registration Number SC152921



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Lochay Investments Limited and Subsidiary Undertakings

Financial Statements

Year ended 30 September 2000

Contents	Page
The director's report	1
Auditors' report to the shareholders	2
Group profit and loss account	3
Group statement of total recognised gains and losses	4
Group balance sheet	5
Balance sheet	6
Notes to the financial statements	7

Lochay Investments Limited and Subsidiary Undertakings**The Director's Report****Year ended 30 September 2000**

The director has pleasure in presenting his report and the financial statements of the group for the year ended 30 September 2000.

Principal Activities

The principal activities of the company during the year were property development, property trading and related consultancy services.

The Director and his Interests

The director who served the company during the year together with his beneficial interests in the shares of the company was as follows:

	Ordinary Shares of £1 each	
	At 30 September 2000	At 1 October 1999
W G R Thomson	<u>6,000</u>	<u>6,000</u>

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 the group at the end of the year and of the group's profit or loss for the year then ended.

In preparing those financial statements, the director is required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also 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 group and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by



W G R Thomson
Director

Approved by the director on 4 June 2001

Lochay Investments Limited and Subsidiary Undertakings**Auditors' Report to the Shareholders****Year ended 30 September 2000**

We have audited the financial statements on pages 3 to 16 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 to 8.

Respective Responsibilities of the Director and the Auditors

As described on page 1, the company's director is responsible for the preparation of the 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 the company's affairs and of the group as at 30 September 2000 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



JEFFREY CRAWFORD & CO
Chartered Accountants
& Registered Auditors

4 June 2001

Lochay Investments Limited and Subsidiary Undertakings

Group Profit and Loss Account

Year ended 30 September 2000

	Note	2000 £	1999 £
Group Turnover (including share of associates)		2,432,278	923,681
Less: share of associates		<u>1,922,732</u>	<u>386,899</u>
		509,546	536,782
Cost of sales		<u>30,869</u>	<u>169,390</u>
Gross Profit		478,677	367,392
Administrative expenses		<u>98,038</u>	<u>376,124</u>
Operating Profit/(Loss)	2	380,639	(8,732)
Share of operating profit of associates		554,482	76,792
Income from other fixed asset investments	4	60,000	-
Interest receivable		131,967	23
Interest payable	5	<u>(327,686)</u>	<u>(98,035)</u>
Profit/(Loss) on ordinary activities before taxation		799,402	(29,952)
Tax on profit/(loss) on ordinary activities	6	<u>(123,306)</u>	<u>(16,220)</u>
Retained Profit/(Loss) for the financial year	7	<u>676,096</u>	<u>(46,172)</u>

All of the activities of the company are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Lochay Investments Limited and Subsidiary Undertakings**Year ended 30 September 2000****Group Statement of Total Recognised Gains and Losses**

	2000	1999
	£	£
Profit/(Loss) for the financial year	701,302	(46,172)
Unrealised profit on revaluation of properties	228,000	-
Total gains and losses recognised since the last annual report	<u>929,302</u>	<u>(46,172)</u>

The notes on pages 7 to 16 form part of these financial statements.

Lochay Investments Limited and Subsidiary Undertakings

Group Balance Sheet

30 September 2000

	Note	£	2000 £	£	1999 £
Fixed Assets					
Tangible assets	8		2,605,058		1,373,811
Investments in associates	9		116,984		62,632
Other investments	9		62,500		50,000
			<u>2,784,542</u>		<u>1,486,443</u>
Current Assets					
Stocks		157,500		301,116	
Debtors	10	891,181		505,767	
Investments	11	174,122		506,874	
Cash at bank		50,054		23,067	
		<u>1,272,857</u>		<u>1,336,824</u>	
Creditors: Amounts falling due within one year	12	<u>(848,791)</u>		<u>(855,027)</u>	
Net Current Assets			<u>424,066</u>		<u>481,797</u>
Total Assets Less Current Liabilities			<u>3,208,608</u>		<u>1,968,240</u>
Creditors: Amounts falling due after more than one year	13		<u>(1,850,020)</u>		<u>(1,513,748)</u>
			<u>1,358,588</u>		<u>454,492</u>
Capital and Reserves					
Called-up equity share capital	16		10,000		10,000
Revaluation reserve	17		428,356		200,356
Group Profit and Loss Account	17		920,232		244,136
Shareholders' Funds	18		<u>1,358,588</u>		<u>454,492</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved and signed by the director on 4 June 2001.



