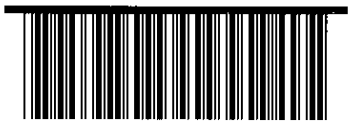
154384

ELPHINSTONE GROUP LIMITED

Report and Accounts

6 July 2001





Registered Number: SC 154384

Registered Number : SC154384

DIRECTORS
Kenneth Liddell Tough
Kenneth Ross
John Keith Martin

SECRETARY
Kenneth Ross

BANKERS
Bank of Scotland PLC
The Royal Bank of Scotland plc
Lloyds TSB Scotland Bank plc
Dunbar Bank PLC

AUDITORS
Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

REGISTERED OFFICE
Elphinstone House
295 Fenwick Road
Glasgow
G46 6UH

ERNST & YOUNG

DIRECTORS' REPORT

The directors submit their report and the consolidated financial statements for the 53 weeks ended 6 July 2001.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounts to £313,010. The directors recommend a dividend of £100,000 be paid, leaving £213,010 to be transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity continues to be property development.

FUTURE DEVELOPMENTS

The group will continue to look at all opportunities to expand its business activities.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests in the holding company's issued ordinary share capital were:

	At 6 July 2001	*At 30 June 2000*
	No.	*No.*
Kenneth Liddell Tough	50	50
Kenneth Ross	50	50
John Keith Martin	-	-

The directors do not hold any direct shareholdings in the subsidiaries of the group.

CLOSE COMPANY STATUS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

On behalf of the Board

Kenneth Ross
Director

30 November 2001

ERNST & YOUNG

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

ERNST & YOUNG

REPORT OF THE AUDITORS
to the shareholders of Elphinstone Group Limited

We have audited the accounts on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 6 July 2001 and of the profit of group for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Glasgow

30 November 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 53 weeks ended 6 July 2001

	Notes	2001 £	2000 £
TURNOVER	2	4,943,955	18,307,442
Cost of sales		3,106,960	15,805,691
Gross profit		1,836,995	2,501,751
Administrative expenses		1,334,908	1,280,821
OPERATING PROFIT	3	502,087	1,220,930
Net interest payable	6	47,040	715,962
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		455,047	504,968
Tax on profit on ordinary activities	7	142,037	131,114
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		313,010	373,854
Dividends		100,000	190,000
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	213,010	183,854

ERNST & YOUNG

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 53 weeks ended 6 July 2001

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £313,010 in the 53 weeks to 30 June 2001 and £373,854 in the year to 30 June 2000.

CONSOLIDATED BALANCE SHEET
at 6 July 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	109,455	166,449
Investments	9	29,100	11,000
INVESTMENTS		138,555	177,449
CURRENT ASSETS			
Stock and work in progress	10	2,158,605	1,250,113
Debtors	11	2,258,866	1,524,695
Cash at bank and in hand		175,175	127,739
		4,592,646	2,902,547
CREDITORS: amounts falling due within one year	12	3,794,052	2,331,468
NET CURRENT ASSETS		798,594	571,079
TOTAL ASSETS LESS CURRENT LIABILITIES		937,149	748,528
CREDITORS: amounts falling due after more than one year	13	45,917	70,306
NET ASSETS		891,232	678,222
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	891,132	678,122
EQUITY SHAREHOLDERS' FUNDS	18	891,232	678,222

Kenneth Liddell Tough Director

Kenneth Ross Director

30 November 2001

ERNST & YOUNG

COMPANY BALANCE SHEET
at 6 July 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	91,433	124,125
Investments	9	47,497	29,497
		138,930	153,622
CURRENT ASSETS			
Stock and work in progress	10	694,209	280,287
Debtors	11	2,314,609	1,134,688
		3,008,818	1,414,975
CREDITORS: amounts falling due within one year	12	2,245,464	855,368
NET CURRENT ASSETS		763,354	559,607
TOTAL ASSETS LESS CURRENT LIABILITIES		902,284	713,229
CREDITORS: amounts falling due after more than one year	13	45,917	70,306
NET ASSETS		856,367	642,923
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	856,267	642,823
EQUITY SHAREHOLDERS' FUNDS		856,367	642,923

