

3368/64

THE
SCOTTISH
HOMES
INVESTMENT
COMPANY
LIMITED

ANNUAL
REPORT
1976

THE SCOTTISH HOMES INVESTMENT COMPANY LIMITED

DIRECTORS

DAVID M. YOUNG, MA, LLB, WS, *Chairman*

J. A. R. FALCONER, BA, CA, *Deputy Chairman*

P. A. OPPENHEIM, MA, CA

J. TERRY, MA, *Managing Director*

K. M. TURNER, CA

Secretary and Registered Office

K. M. TURNER, CA, 17 Great Stuart Street, Edinburgh EH3 7TP

Bankers

THE ROYAL BANK OF SCOTLAND LIMITED, 42 St Andrew Square, Edinburgh EH2 2YE

Auditors

THOMSON McLINTOCK & CO., CA, 216 West George Street, Glasgow G2 2PF

Solicitors

J. & R. A. ROBERTSON, WS, 15 Great Stuart Street, Edinburgh EH1 7TS

Registrars and Transfer Office

BANK OF SCOTLAND, Registrar Department, 26A York Place, Edinburgh EH1 3EY

ANNUAL GENERAL MEETING

Notice is hereby given that the 1976 Annual General Meeting of the Company will be held at 17 Great Stuart Street, Edinburgh, on Thursday, 28th October 1976 at 12 noon to receive the Directors' Report and Accounts, to elect Directors, and to authorise the Directors to fix the remuneration of the Auditors.

17 Great Stuart Street, Edinburgh
4th October 1976

K. M. TURNER
Secretary

Any member entitled to attend and vote may appoint one or more proxies (a proxy need not be a member) to attend and vote instead of him. Proxy forms must be deposited with the Registrars not less than 48 hours before the meeting. Statements of Directors' transactions in the Company's shares and of contracts of service under which Directors are employed may be inspected at the Registered Office until 28th October 1976.

CHAIRMAN'S STATEMENT

The group returned to profit in the second six months of the year to 31st March 1976 with £94,025 before tax, which, after the loss of £484,959 in the first period, gives an overall loss for the year of £390,934 before tax. No dividend is proposed.

The recent profitability continues into the current year, and I expect it to improve, but shareholders will wish to be specifically assured on the risks of repetition of building contract losses. I referred a year ago to the deterioration in trading conditions, and this trend is now even more evident. We have progressively reduced our scale of operations and are not competing for new building contracts at the low margins currently ruling in the industry. Combined with a reduction in overheads, this is the most effective protection for the satisfactory completion of existing contracts.

R. L. Rae and John Kelly & Son operated profitably in the year under review in spite of the low level of investment in capital projects in both public and private spheres, the latter company having successfully expanded all its activities.

Dalgaty Bay continues to make good progress, both as a development project and as a base for Scothomes' private houses. Land sales have been kept in line with market requirements, and Scothomes has developed a successful range of houses. In both capital and profit terms these activities now form by far the largest sector in the group and their potential over the next few years is attractive.

The realisation of the loans made in connection with housing projects in London and St Andrews in 1973 has been slower than hoped, and the cost of the extra time is a continuing source of concern. In the current year, however, the capital value outstanding has been reduced from £689,623 as at 31st March 1976 to £373,473 at the time of writing, without further loss. This movement has improved the group's already adequate liquidity.

Income from our investment in Dalscot Limited will start in the current year with a dividend of £1,700 in respect of its year ended 31st March 1976.

Mr K. M. Turner, who has been Group Accountant for five years and is also Secretary of the parent company, was appointed to the Board in July. His responsibility remains primarily in the accounting and administration fields, but he is making an increased contribution to general group management.

All employees have had to face new situations and we have to thank them for their co-operative response to the problems of a particularly difficult year.

DIRECTORS' REPORT

Trading Results

The loss for the year is shown in the attached Consolidated Profit and Loss Account. The Directors recommend that no dividend should be paid.

Activities and Exports

The activities of the Company and its subsidiaries comprise building services and estate development. Goods to the value of £944 were exported during the year.

Directors

The interests of the Directors in the issued ordinary shares of 25p each of the Company are -

	<i>2nd September 1976</i>	<i>31st March 1976</i>	<i>1st April 1975</i>
D. M. Young	350,000	350,000	350,000
J. A. R. Falconer	10,808	10,808	10,808
P. A. Oppenheim—Personal	1,357,062	1,357,062	1,357,062
As Trustee	100,800	82,000	82,000
J. Terry	39,000	39,000	32,000

The Directors do not hold shares or debentures in any other company of the Group.

