

154273.

DRUMMOIG LIMITED

REPORT AND ACCOUNTS

For the Year Ended 31st August 1997



DRUMMOIG LIMITED

DIRECTORS :

J.L.W. Foster
Mrs C.A. Foster
A.M. Smith
D.A.H. Smith
A.W. Torbet

SECRETARY :

Mrs C.A. Foster

AUDITORS :

Bird Simpson & Co.,
Chartered Accountants,
144 Nethergate,
Dundee.
DD1 4EB

BANKERS :

Clydesdale Bank plc,
Principal Branch,
27 George Street,
Edinburgh.
EH2 2PA

SOLICITORS :

Turcan Connell, W.S.,
Solicitors,
Saltire Court,
20 Castle Terrace,
Edinburgh.
EH1 2EF

REGISTERED OFFICE :

Estates Office,
Craigie Farm,
Leuchars,
St. Andrews,
Fife.
KY16 0DT

REGISTERED NUMBER:

154273

DRUMOIG LIMITED
DIRECTORS' REPORT
For the Year Ended 31st August 1997

The Directors present their report and accounts for the year ended 31st August 1997.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activities comprise the construction and management of a residential property development and associated golf course and leisure complex.

A major element in the year was the Agreement to design and construct the new Scottish National Golf Centre at Drumoig, providing External and Internal Practice Facilities at a cost of £3M.

In a quiet housing market, the number of houses built and under construction met the targets but with lower margins than anticipated.

The Course and Clubhouse attracted good business through the year and various functions were well supported. The use of the hotel bedrooms by the Scottish National Golf Centre has been beneficial and occupancy rates were higher than budget.

FUTURE DEVELOPMENTS

The new Scottish National Golf Centre will be completed by the end of 1998 and continuing collaboration with the SNGC will provide substantial benefits to Drumoig.

The Directors appreciate the need for increasing expenditure to meet the increasing demand for quality in association with the SNGC, and are confident that the synergy clearly visible between Drumoig and the SNGC will attract appropriate funding.

RESULTS AND DIVIDENDS

The trading loss for the period, after taxation, amounted to £85,547 (1996 - loss of £101,297).

The Directors do not recommend payment of any dividend at this time.

FIXED ASSETS

The movements in fixed assets for the year are detailed in note 10.

MARKET VALUE OF LAND AND BUILDINGS

On 13th February, 1995 the Company purchased from a shareholder, The Faskally Trustees, for a consideration of £200,000, 134.72 hectares of land at Craigie Farm, Leuchars for the construction of a golf course and leisure complex, to be managed by the company, and the development of residential housing for sale. This land was valued by Messrs Graham & Sibbald, Chartered Surveyors on 7th February 1995 at £1.95 million. Of this valuation £635,500 was attributed to the area of land designated for the golf course and leisure complex and this land is included as a fixed asset in the Balance Sheet at the revaluation figure of £635,500.

DRUMMOIG LIMITED
DIRECTORS' REPORT (CONT'D)
For the Year Ended 31st August 1997

GOING CONCERN

The Company has invested heavily in the infrastructure necessary to service the housing development together with work-in-progress on individual houses. This, along with capital assets and the provision of extra facilities for the S.N.G.C. have been financed by a term loan and overdraft facility. This facility expired at the annual review date; the terms of the original loan agreement have not been kept and therefore covenants have not been complied with. The loan is therefore repayable on demand. Negotiations are continuing with the Company's bankers regarding the amount and structure of the Company's borrowing requirements and therefore only short-term extensions to the facilities have been granted while negotiations continue.

The nature of the Company's business is such that there can be considerable unpredictable variation in the timing of cash inflows particularly as regards house sales. Budgets have been prepared by the Directors and these are regularly reviewed and updated. In addition, the Directors have proposed and are considering raising equity funds of approximately 40% of the value of existing shareholders' funds from a share issue by the Company.

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result from a withdrawal of the lending facilities by the Company's bankers.

The validity of this assumption depends on the successful conclusion of the negotiations with the Company's bankers. The financial statements do not include any adjustments that would result if negotiations were not concluded successfully.

