

**Lochay Investments Limited
And Subsidiary Undertakings**

Financial Statements

For the year ended 30th September 2001



Lochay Investments Limited
Financial Statements
Year ended 30 September 2001

Contents

	Page
Officers and professional advisers	1
The directors' report	2
Auditors' report to the shareholders	3
Profit and loss account	4
Statement of Recognised gains and losses	5
Group Balance Sheet	6
Company Balance Sheet	7
Notes to the financial statements	8

Lochay Investments Limited

Officers and Professional Advisors

The board of directors	W G R Thomson
Company secretary	A E Taylor
Registered office	61 Dublin Street Edinburgh EH3 6NL
Auditors	Scott Moncrieff Chartered Accountants & Registered Auditors 17 Melville Street Edinburgh EH3 7PH
Principal bankers	Clydesdale Bank plc Queensferry Street Edinburgh EH2 4RD

Lochay Investments and Subsidiary Undertakings

The Director's Report

The director has pleasure in presenting his report and the financial statements of the group for the year ended 30 September 2001.

Principal activities

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

Director and his interest

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

	As at 30th September 2000 and 2001
W G R Thomson	6,000

Auditors

Jeffrey Crawford resigned as auditors during the year. Scott Moncreiff were appointed as auditors on 25 September 2001. They 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 as auditors to the company for the ensuing year.

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 at the end of the year and of its profit or loss for the year then ended

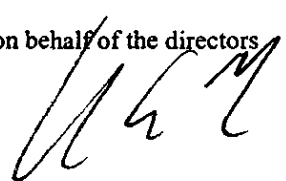
In preparing those financial statements, the director is required to select suitable accounting policies, as described on page 8 and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also prepare the financial statements on a going 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 them to ensure that the financial statements comply with the Companies Act 1985. The director is 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.

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 on behalf of the directors



W G R Thomson
Director

Approved by the directors on 12 July 2002

Lochay Investments Limited and Subsidiary Undertakings

Auditors' Report to the Shareholders

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of the director and auditors

As described on page 2, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 and the group as at 30 September 2001 and of the profit of the group for the year ended 30 September 2001 and have been properly prepared in accordance with the Companies Act 1985.



Scott Moncrieff
Registered Auditors
Chartered Accountants
17 Melville Street
Edinburgh
EH3 7PH

Dated:

12 July

2002

Lochay Investments Limited and Subsidiary Undertakings**Group Profit and Loss Account****For the year ended 30 September 2001**

	Notes	2001 £	2000 £
Group turnover (including share of associates)		1,244,172	2,432,278
Less: Share of associates		145,250	1,922,732
		1,098,922	509,546
Cost of sales		114,476	30,869
Gross profit		984,446	478,677
Administrative expenses		297,597	98,038
Operating profit	2	686,849	380,639
Share of operating profit of associates		506,058	554,482
Income from other fixed asset investments	4	2,488	60,000
Interest receivable		100,823	131,967
Interest payable	5	(312,932)	(327,686)
Profit on ordinary activities before taxation		983,286	799,402
Tax on profit on ordinary activities	6	(349,728)	(123,306)
Profit for the financial year	7	633,558	676,096
Proposed interim dividend		433,671	-
		199,887	676,096

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

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

The notes on pages 8 to 17 form part of these accounts

Lochay Investments Limited and Subsidiary Undertakings

Group Balance Sheet

As at 30 September 2001

	Notes	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	8		3,019,455		2,605,058
Investments	9		807,946		116,984
Other investments	9		12,500		62,500
			<u>3,839,901</u>		<u>2,784,542</u>
Current assets					
Cash at bank		3,521		50,054	
Debtors	10	1,028,559		891,181	
Investments	11	267,391		331,622	
		<u>1,299,471</u>		<u>1,272,857</u>	
Creditors: Amounts falling due within one year	12	<u>(947,027)</u>		<u>(848,791)</u>	
Net current assets			352,444		424,066
Total assets less current liabilities			<u>4,192,345</u>		<u>3,208,608</u>
Creditors: Amounts due after more than one year	13		<u>(2,148,123)</u>		<u>(1,850,020)</u>
			<u>2,044,222</u>		<u>1,358,588</u>
Capital and reserves					
Called up share capital	16		10,000		10,000
Profit and loss account	17		1,120,119		920,232
Revaluation reserve	17		914,103		428,356
Shareholders' funds	18		<u>2,044,222</u>		<u>1,358,588</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

12/7/2002

WGR

W G R Thomson

The notes on pages 8 to 17 form part of these financial statements.

Lochay Investments Limited

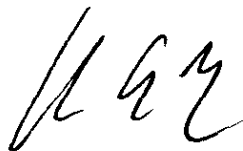
Balance Sheet

As at 30 September 2001

	Notes	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	8		8,887		1,833
Investments	9		12,650		62,684
			21,537		64,567
Current assets					
Cash at bank		1,055		26,206	
Debtors and prepayments	10	1,215,790		1,160,545	
Investments	11	267,391		331,622	
		1,484,236		1,518,373	
Creditors: Amounts falling due within one year	12	(804,258)		(717,317)	
Net current assets			679,978		801,056
			701,515		865,623
Creditors: Amounts due after more than one year	13		(75,000)		(175,000)
			626,515		690,623
Capital and reserves					
Called up share capital	16		10,000		10,000
Profit and loss account	17		616,515		680,623
Shareholder's funds	18		626,515		690,623

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 12/11/ 2002



W G R Thomson

The notes on pages 8 to 17 form part of these financial statements

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

For the year ended 30 September 2001

1. Accounting policies

Basis of accounting

The financial statements are 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.

