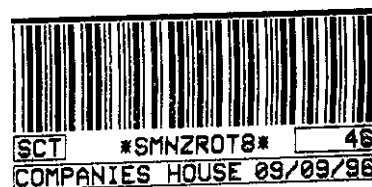


CASTLEMILK PROPERTY COMPANY LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR TO 31ST MARCH 1996

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DIRECTORS

John Gallacher (Chairman)
Brian Morgan
Janice Roach
James Cosgrove

AUDITORS

W. M. MacKenzie and Partners
Chartered Accountants
18 Royal Terrace
Glasgow G3 7NY

BANKERS

Clydesdale Bank plc
1019 Aikenhead Road
Glasgow G44 4SE

SOLICITORS

Alexander Stone & Co.
4 West Regent Street
Glasgow G2 1RW

CASTLEMILK PROPERTY COMPANY LIMITED

DIRECTORS' REPORT

The Directors submit their THIRD Report and Financial Statements covering the year from 1st April 1995 to 31st March 1996.

RESULTS

The Operating Profit from Ordinary Activities after Taxation was £11,688 (1995 £7,501) which has been transferred to Revenue Reserve.

REVIEW OF THE BUSINESS

The first phases of the Glenwood Business Centre have been actively marketed throughout the year and have let steadily to a range of small or start-up businesses.

The Company commenced the construction of the Intergrated Training Centre, for completion during 1996/97. Situated on the Glenwood site the project was funded through Urban Programme and ERDF.

Funding was accessed successfully in order to extend the Glenwood Business Centre. Work will commence in 1996/97.

FUTURE DEVELOPMENTS

The workspaces and offices will continue to be marketed in order to ensure high levels of letting.

The Integrated Training Centre will be opened and will become fully operational in 1996.

Work will commence on a further phase of the development of Glenwood Business Centre, adding another 20,000 sq. ft. of workspace units which will be available for let in summer 1997.

MEMBERS AND DIRECTORS OF THE COMPANY

No Director had or has a pecuniary interest in the Company.

The Company operates a policy requiring Directors who are associated with any organisation which is awarded a contract to declare their interest. During the year the undernoted was disclosed:

<u>Organisation</u>	<u>Director</u>	<u>Contract</u>
Castlemilk Community Business	James Cosgrove & Brian Morgan	£46,000

DIRECTOR'S 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 of the Company for that period. In preparing those financial statements, the Directors are required to:-

select suitable accounting policies and apply them consistently.

make judgements and estimates that are reasonable and prudent.

prepare 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 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.

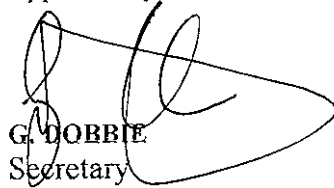
POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company did not make contributions to any political party or charity.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint as Auditors W. M. MacKenzie and Partners, Chartered Accountants, will be put to the members at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of The Board


G. DOBBIE
Secretary
29th August 1996

CASTLEMILK PROPERTY COMPANY LIMITED

Auditors' Report to the Shareholders of Castlemilk Property Company Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention,

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 31st March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



W. M. MacKENZIE AND PARTNERS

Registered Auditors

18 Royal Terrace, Glasgow G3 7NY

29th August 1996

CASTLEMILK PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st March 1996

	Notes	1996 £	1995 £
Turnover	2	133,235	97,132
Interest Income	3	8,145	10,765
		<u>141,380</u>	<u>107,897</u>
Expenditure:			
Operating Expenses		125,523	97,808
Depreciation	6	119,617	112,404
Capital Grant Received		(119,617)	(112,404)
		<u>125,523</u>	<u>97,808</u>
Operating Profit and Profit on Ordinary Activities before Taxation	4	15,857	10,089
Provision for Taxation	5	4,169	2,588
Profit on Ordinary Activities after Taxation		<u>11,688</u>	<u>7,501</u>
Balance Brought Forward		16,467	8,966
Balance Carried Forward		<u>28,155</u>	<u>16,467</u>

The Company made no recognised gains or losses in 1995 or 1996 other than the gain for the period.

The Notes on pages 7 to 10 form part of these Accounts.

