

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 JANUARY 1997



CLARK WHITEHILL

Chartered Accountants

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SCOTTISH PRUDENTIAL HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

31 JANUARY 1997

PROFITS

In the year ended 31 January 1997, the Company made pre-tax profits, based on historical costs, of £1,034,000 (see page 6). This is an increase of about 20% over the previous year. It is the first year in which the profits exceed £1 million.

TEN YEAR RECORD

Had Scottish Prudential Holdings been in existence for the past ten years, the results would have been as follows:

Year	Profit from Group Activities £'000	Shareholders' Funds at Year End £'000
1986/87	505	2,534
1987/88	547	4,072
1988/89	455	5,604
1989/90	224	5,788
1990/91	224	6,744
1991/92	618	6,659
*1992/94	916	7,261
1994/95	908	7,930
1995/96	862	8,204
1996/97	1,034	8,571

* Fifteen month period ended 31 January 1994.

DIVIDENDS

Your directors recommend the payment of a Final Dividend of 1.20p per share. If this is approved, the total dividend will be 1.6 p per share, an increase of about 6.7% in the year.

FORELLE ESTATES

Forelle Estates increased its profits from £303,000 in 1995/96 to £422,000 in 1996/97. The profits included a windfall from Legal & General of about £77,000. Ignoring the exceptional incomes in each year, the figures would be £207,000 in 1994/95, £270,000 in 1995/96 and £345,000 in 1996/97. The increase is due to the greater rental income from the enlarged portfolio of properties. The company now owns eighteen properties which are all located in Dorset and Hampshire. A full list of these properties is displayed in the accounts.

SCOTTISH PRUDENTIAL INVESTMENT ASSOCIATION

The profits in the year were about £614,000 as compared with £506,000 in the previous year. No new properties were acquired. The increased profits were due to there being more sales rather than from any increase in selling prices. In the year there have been neither purchases nor sales of "Residential Home Reversions".

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CHAIRMANS STATEMENT (CONTINUED)
31 JANUARY 1997

VALUE OF PROPERTIES

The following table shows the value of the properties owned.

	Value £'000s	
	1995/96 £	1996/97 £
In England	4,816	6,980
In Scotland	5,508	4,772
Residential Home Reversions	<u>642</u>	<u>700</u>
Total	<u>10,966</u>	<u>12,452</u>

It will be seen that the stock of properties has increased by about £1.5 million. There has been an increase in England of about £2.2 million offset by a reduction in Scotland of about £0.7 million.

THE OUTLOOK FOR 1997/98

We can no longer expect to have the profits boosted by windfall receipts. Arising from the increased size of the portfolio, we are expecting the profits of Forelle Estates to be greater.

Scottish Prudential operates in the Scottish market which behaves differently from the rest of the United Kingdom. It did not enjoy the huge increases which occurred in England at the time of the last boom. It went into recession later and not to such a great extent. There is now an indication that the Scottish Property Market is moving out of recession; the evidence varies from region to region in Scotland but fortunately the portfolio of Scottish Prudential is well spread across the country. It has always re-registered rents at the appropriate time; this has contributed to the rising rent roll.

Taking everything into account, your Directors hope to produce satisfactory profits in 1997/98.

APPRECIATION

Maurice Porter, the Managing Director of Forelle Estates, will be retiring at the end of March. On your behalf, I thank him for all that he has done for the English Property Companies over the past fifteen years. Mike Price, who takes up his appointment in April, has a hard act to follow.

I also record my thanks to John Herd, Roger King and their staff for all their hard work.



CHAIRMAN

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 1997

The directors submit their report and accounts for the year ended 31 January 1997.

