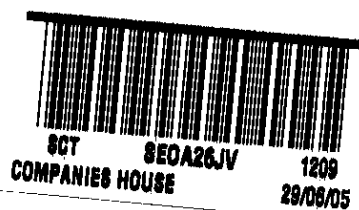


Lochay Investments Limited

Financial Statements

For the year ended 30th September 2004



Lochay Investments Limited

Financial Statements

Year ended 30 September 2004

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Lochay Investments Limited

Officers and Professional Advisors

Director

W G R Thomson

Company secretary

A E Taylor

Registered office

12 Hope Street
Edinburgh
EH2 4DB

Auditors

Chiene & Tait, CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Principal bankers

Clydesdale Bank plc
Queensferry Street
Edinburgh
EH2 4RD

Lochay Investments Limited

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 2004.

Principal activities

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

Dividend

The director recommends the payment of a dividend of £100,000.

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:

Ordinary shares of £1 each
As at
30th September
2003 and 2004

W G R Thomson

6,000
=====

Auditors

Scott Moncrieff resigned as auditors on 6 September 2004. Chiene & Tait, CA were appointed as auditors on 9 September 2004. Chiene & Tait 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 and the group at the end of the year and of the profit or loss of the group for the year then ended.

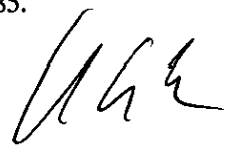
In preparing those financial statements, the director is required to select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also state whether applicable accounting standards have been followed, and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 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 company and 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.

W G R Thomson
Director



Approved by the director on 15th JUNE

2005

Independent Auditors' Report to the Shareholders of Lochay Investments Limited

We have audited the financial statements of Lochay Investments Limited for the year ended 30 September 2004 set out on pages 4 to 19. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 8 and 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company and other members of the group is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the director 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 the company's and the group's affairs as at 30 September 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chiene & Tait, CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Dated:

16th June

2005

Lochay Investments Limited**Consolidated Profit and Loss Account****For the year ended 30 September 2004**

	Notes	2004 £	2003 £
Turnover (including share of associates)	2	1,190,774	2,823,007
Less: Share of associates		258,426	1,848,784
Group turnover		932,348	974,223
Cost of sales		46,332	134,558
Gross profit		886,016	839,665
Administrative expenses		913,581	348,775
Group operating (loss)/profit	3	(27,565)	490,890
Share of operating profit of associates		55,404	356,459
Total operating profit		27,839	847,349
Gain/(loss) on sale of investment property		207,509	(140)
Interest receivable		230,199	168,284
Interest payable	5	(315,522)	(323,310)
Profit on ordinary activities before taxation		150,025	692,183
Tax on profit on ordinary activities	6	113,299	225,064
Profit for the financial year		36,726	467,119
Proposed dividend		100,000	-
Retained (loss)/profit for the year		(63,274)	467,119

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 group are classed as continuing.

The notes on pages 8 to 19 form part of these accounts

Lochay Investments Limited**Consolidated Statement of Total Recognised Gains and Losses****Year ended 30 September 2004**

	2004	2003
	£	£
Profit for the financial year	36,726	467,119
Unrealised profit on revaluation of properties	-	300,000
Taxation on realised gain on sale of investment property	(144,000)	-
Share of unrealised profit on associates revaluation of properties	65,267	-
Total gains and losses recognised since the last annual report	<u>(42,007)</u>	<u>767,119</u>

Note of Historical Cost Profits and Losses**Year ended 30 September 2004**

	2004	2003
	£	£
Reported profit on ordinary activities before taxation	150,025	692,183
Realisation of property revaluation gains of previous periods	848,363	-
Historical cost profit on ordinary activities before taxation	<u>998,388</u>	<u>692,183</u>
Historical cost profit for the year after taxation	<u>741,089</u>	<u>467,119</u>

The notes on pages 8 to 19 form part of these financial statements.