Whilst the Directors are presently unable to comment as to the outcome of the negotiations with the bank, they believe it is appropriate for the financial statements to be prepared on the going concern basis.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period under review were:-

John L.W. Foster
Clarinda A. Foster
Alistair M. Smith
Douglas A.H. Smith
Allan W. Torbet

At no time during the period to 31st August 1997 did any of the company's directors hold shares in the company.

A director, John L.W. Foster, is a trustee and a beneficiary of Col. H.A. Foster's Faskally Trust which held 1,200 'A' Ordinary Shares in the company at 31st August 1997.

Douglas A.H. Smith and Allan W. Torbet, also directors, are Directors of Torith Ltd. which held 800 'B' Ordinary Shares in the company at 31st August 1997.

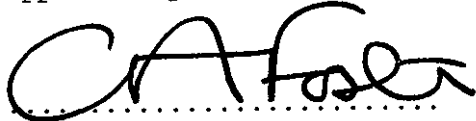
DRUMMOIG LIMITED
DIRECTORS' REPORT (CONT'D)
For the Year Ended 31st August 1997

AUDITORS

A resolution to reappoint Messrs Bird, Simpson & Co., Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

John L. Hope, C.A., a partner of Messrs Bird, Simpson & Co., is a Trustee of the late Col. H.A. Foster's Faskally Trust which held 1,200 'A' Ordinary Shares in the company at 31st August 1997. John L. Hope does not have a beneficial interest in the Faskally Trust.

Approved by the board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'C.A. Foster', written over a dotted line.

Mrs C.A. Foster
Secretary

Date 25/6/98.....

DRUMMOIG LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimated that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 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 and other irregularities.

DRUMOIG LIMITED

AUDITORS' REPORT TO THE MEMBERS

REPORT OF THE AUDITORS
to the members of Drumoig Limited

We have audited the accounts on Pages 7 to 19, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on Pages 10 and 11.

Respective responsibilities of Directors and Auditors

As described on Page 5 the Company's Directors are responsible for the preparation of the 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 information in the accounts.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.2 to the financial statements concerning the possible outcome of negotiations for continuing finance being made available from the Company's bankers. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes the successful conclusion of this matter, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st August 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Bird Simpson & Co

Bird Simpson & Co.
Chartered Accountants
and Registered Auditor

Dundee

Date *25th June, 1998*

DRUMMOIG LIMITED
PROFIT AND LOSS ACCOUNT
For the Year Ended 31st August 1997

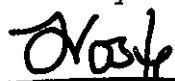
	<u>Notes</u>	£	<u>1997</u> £	<u>1996</u> £
Turnover	2		2,126,064	465,976
Cost of Sales			1,761,658	349,896
GROSS PROFIT			364,406	116,080
Administrative expenses			268,330	131,099
			96,076	(15,019)
Other operating income	3		5,057	-
OPERATING PROFIT/ (LOSS)	4/6		101,133	(15,019)
Interest receivable		7,262		1,339
Interest payable	7	(193,942)		(87,617)
			186,680	86,278
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			(85,547)	(101,297)
Tax on ordinary activities	8		-	-
(LOSS) ON ORDINARY ACTIVITIES			(85,547)	(101,297)
Dividends			-	-
ACCUMULATED (LOSS) FOR THE YEAR			(85,547)	(101,297)
Accumulated (deficit) brought forward			(126,134)	(24,837)
ACCUMULATED (DEFICIT) CARRIED FORWARD			£ (211,681)	£ (126,134)

The turnover and reported results are in respect of continuing operations.
The loss for the period has been calculated on the historical cost basis.
All recognised gains and losses are included in the Profit and Loss Account.
The notes on pages 10 to 19 form part of these accounts.