ACTIVITIES

Scottish Prudential Holdings Limited is a holding company co-ordinating the activities of its subsidiary companies. The group's principal activities are the ownership and development of property.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £608,000 (1996 - £440,000). The directors recommend that a dividend of 1.20p per share be paid on the share capital as a final dividend. With the interim dividend of 0.40p per share already paid this amounts to 1.60p per share. This dividend together with the associated tax credit is the equivalent of 2.00p per share. The final dividend will be paid to shareholders on the register at close of business on 28 May 1997. If approved the dividend will be paid on 2 June 1997.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Scottish Prudential Holdings is a Specialist Property Group with interests in Scotland and in the South of England. Its investments range from residential property to commercial and industrial investment property. There is some property development through Capegrove Properties Limited.

The directors will continue to pursue opportunities for profitable business in the future.

FIXED ASSETS

All properties are included in the accounts at Directors Valuation.

Professional advice was received on the value of investment properties as at 31 January 1997 in the West of Scotland from Hacking and Paterson, Surveyors and Valuers, 1 Newton Terrace, Glasgow, G3 7PL and in the East of Scotland from J E Shepherd, Chartered Surveyors, 13 Albert Square, Dundee, DD1 1XA.

DIRECTORS

The directors who served throughout the year were A F Ferguson, C M Ferguson, R C King, J D Herd and H J Porter.

H J Porter retires as a director on 31 March 1997.

The director retiring by rotation is J D Herd who, being eligible, offers himself for re-election.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

DIRECTORS (CONTINUED)

Directors' interests are as follows:

	Ordinary Shares of 10p each held at 31 January	
	1997	1996
A F Ferguson	900,740	900,740
A F Ferguson (As Trustee)	115,112	115,112
C M Ferguson	1,400,000	1,388,750
C M Ferguson (As Trustee)	719,168	719,168
J D Herd	250,154	234,680
R C King	196,488	191,033
H J Porter	165,775	162,795

In addition C M Ferguson and R C King are interested as directors of Scottish Prudential (Trustees) Limited in 25,393 (1996 - 300,083) shares in respect of an Employee Share Scheme.

SHARE OPTIONS

Share options have been granted by the trustees of an Inland Revenue approved Executive Share Option Scheme exercisable before 2007 as follows:-

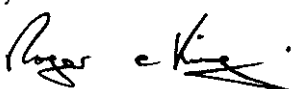
	J D Herd	R C King	
22 July 1993	66,587	66,586	at 25.5p
29 November 1993	24,324	24,324	at 27.0p
27 June 1994	9,089	9,090	at 30.5p
	<u>100,000</u>	<u>100,000</u>	

The trustees have waived their right to dividends in respect of the above shares.

AUDITORS

In accordance with S.385 of the Companies Act 1985 a resolution proposing the re-appointment of Clark Whitehill as Auditors will be put to the Annual General Meeting.

By Order of the Board


 Secretary

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1997

	Notes	1997 £'000	1996 £'000
TURNOVER		1,212	1,233
Change in value of work-in-progress		-	100
Materials and consumables		202	215
Staff costs		192	233
Depreciation		26	25
Other operating charges		97	83
OPERATING PROFIT		695	577
Other Income		412	351
Interest payable		(250)	(274)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	857	654
Taxation on profit on ordinary activities	3	249	214
PROFIT FOR THE YEAR		608	440
Dividends	4	172	161
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVE		436	279

The notes on pages 9 to 17 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 1997

	1997 £'000	1996 £'000
Profit for the year after tax	608	440
Unrealised (deficit)/surplus on revaluation of properties	(50)	33
Taxation on realised revaluation of property surplus in prior years	(3)	(38)
Deferred taxation on unrealised surplus on revaluation of properties	<u>(16)</u>	<u>-</u>
TOTAL RECOGNISED GAINS AND LOSSES	<u>539</u>	<u>435</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 1997

Reported Profit on ordinary activities before tax	857	654
Realisation of revaluation gains from previous years:-		
Properties	<u>177</u>	<u>208</u>
	1,034	862
Life policies	<u>-</u>	<u>272</u>
PROFIT FOR YEAR ON HISTORICAL COST BASIS BEFORE TAX	<u>1,034</u>	<u>1,134</u>
PROFIT FOR THE YEAR ON HISTORICAL COST BASIS		
RETAINED AFTER TAX AND DIVIDENDS	<u>610</u>	<u>721</u>