Stocks

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

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements

For the year ended 30 September 2001

1. Accounting policies (continued)

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.

Post retirement benefits

The group contributes to a money purchase scheme on behalf of the director. The assets of the scheme are held separately from those of the group. The director of the company is one of the trustees of the scheme and the scheme is self administered. The amount charged against profits represents the contributions paid to the scheme in respect of the accounting period.

2. Operating profit/(loss)

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

	2001	2000
	£	£
Auditors' remuneration	3,675	5,475
Depreciation	3,430	1,491
Operating lease rentals – land and buildings	67,927	15,534

3. Director's emoluments

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

	2001	2000
	£	£
Aggregate emoluments	58,547	59,970
Value of company pension contributions to money purchase schemes	62,280	101,592
	120,827	161,562

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

	2001	2000
	No.	No.
Money purchase schemes	1	1

4. Income from other fixed asset investments

	2001	2000
	£	£
Dividends receivable	-	60,000
Gain on sale of shares in associated companies	2,488	-
	2,488	60,000

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2001

4. Income from other fixed asset investments (contd.)

The company sold its shareholding in Lukmore Properties Limited and Kenmore Residential Limited during the year.

5. Interest payable

	2001	2000
	£	£
Share of associates interest	110,740	185,593
Other interest	202,192	142,093
	<u>312,932</u>	<u>327,686</u>

6. Tax on profit on ordinary activities

	2001	2000
	£	£
Corporation tax based on results for the year	209,708	7,690
Adjustment in respect of previous years:		
Corporation Tax	36,884	-
	<u>246,592</u>	<u>7,690</u>
Share of associates' tax	103,136	115,616
	<u>349,728</u>	<u>123,306</u>

7. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £369,563 (2000 –Profit £406,033)

8. Tangible fixed assets

Group	Investment Property £	Furniture & Equipment £	Total £
Cost or valuation			
At 1 October 2000	2,603,175	7,954	2,611,129
Additions	407,393	10,435	417,828
Disposals	-	(7,954)	(7,954)
	<u>3,010,568</u>	<u>10,435</u>	<u>3,021,003</u>
At 30 September 2001			

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2001

8. Tangible fixed assets (contd.)

	Investment Property £	Furniture & Equipment £	Total £
Depreciation			
At 1 October 2000	-	6,071	6,071
Charge for year	-	3,430	3,430
Disposals	-	(7,953)	(7,953)
	-----	-----	-----
At 30 September 2001	-	1,548	1,548
	-----	-----	-----
Net book value			
At 30 September 2001	3,010,568	8,887	3,019,455
	=====	=====	=====
At 30 September 2000	2,603,175	1,883	2,605,058
	=====	=====	=====

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 £2,582,212. If the properties were sold at the stated values, a tax liability of approximately £45,000 would crystallise.

Company

	Furniture & Equipment £
Cost or valuation	
At 1 October 2000	7,954
Additions	10,435
Disposals	(7,954)

At 30 September 2001	10,435

Depreciation	
At 1 October 2000	6,071
Charge for period	3,430
Disposals	(7,953)

	1,548

Net book value	
At 30 September 2001	8,887
	=====
At 30 September 2000	1,833
	=====

Lochay Investments Limited and Subsidiary Undertakings**Notes to the Financial Statements (Contd.)****For the year ended 30 September 2001****9. Investments****Group**

	Other Investments £
Cost	
At 1 October 2000	62,500
Disposals	(50,000)
At 30 September 2001	12,500
Net book value	
At 30 September 2001	12,500
At 30 September 2000	62,500

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
James Keiller (Edinburgh) Limited	Ordinary Shares	50%	Property Dealing

The associated company is registered in Scotland.

Share of assets of associates:

Gross assets	2,984,893
Gross liabilities	2,176,947
Share of net assets	807,946

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2001

9. Investments (contd.)

Company

	Group Companies	Other Investments	Shares in Associates	Total
	£	£	£	£
Cost				
At 1 October 2000	100	62,500	84	62,684
Disposals	-	50,000	34	50,034
	-----	-----	---	-----
At 30 September 2001	100	12,500	50	12,650
	=====	=====	==	=====
Net book value				
At 30 September 2001	100	12,500	50	12,650
	=====	=====	==	=====
At 30 September 2000	100	62,500	84	62,684
	=====	=====	==	=====

During the year the company sold its share holding in Lukmore Properties Limited and Kenmore Residential Limited.

