

Lochay Investments Limited

Financial Statements

For the year ended 30th September 2005



Lochay Investments Limited

Financial Statements

Year ended 30 September 2005

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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 2005.

Principal activities

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

Results for the year

During the year one of the group's associates sold its investment property. The group's share of the realised property revaluation gains, and tax thereon, are included in the profit and loss account above the line for dividend paid. Whilst the position of this transfer from the revaluation reserve does not strictly follow the Companies Act format, the director considers the order of items to give a true and fair view given the nature of the group's activities.

Dividend

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

Donations

During the year the company made charitable donations of £6,168.

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 2004 and 2005
W G R Thomson	6,000 =====

Auditors

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  26th APRIL 2006

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 2005 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 and 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 and the group's affairs as at 30 September 2005 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:

28

April

2006

Lochay Investments Limited

Consolidated Profit and Loss Account

For the year ended 30 September 2005

	Notes	2005 £	2004 £
Turnover (including share of associates)	2	3,659,024	1,190,774
Less: Share of associates		2,885,390	258,426
Group turnover		773,634	932,348
Cost of sales		-	46,332
Gross profit		773,634	886,016
Administrative expenses		977,357	913,581
Group operating loss	3	(203,723)	(27,565)
Share of operating profit of associates		561,610	55,404
Total operating profit		357,887	27,839
Gain on sale of investment property-group		-	207,509
Gain on sale of investment property-associates		345,033	-
Interest receivable		469,370	230,199
Interest payable	5	(429,308)	(315,522)
Profit on ordinary activities before taxation		742,982	150,025
Tax on profit on ordinary activities	6	209,730	113,299
Profit for the financial year		533,252	36,726
Realisation of property revaluation gains of previous periods-associates		685,747	-
Taxation on realised gain on sale of investment property-associates		(113,597)	-
Proposed dividend		(100,000)	(100,000)
Retained profit/(loss) for the year		1,005,402	(63,274)

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 2005**

	2005	2004
	£	£
Profit for the financial year	533,252	36,726
Taxation on realised gain on sale of investment property-group	-	(144,000)
Taxation on realised gain on sale of investment property-associates	(113,597)	-
Share of unrealised profit on associates revaluation of properties	-	65,267
Total gains and losses recognised since the last annual report	<u>419,655</u>	<u>(42,007)</u>

Note of Historical Cost Profits and Losses**Year ended 30 September 2005**

	2005	2004
	£	£
Reported profit on ordinary activities before taxation	742,982	150,025
Realisation of property revaluation gains of previous periods	685,747	848,363
Historical cost profit on ordinary activities before taxation	<u>1,428,729</u>	<u>998,388</u>
Historical cost profit for the year after taxation and dividends	<u>1,005,402</u>	<u>641,089</u>

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

Lochay Investments Limited

Consolidated Balance Sheet

As at 30 September 2005

	Notes	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	8		1,994,097		2,011,164
Investments	9		795,839		1,106,392
Other investments	9		304,852		71,774
			-----		-----
			3,094,788		3,189,330
Current assets					
Stocks	10	70,934		70,934	
Debtors	11	2,916,963		2,459,219	
Investments	12	155,400		169,094	
Cash at bank		5		58	
			-----	-----	
			3,143,302	2,699,305	
Creditors: Amounts falling due within one year	13	(1,370,191)		(1,267,536)	
			-----	-----	
Net current assets			1,773,111		1,431,769
			-----		-----
Total assets less current liabilities			4,867,899		4,621,099
Creditors: Amounts falling due after more than one year	14		(745,002)		(815,882)
Provision for liabilities and charges	16		(5,630)		(7,605)
			-----		-----
Net assets			4,117,267		3,797,612
			=====		=====
Capital and reserves					
Called up share capital	18		10,000		10,000
Profit and loss account	19		3,363,644		2,358,242
Revaluation reserve	19		743,623		1,429,370
			-----		-----
Shareholders' funds-equity interests	20		4,117,267		3,797,612
			=====		=====

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 26th APR

2006

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 2005

	Notes	£	2005 £	2004 £
Fixed assets				
Tangible assets	8		144,097	161,164
Investments	9		305,002	71,924
			-----	-----
			449,099	233,088
 Current assets				
Debtors	11	2,909,807	2,550,272	
Investments	12	155,400	169,094	
Cash at bank		-	58	
			-----	-----
		3,065,207	2,719,424	
 Creditors: Amounts falling due within one year	13	(1,594,177)	(1,688,508)	
			-----	-----
Net current assets			1,471,030	1,030,916
			-----	-----
Total assets less current liabilities			1,920,129	1,264,004
 Provision for liabilities and charges	16	(5,630)	(7,605)	
			-----	-----
Net assets			1,914,499	1,256,399
			=====	=====
 Capital and reserves				
Called up share capital	18	10,000	10,000	
Profit and loss account	19	1,904,499	1,246,399	
			-----	-----
Shareholders' funds-equity interests			1,914,499	1,256,399
			=====	=====

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 26th APRIL 2006



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 2005

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 2005 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	over five years
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 2005

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 loss

Operating loss is stated after charging:

