ELPHINSTONE GROUP LIMITED

Report and Accounts

30 June 2002



Registered Number: SC 154384

DIRECTORS
Kenneth Liddell Tough
Kenneth Ross
John Keith Martin
Iain Arthur Kennedy Campbell (appointed 28 February 2002)

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

DIRECTORS' REPORT

The directors submit their report and the consolidated financial statements for the period ended 30 June 2002.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounts to £49,543. The directors recommend a dividend of £253,000 be paid, leaving £203,457 to be transferred from 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 30 June 2002	*At 6 July 2001 (or date of appointment)*
	No.	*No.*
Kenneth Liddell Tough	50	50
Kenneth Ross	50	50
John Keith Martin	-	-
Iain Arthur Kennedy Campbell	-	-

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

Elphinstone Group Limited is one of a number of companies in which Kenneth Tough and Kenneth Ross have an interest. Further details can be found on the website www.elphinstonegroup.com.

CLOSE COMPANY STATUS

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

AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the members of the company at the Annual General Meeting.

On behalf of the Board

Kenneth Ross
Director

28 February 2003

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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.

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REPORT OF THE AUDITORS
to the members of Elphinstone Group Limited

We have audited the group's financial statements for the period ended 30 June 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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 directors and auditors
As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the accounts 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 Directors' Report is not consistent with the accounts, 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' 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 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 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 accounts.

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Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 30 June 2002 and of the profit of the 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

28 February 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 51 weeks ended 30 June 2002

	Notes	2002 £	Restated 2001 £
TURNOVER	2	8,741,184	4,943,955
Cost of sales		7,531,965	3,106,960
Gross profit		1,209,219	1,836,995
Administrative expenses		1,104,299	1,334,908
OPERATING PROFIT	3	104,920	502,087
Net interest payable	6	35,543	47,040
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		69,377	455,047
Tax on profit on ordinary activities	7	19,834	133,309
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17	49,543	321,738
Dividends	17	253,000	100,000
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(203,457)	221,738

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 51 weeks ended 30 June 2002

	2002 £	2001 £
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	49,543	321,738
Prior year adjustment (note 18)	16,306	
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	65,849	

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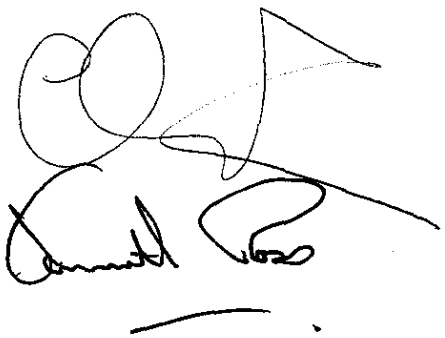
CONSOLIDATED BALANCE SHEET
at 30 June 2002

	Notes	2002 £	Restated 2001 £
FIXED ASSETS			
Tangible assets	8	126,573	109,455
Investments	9	39,105	29,100
		165,678	138,555
CURRENT ASSETS			
Stock and work in progress	10	2,234,323	2,158,605
Debtors	11	2,631,546	2,275,172
Cash at bank and in hand		427,938	175,175
		5,293,807	4,608,952
CREDITORS: amounts falling due within one year	12	4,712,701	3,794,052
NET CURRENT ASSETS		581,106	814,900
TOTAL ASSETS LESS CURRENT LIABILITIES		746,784	953,455
CREDITORS: amounts falling due after more than one year	13	42,703	45,917
NET ASSETS		704,081	907,538
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	703,981	907,438
EQUITY SHAREHOLDERS' FUNDS	18	704,081	907,538