Lochay Investments Limited

Consolidated Balance Sheet

As at 30 September 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	8		2,011,164		3,929,982
Investments	9		1,106,392		1,241,735
Other investments	9		71,774		71,774
			3,189,330		5,243,491
Current assets					
Stocks	10	70,934		68,982	
Debtors	11	2,459,219		1,901,505	
Investments	12	169,094		285,382	
Cash at bank		58		111	
			2,699,305	2,255,980	
Creditors: Amounts falling due within one year	13	(1,267,536)		(974,415)	
Net current assets			1,431,769		1,281,565
Total assets less current liabilities			4,621,099		6,525,056
Creditors: Amounts falling due after more than one year	14		(815,882)		(2,549,627)
Provision for liabilities and charges	16		(7,605)		(25,057)
Net assets			3,797,612		3,950,372
Capital and reserves					
Called up share capital	18		10,000		10,000
Profit and loss account	19		2,358,242		1,727,906
Revaluation reserve	19		1,429,370		2,212,466
Shareholders' funds-equity interests	20		3,797,612		3,950,372

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 15th June

2005

W G R Thomson



The notes on pages 8 to 19 form part of these financial statements.

Lochay Investments Limited

Company Balance Sheet

As at 30 September 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	8		161,164		179,982
Investments	9		71,924		71,924
			<u>233,088</u>		<u>251,906</u>
Current assets					
Debtors	11	2,550,272		1,901,054	
Investments	12	169,094		285,382	
Cash at bank		58		111	
			<u>2,719,424</u>	<u>2,186,547</u>	
Creditors: Amounts falling due within one year	13	(1,688,508)		(1,372,554)	
Net current assets			<u>1,030,916</u>		<u>813,993</u>
Total assets less current liabilities			<u>1,264,004</u>		<u>1,065,899</u>
Creditors: Amounts falling due after more than one year					
	14	-			(217,000)
Provision for liabilities and charges	16	(7,605)			(6,319)
Net assets			<u><u>1,256,399</u></u>		<u><u>842,580</u></u>
Capital and reserves					
Called up share capital	18	10,000			10,000
Profit and loss account	19	1,246,399			832,580
Shareholders' funds-equity interests			<u><u>1,256,399</u></u>		<u><u>842,580</u></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 18th June

2005



W G R Thomson

The notes on pages 8 to 19 form part of these financial statements

Lochay Investments Limited

Notes to the Financial Statements

For the year ended 30 September 2004

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, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertaking, together with its share of the results and post acquisition reserves of associated undertakings. These are adjusted, where appropriate, to conform to group accounting policies. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

In the consolidated financial statements, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of pre-tax profits and attributable taxation of the associated undertakings. In the consolidated balance sheet the investment in associated undertakings is shown at the group's share of net assets of the associated undertakings.

Lochay Investments Limited owns the entire share capital of Lukmore McIlroy (LP) Limited. The principal activity of this company is residential property development. The directors intend to recognise future profits made by this company within Lukmore Properties Limited. In the year to 30 September 2004 no profit or loss was made and the net assets of Lukmore McIlroy (LP) Limited were £2. In order to show a true and fair view the accounts of Lukmore McIlroy (LP) Limited have been consolidated within Lukmore Properties Limited rather than Lochay Investments Limited.

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 group is small.

Turnover

The turnover shown in the Consolidated 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:

Tenants improvements	10% straight line
Furniture 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

Notes to the Financial Statements

For the year ended 30 September 2004

1. Accounting policies (continued)

Stocks

Properties held for resale are valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences in accordance with FRS 19.

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. Turnover

All turnover arose in the United Kingdom.