The notes on pages 9 to 17 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

31 JANUARY 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	5		
Freehold and heritable property		12,452	10,966
Equipment and vehicles		<u>29</u>	<u>49</u>
		<u>12,481</u>	<u>11,015</u>
CURRENT ASSETS			
Debtors	6	337	562
Cash		<u>113</u>	<u>139</u>
		<u>450</u>	<u>701</u>
CREDITORS: Amounts falling due within one year	7	<u>1,602</u>	<u>1,528</u>
NET CURRENT LIABILITIES		<u>(1,152)</u>	<u>(827)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,329</u>	<u>10,188</u>
CREDITORS:			
Amounts falling due after more than one year	8	2,742	1,984
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	<u>16</u>	<u>-</u>
NET ASSETS		<u>8,571</u>	<u>8,204</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,095	1,095
Share premium		<u>115</u>	<u>115</u>
Revaluation reserve	10	1,046	1,289
Profit and loss account	10	<u>6,315</u>	<u>5,705</u>
SHAREHOLDERS FUNDS	11	<u>8,571</u>	<u>8,204</u>

Approved by the Board of directors on 26 March 1997
and signed on their behalf:

Claudio F. Ferguson
Directors
Roger C. King

The notes on pages 9 to 17 form part of these accounts.

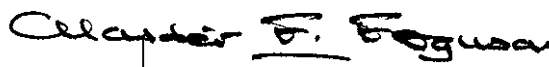
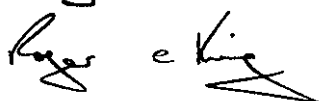
SCOTTISH PRUDENTIAL HOLDINGS LIMITED

BALANCE SHEET

31 JANUARY 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	5	18	27
Investments in subsidiaries	12	9,133	8,521
		<u>9,151</u>	<u>8,548</u>
CURRENT ASSETS			
Debtors	6	26	271
Cash		25	16
		<u>51</u>	<u>287</u>
CREDITORS: Amounts falling due within one year	7	<u>631</u>	<u>631</u>
NET CURRENT LIABILITIES		<u>(580)</u>	<u>(344)</u>
NET ASSETS		<u>8,571</u>	<u>8,204</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,095	1,095
Share premium		115	115
Capital reserve		3,806	3,806
Revaluation reserve	10	1,817	1,455
Profit and loss account	10	1,738	1,733
SHAREHOLDERS FUNDS	11	<u>8,571</u>	<u>8,204</u>

Approved by the Board of directors on 26 March 1997
and signed on their behalf:


 } Directors


The notes on pages 9 to 17 form part of these accounts.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1997

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost convention modified to include revaluation of certain fixed assets and in accordance with all applicable accounting standards.

b) Basis of Consolidation

The consolidated accounts include the accounts of the company and all of its subsidiaries for the year ended 31 January 1997. The assets of the ESOP trust (see note 14) have not been consolidated due to immateriality. No profit and loss account is presented for the company as provided by Section 230 of the Companies Act 1985. The profit of the parent company for the year that is dealt with in these accounts amounted to £177,370.

c) Depreciation

No depreciation is provided on freehold and heritable land and buildings as these are revalued annually. Depreciation on other fixed assets is provided by equal instalments calculated to write off the cost at rates varying as follows:

Office equipment	20% - 33 1/3%
Computers	33 1/3%
Furniture and fittings	10% - 20%
Vehicles	20% - 33 1/3%

d) Freehold and Heritable Property

Freehold and Heritable properties are valued by the directors annually on an open market basis in accordance with SSAP 19 "Accounting for Investment Properties". This treatment may be a departure from the requirements of the Companies Act 1985, but the directors consider it is necessary for the accounts to give a true and fair view, given the purpose for which the properties are held. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

e) Subsidiary Companies

In the parent company's balance sheet the investment in subsidiary companies is stated at the total amount invested plus post acquisition profits less losses of the subsidiaries.

f) Stock and Work in Progress

Stocks and work in progress have been valued at the lower of cost and net realisable value.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

1. ACCOUNTING POLICIES (CONTINUED)

g) Turnover

Turnover consists of sales of developed property and rents receivable after eliminating intra-group transactions.

h) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect on timing differences other than those which are expected to continue in the foreseeable future.

i) Goodwill

Goodwill arising on acquisition is written off against reserves in the year of acquisition.

j) Pensions

The company's pension cost is charged to the profit and loss account on a basis that spreads the cost over the remaining service lives of employees.