The Director retiring by rotation is Mr J. A. R. Falconer, who, being eligible, offers himself for re-election. Since 31st March 1976 Mr K. M. Turner has been appointed a Director and his appointment falls to be confirmed.

No contract in which any Director was materially interested subsisted either during or at the end of the financial year.

Other Interest

As at 2nd September 1976 no other persons had a substantial interest in the share capital of the Company.

Employees

The average number of employees during the year was 793 and their aggregate remuneration was £2,569,272.

Income and Corporation Taxes Act 1970

So far as is known, the Company is not a close company within the meaning of Part XI, Chapter III of the Income and Corporation Taxes Act 1970.

Auditors

The auditors, Thomson McLintock & Co., Chartered Accountants, are willing to continue in office

17 Great Stuart Street, Edinburgh
4th October 1976

By Order of the Board
K. M. TURNER
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 1976

	Note	1976		1975	
		£	£	£	£
Turnover	2	<u>10,630,009</u>		<u>12,250,567</u>	
(Loss)/Profit for year before Investment Income		(29,526)		14,551	
After charging:					
Hire of plant		410,213		381,785	
Depreciation	3	55,752		125,671	
Loss (Profit) on disposal of fixed assets		31,193		(20,800)	
Directors' remuneration	4	35,167		31,479	
Auditors' remuneration		19,947		17,450	
Interest	5	44,878		22,819	
Amount written off investments		<u>226,873</u>		<u>90,000</u>	
Investment Income	6	<u>14,592</u>		<u>5,258</u>	
(Loss)/Profit before Tax		(390,934)		19,809	
Tax	7	<u>17,700</u>		<u>(29,520)</u>	
(Loss)/Profit after Tax		(408,634)		49,329	
Dealt with in the accounts of					
Parent company		(357,840)		46,347	
Subsidiary companies		(50,794)		2,982	
		<u>(408,634)</u>		<u>49,329</u>	
Dividend					
Interim of 0.375p per share					26,250
(Loss)/Unappropriated profit for year		<u>(408,634)</u>		<u>23,079</u>	
(Loss)/Earnings per Ordinary Share of 25p	8	(5.84p)		0.70p	

CONSOLIDATED BALANCE SHEET

as at 31st March 1976

	Note	1976	1975
		£	£
Fixed Assets	9	815,473	911,827
Investments			
Unquoted (at directors' valuation)	10	50,000	50,000
Secured loans	11	689,623	805,500
		<u>739,623</u>	<u>855,500</u>
Current Assets			
Work in progress and contracts awaiting final measurement	12	30,167,407	25,681,990
Less: Instalments received to account		28,595,716	24,235,829
		<u>1,571,691</u>	<u>1,446,161</u>
Stocks	13	96,190	264,194
Ground being developed	14	630,714	570,191
Debtors		424,146	592,964
Tax recoverable		707	5,493
Cash		14,659	11,252
		<u>2,738,107</u>	<u>2,890,355</u>
Less: Current Liabilities			
Bank overdrafts	15	304,516	41,065
Creditors		2,413,790	2,646,487
		<u>2,718,306</u>	<u>2,687,552</u>
Net Current Assets		19,801	202,803
		<u>1,574,897</u>	<u>1,970,130</u>
Less: Loan	16	69,455	72,076
Deferred Tax	17	127,904	110,204
Regional Development Grants	18	2,851	4,529
		<u>200,210</u>	<u>186,809</u>
		<u>1,374,687</u>	<u>1,783,321</u>
Representing:			
Share Capital	19		
Authorised—Shares of 25p each		2,000,000	2,000,000
Issued—Shares of 25p each		1,750,000	1,750,000
Reserves	20	(375,313)	33,321
		<u>1,374,687</u>	<u>1,783,321</u>

D. M. YOUNG *Director*

J. TERRY *Director*

BALANCE SHEET
as at 31st March 1976

	Note	1976		1975	
		£	£	£	£
Fixed Assets	9		140,710		8,720
Investments					
Subsidiary companies	21	1,122,361		1,490,123	
Unquoted (at directors' valuation)	10	50,000		50,000	
			1,172,361		1,540,123
Current Assets					
Debtors		4,540		450	
Tax recoverable		—		5,731	
Cash		26,576		138,243	
		31,116		144,424	
Less: Current Liabilities					
Creditors		31,576		28,416	
Net Current (Liabilities)/Assets			(460)		116,008
			1,312,611		1,664,851
Less: Deferred Tax	17		5,600		—
			1,307,011		1,664,851
Representing:					
Share Capital	19				
Authorised—Shares of 25p each			2,000,000		2,000,000
Issued—Shares of 25p each			1,750,000		1,750,000
Reserves	20		(442,989)		(85,149)
			1,307,011		1,664,851

D. M. YOUNG Director
J. TERRY Director

Certified a true copy of the only Balance Sheet laid during the period to which the Return relates and of Auditors Report relating thereto.