3. Operating profit

Operating profit is stated after charging:

	2004	2003
	£	£
Auditors' remuneration	2,250	4,150
Depreciation	25,369	12,423
Operating lease rentals – land and buildings	44,800	44,800
	=====	=====

Lochay Investments Limited**Notes to the Financial Statements (Contd.)****For the year ended 30 September 2004****4. Director's emoluments**

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

	2004	2003
	£	£
Aggregate emoluments	255,206	217,512
Value of company pension contributions to money purchase schemes	-	5,800
Executive incentives	500,000	-
	-----	-----
	755,206	223,312
	=====	=====

On 20th August 2004 the company subscribed £500,000 for a dividend share in the capital of Cumberland Investment Company. On 17th September 2004, as part of its executive incentives for the year ended 30th September 2004, the company awarded this share to WGR Thomson.

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

	2004	2003
	No.	No.
Money purchase schemes	1	1
	=====	=====

5. Interest payable

	2004	2003
	£	£
Share of associates interest	135,476	117,218
Bank interest	172,419	191,513
Director's pension scheme loan interest	7,627	14,579
	-----	-----
	315,522	323,310
	=====	=====

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2004

6. Tax on profit on ordinary activities

	2004	2003
	£	£
(a) Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year-group	308,274	221,727
Adjustment in respect of previous periods-group	(23,583)	(263)
-associates	(2,678)	-
Total current tax	282,013	221,464
Deferred Tax:		
Origination and reversal of timing differences-group	(20,571)	4,079
-associates	(7,262)	-
Adjustment in respect of previous periods-group	3,119	(479)
Total deferred tax	(24,714)	3,600
Tax on profit on ordinary activities	257,299	225,064
	=====	=====
 The tax charge is allocated in the financial statements as follows:		
Profit and loss account	113,299	225,064
Statement of total recognised gains and losses	144,000	-
	257,299	225,064
	=====	=====

Lochay Investments Limited**Notes to the Financial Statements (Contd.)****For the year ended 30 September 2004****(b) Factors affecting tax charge for year**

The tax assessed for the year is higher than the expected tax charge as explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	150,025	774,582
Profit on ordinary activities multiplied by standard rate of corporation tax 30% (2003: 30%)	45,007	232,844
Expenses not deductible for tax purposes	17,171	7,868
Adjustments for tax purposes in connection with disposal of property	222,060	(596)
Capital allowances in advance of depreciation	16,977	(7,611)
Tax losses carried forward	17,542	-
Group relief surrender	-	(451)
Marginal relief	(11,900)	(10,327)
Other timing differences	1,417	-
Adjustments in respect of previous periods	(26,261)	(263)
Current tax charge for year	282,013	221,464

(c) Factors affecting future tax charges

No provision has been made for £317,000 (2003:£568,500) of tax in respect of gains arising from the revaluation of fixed assets.

7. Profit attributable to members of the company

The profit dealt with in the accounts of the company was £413,819 (2003 - £270,777)

8. Tangible fixed assets

Group	Investment Properties	Tenants Improvements £	Furniture & Equipment £	Total £
Cost or valuation				
At 1 October 2003	3,750,000	115,357	81,955	3,947,312
Additions	-	6,395	156	6,551
Disposals	(1,900,000)	-	-	(1,900,000)
	-----	-----	-----	-----
At 30 September 2004	1,850,000	121,752	82,111	2,053,863
	-----	-----	-----	-----
Depreciation				
At 1 October 2003	-	-	17,330	17,330
Charge for year	-	12,000	13,369	25,369
	-----	-----	-----	-----
At 30 September 2004	-	12,000	30,699	42,699
	-----	-----	-----	-----
Net book value				
At 30 September 2004	1,850,000	109,752	51,412	2,011,164
	=====	=====	=====	=====
At 30 September 2003	3,750,000	115,357	64,625	3,929,982
	=====	=====	=====	=====

Revaluation of fixed assets

The investment properties were valued by King Sturge, property consultants, at 6 November 2002 in accordance with the RICS Appraisal and Valuation Manual. The director considers that there should be no change in the valuations at 30 September 2004. The historical cost of these properties is £1,171,644.