Kenneth Liddell Tough Director

Kenneth Ross Director

28 February 2003



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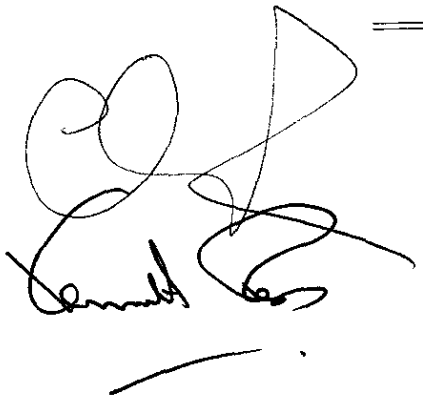
COMPANY BALANCE SHEET
at 30 June 2002

	Notes	2002 £	Restated 2001 £
FIXED ASSETS			
Tangible assets	8	86,486	91,433
Investments	9	57,502	47,497
		143,988	138,930
CURRENT ASSETS			
Stock and work in progress	10	1,120,809	694,209
Debtors	11	2,529,664	2,327,592
		3,650,473	3,021,801
CREDITORS: amounts falling due within one year	12	3,099,329	2,245,464
NET CURRENT ASSETS		551,144	776,337
TOTAL ASSETS LESS CURRENT LIABILITIES		695,132	915,267
CREDITORS: amounts falling due after more than one year	13	41,091	45,917
NET ASSETS		654,041	869,350
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Profit and loss account	17	653,941	869,250
EQUITY SHAREHOLDERS' FUNDS		654,041	869,350

Kenneth Liddell Tough Director

Kenneth Ross Director

28 February 2003



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CONSOLIDATED STATEMENT OF CASH FLOWS
for the 51 weeks ended 30 June 2002

	Notes	*2002* £	*2001* £
CASH (OUTFLOW) FROM OPERATING ACTIVITIES	19(a)	(244,153)	(1,359,133)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(102,821)	(61,275)
Interest received		67,278	14,235
		(35,543)	(47,040)
TAXATION			
Corporation tax paid		(149,094)	(305)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(102,222)	(15,205)
Purchase of investments		(10,005)	(18,100)
Received from sales of tangible fixed assets		31,500	-
		(80,727)	(33,305)
EQUITY DIVIDENDS PAID		(253,000)	(100,000)
NET CASH (OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		(762,517)	(1,539,783)
FINANCING			
Capital element of finance lease and hire purchase obligations		(3,170)	(34,775)
(DECREASE) IN CASH DURING THE YEAR	19(c)	(765,687)	(1,574,558)

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NOTES TO THE ACCOUNTS
at 30 June 2002

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 30 June 2002. The Group's share of profits less losses of joint ventures is included in the profit and loss account and its share of post acquisition reserves is included in the consolidated balance sheet. The figures relating to joint ventures are taken from their latest accounts. 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 £37,691 (2001 - £294,266).

Changes in accounting policy
The UK Accounting Standards Board has issued a new Financial Reporting Standard which applies to these accounts; FRS 19 "Deferred Tax" which the company implemented in the current year.

The general principle of FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation. This change in accounting policy results in previously unprovided deferred tax liabilities or assets for capital allowances and previously unrecognised deferred tax assets for tax losses being incorporated in the accounts. Group net assets and reserves at 30 June 2001 have been increased by £16,306 (2000 : £7,578).

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.

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1. ACCOUNTING POLICIES (continued)

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.

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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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):

	2002 £	*2001* £
Directors' remuneration	364,653	260,253
Auditors remuneration and expenses	22,000	25,000
Depreciation of tangible fixed assets		
- owned by the group	21,943	7,790
- held under finance leases and hire purchase contracts	41,255	40,107

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4. STAFF COSTS

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

	2002 £	2001 £
Wages and salaries	530,642	465,300
Social security costs	57,345	42,291
Other pension costs	9,128	24,000
	597,115	531,591

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

	2002 No.	2001 No.
Office and administration	19	15

5. DIRECTORS' REMUNERATION

	2002 £	2001 £
For services as directors	362,178	236,253
Company contributions paid to personal pension scheme	2,475	-
Company contributions paid to defined contribution pension scheme	-	24,000
	364,653	260,253