Kenneth Liddell Tough Director

Kenneth Ross Director

30 November 2001

ERNST & YOUNG

CASH FLOW STATEMENT
for the 53 weeks ended 6 July 2001

	Notes	2001 £	2000 £
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	19(a)	(1,359,133)	4,212,251
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(61,275)	(734,900)
Interest received		14,235	18,938
		(47,040)	(715,962)
TAXATION			
Corporation tax paid		(305)	(140,072)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(15,205)	(147,384)
Purchase of investments		(18,100)	(11,000)
Received from sales of tangible fixed assets		-	14,100
		(33,305)	(144,284)
EQUITY DIVIDENDS PAID		(100,000)	(190,000)
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(1,539,783)	3,021,933
FINANCING			
Capital element of finance lease and hire purchase obligations		(34,775)	49,275
(DECREASE)/INCREASE IN CASH DURING THE YEAR	19(c)	(1,574,558)	3,071,208

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

1. ACCOUNTING POLICIES

Basis of accounting
These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation
The group accounts consolidate the accounts of Elphinstone Group Limited and all its subsidiaries made up to 6 July 2001. No profit and loss account for the company has been presented for Elphinstone Group Limited as permitted by section 230 of the Companies Act 1985. The profit for the year for the company after tax was £335,722 (2000 - £317,808).

Stock and work in progress
Stocks are stated at the lower of cost and net realisable value. Work in progress is valued at the cost of labour, materials and includes a relevant proportion of overheads according to the stage of completion.

Long term contracts
Profit on long term contracts is taken as the work is carried out if the outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the period end, by recording turnover and related costs of labour and materials as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues from variations on contracts are recognised only when they are considered to be reasonably certain. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Depreciation
Depreciation is provided on fixed assets on the following basis:

Fixtures and fittings	- 50% per annum straight line
Motor vehicles	- 25% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing
Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account of the period of the lease and represents a constant proportion at the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

1. ACCOUNTING POLICIES (continued)

Pensions

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

Deferred taxation

Deferred taxation is provided on a liability method at the year end on all timing differences to the extent that they are expected to reverse in the future.

2. TURNOVER

Turnover which is stated net of value added tax, represents the invoiced amount of goods and services provided and, in the case of long term contracts, the sales value of work done in the period including estimates in respect of amounts not invoiced. The whole of the turnover is from the group's main activity of property development from continuing operations in the United Kingdom.

3. OPERATING PROFIT

This is stated after charging/(crediting):

	2001 £	*2000* £
Directors' remuneration	260,253	436,920
Auditors remuneration and expenses	25,000	25,000
Depreciation of tangible fixed assets		
- owned by the group	7,790	6,920
- held under finance leases and hire purchase contracts	40,107	35,748

4. STAFF COSTS

Staff costs, including directors' remunerations, were as follows:

	2001 £	*2000* £
Wages and salaries	465,300	446,674
Social security costs	42,291	54,494
Other pension costs	24,000	130,000
	531,591	631,168

The average monthly number of employees, including directors, during the year was as follows:

	2001 No.	*2000* No.
Office and administration	15	10
Sales	-	3
	15	13

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

5. DIRECTORS' REMUNERATION

	2001 £	2000 £
For services as directors	236,253	137,806
Management fees paid to directors (note 20)	-	169,114
Company contributions paid to defined contribution pension scheme	24,000	130,000
	260,253	436,920

Included in the above are emoluments, excluding pension contributions, paid to:

	2001 £	2000 £
Highest paid director	80,000	126,254
Company contributions paid to defined contribution scheme	-	65,000

6. NET INTEREST PAYABLE

	2001 £	2000 £
Bank interest	57,689	733,049
Finance charges payable - finance leases and hire purchase	3,586	1,851
	61,275	734,900
Less: Interest receivable	14,235	18,938
	47,040	715,962

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Current year:		
Corporation tax at 30%	142,037	131,114

ERNST & YOUNG

8. TANGIBLE FIXED ASSETS

Group	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost:			
At 1 July 2000	26,074	217,219	243,293
Additions	1,735	13,470	15,205
Disposals	-	(12,995)	(12,995)
At 6 July 2001	27,809	217,694	245,503
Depreciation:			
At 1 July 2000	19,152	57,692	76,844
Charge for year	7,790	52,420	60,210
Disposals	-	(1,006)	(1,006)
At 6 July 2001	26,942	109,106	136,048
Net book value:			
At 6 July 2001	867	108,588	109,455
At 1 July 2000	6,922	159,527	166,449

The net book value of motor vehicles above includes an amount of £108,588 (2000 - £159,527) in respect of assets held under finance leases.