10. Debtors

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Trade debtors	64,354	16,507	18,804	8,100
Other debtors	953,526	189,657	941,419	150,657
Prepayments	10,679	14,419	10,679	7,543
Amounts owed by associated companies	-	670,598	-	670,598
Amounts owed by group undertakings	-	-	244,888	323,647
	-----	-----	-----	-----
	1,028,559	891,181	1,215,790	1,160,545
	=====	=====	=====	=====

11. Investments

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Other investments	267,391	331,622	267,391	331,622
	=====	=====	=====	=====

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(Contd.)

For the year ended 30 September 2001

12. Creditors: Amounts falling due within one year

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Bank loans and overdrafts	556,287	534,216	480,927	480,057
Corporation tax	264,714	22,796	255,910	19,385
Other taxes and social security costs	7,246	14,160	4,892	6,521
Trade creditors	31,114	-	19,061	-
Other creditors	40,869	2,964	37,973	2,963
Other loans	-	210,078	-	190,578
Accruals and deferred income	46,797	64,577	5,495	17,813
	<u>947,027</u>	<u>848,791</u>	<u>804,258</u>	<u>717,317</u>

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

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Bank loans and overdrafts	<u>556,287</u>	<u>534,216</u>	<u>480,927</u>	<u>480,057</u>

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

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Bank loans and overdrafts	1,848,123	1,675,020	-	-
Other creditors including:				
Other loans	290,000	-	75,000	-
Other creditors	10,000	175,000	-	175,000
	<u>2,148,123</u>	<u>1,850,020</u>	<u>75,000</u>	<u>175,000</u>

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

	2001	Group 2000	2001	Company 2000
	£	£	£	£
Bank loans and overdrafts	<u>1,848,123</u>	<u>1,675,020</u>	<u>-</u>	<u>-</u>

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2001

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

Included within the group creditors falling due after more than one year is an amount of £758,680 (2000 - £649,880) in respect of liabilities repayable in whole, otherwise than by instalments payable after more than five years from the balance sheet date.

14. Commitment under operating leases

At 30 September 2001 the group had annual commitments under non-cancellable operating leases as set out below:

Group	Land and Buildings	
	2001	2000
	£	£
Operating leases which expire		
After more than 5 years	70,000	70,000

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 £52,233 due from a subsidiary, E G Retail Limited, was written off.

During the year, fees and interest totalling £62,634 were receivable from Lukmore Properties Limited. At the balance sheet date, an amount of £362,494 was due from Lukmore Properties Limited. W G R Thomson is a director of that company.

During the year, fees of £6,000 were receivable from Lukmore (Citygate) Limited, a wholly owned subsidiary of Lukmore Properties Limited.

During the year, fees and interest totalling £64,805 were receivable from Kenmore Residential Limited. At the balance sheet date, an amount of £376,884 was due from Kenmore Residential Limited. W G R Thomson is a director of that company.

During the year, interest totalling £1,382 was receivable from Gracemore Homes Limited. At the balance sheet date, an amount of £100,920 was due from Gracemore Homes Limited. W G R Thomson is a director of that company.

Kenmore Residential Limited and Gracemore Homes Limited are wholly owned subsidiaries of Kenmore Homes Limited. Kenmore Homes Limited also owns 66% of Lukmore Properties Limited. W G R Thomson is a director of Kenmore Homes Limited and owns 50% of its shares.

During the year, interest amounting to £7,500 was payable, at a commercial rate, to H H Thomson, a brother of the director. At the balance sheet date an amount of £75,000 was due to H H Thomson.

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2001

15. Related party transactions (contd.)

During the year, £4,500 of the investment made to DCT Partnership was repaid. The amount outstanding at the balance sheet date was £153,000. The director is a partner in this partnership.

The company leases a property from the director's pension fund. Rental of £70,000 was payable by the company during the year.

During the year, the group received a loan of £215,000 from the director's pension fund. Interest amounting to £14,922 was payable by the group

The company's borrowings are secured by a director's guarantee for £150,000 plus interest, and a cross guarantee from Lochay Properties Limited for £300,000 plus interest.

16. Share capital

Authorised share capital:

	2001	2000
	£	£
10,000 Ordinary shares of £1.00 each	10,000	10,000

Allotted, called up and fully paid:

	2001	2000
	£	£
Ordinary share capital	10,000	10,000

17. Reserves

Group	Profit and Revaluation	
	Loss account	reserve
	£	£
Opening balance	920,232	428,356
Profit for the year	633,558	
Revaluation of fixed assets		485,747
	1,553,790	914,103
Proposed dividend	433,671	
Balance carried forward	1,120,119	914,103

Lochay Investments Limited and Subsidiary Undertakings

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2001

17. Reserves (contd.)

Company	Profit and Loss account £
Opening balance	680,623
Profit for the year	369,563
Proposed dividend	1,050,186
	433,671
Balance carried forward	616,515

18. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	633,558	676,096
Other net recognised gains and losses	485,747	228,000
	1,119,305	904,096
Proposed dividend	433,671	-
Net addition to funds	685,634	904,096
Opening shareholders' equity funds	1,358,588	454,492
Closing shareholders' equity funds	2,044,222	1,358,588

19. Proposed dividend

The minority shareholders have consented to the proposed dividend and have waived their rights in respect of this dividend.