2. PROFIT ON ORDINARY ACTIVITIES
Is stated after charging or crediting:

	1997 £'000	1996 £'000
a) Staff costs (including directors remuneration)		
Salaries and wages	160	169
Social security payments	15	16
Other pension costs	17	48
	192	233
 Average monthly number of employees during the year	 No.	 No.
Office and management (excluding directors)	4	4
	£'000	£'000
Directors' remuneration as executives including pension and car benefits	152	180
Directors fees	4	3
	156	183

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

2. PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	1997	1996
	£'000	£'000
a)		
The emoluments (excluding pension scheme contributions) are set out below:		
The Chairman	20	27
Highest paid director	<u>64</u>	<u>62</u>
Directors emoluments fall within the following bands:	No.	No.
£ 0 - £ 5,000	1	1
£15,001 - £20,000	2	1
£25,001 - £30,000	-	1
£35,001 - £40,000	1	1
£60,001 - £65,000	<u>1</u>	<u>1</u>
b) Pension Costs		
On 1 April 1995 the group set up a defined pensions benefit scheme based on final pensionable earnings. The assets of the scheme are held separately from the group in a separate trustee administered fund.		
The funding cost of £17,500 was determined by the directors assisted by qualified actuaries, as their estimate of the funding level required for employees future service.		
The scheme will be subject to triennial valuation.		
	£'000	£'000
c) Other Operating Charges include:		
Auditors' remuneration (Holding Company £2,000)	8	8
Payment to employee share ownership plan	<u>4</u>	<u>3</u>
d) Other Income		
Interest received	22	19
Surplus on disposal of equipment and vehicles	-	3
Surplus on disposal of investment properties	305	276
Surplus on realisation of investment	65	33
Service charge	<u>20</u>	<u>20</u>
	<u>412</u>	<u>351</u>
e) Interest Payable		
On bank and building society loans partly and wholly repayable within 5 years	10	23
On loans repayable in more than 5 years	180	191
12½% Unsecured loan stock 2002	<u>60</u>	<u>60</u>
	<u>250</u>	<u>274</u>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

2. PROFIT ON ORDINARY ACTIVITIES (CONTINUED)	1997	1996
	£'000	£'000
f) Turnover		
Includes rent received	<u>1,212</u>	<u>1,123</u>

3. TAXATION

Corporation tax at 33% (1996 - 33%)	<u>255</u>	<u>244</u>
Corporation tax - adjustment for prior years	<u>(3)</u>	<u>8</u>
	<u>252</u>	<u>252</u>
Taxation on realisation of revaluation gains of previous years	<u>(3)</u>	<u>(38)</u>
	<u>249</u>	<u>214</u>

4. DIVIDENDS

Interim paid	<u>43</u>	<u>43</u>
Final proposed	<u>129</u>	<u>118</u>
	<u>172</u>	<u>161</u>

5. FIXED ASSETS

a) Freehold and Heritable Property at valuation

	Investment Properties held in		
	England	Scotland	Total
	£'000	£'000	£'000
At 31 January 1996	5,458	5,508	10,966
Additions	2,279	50	2,329
Uplift on revaluation	(57)	7	(50)
Disposals	-	(793)	(793)
At 31 January 1997	<u>7,680</u>	<u>4,772</u>	<u>12,452</u>

The historic cost of the properties at 31 January 1997 was £10,797,980 (1996 £9,085,129).