	2005	2004
	£	£
Auditors' remuneration	2,500	2,250
Depreciation	39,203	25,369
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 2005****4. Director's emoluments**

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

	2005	2004
	£	£
Aggregate emoluments	751,700	255,206
Executive incentives	-	500,000
	-----	-----
	751,700	755,206
	=====	=====

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

	2005	2004
	No.	No.
Money purchase schemes	1	1
	===	===

5. Interest payable

	2005	2004
	£	£
Share of associates interest	327,000	135,476
Bank interest	102,308	172,419
Director's pension scheme loan interest	-	7,627
	-----	-----
	429,308	315,522
	=====	=====

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2005

6. Tax on profit on ordinary activities

	2005		2004	
	£	£	£	£
(a) Analysis of charge in year				
Current tax:				
UK corporation tax on profits of the year-group		22,826		308,274
UK corporation tax on profits of the year-associates		330,589		-
Adjustment in respect of previous periods-group		-		(23,583)
-associates		-		(2,678)
		-----		-----
Total current tax		353,415		282,013
Deferred Tax:				
Origination and reversal of timing differences-group	(1,435)		(20,571)	
-associates	(28,113)		(7,262)	
Adjustment in respect of previous periods -group	(540)		3,119	
	-----		-----	
Total deferred tax		(30,088)		(24,714)
		-----		-----
Tax on profit on ordinary activities		323,327		257,299
		=====		=====
The tax charge is allocated in the financial statements as follows:				
Profit and loss account		209,730		113,299
Statement of total recognised gains and losses		113,597		144,000
		-----		-----
		323,327		257,299
		=====		=====

Lochay Investments Limited**Notes to the Financial Statements (Contd.)****For the year ended 30 September 2005****(b) Factors affecting tax charge for year**

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

	2005 £	2004 £
Profit on ordinary activities before tax	742,982	150,025
Profit on ordinary activities multiplied by standard rate of corporation tax 30% (2004: 30%)	222,895	45,007
Expenses not deductible for tax purposes	9,441	17,171
Adjustments for tax purposes in connection with disposal of property	105,469	222,060
Capital allowances in advance of depreciation	40,618	16,977
Tax losses carried forward	-	17,542
Group relief surrender		-
Marginal relief	(13,217)	(11,900)
Other timing differences	1,567	1,417
Losses utilised	(13,358)	-
Adjustments in respect of previous periods	-	(26,261)
Current tax charge for year	353,415	282,013

(c) Factors affecting future tax charges

No provision has been made for £140,000 (2004:£317,000) 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 £658,100 (2004 - £413,819)

For the year ended 30 September 2005

8. Tangible fixed assets

Group	Investment Properties	Tenants Improvements £	Furniture & Equipment £	Total £
Cost or valuation				
At 1 October 2004	1,850,000	121,752	82,111	2,053,863
Additions	-	-	22,136	22,136
Disposals	-	-	-	-
	-----	-----	-----	-----
At 30 September 2005	1,850,000	121,752	104,247	2,075,999
	-----	-----	-----	-----
Depreciation				
At 1 October 2004	-	12,000	30,699	42,699
Charge for year	-	24,000	15,203	39,203
	-----	-----	-----	-----
At 30 September 2005	-	36,000	45,902	81,902
	-----	-----	-----	-----
Net book value				
At 30 September 2005	1,850,000	85,752	58,345	1,994,097
	=====	=====	=====	=====
At 30 September 2004	1,850,000	109,752	51,412	2,011,164
	=====	=====	=====	=====

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 2005. The historical cost of these properties is £1,171,644.

Company	Tenants Improvements £	Furniture & Equipment £	Total £
Cost			
At 1 October 2004	121,752	82,111	203,863
Additions	-	22,136	22,136
	-----	-----	-----
At 30 September 2005	121,752	104,247	225,999
	-----	-----	-----
Depreciation			
At 1 October 2004	12,000	30,699	42,699
Charge for year	24,000	15,203	39,203
	-----	-----	-----
At 30 September 2005	36,000	45,902	81,902
	-----	-----	-----
Net book value			
At 30 September 2005	85,752	58,345	144,097
	=====	=====	=====
At 30 September 2004	109,752	51,412	161,164
	=====	=====	=====

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2005

9. Investments Group

	Other Investments £
Cost	
At 1 October 2004	71,774
Additions	245,578
Disposals	(12,500)

At 30 September 2005	304,852
	=====

Company

	Shares in Subsidiary Undertakings	Other Investments	Interests in Associates	Total
	£	£	£	£
Cost				
At 1 October 2004	100	71,774	50	71,924
Additions	-	245,578	-	245,578
Disposals	-	(12,500)	-	(12,500)
	----	-----	---	-----
At 30 September 2005	100	304,852	50	305,002
	====	=====	==	=====

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 (Bankside) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Clyde) Ltd	Ordinary Shares	42.5%	-	Property trading
Keiller (Bo'ness) Ltd	Ordinary Shares	50%	-	Property investment

The associated companies are registered in Scotland.

Lochay Investments Limited

Notes to the Financial Statements (Contd.)

