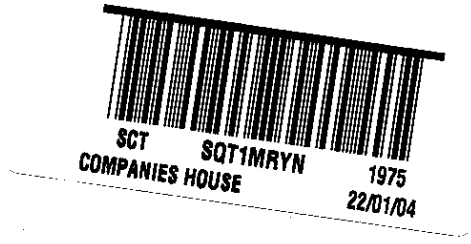
Armitscot Developments Limited

Directors' report and financial statements

Registered number SC053538

30 November 2003



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Directors and advisers

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

Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 30 November 2003.

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 period are set out in the attached financial statements. The directors recommend that no dividends be paid.

The retained profit for the year is £168,540 (*2002: £51,371*).

Directors and directors interests

The directors who were in office throughout the period are noted on page 1. The directors who held office at the end of the financial period had the following interests in ordinary shares of £1 each of the company:

	Interest at end of period		Interest at start of period or date of appointment	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
EM Walker	**-**	**470**	-	470
Mrs FM Walker	**-**	**-**	-	-
BE Walker	**-**	**170**	-	170
Mrs FM Young	**565**	**150**	565	150
CA Walker	**565**	**150**	565	150

FM Walker and CA Walker retire by rotation and, being eligible, offer themselves for re-election.

Taxation

The company is a close company for taxation purposes.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Bell & Scott WS
Secretaries

Edinburgh
9 January 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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 LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of Armitscot Developments Limited

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

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 directors' 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 directors' remuneration and transactions with the Company is not disclosed.

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 30 November 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

9 January 2004

Profit and loss account

for the year ended 30 November 2003

	Notes	2003 £	2002 £
Turnover		**501,460**	116,200
Cost of sales		**(267,058)**	(67,995)
Gross profit		**234,402**	48,205
Administrative expenses		**(14,003)**	(16,340)
Other operating income		**2,690**	5,390
Operating profit	2	**223,089**	37,255
Interest receivable and similar income	4	**17,176**	15,746
Profit on ordinary activities before taxation		**240,265**	53,001
Tax on profit on ordinary activities	5	**(71,725)**	(1,630)
Retained profit for the year	12	**168,540**	51,371

There were no recognised gains or losses other than the profit for the year and the preceding year.

Balance sheet
at 30 November 2003

	Notes	2003 £	2002 £
Fixed assets			
Investment property	6	**92,973**	92,973
Shared equities		**103,221**	103,221
Other unlisted investments	7	**6,000**	6,000
		202,194	202,194
Current assets			
Stocks	8	**803,655**	1,070,711
Debtors	9	**6,910**	6,606
Cash at bank		**735,657**	251,321
		1,546,222	1,328,638
Creditors: amounts falling due within one year	10	**(77,483)**	(28,439)
Net current assets		**1,468,739**	1,300,199
Total assets less current liabilities		**1,670,933**	1,502,393
Creditors: amounts falling due outwith one year	10	**(1,054,249)**	(1,054,249)
Net assets		**616,684**	448,144
Capital and reserves			
Called up share capital	11	**1,600**	1,600
Profit and loss account	12	**615,084**	446,544
Equity shareholders' funds		**616,684**	448,144

These financial statements were approved by the board of directors on 9 January 2004 and were signed on its behalf by:

EM Walker
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with issues which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties. Compliance with Statement of Standard Accounting Practice (SSAP) 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the investment properties accounting policy note below.

Cash flow statement

The company is exempt from the requirement to present a cash flow statement under Financial Reporting Standard 1, on the grounds that it qualifies as a small company.

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.

Investment properties

In accordance with SSAP 19, investment properties are not depreciated or amortised but revalued every three years and the aggregate surplus or deficit is transferred to a revaluation reserve. This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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.

Notes *(continued)*

2 Operating profit

Operating profit is stated after charging:

		2003 £	2002 £
Auditors' remuneration	- *audit services*	**2,000**	2,100
	- non-audit services	**11,269**	8,725

3 Remuneration of directors

The directors are the only employees of the company. There are no director's emoluments.

4 Interest receivable and similar income

	2003 £	2002 £
Income from short term deposits	**17,172**	15,746
Other interest	**4**	-
	17,176	15,746

5 Tax on profit on ordinary activities

	2003 £	2002 £
UK corporation tax at 30% *(2002 : 20%)* on the profit for the year	**72,080**	10,614
Overprovision of taxation in prior years	**(355)**	(8,984)
	71,725	1,630

Factors affecting the tax charge for the current year

The current tax charge for the year is equal to (*2002: higher*) than the standard rate of corporation tax in the UK 30%, (2002: 20%). The differences are explained below.

	2003 £	2002 £
Current tax reconciliation		
Profit on ordinary activities before tax	**240,265**	53,001
Current tax at 30% (2002: 20%)	**72,080**	10,600
Effects of:		
Expenses not deductible for tax purposes	**-**	14
Prior year adjustments	**(355)**	(8,984)
Total current tax charge (see above)	**71,725**	1,630

Notes *(continued)*

6 Investment properties

	£
At beginning and end of year	**92,973**

7 Fixed asset investments

	Other unlisted investments £
Shares or debentures at cost	
At beginning and end of year	**6,000**

8 Stocks

	2003 £	2002 £
Work in progress	**803,655**	1,070,711

9 Debtors

	2003 £	2002 £
Other debtors	**6,744**	6,491
Prepayments and accrued income	**166**	115
	6,910	6,606

10 Creditors

	2003 £	2002 £
Amounts falling due within one year		
Corporation tax	**72,080**	10,614
Accruals and deferred income	**5,403**	17,825
	77,483	28,439
Amounts falling due after more than one year		
Shareholders' loans	**1,054,249**	1,054,249

The shareholders' loans are unsecured, interest free and have no fixed repayment dates.

Notes *(continued)*

11 Share capital

	2003 £	2002 £
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

12 Profit and loss account

	2003 £	2002 £
At beginning of year	**446,544**	395,173
Retained profit for the year	**168,540**	51,371
At end of year	**615,084**	446,544

13 *Reconciliation of movements in shareholders' funds*

	2003 £	2002 £
Profit for the financial year	**168,540**	51,371
Shareholders' funds at start of year	**448,144**	396,773
Shareholders' funds at end of year	**616,684**	448,144

14 Related party disclosures

Walker Group (Scotland) Limited is a wholly owned subsidiary of Walker Holdings (Scotland) Limited, a company in which Messrs EM Walker and BE Walker are directors and shareholders. At the year end, Walker Group (Scotland) Limited was owed £nil *(2002: £12,500)* by Armitscot Development Ltd.