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

5. FIXED ASSETS (CONTINUED)

b) Equipment and vehicles	Office equipment £'000	Furniture and fittings £'000	Vehicles £'000	Total £'000
The Group				
Cost				
At 31 January 1996	42	36	62	140
Additions	2	4	-	6
Disposals	(37)	(18)	-	(55)
At 31 January 1997	7	22	62	91
Depreciation				
At 31 January 1996	39	28	24	91
Disposals	(37)	(18)	-	(55)
Provisions for year	2	7	17	26
At 31 January 1997	4	17	41	62
Book value				
At 31 January 1997	3	5	21	29
<i>At 31 January 1996</i>	<i>3</i>	<i>8</i>	<i>38</i>	<i>49</i>
The Company				
Cost				
At 31 January 1996	13	3	33	49
Additions	-	-	-	-
Disposals	(13)	(3)	-	(16)
At 31 January 1997	-	-	33	33
Depreciation				
31 January 1996	13	3	6	22
Provision for year	-	-	9	9
Disposals	(13)	(3)	-	(16)
At 31 January 1997	-	-	15	15
Book value				
At 31 January 1997	-	-	18	18
<i>At 31 January 1996</i>	<i>-</i>	<i>-</i>	<i>27</i>	<i>27</i>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

6. DEBTORS	1997	1996
	£	£
The Group		
Trade debtors	273	552
Other debtors and prepayments	9	10
VAT	55	-
	<u>337</u>	<u>562</u>
The Company		
Taxation	5	-
Amounts due from subsidiary undertakings	18	268
Other debtors and prepayments	3	3
	<u>26</u>	<u>271</u>
 7. CREDITORS: Amounts falling due within one year:		
The Group		
12½% Unsecured loan stock 2002	475	485
Current long term loan repayments (secured - see note 8)	275	195
Bank overdrafts (secured on property)	204	262
Trade creditors	-	5
Corporation tax	237	222
Proposed dividend	129	118
Other creditors	41	11
Accruals	241	230
	<u>1,602</u>	<u>1,528</u>
The Company		
12½% Unsecured loan stock 2002	475	485
Corporation tax	-	3
Proposed dividend	129	118
Other creditors	1	1
Accruals and deferred income	26	24
	<u>631</u>	<u>631</u>

12½% Unsecured loan stock is repayable in full by the year 2002. Repayments are made on demand at 30 April and 31 October each year by stockholders giving at least 3 months notice in writing.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

8. CREDITORS: Amounts falling due after more than one year:	1997	1996
	£	£
Building Society Loans	425	450
Bank loan fixed rate	299	-
Bank loans variable rate	<u>2,293</u>	<u>1,729</u>
	3,017	2,179
Less: Current payments due on long term loans	<u>275</u>	<u>195</u>
	<u>2,742</u>	<u>1,984</u>

CREDITORS:

Falling due after more than one year are repayable as follows:

In one to two years

Building society loans	29	28
Bank loan - fixed rate	20	-
Bank loans - variable rate	239	181

In two to five years

Building society loans	103	96
Bank loan - fixed rate	73	-
Bank loans - variable rate	758	557

After five years

Building society loans	271	309
Bank loan - fixed rate	187	-
Bank loans - variable rate	<u>1,062</u>	<u>813</u>
	<u>2,742</u>	<u>1,984</u>

Building Society Loans carry interest at 1% above M.L.R and are repayable by instalments with final payments due in 2006 and 2009.

The fixed rate loan interest rate is 9.76% ending in 2006.

The interest on variable rate loans are at 1½% above base rate, ending at varying dates between 2004 and 2007. All the loans are secured on properties of the company.