Company	Tenants Improvements £	Furniture & Equipment £	Total £
Cost			
At 1 October 2003	115,357	81,955	197,312
Additions	6,395	156	6,551
	-----	-----	-----
At 30 September 2004	121,752	82,111	203,863
	-----	-----	-----
Depreciation			
At 1 October 2003	-	17,330	17,330
Charge for year	12,000	13,369	25,369
	-----	-----	-----
At 30 September 2004	12,000	30,699	42,699
	-----	-----	-----
Net book value			
At 30 September 2004	109,752	51,412	161,164
	=====	=====	=====
At 30 September 2003	115,357	64,625	179,982
	=====	=====	=====

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2004

9. Investments Group

	Other Investments £
Cost	
At 1 October 2003	71,774
At 30 September 2004	<u>71,774</u>

Company

	Shares in Subsidiary Undertakings	Other Investments	Interests in Associates	Total
	£	£	£	£
Cost				
At 1 October 2003	100	71,774	50	71,924
Additions	-	-	-	-
Disposals	-	-	-	-
At 30 September 2004	<u>100</u>	<u>71,774</u>	<u>50</u>	<u>71,924</u>

Shares in subsidiary undertakings

Name of company	Holding	Proportion held		Business
		Group	Company	
Lochay Properties Ltd	Ordinary Shares	100%	100%	Property investment
Lukmore McIlroy (LP) Ltd	Ordinary Shares	100%	100%	Property development

Lochay Properties Ltd is registered in Scotland. Lukmore McIlroy (LP) Ltd is registered in England.

Interests in associated companies

Name of company	Holding	Proportion held		Business
		Group	Company	
Keiller Edinburgh Ltd	Ordinary Shares	50%	50%	Property management
Keiller Property Trading Ltd	Ordinary Shares	42.5%	-	Property management
Keiller (Central) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Barrhead) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Newbridge) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Newhouse) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Broxburn) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Livingston) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Linlithgow) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Govan) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Bo'ness) Ltd	Ordinary Shares	50%	-	Property trading

The associated companies are registered in Scotland.

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2004

9. Investments in associates:

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Share of gross assets	7,345,589	3,477,653	-	-
Share of gross liabilities	(6,119,164)	(2,235,918)	-	-
Loans from associates	(120,033)	-	-	-
	<u>1,106,392</u>	<u>1,241,735</u>	<u>-</u>	<u>-</u>

10. Stocks

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Properties held for resale	70,934	68,982	-	-
	<u>70,934</u>	<u>68,982</u>	<u>-</u>	<u>-</u>

11. Debtors

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Trade debtors	19,988	12,249	7,442	12,249
Other debtors	113,329	460,056	17,833	459,605
Prepayments	2,504	7,933	1,599	7,933
Amounts owed by related companies	2,323,398	1,421,267	2,323,398	1,421,267
Dividend receivable	-	-	200,000	-
	<u>2,459,219</u>	<u>1,901,505</u>	<u>2,550,272</u>	<u>1,901,054</u>

12. Investments

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Other investments	169,094	285,382	169,094	285,382
	<u>169,094</u>	<u>285,382</u>	<u>169,094</u>	<u>285,382</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

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2004

13. Creditors: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	700,609	702,432	634,609	568,669
Corporation tax	308,274	149,032	128,246	143,076
Other taxes and social security costs	119,624	39,966	119,624	23,238
Trade creditors	770	5,507	770	2,106
Other creditors	13,873	18,805	8,723	16,430
Accruals and deferred income	24,386	58,673	5,998	6,618
Loan from subsidiary company	-	-	570,505	612,417
Loan from associated company	-	-	120,033	-
Dividend payable	100,000	-	100,000	-
	<u>1,267,536</u>	<u>974,415</u>	<u>1,688,508</u>	<u>1,372,554</u>

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	700,609	702,432	634,609	568,669
	<u>700,609</u>	<u>702,432</u>	<u>634,609</u>	<u>568,669</u>