For the year ended 30 September 2005

9. Investments in associates:

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Share of gross assets	6,360,051	7,345,589	-	-
Share of gross liabilities	(5,539,538)	(6,119,164)	-	-
Loans from associates	(24,674)	(120,033)	-	-
	-----	-----	----	----
	795,839	1,106,392	-	-
	=====	=====	====	=====

10. Stocks

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Properties held for resale	70,934	70,934	-	-
	=====	=====	====	=====

11. Debtors

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Trade debtors	-	19,988	-	7,442
Other debtors	12,188	113,329	5,032	17,833
Prepayments	8,328	2,504	8,328	1,599
Amounts owed by related companies	2,896,447	2,323,398	2,896,447	2,323,398
Dividend receivable	-	-	-	200,000
	-----	-----	-----	-----
	2,916,963	2,459,219	2,909,807	2,550,272
	=====	=====	=====	=====

12. Investments

	2005	Group 2004	2005	Company 2004
	£	£	£	£
Other investments	155,400	169,094	155,400	169,094
	=====	=====	=====	=====

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.

13. Creditors: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	1,050,525	700,609	982,525	634,609
Corporation tax	22,826	308,274	7,001	128,246
Other taxes and social security costs	162,926	119,624	156,460	119,624
Trade creditors	-	770	-	770
Other creditors	7,316	13,873	4,801	8,723
Accruals and deferred income	26,598	24,386	9,405	5,998
Loan from subsidiary company	-	-	309,311	570,505
Loan from associated company	-	-	24,674	120,033
Dividend payable	100,000	100,000	100,000	100,000
	=====	=====	=====	=====
	1,370,191	1,267,536	1,594,177	1,688,508
	=====	=====	=====	=====

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	1,050,525	700,609	982,525	634,609
	=====	=====	=====	=====

Bank loans and overdrafts are secured by a standard security over the group's investments properties and a floating charge over the group's assets.

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans	745,002	815,882	-	-
	=====	=====	=====	=====

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans	745,002	815,882	-	-
	=====	=====	=====	=====

Included within the group creditors falling due after more than one year is an amount of £473,002 (2004 - £559,242) 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 2005****15. Commitment under operating leases**

At 30 September 2005 the group had annual commitments under non-cancellable operating leases as set out below:

Group	2005	Land and Buildings
	2005	2004
	£	£
Operating leases which expire		
After more than 5 years	44,800	44,800
	=====	=====

16. Provisions for liabilities and charges

	2005	Group	2005	Company
	£	2004	£	2004
	£	£	£	£
Deferred tax - Accelerated Capital Allowances	5,630	7,605	5,630	7,605
	=====	=====	=====	=====
Provision at start of year	7,605	25,057	7,605	6,319
Deferred tax (credit)/charge for the year	(1,975)	(17,452)	(1,975)	1,286
	-----	-----	-----	-----
Provision at end of year	5,630	7,605	5,630	7,605
	=====	=====	=====	=====

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 and interest totalling £993,790 (2004: £544,300) were receivable from Kenmore Residential Limited. At the balance sheet date, an amount of £2,896,447 (2004: £2,323,398) was due from Kenmore Residential Limited. W G R Thomson is a director of that company.

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.

The company leases a property from the director's pension fund. Rental of £44,800 (2004: £44,800) was payable by the company during the year.

Included in other debtors is a balance of £7,156 (2004:£4,219) due from the director's pension scheme.

Lochay Investments Limited

Notes to the Financial Statements(Contd.)

For the year ended 30 September 2005

18. Share capital

Authorised share capital:

	2005	2004
	£	£
10,000 Ordinary shares of £1 each	10,000	10,000
	=====	=====

Allotted, called up and fully paid:

	2005	2004
	£	£
10,000 ordinary share capital of £1 each	10,000	10,000
	=====	=====

19. Reserves

Group

	Profit and Revaluation Loss account	reserve
	£	£
Opening balance	2,358,242	1,429,370
Profit for the year	533,252	-
Realised gain transfer	685,747	(685,747)
Taxation on realised gain	(113,597)	-
	-----	-----
	3,463,644	743,623
Proposed dividend	(100,000)	-
	-----	-----
Balance carried forward	3,363,644	743,623
	=====	=====

Company

	Profit and Loss account
	£
Opening balance	1,246,399
Profit for the year	758,100

	2,004,499
Proposed dividend	100,000

Balance carried forward	1,904,499
	=====

Lochay Investments Limited**Notes to the Financial Statements(Contd.)****For the year ended 30 September 2005****20. Reconciliation of movements in shareholders' funds**

	2005	2004
	£	£
Profit for the financial year	533,252	36,726
Other net recognised gains and losses	-	65,267
Taxation on realised gain	(113,597)	(144,000)
	-----	-----
Proposed dividend	419,655	(42,007)
	(100,000)	(100,000)
	-----	-----
Net addition/(reduction) to funds	319,655	(142,007)
Realised deficit on associates group reconstruction	-	(10,753)
Opening shareholders' equity funds	3,797,612	3,950,372
	-----	-----
Closing shareholders' equity funds	4,117,267	3,797,612
	=====	=====