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

9. SHARE CAPITAL	1997	1996
	£'000	£'000
Authorised 200,000,000 Ordinary shares of 10p each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid 10,950,000 Ordinary shares of 10p each	<u>1,095</u>	<u>1,095</u>

10. RESERVES	Revaluation Reserve	Profit and Loss account
	£	£
The Group		
At beginning of year	1,289	5,705
Transfer from profit and loss account	-	436
(Deficit) on revaluation of property	(50)	-
Realisation of revaluation gains of previous years (net of taxation)	(174)	174
Deferred taxation on unrealised surplus on revaluation of properties	(16)	-
Taxation on realisation of revaluation gains of previous years	<u>(3)</u>	<u>-</u>
At end of year	<u>1,046</u>	<u>6,315</u>
The Company		
At beginning of year	1,455	1,733
Surplus on revaluation of subsidiary companies	362	-
Retained profits for the year	<u>-</u>	<u>5</u>
At end of year	<u>1,817</u>	<u>1,738</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1997	1996
	£	£
Profit for the year	608	440
Dividends	<u>(172)</u>	<u>(161)</u>
	436	279
Taxation on realisation of revaluation gains of previous years	(3)	(38)
(Deficit)/surplus on revaluation of property	(50)	33
Deferred taxation on unrealised surplus on revaluation of properties	<u>(16)</u>	<u>-</u>
	367	274
Opening shareholders' funds	<u>8,204</u>	<u>7,930</u>
Closing shareholders' funds	<u>8,571</u>	<u>8,204</u>

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 1997

12. INVESTMENTS IN SUBSIDIARIES	1997	1996
	£'000	£'000
Particulars of subsidiaries are given on page 20		
Opening valuation 31 January 1996	8,521	7,999
Additional capital	250	250
Surplus on revaluation of investments	362	272
	<u>9,133</u>	<u>8,521</u>
Closing valuation 31 January 1997		

13. DEFERRED TAXATION	1997	1996
	£'000	£'000
Amounts provided at 33%		
Taxation on unrealised surpluses on revaluation of properties	<u>16</u>	<u>-</u>
The potential liability to deferred tax not provided		
Timing differences due to accelerated capital allowances	<u>103</u>	<u>106</u>

14. EMPLOYEE SHARE OWNERSHIP PLAN

The company operates an ESOP trust. £4,194 has been made available to the trustees during the year by a subsidiary company for the purchase of shares in the company. These shares are purchased on the open market and are immediately allocated by the trustees to qualifying employees. In addition the ESOP trust owns 200,000 shares in the company which are valued at £82,000. Certain directors of the company have an option to purchase these shares at an average of about 26p per share which is exercisable before 2007.

15. OTHER STATUTORY INFORMATION

Material interest of directors.

A charge is made for certain services provided to Forelle Construction Holdings Limited amounting to £18,000 (1996 £18,000) in which Mr A F Ferguson, Ms C M Ferguson and Mr R C King have an interest as directors.

Mr J D Herd is also a Non-Executive Director of a Building Society from which mortgages of £485,000 were obtained in October 1989 on an arms length basis at normal commercial terms.

16. CONTINGENT LIABILITY

The company has guaranteed the indebtedness of certain subsidiary companies to their bankers.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
SCOTTISH PRUDENTIAL HOLDINGS LIMITED**

We have audited the accounts on pages 5 to 17 which have been prepared under the accounting policies set out on pages 9 and 10

Responsibilities Of Directors

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the 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;
- prepare the accounts on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

Responsibilities of Auditors

As described above the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 the information in the accounts.

Unqualified Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group at 31 January 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