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

	2002 £	2001 £
Highest paid director	130,332	80,000
Company contributions paid to personal pension scheme	-	-

6. NET INTEREST PAYABLE

	2002 £	2001 £
Bank interest	95,831	57,689
Finance charges payable - finance leases and hire purchase	6,990	3,586
	102,821	61,275
Less: Interest receivable	67,278	14,235
	35,543	47,040

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7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	*2001*
	£	£
UK corporation tax:		
UK corporation tax on profits of the period	17,154	142,037
Deferred tax:		
Originating and reversal of timing differences	2,680	(8,728)
	19,834	133,309

Factors affecting the tax charge for the period:
The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	*2001*
	£	£
Profit on ordinary activities before tax	69,377	455,047
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%/20%	19,810	132,524
Effect of:		
Disallowed expenses and non-taxable income	2,350	1,443
Capital allowances in excess of depreciation	(2,680)	8,728
Small company relief	(2,326)	-
Others	-	(658)
Current tax charge for the period	17,154	142,037

The impact of FRS 19 is to increase the tax charge and profit after tax by £2,680 for the current financial year and to decrease it by £8,728 as restated for the prior year. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which *timing differences reverse.*

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8. TANGIBLE FIXED ASSETS

Group	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost:			
At 7 July 2001	27,809	217,694	245,503
Additions	8,080	94,142	102,222
Disposals	-	(78,670)	(78,670)
At 30 June 2002	35,889	233,166	269,055
Depreciation:			
At 7 July 2001	26,942	109,106	136,048
Charge for year	4,907	58,291	63,198
Disposals	-	(56,764)	(56,764)
At 30 June 2002	31,849	110,633	142,482
Net book value:			
At 30 June 2002	4,040	122,533	126,573
At 7 July 2001	867	108,588	109,455

The net book value of motor vehicles above includes an amount of £95,710 (2001 - £108,588) in respect of assets held under finance leases.

Company	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost :			
At 7 July 2001	27,809	166,040	193,849
Additions	8,080	55,071	63,151
Disposals	-	(55,770)	(55,770)
At 30 June 2002	35,889	165,341	201,230
Depreciation:			
At 7 July 2001	26,942	75,474	102,416
Charge for year	4,907	41,335	46,242
Disposals	-	(33,914)	(33,914)
At 30 June 2002	31,849	82,895	114,744
Net book value:			
At 30 June 2002	4,040	82,446	86,486
At 7 July 2001	867	90,566	91,433

The net book value of motor vehicles above includes an amount of £77,196 (2001 - £90,566) in respect of assets held under finance lease.

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9. INVESTMENTS

Group	£
Joint venture:	
Cost at 7 July 2001	29,100
Additions	10,005
Share of results	-
Cost at 30 June 2002	39,105

The joint venture investment represents 35% of the ordinary share capital of Room Facilities Management Company Limited, a company incorporated in England and Wales. The share of results due to Elphinstone Group Limited in respect of this investment for the year is nil based on unaudited management accounts to 30 June 2002.

Company	*2002* £	*2001* £
Investment in joint venture	39,105	29,100
Investment in subsidiary companies	18,397	18,397
	57,502	47,497

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%	Non-trading
Elphinstone Homes (Kelvin) Limited	Ordinary shares	100%	Non-trading
Elphinstone Retirement Homes Limited	Ordinary shares	100%	Property development
Elphinstone Homes (Hutcheon) Limited	Ordinary shares	100%	Non-trading
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.