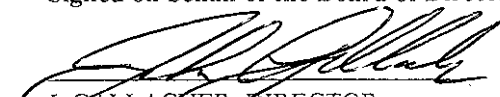
CASTLEMILK PROPERTY COMPANY LIMITED

BALANCE SHEET as at 31st March 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible Assets	6	3,003,009	2,653,968
CURRENT ASSETS			
Cash at Bank	7	773,204	196,213
Debtors	8	109,526	170,155
Due by Parent Company	9	114,860	67,092
		<u>997,590</u>	<u>433,460</u>
CREDITORS: Amounts falling due within one year	10	245,893	180,749
NET CURRENT ASSETS		<u>751,697</u>	<u>252,711</u>
NET ASSETS		<u>3,754,706</u>	<u>2,906,679</u>
DEFERRED INCOME			
Capital Grant Received	11	3,726,451	2,890,112
		<u>28,255</u>	<u>16,567</u>
CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised, Issued and Fully Paid:			
100 Ordinary Shares of £1.00 each		100	100
Profit and Loss Account		28,155	16,467
		<u>28,255</u>	<u>16,567</u>

These Accounts were approved by the Board of Directors on 29th August 1996.

Signed on behalf of the Board of Directors


J. GALLACHER, DIRECTOR


J. ROACH, DIRECTOR

The Notes on Pages 7 to 10 form part of these Accounts

CASTLEMILK PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS at 31st March 1996

1. ACCOUNTING POLICIES

Accounting Convention

The Accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off cost or valuation, less estimated residual value, of each asset evenly over its expected useful life.

Property	4% of Cost per Annum
Fixtures and Fittings	20% of Cost per Annum

Capital Grants

Capital Grants are treated as Deferred Income and will be credited to the Profit and Loss Account by instalments over the expected useful life of the related asset on a basis consistent with the depreciation policy, as recommended in Statement of Standard Account Practice 4.

Cash Flow Statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 1, from providing a Cash Flow Statement as it qualifies as a small company.

2. TURNOVER

Turnover represents the amounts of income received from tenants in respect of rentals and service charges net of Value Added Tax.

	1996 £	1995 £
Rental	56,878	21,661
Service Charges	76,357	75,471
	<hr/> 133,235	<hr/> 97,132

3. INTEREST INCOME

	1996 £	1995 £
Received from Cash Management Accounts	8,145	10,765
	<hr/>	<hr/>

CASTLEMILK PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS at 31st March 1996 (continued)

4. OPERATING PROFIT

	1996	1995
	£	£
This is stated after charging		
Directors' Remuneration	Nil	Nil
Audit Fee	1,250	1,200
Depreciation	119,617	112,404

5. PROVISION FOR TAXATION

	1996	1995
	£	£
Based on the Small Companies Rate of 25%	4,169	2,588

6. TANGIBLE FIXED ASSETS

	Property under Construction £	Property £	Furnishings and Fittings £	Total £
COST				
1st April 1995	-	2,755,439	10,933	2,766,372
Additions	384,298	80,497	3,863	468,658
	<u>384,298</u>	<u>2,835,936</u>	<u>14,796</u>	<u>3,235,030</u>
DEPRECIATION				
1st April 1995	-	110,217	2,187	112,404
Charge for Year	-	116,657	2,960	119,617
	<u>-</u>	<u>226,874</u>	<u>5,147</u>	<u>232,021</u>
NET BOOK VALUE				
31st March 1996	<u>384,298</u>	<u>2,609,062</u>	<u>9,649</u>	<u>3,003,009</u>
31st March 1995	-	<u>2,645,222</u>	<u>8,746</u>	<u>2,653,968</u>

CASTLEMILK PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS at 31st March 1996 (continued)

7. CASH AT BANK

	1996	1995
	£	£
Clydesdale Bank plc:		
Current and Telegraphic Account	773,204	414
Cash Management Account	-	195,799
	<u>773,204</u>	<u>196,213</u>

8. DEBTORS

	1996	1995
	£	£
Debtors and Prepayments	43,292	94,329
Value Added Tax	66,234	75,826
	<u>109,526</u>	<u>170,155</u>

9. DUE BY PARENT COMPANY

The Company is a wholly owned subsidiary of Castlemilk Economic Development Agency Limited, a company limited by guarantee not having a share capital and which is registered in Scotland (Company Number 127345).

	1996	1995
	£	£
Due by Parent Company	<u>114,860</u>	<u>67,092</u>

CASTLEMILK PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

at 31st March 1996 (continued)

10. CREDITORS

Amounts due within one year	1996 £	1995 £
Trade Creditors	126,588	114,073
Retention on Building Contract	68,556	59,954
Provision for Current Taxation	4,000	2,522
Accruals	46,749	4,200
	<hr/> 245,893	<hr/> 180,749

11. CAPITAL GRANT RECEIVED

Grant received through Castlemilk Economic Development Agency Limited to fund the development of the Glenwood Business Centre.

12. CAPITAL COMMITMENTS

The Company has entered into contracts for the construction of the Integrated Training Centre and at 31st March 1996 the outstanding commitment totalled approximately £738,000 (1995 £220,000).

Capital grants have been approved and have been or will be received through Castlemilk Economic Development Agency Limited to cover the commitment.