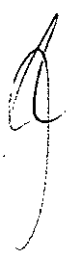
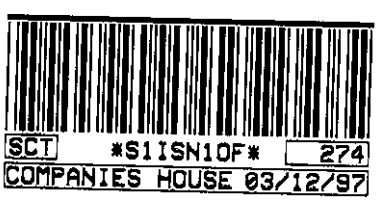
Armitscot Developments Limited
Directors' report and financial statements
31 May 1997

Registered number SC053538





Armitscot Developments Limited

Directors' report and financial statements

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Armitscot Developments Limited

Directors and advisers

Directors	EM Walker, FRICS Mrs FM Walker BE Walker FM Walker CA Walker
Secretaries	Messrs Bell & Scott WS 16 Hill Street Edinburgh EH2 3LD
Registered office	16 Hill Street Edinburgh EH2 3LD
Auditors	KPMG Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Bank of Scotland Head Office The Mound Edinburgh EH1 1YZ

Armitscot Developments Limited

Directors' report

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 May 1997.

Principal activities

The principal activities of the company are the construction and sale of private houses, both on its own account and on a contract basis.

Business review

The results for the year are set out in the attached financial statements. During the year the directors recommended and paid an interim dividend of £142,067 represented by the shares which the company held in Walker Holdings (Scotland) Limited. The directors do not recommend the payment of a final dividend.

The retained loss for the year is £90,484 *(1996 - profit of £53,306).*

Directors

The directors who were in office throughout the year are noted on page 1, with the exception of BE Walker who resigned from the board on 1 August 1996 and was reappointed to the board on 1 February 1997. In addition Miss FM Walker and CA Walker were appointed to the board on 14 February 1997. The directors who held office at the end of the financial year had the following interests in ordinary shares of £1 each of the company:

	Interest at end of year		Interest at start of year or date of appointment	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
EM Walker	-	-	95	-
Mrs FM Walker	-	-	95	-
BE Walker	**170**	-	300	-
Miss FM Walker	**300**	**830**	300	830
CA Walker	**300**	**830**	300	830

Mrs FM Walker retires by rotation and, being eligible, offers herself for re-election. Following their appointment to the board during the year, BE Walker, Miss FM Walker and CA Walker retire at the Annual General Meeting and stand for election.

Taxation

The company is a close company for taxation purposes.

By order of the board

Bell & Scott WS
Secretaries

22 August 1997

Edinburgh

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that year. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Report of the auditors to the members of Armitscot Developments Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG.

KPMG
Chartered Accountants
Registered Auditors

22 August 1997

Armitscot Developments Limited

Profit and loss account

for the year ended 31 May 1997

	Note	1997 £	1996 £
Turnover	*1*	**218,431**	165,314
Cost of sales		**(177,481)**	(124,713)
Gross profit		**40,950**	40,601
Administrative expenses		**(114,327)**	(30,767)
Other operating income		**700**	700
Operating (loss)/profit	*2*	**(72,677)**	10,534
Interest receivable and similar income	*5*	**207,207**	57,176
Interest payable and similar charges	*5*	**-**	(21)
Profit on ordinary activities before taxation		**134,530**	67,689
Tax on profit on ordinary activities	*6*	**(82,947)**	(14,383)
Profit for the financial year		**51,583**	53,306
Dividends	*7*	**(142,067)**	-
Retained (loss)/profit for the year	*13*	**(90,484)**	53,306

Other than the profit for the year there were no other recognised gains or losses.