SOURCE & APPLICATION OF FUNDS

Source of Funds	1976		1975	
	£000	£000	£000	£000
Profit before tax		—		20
Items not involving the movement of funds:				
Depreciation	55		126	
Loss/(Profit) on disposal of fixed assets	31		(21)	
Amount written off secured loan	150		90	
	<u> </u>	236	<u> </u>	195
Funds from other sources:				
Disposal of fixed assets	121		138	
Tax recovered	5		—	
Sale of quoted investment	—		21	
	<u> </u>	126	<u> </u>	159
		<u>362</u>		<u>374</u>
Application of Funds				
Loss for year		391		—
Purchase of fixed assets	112		180	
Secured loans advanced	34		332	
Loan repayments	3		3	
Dividends paid	—		70	
Tax paid	—		39	
Debentures redeemed	—		19	
	<u> </u>	149	<u> </u>	643
Movement in Working Capital				
(Decrease)/increase in: Work in Progress and Stocks	(43)		(98)	
Ground being developed	61		98	
Debtors	(169)		(201)	
Decrease/(increase) in Creditors	233		(115)	
Net liquid funds:				
(Increase)/decrease in Cash and bank overdrafts	(260)		47	
	<u> </u>	(178)	<u> </u>	(269)
		<u>362</u>		<u>374</u>

Before the Company in General Meeting
the Report of the Directors and the

.....Director

.....Secretary

NOTES ON ACCOUNTS

1. Accounting Policies

The main accounting policies of the group are described in the notes on accounts under the appropriate reference.

2. Turnover

Selling value (excluding VAT) to third parties of work done during year
 Building services
 Estate development
 Plant hire and sales

1976	1975
£	£
9,705,544	11,097,781
914,191	397,620
70,274	755,166
<u>10,690,009</u>	<u>12,250,567</u>

3. Depreciation

Depreciation of plant, machinery, vehicles, etc., is provided on a reducing balance basis over the estimated life of the assets. Depreciation is provided on freehold land and buildings owned prior to 29th March 1968 at 2 per cent per annum of cost or valuation. No depreciation is provided on freehold land and buildings acquired since 29th March 1968.

4. Directors' Remuneration

Fees
 Executive emoluments
 Pension to past director

£	£
4,000	4,000
28,167	24,479
3,000	3,000
<u>35,167</u>	<u>31,479</u>
<u>13,749</u>	<u>12,000</u>

Chairman's emoluments (excluding pension contributions)

The number of directors whose remuneration (excluding pension contributions) fell within the following bands was:—

No more than £2,500	2	2
£10,001 — £12,500	1	2
£12,501 — £15,000	1	—

5. Interest Paid

On bank overdrafts
 On 8 per cent secured loan
 On debentures

£	£
39,239	16,012
5,639	5,839
—	968
<u>44,878</u>	<u>22,819</u>

6. Investment Income

Quoted investment
 Secured loans
 Short term deposits

£	£
—	1,160
14,540	—
52	4,098
<u>14,592</u>	<u>5,258</u>

7. Tax

Transfer (from)/to deferred tax
 Prior year adjustments
 Corporation tax
 Deferred tax

£	£
(3,400)	28,000
—	(27,820)
21,100	(29,700)
<u>17,700</u>	<u>(29,520)</u>

The tax credit for the year represented by the transfer from deferred tax reflects the disallowance for tax purposes of the amounts written off investments and the incidence of losses in the year not capable of being set off against deferred tax.

8. Loss per Share

The loss per share is calculated on the loss after tax for the year of £408,634 (1975—profit £49,329) attributable to 7,000,000 ordinary shares in issue during the year.