Company	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost :			
At 1 July 2000	26,074	152,570	178,644
Additions	1,735	13,470	15,205
At 6 July 2001	27,809	166,040	193,849
Depreciation:			
At 1 July 2000	19,152	35,367	54,519
Charge for year	7,790	40,107	47,897
At 6 July 2001	26,942	75,474	102,416
Net book value:			
At 6 July 2001	867	90,566	91,433
At 1 July 2000	6,922	117,203	124,125

The net book value of motor vehicles above includes an amount of £90,566 (2000 - £117,203) in respect of assets held under finance lease.

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

9. INVESTMENTS

Group	£
Cost at 1 July 2000	11,000
Additions	18,100
Cost at 6 July 2001	29,100

The group investments represent 30% of the ordinary share capital of Room Facilities Limited, a company incorporated in Scotland,

Company	*2001* £	*2000* £
Investment in Room Facilities Limited	29,100	11,000
Investment in subsidiary companies	18,397	18,497
	47,497	29,497

Details of investment in subsidiary companies, all of which are held by Elphinstone Group Limited, are as follows:

Name of company	*Holding*	*Proportion held*	*Nature of business*
Capital Construction (Scotland) Limited	Ordinary shares	100%	Construction
Tipperlinn Development Company Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Sandyford) Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Yorkhill) Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Ayr) Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Kelvin) Limited	Ordinary shares	100%	Property development
Elphinstone Retirement Homes Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Hutcheon) Limited	Ordinary shares	100%	Property development
Elphinstone (HR) Limited	Ordinary shares	100%	Non-trading
Elphinstone Homes (Gilmorehill) Limited	Ordinary shares	100%	Non-trading
Elphinstone Homes Limited	Ordinary shares	100%	Non-trading
Elphinstone Hotels Limited	Ordinary shares	100%	Non-trading
Elphinstone Properties Limited	Ordinary shares	100%	Non-trading

All of the subsidiaries were incorporated in Scotland and are included in the consolidated accounts under the acquisition method of accounting.

ERNST & YOUNG

10. STOCK AND WORK IN PROGRESS

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Stock	14,228	929,826	-	-
Work in progress	2,144,377	320,287	694,209	280,287
	2,158,605	1,250,113	694,209	280,287

Progress payments received in excess of the value of work done of long term contracts are shown separately under current liabilities.

11. DEBTORS

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Trade debtors	629,695	596,770	-	-
Other debtors	1,629,171	927,925	1,798,622	910,612
Amounts owed by group companies	-	-	515,987	224,076
	2,258,866	1,524,695	2,314,609	1,134,688

Included within group and company other debtors is £120,000 which is payable after more than one year.

12. CREDITORS: amount falling due within one year

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Bank overdraft (secured)	2,497,220	875,226	1,407,483	74,193
Trade creditors	112,525	212,693	10,758	44,562
Obligations under finance leases and hire purchase contracts (note 14)	35,070	45,456	35,070	32,662
Corporation tax	272,247	130,515	200,064	66,009
Taxation and social security costs	30,387	21,420	21,662	21,417
Accrued charges	557,285	645,538	451,965	32,616
Other creditors	289,318	366,605	77,273	-
Payments on account of long term contracts	-	34,015	-	-
Amounts owed to group companies	-	-	41,189	583,909
	3,794,052	2,331,468	2,245,464	855,368

ERNST & YOUNG

13. CREDITORS: amount falling due after one year

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Obligations under finance leases and hire purchase contracts (note 14)	45,917	70,306	45,917	70,306

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
The maturity of these amounts is as follows:				
Amounts payable				
within one year	49,928	49,092	49,928	35,275
within two to five years	36,436	75,931	36,436	75,928
	86,364	125,023	86,364	111,203
Less: finance charges allocated to future periods	5,377	9,261	5,377	8,237
	80,987	115,762	80,987	102,966

The net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

Finance lease and hire purchase contracts are disclosed as follows:

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Within one year (note 12)	35,070	45,456	35,070	32,660
After one year (note 13)	45,917	70,306	45,917	70,306
	80,987	115,762	80,987	102,966

15. DEFERRED TAXATION

The group had no liability to deferred taxation, either actual or potential, at the balance sheet date.