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans	815,882	2,117,627	-	-
Other loans	-	432,000	-	217,000
	<u>815,882</u>	<u>2,549,627</u>	<u>-</u>	<u>217,000</u>

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	815,882	2,117,627	-	-
	<u>815,882</u>	<u>2,117,627</u>	<u>-</u>	<u>-</u>

Included within the group creditors falling due after more than one year is an amount of £559,242 (2003 - £1,593,627) 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

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2004

15. Commitment under operating leases

At 30 September 2004 the group had annual commitments under non-cancellable operating leases as set out below:

Group	Land and Buildings	
	2004	2003
	£	£
Operating leases which expire		
After more than 5 years	44,800	70,000
	=====	=====

16. Provisions for liabilities and charges

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Deferred tax - Accelerated Capital Allowances	7,605	25,057	7,605	6,319
	=====	=====	=====	=====
Provision at start of year	25,057	24,989	6,319	4,432
Deferred tax (credit)/charge for the year	(17,452)	68	1,286	1,887
	-----	-----	-----	-----
Provision at end of year	7,605	25,057	7,605	6,319
	=====	=====	=====	=====

17. 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, fees of £Nil (2003 £37,432) were receivable from Lukmore (Reading) Limited, a wholly owned subsidiary of Lukmore Properties Limited.

During the year, fees and interest totalling £544,300 (2003: £241,467) were receivable from Kenmore Residential Limited. At the balance sheet date, an amount of £2,323,398 (2003: £1,421,267) was due from Kenmore Residential Limited. W G R Thomson is a director of that company.

Lochay Investments Limited

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2004

17. Related party transactions (contd.)

Kenmore Residential Limited is a wholly owned subsidiary 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 45% of its shares.

During the year, interest amounting to £7,510 (2003: £7,500) was payable, at a commercial rate, to H H Thomson, a brother of the director. The loan from H H Thomson was repaid on 30th September 2004.

During the year, £106,000 (2003: £20,000) of the investment made to DCT Partnership was repaid. The amount outstanding at the balance sheet date was £Nil (2003: £106,000). WGR Thomson is a partner in this partnership.

The company leases a property from the director's pension fund. Rental of £44,800 (2003: £70,000) was payable by the company during the year.

At the balance sheet date an amount of £Nil (2003: £257,000) was due to the director's pension fund. Interest amounting to £2,524 (2003: £19,612) 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.

Included in other debtors is a balance of £4,219 (2003:Nil) due from the director's pension scheme.

18. Share capital

Authorised share capital:

	2004	2003
	£	£
10,000 Ordinary shares of £1 each	10,000	10,000
	=====	=====

Allotted, called up and fully paid:

	2004	2003
	£	£
10,000 ordinary share capital of £1 each	10,000	10,000
	=====	=====

Lochay Investments Limited

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2004

19. Reserves

Group	Profit and Revaluation	
	Loss account	reserve
	£	£
Opening balance	1,727,906	2,212,466
Profit for the year	36,726	-
Share of unrealised surplus on revaluation of properties in associates	-	65,267
Realised deficit on associates group reconstruction	(10,753)	-
Realised gain transfer	848,363	(848,363)
Taxation on realised gain	(144,000)	-
	2,458,242	1,429,370
Proposed dividend	(100,000)	-
Balance carried forward	2,358,242	1,429,370

Company	Profit and	
	Loss account	
	£	
Opening balance		832,580
Profit for the year		313,819
		1,146,399
Proposed dividend		100,000
Balance carried forward		1,246,399

20. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial year	36,726	467,119
Other net recognised gains and losses	65,267	300,000
Taxation on realised gain	(144,000)	-
	(42,007)	767,119
Proposed dividend	(100,000)	-
Net (reduction)/addition to funds	(142,007)	767,119
Realised deficit on associates group reconstruction	(10,753)	-
Opening shareholders' equity funds	3,950,372	3,183,253
Closing shareholders' equity funds	3,797,612	3,950,372