NOTES ON ACCOUNTS (continued)

2. Fixed Assets

	CONSOLIDATED				COMPANY		
	Freehold Land and Buildings	Plant, Machinery, Vehicles, etc.	Feu-duties	Total	Freehold Land and Buildings	Plant, Machinery, Vehicles, etc.	Total
	£	£	£	£	£	£	£
<i>Cost or Valuation:</i>							
As at 31st March 1975	712,741	562,904	25,384	1,301,029	—	14,899	14,899
Additions	32,472	77,621	1,362	111,455	—	67	67
Group transfers	—	—	—	—	158,102	(48)	158,054
Disposals	(8,500)	(359,652)	(5,049)	(373,201)	—	(977)	(977)
As at 31st March 1976	736,713	280,873	21,697	1,039,283	158,102	13,941	172,043
<i>Aggregate Depreciation:</i>							
As at 31st March 1975	62,079	327,123	—	389,202	—	6,179	6,179
Charge for year	9,007	46,745	—	55,752	3,163	2,039	5,202
Group transfers	—	—	—	—	20,651	(279)	20,372
Disposals	(432)	(220,712)	—	(221,144)	—	(420)	(420)
As at 31st March 1976	70,654	153,156	—	223,810	23,814	7,519	31,333
<i>Net Amount:</i>							
Cost, less depreciation	361,156	127,717	—	488,873	56,672	6,422	63,094
Valuation at 29th March 1968, less depreciation	259,903	—	—	259,903	77,616	—	77,616
Directors' valuation at 31st March 1972	45,000	—	—	45,000	—	—	—
Directors' valuation at 31st March 1974	—	—	21,697	21,697	—	—	—
	666,059	127,717	21,697	815,473	134,288	6,422	140,710

10. Unquoted Investment

The company owns 11.4 per cent of Dalscot Ltd., an investment and merchant banking group registered in Scotland.

11. Secured Loans

In arriving at the value of £643,330 attributed to one secured loan, in respect of which a Receiver has been appointed, provision has been made for all expenses estimated to be necessary to enable the security subjects to be completed and sold and for the anticipated loss which will arise on final realisation.

12. Work in Progress

Contract work in progress of £29,397,322 (1975—£25,108,651) has been valued by pricing work done at contract rates less directors' estimates for future losses. Credit is not taken for claims for increased costs not covered by price fluctuation clauses or for other additional items until such claims have been agreed by the customer. Accordingly the loss for the year reflects not only the results of current contracts but also settlement of contracts completed in previous years.

The balance of work in progress of £770,085 (1975—£573,339) has been valued at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and a proportion of overheads.

13. Stocks

Stocks have been valued at the lower of cost or net realisable value.

14. Ground being developed

The ground being developed is stated at directors' valuation at 31 March 1971 of unsold land, plus subsequent cost. Further development expenditure not provided for in these accounts is estimated at £670,000 of which £20,000 has been authorised but not contracted for.

15. Bank Overdrafts

In security for overdraft facilities granted to the company and to subsidiaries each of these companies has given a joint and several guarantee and has granted a floating charge over its whole assets and undertaking in favour of the bank.

16. Loan

8 per cent Secured Loan

Repayable on the annuity basis by twenty-eight further half-yearly instalments

1976	1975
£	£
69,455	72,076

NOTES ON ACCOUNTS (continued)

17. Deferred Tax

Deferred tax represents tax at the rates ruling at 31 March 1976 in respect of eligible fixed assets, on the excess of capital allowances utilized over the amounts provided for their depreciation and on other timing differences together with the deferral of tax arising from increases in stock values, less advance corporation tax relating to dividends paid. The provision so calculated is made up as follows:—

	Consolidated	Company
	£	£
Excess capital allowances	82,594	5,600
Other timing differences	(28,300)	—
Arising from stock values	115,800	—
	<u>170,094</u>	<u>5,600</u>
Advance corporation tax on dividends paid (surrendered to subsidiaries)	48,096	—
	<u>127,904</u>	<u>5,600</u>

18. Regional Development Grants

Regional development grants receivable are credited to profit and loss account over a period of four years.