Armitscot Developments Limited

Balance sheet
at 31 May 1997

	Note	1997 £	1996 £
Fixed assets			
Investments			
Shared equities		**103,221**	103,221
Other	*8*	**6,000**	212,916
		109,221	316,137
Current assets			
Stocks	*9*	**1,689,320**	1,848,202
Debtors	*10*	**39,773**	1,016,125
Cash at bank		**2,451,334**	1,100,347
		4,180,427	3,964,674
Creditors: amounts falling due within one year	*11*	**(134,162)**	(34,841)
Net current assets		**4,046,265**	3,929,833
Net assets		**4,155,486**	4,245,970
Capital and reserves			
Called up share capital	*12*	**1,600**	1,600
Profit and loss account	*13*	**4,153,886**	4,244,370
Shareholders' funds - equity		**4,155,486**	4,245,970

The accounts were approved by the board of directors on 22 August 1997 and signed on their behalf by:

EM Walker
Director

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. For work in progress, cost is taken as production cost which includes an appropriate proportion of overheads less progress payments.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made, using the liability method, if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Investments

Fixed asset investments in shared equities in land and buildings are stated at cost. Current asset investments which comprise shared equities in land and buildings are stated at the lower of cost and net realisable value.

Turnover

Turnover represents invoiced sales net of VAT arising from the construction and sale of private houses.

2 Operating (loss)/profit

		1997	1996
		£	£
Operating (loss)/profit is stated after charging:			
Auditors' remuneration	- audit services	**1,750**	1,600
	- non-audit services	**43,158**	24,671

Notes *(continued)*

3 Remuneration of directors

	1997 £	1996 £
Directors' emoluments	**53,887**	-

4 Staff numbers and costs

Wages and salaries	**53,887**	-
Social security costs	**5,489**	-
	59,376	-
	Number	Number
Average number of employees, including directors	**5**	4

5 Interest

	1997 £	1996 £
Receivable		
Income from short term deposits	**120,888**	57,176
Other interest	**86,319**	-
	207,207	57,176
Payable		
Interest on bank overdraft	**-**	21

6 Tax on profit on ordinary activities

UK corporation tax at 32% *(1996: 33%)* on the profit for the year	**(84,975)**	(20,829)
Overprovision of taxation in prior years	**2,028**	6,446
	(82,947)	(14,383)

7 Dividends

During the year the company paid an interim dividend in specie to shareholders comprising all of its shares held in the associated company, Walker Holdings (Scotland) Limited. These shares were held at a cost of £142,067 in the balance sheet (note 8).

Notes *(continued)*

8 Fixed asset investments

	Associated company unlisted £	Other investment unlisted £	Total £
Shares or debentures at cost			
At beginning of year	142,067	6,000	148,067
Disposals	(142,067)	-	(142,067)
At end of year	-	6,000	6,000
Loans			
At beginning of year	64,849	-	64,849
Movement in year	(61,646)	-	(61,646)
Transferred to debtors	(3,203)	-	(3,203)
At end of year	-	-	-
Total			
At 31 May 1997	-	**6,000**	**6,000**
At 31 May 1996	206,916	6,000	212,916

9 Stocks

	1997 £	1996 £
Work in progress	**1,689,320**	1,848,202

10 Debtors

Amounts falling due within one year:		
Other debtors	**34,080**	1,013,550
Prepayments and accrued income	**5,693**	2,575
	39,773	1,016,125

Notes *(continued)*

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Corporation tax	**84,975**	20,829
Accruals and deferred income	**49,187**	14,012
	134,162	34,841

12 Share capital

Authorised		
Ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**1,600**	1,600

13 Profit and loss account

	£
At beginning of year	4,244,370
Retained loss for the year	(90,484)
At end of year	**4,153,886**

14 Reconciliation of movements in shareholders' funds

Profit for the financial year	51,583
Shareholders' funds at start of year	4,245,970
	4,297,553
Dividends	(142,067)
Shareholders' funds at end of year	**4,155,486**

15 Related party disclosures

Messrs EM Walker and BE Walker are directors of and significant shareholders in Walker Holdings (Scotland) Limited, the holding company of Walker Group (Scotland) Limited ("Walker Group") which acts as agent for the company whereby certain expenditure is incurred in the first instance by Walker Group then re-charged to the company.