1st April 1997


Chartered Accountants
and Registered Auditor

SCOTTISH PRUDENTIAL HOLDINGS LIMITED
GENERAL INFORMATION

Properties owned by Forelle Estates Limited

1. Broadway House, Lower Blandford Road, BROADSTONE, Dorset
2. The Forelle Centre, Ebblake Industrial Estate, VERWOOD, Dorset
3. Convenience Store, 184 Herbert Avenue, POOLE, Dorset
4. Phoenix House, Marshes End, Upton Road, POOLE, Dorset
5. Forelle House, Marshes End, Upton Road, POOLE, Dorset
6. Strand House, Strand Street, POOLE, Dorset
7. The Kiosks, The Quay, POOLE, Dorset
8. Trade Winds Restaurant, Old Orchard, POOLE, Dorset
9. Units 22, 23 & 24 Batten Road Industrial Estate, Downton, SALISBURY, Wilts
10. Poundbury House, Poundbury West Industrial Estate, DORCHESTER, Dorset
11. Shamblehurst Centre, St, Luke's Close, Shamblehurst Lane, Hedge End, SOUTHAMPTON
12. Unit 1 Fleetsbridge Business Centre, Upton Road, POOLE, Dorset
13. 6 & 7 Park Place, North Road, POOLE, Dorset
14. 20a & 20b Headlands Business Park, Salisbury Road, Blashford, RINGWOOD, Hants
15. Units 9, 10 & 11 New Fields Business Park, Stinsford Road, POOLE, Dorset
16. Unit 8 Headlands Business Park, Salisbury Road, Blashford, RINGWOOD, Hants
17. Units 7 & 8 New Fields Business Park, Stinsford Road, POOLE, Dorset
18. Unit 1 New Fields Business Park, Stinsford Road, POOLE, Dorset

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

GENERAL INFORMATION

DIRECTORS	A F Ferguson, MBE, DSC, MA (Chairman) C M Ferguson, B.Sc J D Herd, BL , NP R C King FCCA H J Porter, B Sc. MCIOB, FCSI, ARSH	
SECRETARY	R C King FCCA Strand House, Strand Street Poole, Dorset BH15 1SB	
HEAD OFFICE	Strand House, Strand Street, Poole, Dorset, BH15 1SB	
REGISTERED OFFICE	6 New Street, Paisley Renfrewshire, Scotland, PA1 1XY Registered Number 135692 Scotland	
SOLICITORS	Humphries Kirk Glebe House North Street, Wareham Dorset BH20 4AN	Coles Miller Forelle House, Marshes End Upton Road, Poole Dorset BH17 7AG
	Maclay, Murray and Spens 151 St Vincent Street Glasgow, G2 5NJ	
AUDITORS	Clark Whitehill 25 New Street Square London EC4A 3LN	
BANKERS	Lloyds Bank plc 101 High Street, Poole Dorset BH15 1AJ	The Royal Bank of Scotland plc P O Box 29, 1 Moncrieff Street Paisley, Renfrewshire PA3 2AW
SUBSIDIARY COMPANIES	Forelle Estates Limited - Property Holding and Ownership of Property - (100%) Capegrove Properties Limited - Property development (100%) Scottish Prudential Investment Association Limited - Ownership of Property (100%) Corner Property Company Limited - Ownership of Property - (100%) Strabismus Limited - Property Holding - (100%) Scottish Prudential Trustees Limited - Trustee Company (100%)	

SCOTTISH PRUDENTIAL HOLDINGS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JANUARY 1997

	1997 £	1996 £
Dividends from subsidiaries	172,000	161,250
Inter-group interest	60,173	60,532
Fees	2,000	2,000
Management charge	18,000	18,000
Interest	748	530
	<u>252,921</u>	<u>242,312</u>
EXPENSES		
Key Man Insurance	288	288
Travelling and expenses	5,651	7,452
Legal and professional charges	2,900	2,151
Miscellaneous expenses	1,089	347
Bank charges	4	-
Auditors' remuneration	2,000	500
Repairs	54	876
Stationery, postage and telephone	1,041	1,661
Depreciation	9,146	8,633
Donations to charity	550	325
	<u>22,723</u>	<u>22,233</u>
Loan interest	<u>60,173</u>	<u>60,532</u>
	<u>82,896</u>	<u>82,765</u>
Profit on sale of fixed assets	-	3,417
Net profit before taxation	170,025	162,964
Taxation	<u>(7,345)</u>	-
Net profit after taxation	177,370	162,964
Dividend	<u>172,000</u>	<u>161,250</u>
RETAINED PROFIT FOR THE YEAR	<u>5,370</u>	<u>1,714</u>

Approved by the Board of Directors on 26 March 1997.

} Directors