W G R Thomson
Director

Lochay Investments Limited and Subsidiary Undertakings

Balance Sheet

30 September 2000

	Note	2000	1999
		£	£
Fixed Assets			
Tangible assets	8	1,883	1,811
Investments	9	62,684	50,183
		<u>64,567</u>	<u>51,994</u>
Current Assets			
Stocks		157,500	-
Debtors	10	1,160,545	629,914
Investments	11	174,122	506,874
Cash at bank		26,206	68
		<u>1,518,373</u>	<u>1,136,856</u>
Creditors: Amounts falling due within one year	12	<u>(717,317)</u>	<u>(783,027)</u>
Net Current Assets		801,056	353,829
Total Assets Less Current Liabilities		865,623	405,823
Creditors: Amounts falling due after more than one year	13	<u>(175,000)</u>	<u>(121,233)</u>
		<u>690,623</u>	<u>284,590</u>
Capital and Reserves			
Called-up equity share capital	16	10,000	10,000
Profit and Loss Account	17	680,623	274,590
Shareholders' Funds	18	<u>690,623</u>	<u>284,590</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved and signed by the director on 4 June 2001.



W G R Thomson
Director

Lochay Investments Limited and Subsidiary Undertakings**Notes to the Financial Statements****Year ended 30 September 2000****1. Accounting Policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 230 of the Companies Act 1985.

Cash flow statement

The director has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the Group Profit and Loss Account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and equipment 25% straight line

Investment properties

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for their use by the company and so their current value is of prime importance. The departure from the provisions of the Act is required in order to give a true and fair view.

Lochay Investments Limited and Subsidiary Undertakings**Notes to the Financial Statements****Year ended 30 September 2000****1. Accounting Policies** *(continued)***Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging/(crediting):

	2000	1999
	£	£
Depreciation	1,491	1,598
Profit on disposal of fixed assets	-	(4,904)
Auditors' fees	5,475	2,025
Operating lease rentals - land and buildings	<u>15,534</u>	<u>-</u>

3. Director's Emoluments

The director's aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Aggregate emoluments	59,970	39,780
Value of company pension contributions to money purchase schemes	<u>101,592</u>	<u>5,000</u>
	<u>161,562</u>	<u>44,780</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000	1999
	No.	No.
Money purchase schemes	<u>1</u>	<u>1</u>

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

4. Income from Other Fixed Asset Investments

	2000	1999
	£	£
Dividends receivable	<u>60,000</u>	<u>-</u>

5. Interest Payable

	2000	1999
	£	£
Share of associates' interest	185,593	-
Other interest	<u>142,093</u>	<u>98,035</u>
	<u>327,686</u>	<u>98,035</u>

6. Tax on Profit or Loss on Ordinary Activities

	2000	1999
	£	£
Corporation Tax based on the results for the year	<u>7,690</u>	<u>-</u>
	7,690	
Share of associates' tax	115,616	16,301
Adjustment in respect of previous years:		
Corporation tax	<u>-</u>	<u>(81)</u>
	<u>123,306</u>	<u>16,220</u>

7. Profit Attributable to Members of the Parent Company

The profit dealt with in the accounts of the parent company was £406,033 (1999 - £17,694).

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

8. Tangible Fixed Assets

Group	Investment Property £	Furniture & Equipment £	Total £
Cost or Valuation			
At 1 October 1999	1,372,000	6,391	1,378,391
Additions	1,003,175	1,563	1,004,738
Revaluation	228,000	-	228,000
At 30 September 2000	<u>2,603,175</u>	<u>7,954</u>	<u>2,611,129</u>
Depreciation			
At 1 October 1999	-	4,580	4,580
Charge for the year	-	1,491	1,491
At 30 September 2000	<u>-</u>	<u>6,071</u>	<u>6,071</u>
Net Book Value			
At 30 September 2000	<u>2,603,175</u>	<u>1,883</u>	<u>2,605,058</u>
At 30 September 1999	<u>1,372,000</u>	<u>1,811</u>	<u>1,373,811</u>

Revaluation of fixed assets

The investment properties were revalued by the director on the basis of open market value at 30 September 2000. The historical cost of these properties was £2,174,819. If the properties were sold at the stated values, a tax liability of approximately £86,000 would crystallise.