19. Share Capital

(a) Authorized

Ordinary shares of 25p each
Unclassified shares of 25p each

1976	1975
£	£
1,750,000	1,750,000
250,000	250,000
<u>2,000,000</u>	<u>2,000,000</u>

(i) Issued and fully paid

Ordinary shares of 25p each

£	£
1,750,000	1,750,000

20. Reserves

Share Premium
General
Profit and Loss Account
As at 31st March 1975
(Loss) for year

Consolidated	Company
£	£
481,938	481,938
76,071	13,424
(524,688)	(580,511)
(408,634)	(357,840)
<u>(375,313)</u>	<u>(442,989)</u>

21. Subsidiary Companies

Shares at cost less amounts written off
Amounts due by subsidiaries

1976	1975
£	£
2,147,130	2,575,131
782,497	806,383
<u>2,929,627</u>	<u>3,381,514</u>
1,807,266	1,891,391
<u>1,122,361</u>	<u>1,490,123</u>

Less: Amounts due to other subsidiaries

Details of the company's principal trading subsidiaries, all of which are wholly owned, were:—

Name	Country of Registration	Class of Shares held	Nature of Business
Ceiling-Craft Ltd.	Scotland	Ordinary	Ceiling contractors
Donibristle Investments Ltd.	Scotland	Ordinary	Estate developers
Glasgow Trust Ltd.	Scotland	Ordinary	Investment company
John Kelly & Son (Kitchen Engineers, Edinburgh) Ltd.	Scotland	Ordinary	Manufacturers and suppliers of catering equipment
James Laidlaw & Sons Ltd.	Scotland	Ordinary	Builders and contractors
Murrell Dynamics Ltd.	Scotland	Ordinary	Experimental electronics
John Orr & Sons (Decorators) Ltd.	Scotland	Ordinary	Painters and decorators
R. L. Rae Ltd.	Scotland	Preference	
Scothomes Ltd.	Scotland	Ordinary	Joiners and shopfitters
Tensa Construction Ltd.	Scotland	Ordinary	Private house builders
		Ordinary	Builders and contractors

NOTES ON ACCOUNTS (continued)

22. Capital Commitments

Authorised but not contracted for:
The Group

1976	1975
£	£
37,700	—

REPORT OF THE AUDITORS TO THE MEMBERS OF THE SCOTTISH HOMES INVESTMENT COMPANY LIMITED

We have audited the books and records of The Scottish Homes Investment Company Limited for the year ended 31 March 1976. The accounts on pages 4 to 11, which are stated using the historical cost convention including the revaluation of certain assets, have been properly prepared in accordance with the provisions of the Companies Acts 1948 and 1967.

In our opinion these accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company, and of the state of affairs and loss of the company and its subsidiaries so far as concerns the members of the company.

THOMSON McLINTOCK & CO.

Chartered Accountants.

Glasgow, 4th October 1976.

LIST OF DIRECTORSHIPS OF

JAMES ALEXANDER RLID FALCONER, B.A., C.A.

Border & Southern Stockholders Trust Ltd.
Canadian & Foreign Investments Trust Limited.

Canfor Securities Ltd.

Capital Guidance Ltd.

Centre Hotels (Cranston) Ltd.

Clifton Hall School Ltd.

East of Scotland Onshore Ltd.

English & New York Trust Co. Ltd.

Gaffnor Bank Ltd.

Gaffnor Investment Ltd.

Investment Trust of Guernsey Ltd.

Lake View Investment Trust Ltd.

Life Association of Scotland Ltd.

London Atlantic Investment Trust Ltd.

Merchant Investors Assurance Co. Ltd.

M. & G. Assurance Group Ltd.

M. & G. Group Ltd.

M. & G. (Holdings) Ltd.

M. & G. (Scotland) Ltd.

M. & G. Securities Co. Ltd.

North British Canadian Investment Co. Ltd.

Pentland Investment Trust Ltd.

Scottish Eastern Investment Trust Ltd.

Scottish Homes Investment Co. Ltd.

Scottish Ontario Investment Co. Ltd.

Stockholders Equity Trust Ltd.

Union Bank S.A.L.

Wates Ltd.

11th November, 1976.

LIST OF DIRECTORSHIPS OF

KEITH MAURICE TURNER

The Scottish Homes Investment Company Limited
and Subsidiaries.

11th November, 1976.

LIST OF DIRECTORSHIPS OF

JOHN TERRY

The Scottish Homes Investment Company Limited
and Subsidiaries.

11th November, 1976.

LIST OF DIRECTORSHIPS OF
PHILIP ANTHONY OPPENHEIM

The Scottish Homes Investment Company Limited.

International Caledonian Assets Limited
and Subsidiaries.

11th November, 1976.

LIST OF DIRECTORSHIPS OF

DAVID MACGREGOR YOUNG

The Scottish Homes Investment Company Limited
and Subsidiaries.

Scotblair Limited.

Great Stuart Nominees Limited.

Snows Furnishers Limited.

International Caledonian Assets Limited.

11th November, 1976.