DRUMMOIG LIMITED
BALANCE SHEET
As at 31st August 1997

	<u>Notes</u>	<u>£</u>	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
FIXED ASSETS				
Tangible assets	10		3,070,213	2,962,102
CURRENT ASSETS				
Stocks	11	1,176,201		1,275,730
Debtors	12	161,742		303,767
Cash in Hand		2,217		885
Cash in Hand of Agent		-		1,200
		<u>1,340,160</u>		<u>1,581,582</u>
CREDITORS - amounts falling due within one year	13	<u>2,961,571</u>		<u>2,348,118</u>
NET CURRENT (LIABILITIES)			<u>(1,621,411)</u>	<u>(766,536)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,448,802	2,195,566
CREDITORS - amounts falling due after more than one year	14		(82,170)	(750,000)
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred Taxation	15		(161,000)	(161,000)
ACCRUED AND DEFERRED INCOME				
Deferred Grants			(6,613)	-
NET ASSETS			<u>£1,199,019</u>	<u>£ 1,284,566</u>
Financed by:				
CAPITAL AND RESERVES				
Ordinary 'A' Shares	16		1,200	1,200
Ordinary 'B' Shares			800	800
Share premium			999,200	999,200
Revaluation reserve	17		409,500	409,500
Profit and loss account			(211,681)	(126,134)
Shareholders Funds	17		<u>£1,199,019</u>	<u>£ 1,284,566</u>

Approved by the board on ... 25/6/1998 ...



..... Director

..... Director

The notes on Pages 10 to 19 form part of these accounts.

DRUMMOIG LIMITED
CASH FLOW STATEMENT

For the year to 31st August 1997

Reconciliation of operating profit to net cash inflow from operating activities.

	<u>1997</u>	<u>1996</u>
	£	£
Operating Profit/(Loss)	101,133	(15,019)
Deferred Grant Income	6,613	-
Depreciation Charges	32,389	6,259
Decrease/(Increase) in Stocks	99,529	(754,280)
Decrease/(Increase) in Debtors	142,025	(261,883)
Increase in Creditors	30,113	375,775
	<u>411,802</u>	<u>(649,148)</u>

CASH FLOW STATEMENT

Net Cash Inflow/(Outflow) from Operating Activities	411,802	(649,148)
Returns on Investments and Servicing of Finance (Note 20.1)	(187,576)	(86,278)
Capital Expenditure (Note 20.1)	(138,695)	(1,623,357)
Net Cash Inflow/(Outflow) before Financing	85,531	(2,358,783)
Financing (Note 20.1)	112,170	1,241,250
Increase/(Decrease) in Cash	<u>197,701</u>	<u>(1,117,533)</u>

Reconciliation of net cash flow to movement in net debt (Note 20.2)

Increase/(Decrease) in cash in the year	197,701	(1,117,533)
Cash inflow from increase in debt	(112,170)	(1,000,000)
Change in net debt	85,531	(2,117,533)
Net debt at 1.9.96	(2,440,026)	(322,493)
Net debt at 31.8.97	<u>(2,354,495)</u>	<u>(2,440,026)</u>

The notes on pages 10 to 19 form part of these accounts.

DRUMMOIG LIMITED
Notes to the Accounts
For the Year Ended 31st August 1997

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards.

1.1 Accounting Convention

The accounts are prepared under the historical cost convention modified to include the revaluation of land.

1.2 Going Concern

The Company has invested heavily in the infrastructure necessary to service the housing development together with work-in-progress on individual houses. This, along with capital assets and the provision of extra facilities for the S.N.G.C. have been financed by a term loan and overdraft facility. This facility expired at the annual review date; the terms of the original loan agreement have not been kept and therefore covenants have not been complied with. The loan is therefore repayable on demand. Negotiations are continuing with the Company's bankers regarding the amount and structure of the Company's borrowing requirements and therefore only short-term extensions to the facilities have been granted while negotiations continue.

The nature of the Company's business is such that there can be considerable unpredictable variation in the timing of cash inflows particularly as regards house sales. Budgets have been prepared by the Directors and these are regularly reviewed and updated. In addition, the Directors have proposed and are considering raising equity funds of approximately 40% of the value of existing shareholders' funds from a share issue by the Company.

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result from a withdrawal of the lending facilities by the Company's bankers.

The validity of this assumption depends on the successful conclusion of the negotiations with the Company's bankers. The financial statements do not include any adjustments that would result if negotiations were not concluded successfully.