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10. STOCK AND WORK IN PROGRESS

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£	*£*	*£*	*£*
Stock	-	14,228	-	-
Work in progress	2,234,323	2,144,377	1,120,809	694,209
	2,234,323	2,158,605	1,120,809	694,209

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	
	2002	*Restated 2001*	*2002*	*Restated 2001*
	£	*£*	*£*	*£*
Trade debtors	559,640	629,695	-	-
Other debtors	2,058,280	1,629,171	1,974,082	1,798,622
Amounts owed by group companies	-	-	543,343	515,987
Deferred tax asset (note 15)	13,626	16,306	12,239	12,983
	2,631,546	2,275,172	2,529,664	2,327,592

12. CREDITORS: amount falling due within one year

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£	*£*	*£*	*£*
Bank overdraft (secured)	3,515,670	2,497,220	2,672,965	1,407,483
Trade creditors	773,512	112,525	159,633	10,758
Obligations under finance leases and hire purchase contracts (note 14)	35,114	35,070	28,864	35,070
Corporation tax	140,307	272,247	137,127	200,064
Taxation and social security costs	27,622	30,387	27,622	21,662
Accrued charges	22,825	557,285	16,000	451,965
Other creditors	197,651	289,318	46,058	77,273
Amounts owed to group companies	-	-	11,060	41,189
	4,712,701	3,794,052	3,099,329	2,245,464

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13. CREDITORS: amount falling due after one year

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£	£	£	£
Obligations under finance leases and hire purchase contracts (note 14)	42,703	45,917	41,091	45,917

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£	£	£	£
The maturity of these amounts is as follows:				
Amounts payable				
within one year	38,665	49,928	31,933	49,928
within two to five years	46,086	36,436	44,354	36,436
	84,751	86,364	76,287	86,364
Less: finance charges allocated to future periods	6,934	5,377	6,332	5,377
	77,817	80,987	69,955	80,987

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	
	2002	*2001*	*2002*	*2001*
	£	£	£	£
Within one year (note 12)	35,114	35,070	28,864	35,070
After one year (note 13)	42,703	45,917	41,091	45,917
	77,817	80,987	69,955	80,987

15. DEFERRED TAXATION

	Group	*Company*
	Deferred tax asset	*Deferred tax asset*
	£	£
At 7 July 2001	16,306	12,983
Released during the year	2,680	744
At 30 April 2002	13,626	12,239

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15. DEFERRED TAXATION (continued)

The deferred tax assets consists of:

	Group		Company	
	2002	*Restated 2001*	*2002*	*Restated 2001*
	£	£	£	£
Accelerated capital allowances	13,626	16,306	12,239	12,983

16. SHARE CAPITAL

	2002	*2001*
	No.	*No.*
Authorised :		
Ordinary shares of £1 each	100	100
	£	£
Allotted, issued and fully paid :		
Ordinary shares of £1 each	100	100

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	Share capital	*Profit and loss account*	*Total*
	£	£	£
At 30 June 2000 - as previously reported	100	678,122	678,222
Prior year adjustment (note 18)	-	7,578	7,578
At 30 June 2000 - as restated	100	685,700	685,800
Profit for the year	-	321,738	321,738
Dividends	-	(100,000)	(100,000)
At 7 July 2001 - as restated	100	907,438	907,538
Profit for the year	-	49,543	49,543
Dividends	-	(253,000)	(253,000)
At 30 June 2002	100	703,981	704,081

The cumulative group share of joint venture post acquisition reserves is not based on unaudited management accounts to 30 June 2002.

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17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES (continued)

Company

	Share capital £	*Profit and loss account* £	*Total* £
At 30 June 2000	100	642,823	642,923
Prior year adjustment	-	6,161	6,161
At 30 June 2000 - as restated	100	648,984	649,084
Profit for the year	-	294,266	294,266
Dividends	-	(74,000)	(74,000)
At 7 July 2001 - as restated	100	869,250	869,350
Profit for the year	-	37,691	37,691
Dividends	-	(253,000)	(253,000)
At 30 June 2002	100	653,941	654,041

18. PRIOR YEAR ADJUSTMENT

As a result of the implementation of FRS 19 "Deferred Tax" highlighted in note 1, net assets and reserves at 30 June 2001 have increased by £16,306 (2000 : £7,578) and company net assets and reserves at 30 June increased by £12,983 (2000: £6,161).