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

16. SHARE CAPITAL

	2001 *No.*	*2000* *No.*
Authorised :		
Ordinary shares of £1 each	100	100
	£	*£*
Allotted, issued and fully paid :		
Ordinary shares of £1 each	100	100

17. PROFIT AND LOSS ACCOUNT

	Group		*Company*	
	2001 *£*	*2000* *£*	*2001* *£*	*2000* *£*
At 1 July 2000	678,122	494,268	642,823	515,015
Retained profit for the financial year	213,010	183,854	213,444	127,808
At 6 July 2001	891,132	678,122	856,267	642,823

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

Group	*2001* *£*	*2000* *£*
Total recognised gains and losses	303,441	373,854
Dividends	(100,000)	(190,000)
Opening equity shareholders' funds	678,222	494,368
Closing equity shareholders' funds	881,663	678,222

19. CASH FLOW MOVEMENTS

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2001 *£*	*2000* *£*
Operating profit	502,087	1,220,930
Depreciation of tangible fixed assets	60,210	42,668
Loss on sale of tangible fixed assets	11,989	5,045
Increase in operating debtors and prepayments	(822,158)	(1,150,037)
(Increase)/decrease in stocks	(908,492)	4,832,937
Decrease in operating creditors and accruals	(202,769)	(739,292)
Net cash (outflow)/inflow from operating activities	(1,359,133)	4,212,251

ERNST & YOUNG

19. CASH FLOW MOVEMENTS (continued)

(b) Reconciliation of net cash flow to movement in net debt

	2001 £	*2000* £
(Decrease)/increase in cash in the year	(1,574,558)	3,071,208
Cash inflow/(outflow) from decrease in debt	34,775	(49,275)
Change in net debt resulting from cash flows	(1,539,783)	3,021,933
Net debt at 1 July	(863,249)	(3,885,182)
Net debt at 6 July	(2,403,032)	(863,249)

(c) Analysis of net debt

	At 1 July 2000 £	*Cash flow* £	*At 6 July 2001* £
Cash on call/in hand	127,739	47,436	175,175
Overdraft	(875,226)	(1,621,994)	(2,497,220)
	(747,487)	(1,574,558)	(2,322,045)
Finance leases and hire purchase contracts	(115,762)	34,775	(80,987)
	(863,249)	(1,539,783)	(2,403,032)

20. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemptions conferred by paragraph 3(a) and 3(b) of FRS 8 in respect of related party transactions.

	Purchases from related parties £	*Amounts owed from related parties* £
Giffnock Management Services Limited		
2001	-	101,185
2000	104,931	103,905
Ross Management Services Limited		
2001	-	89,206
2000	64,183	109,206
Holyrood Securities Limited		
2001	-	50,263
2000	-	54,211
Elphinstone Halls Limited		
2001	-	29,043
2000	-	-
Shandwick Securities Limited		
2001	-	254,525
2000	-	-
Elphinstone Properties (Alexandra) Limited		
2001	-	684,202
2000	-	405,892

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 6 July 2001

20. RELATED PARTY TRANSACTIONS (continued)

Both Kenneth Ross and Kenneth Tough have an interest in Holyrood Securities Limited, Elphinstone Halls Limited, Shandwick Securities Limited and Elphinstone (Properties) Limited.

Kenneth Ross and Kenneth Tough both have an interest in K Cubed Limited. This company owns 100% of the 'A' ordinary share capital of Elphinstone Halls Limited.

Kenneth Ross has an interest in Ross Management Services.

Kenneth Tough has an interest in Giffnock Management Services.

21. OTHER FINANCIAL COMMITMENTS

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

	Property	
	2001	*2000*
	£	£
Operating leases which expire:		
Within one to five years	65,324	65,324
In over five years	31,250	31,250
In under five years	96,574	96,574

22. FLOATING CHARGES

The company and its subsidiaries have granted floating charges to Bank of Scotland over all the assets of the Group companies.

23. CONTINGENT LIABILITIES

Elphinstone Group Limited has undertaken to guarantee all sums due to the Bank of Scotland from Capital Construction (Scotland) Limited, without limit. The amount due to the Bank of Scotland by Capital Construction (Scotland) Limited at 6 July 2001 was £Nil.

Elphinstone Group Limited has undertaken to guarantee sums due by Elphinstone Properties (Alexandra) Limited to Dunbar Bank plc. The amount due to Dunbar Bank plc by Elphinstone Properties (Alexandra) Limited at 6 July 2001 was £5,675,516.

24 PENSION COMMITMENTS

The group operates a defined contribution pension scheme for its directors. The assets of the scheme are held separately from those of the company in a self administered scheme. During the period, contributions payable amounted to £24,000 (2000 - £130,000).

25. CONTROL OF THE COMPANY

The directors own the entire issued share capital of the company, and therefore control the company.

ERNST & YOUNG