Company	Furniture & Equipment £
Cost or Valuation	
At 1 October 1999	6,391
Additions	1,563
At 30 September 2000	<u>7,954</u>
Depreciation	
At 1 October 1999	4,580
Charge for the year	1,491
At 30 September 2000	<u>6,071</u>
Net Book Value	
At 30 September 2000	<u>1,883</u>
At 30 September 1999	<u>1,811</u>

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

9. Investments

Group

	Other Investments £	Total £
Cost		
At 1 October 1999	50,000	50,000
Additions	12,500	12,500
At 30 September 2000	<u>62,500</u>	<u>62,500</u>
Net Book Value		
At 30 September 2000	<u>62,500</u>	<u>62,500</u>
At 30 September 1999	<u>50,000</u>	<u>50,000</u>

Shares in subsidiary undertakings

Name of company	Holding	Proportion held	Business
Lochay Properties Limited	Ordinary shares	100%	Property Investment
E G Retail Limited	Ordinary shares	100%	Retail Property Development

Both of the subsidiary companies are registered in Scotland.

Shares in associated undertakings

Name of company	Holding	Proportion held	Business
Lukmore Properties Limited	Ordinary shares	33 1/3%	Residential Development
Ardair Properties Limited	Ordinary shares	33 1/3%	Property Investment
James Keiller (Edinburgh) Limited	Ordinary shares	50%	Property Dealing
Kenmore Residential Limited	Ordinary Shares	50%	Residential Development

All of the associated companies are registered in Scotland.

Share of assets of associates:

Gross assets	2,545,786
Gross liabilities	(2,428,802)
Share of net assets	<u>116,984</u>

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

9. Investments (continued)

Company

	Group Companies	Other Investments	Shares in Associates	Total
	£	£	£	£
Cost				
At 1 October 1999	100	50,000	83	50,183
Additions	-	12,500	1	12,501
At 30 September 2000	<u>100</u>	<u>62,500</u>	<u>84</u>	<u>62,684</u>
Net Book Value				
At 30 September 2000	<u>100</u>	<u>62,500</u>	<u>84</u>	<u>62,684</u>
At 30 September 1999	<u>100</u>	<u>50,000</u>	<u>83</u>	<u>50,183</u>

The company's share of the results and net assets of Ardair Properties Limited have not been consolidated as in the opinion of the director the company's interest in this company and its 100% subsidiary, KUC Leisure Limited, was held with a view to subsequent resale and has not previously been consolidated. The property owned by Ardair's subsidiary KUC Leisure Ltd was sold and a special resolution for a members' voluntary liquidation passed.

10. Debtors

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Trade debtors	16,507	24,969	8,100	24,969
Amounts owed by group undertakings	-	-	323,647	124,147
Amounts owed by associates	670,598	446,014	670,598	446,014
Other debtors	189,657	34,593	150,657	34,593
Prepayments and accrued income	14,419	191	7,543	191
	<u>891,181</u>	<u>505,767</u>	<u>1,160,545</u>	<u>629,914</u>

11. Investments

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Other investments	<u>174,122</u>	<u>506,874</u>	<u>174,122</u>	<u>506,874</u>

Current asset investments comprise investments in projects being undertaken by third parties. The return on these investments will consist of the amount of the investment plus a share of profits.