19. CASH FLOW MOVEMENTS

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

	2002 £	*2001* £
Operating profit	104,920	502,087
Depreciation of tangible fixed assets	63,198	60,210
(Gain)/loss on sale of tangible fixed assets	(9,594)	11,989
Increase in operating debtors and prepayments	(359,054)	(822,158)
Increase in stocks	(75,718)	(908,492)
Decrease/(increase) in operating creditors and accruals	32,095	(202,769)
Net cash outflow from operating activities	(244,153)	(1,359,133)

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19. CASH FLOW MOVEMENTS (continued)

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

	2002 £	*2001* £
Decrease in cash in the year	(765,687)	(1,574,558)
Cash inflow from decrease in debt	3,170	34,775
Change in net debt resulting from cash flows	(762,517)	(1,539,783)
Net debt at 7 July	(2,403,032)	(863,249)
Net debt at 30 June	(3,165,549)	(2,403,032)

(c) Analysis of net debt

	At 7 July 2001 £	*Cash flow* £	*At 30 June 2002* £
Cash on call/in hand	175,175	252,763	427,938
Overdraft	(2,497,220)	(1,018,450)	(3,515,670)
	(2,322,045)	(765,687)	(3,087,732)
Finance leases and hire purchase contracts	(80,987)	3,170	(77,817)
	(2,403,032)	(762,517)	(3,165,549)

20. RELATED PARTY TRANSACTIONS

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 June, are as follows:

	Sales to related Party £	*Purchases from related party* £	*Amounts owed from related party* £	*Amounts owed to related party* £
Giffnock Management Services Limited				
2002	-	-	127,817	-
2001	-	-	101,185	-
Ross Management Services Limited				
2002	-	-	127,817	-
2001	-	-	89,206	-
Holyrood Securities Limited				
2002	-	-	67,314	-
2001	-	-	50,263	-
Elphinstone Communications Limited				
2002	-	2,840	307,386	-
2001	-	3,530	87,987	-
Elphinstone Properties (Alexandra) Limited				
2002	7,478,969	-	391,888	-
2001	1,515,477	-	684,202	-

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20. RELATED PARTY TRANSACTIONS (continued)

	Sales to related Party £	*Purchases from related party* £	*Amounts owed from related party* £	*Amounts owed to related party* £
K Cubed Limited				
2002	-	-	690,000	-
2001	-	-	375,000	-
Elphinstone Halls Limited				
2002	40,000	-	14,218	-
2001	75,000	-	29,043	-
Shandwick Securities Limited	40,000	-	519	-
2001	200,000	-	254,525	-
Ephinstone Executive Retirement Scheme				
2002	-	31,250	-	-
2001	-	31,250	-	-

Kenneth Tough has an interest in Giffnock Management Services.

Kenneth Ross has an interest in Ross Management Services.

Both Kenneth Tough and Kenneth Ross have an interest in the remaining companies listed above.

21. OTHER FINANCIAL COMMITMENTS

At 30 June 2002, the group had annual commitments under non-cancellable operating leases as set out below:

	Property	
	2002 £	*2001* £
Operating leases which expire:		
Within one to five years	-	-
In over five years	31,250	31,250

22. FLOATING CHARGES

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

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23. CONTINGENT LIABILITIES

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 30 June 2002 was £10,207,212. This amount has been repaid in full during November 2002.

Elphinstone Group Limited has undertaken to guarantee sums due by Elphinstone Halls Limited to the Bank of Scotland up to a maximum of £4,122,500 and three directors, Kenneth Liddell Tough, Kenneth Ross and John Keith Martin have guaranteed jointly and severally a maximum sum of £4,122,500 in respect of these borrowings.

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 30 June 2002 was £Nil (2001 - £Nil).

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 £Nil (2001 - £24,000).

25. CONTROL OF THE COMPANY

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

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