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

12. Creditors: Amounts falling due within one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	534,216	285,731	480,057	231,572
Corporation Tax	22,796	15,106	19,385	15,106
Other taxation and social security	14,160	26,700	6,521	19,914
Other creditors	2,964	679	2,963	679
Other loans	210,078	470,914	190,578	470,914
Accruals and deferred income	64,577	55,897	17,813	44,842
	<u>848,791</u>	<u>855,027</u>	<u>717,317</u>	<u>783,027</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	<u>534,216</u>	<u>285,731</u>	<u>480,057</u>	<u>231,572</u>

13. Creditors: Amounts falling due after more than one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	1,675,020	920,680	-	-
Other creditors including:				
Other loans	-	100,000	-	-
Other creditors	175,000	493,068	175,000	121,233
	<u>1,850,020</u>	<u>1,513,748</u>	<u>175,000</u>	<u>121,233</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	<u>1,675,020</u>	<u>920,680</u>	<u>-</u>	<u>-</u>

Included within the group creditors falling due after more than one year is an amount of £649,880 (1999 - £Nil) in respect of liabilities repayable in whole, otherwise than by instalments payable after more than five years from the balance sheet date.

Lochay Investments Limited and Subsidiary Undertakings**Notes to the Financial Statements****Year ended 30 September 2000****14. Commitment under Operating Leases**

At 30 September 2000 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2000	Land and buildings
	£	1999
		£
Operating leases which expire:		
After more than 5 years	<u>70,000</u>	<u>-</u>

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

15. Related Party Transactions

The controlling party is the director, W G R Thomson, who holds a majority beneficial interest in the share capital of the company.

During the year, a loan of £64,850 due from a subsidiary, E G Retail Limited, was written off. A balance of £19,500 was due from E G Retail Limited at the balance sheet date.

During the year, fees and interest totalling £107,272 and dividends totalling £200,000 were receivable from Lukmore Properties Limited. At the balance sheet date, an amount of £104,503 was due from Lukmore Properties Limited. Lochay Investments Limited holds one third of the issued share capital of Lukmore Properties Limited and W G R Thomson is a director of that company.

During the year, fees of £73,420 were receivable from Lukmore (Citygate) Limited, a wholly owned subsidiary of Lukmore Properties Limited.

During the year, dividends amounting to £60,000 were received from Ardair Properties Limited. Lochay Investments Limited holds one third of the issued share capital of Ardair Properties Limited and Mr Thomson is a director of that company.

During the year, fees totalling £110,625 were receivable from KUC Leisure Limited, a wholly owned subsidiary of Ardair Properties Limited.

At the balance sheet date, an amount of £428,030 was receivable from James Keiller (Edinburgh) Limited. Lochay Investments Limited holds one half of the issued share capital of James Keiller (Edinburgh) Limited and Mr Thomson is a director of that company.

At the balance sheet date, an amount of £138,020 was receivable from Kenmore Residential Limited. Lochay Investments Limited holds one half of the issued share capital of Kenmore Residential Limited and Mr Thomson is a director of that company.

During the year, the company received a loan of £75,000 from H H Thomson, brother of the director. Interest of £12,513 was payable at a commercial rate on his loans during the year. The balance payable at the balance sheet date, including accrued interest, was £77,363.

During the year, an investment of £157,500 was made in DCT Partnership, a partnership in which the director is a partner.

During the year, the company made an investment of £12,500 in Aggmore Properties Limited, a company of which W G R Thomson is a director and shareholder.

The company leases a property from the director's pension fund. Rental of £15,534 was payable by the company during the year.

The company's borrowings are secured by a director's guarantee for £150,000 plus interest, letters of postponement from the director for amounts totalling £400,000 and a cross guarantee from Lochay Properties Limited for £300,000 plus interest.

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

Year ended 30 September 2000

16. Share Capital

Authorised share capital:

	2000	1999
	£	£
10,000 Ordinary shares of £1.00 each	10,000	10,000

Allotted, called up and fully paid:

	2000	1999
	£	£
Ordinary share capital	10,000	10,000

17. Reserves

Group	Profit and loss account	Revaluation reserve
	£	£
Opening balance	244,136	200,356
Profit for the year	676,096	
Revaluation of fixed assets		228,000
Balance carried forward	920,232	428,356

Company

	Profit and loss account
	£
Opening balance	274,590
Profit for the year	406,033
Balance carried forward	680,623

18. Reconciliation of Movements in Shareholders' Funds

	2000	1999
	£	£
Profit/(Loss) for the financial year	676,096	(46,172)
Other net recognised gains and losses	228,000	-
Net addition/(reduction) to funds	904,096	(46,172)
Opening shareholders' equity funds	454,492	500,664
Closing shareholders' equity funds	1,358,588	454,492