Whilst the Directors are presently unable to comment as to the outcome of the negotiations with the bank, they believe it is appropriate for the financial statements to be prepared on the going concern basis.

1.3 Fixed Assets and Depreciation

Expenditure on additions and improvements to tangible fixed assets is capitalised for major projects on the basis of measured work completed and for all other projects as the expenditure is incurred.

Surpluses arising from the professional valuations of properties are taken direct to the revaluation reserve.

Freehold land is not depreciated.

DRUMMOIG LIMITED

Notes to the Accounts (Cont'd)

For the Year Ended 31st August 1997

- 1.3 Freehold properties comprising the Clubhouse Premises and Hotel Lodges are maintained, as a matter of Company policy, by a programme of repair and refurbishment such that the residual values, based on prices prevailing at the time of acquisition or subsequent valuation, of these premises are at least equal to their book values. Having regard to this, it is the opinion of the Directors that depreciation of any such property as required by the Companies Act 1985 and accounting standards would not be material.

Cost of equipment is spread over the estimated useful lives of these relevant assets at the following rates:-

Plant and Machinery	15 % & 25 %
Mowers	33 %
Fixtures and Fittings	15 %
Motor Vehicles	25 %

- 1.4 Stocks and Work in Progress
Stocks are valued at the lower of cost and net realisable value.

- 1.5 Deferred Taxation
Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

- 1.6 Turnover
This represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

2. **TURNOVER**

	<u>1997</u> £	<u>1996</u> £
Turnover is made up as follows:-		
House, Plot and Lodge Sales	1,508,470	415,342
Hotel Sales and Golf Course Fees	581,594	50,634
Project Management Income	36,000	-
	<u>£2,126,064</u>	<u>£ 465,976</u>

3. **OTHER OPERATING INCOME**

	<u>1997</u> £	<u>1996</u> £
Grant Receivable	4,307	-
Miscellaneous Income	750	-
	<u>£ 5,057</u>	<u>£ -</u>

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

4.	OPERATING PROFIT/(LOSS)	<u>1997</u> £	<u>1996</u> £
	This is stated after charging:		
	Auditors' remuneration - Audit	3,500	3,500
	- Other Services	15,710	4,750
	Depreciation	32,389	6,259
	Hire of equipment	3,664	420
		<u> </u>	<u> </u>

5. DIRECTORS EMOLUMENTS

None of the directors received emoluments from the company in the year (1996 £NIL).

6.	STAFF COSTS	<u>1997</u> £	<u>1996</u> £
	Wages and Salaries	220,530	43,435
	Social Security Costs	14,406	3,205
	Other Pension Costs	-	-
		<u> </u>	<u> </u>
		£ 234,936	£ 46,640
		<u> </u>	<u> </u>

The average number of employees during the year was:

No.	No.
35	23
<u> </u>	<u> </u>

7.	INTEREST PAYABLE	<u>1997</u> £	<u>1996</u> £
	Bank Loan and Overdraft Interest	174,025	86,248
	Supplier Interest	19,917	1,369
		<u> </u>	<u> </u>
		£193,942	£ 87,617
		<u> </u>	<u> </u>

8. TAXATION

There is no tax liability on the result of the year (1996 £NIL).

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

9. RELATED PARTY TRANSACTIONS

D.A.H. Smith and A.W. Torbet, directors, are also directors of Torith Ltd., which as main contractor received £1,737,790 from the company (1996 - £2,162,249) for construction work completed in the year. Of this, £333,016 is outstanding at the year end.

J.L.W. Foster, a director, is a trustee and beneficiary of the Faskally Trust, which received £Nil from the company (1996 - £6,505) for consultancy services.

J.L.W. Foster, a director, is a partner in John L.W. Foster & Company which received £5,187.72 from the Company (1996 - £Nil) for administration services. Of this £1,050 is outstanding at the year end.

A.M. Smith, a director, received through his design and management business, £32,000 from the company (1996 - £36,000) for project management services. Of this £9,000 is outstanding at the year end.

10. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u>	<u>Fixtures and Fittings</u>	<u>Plant and Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost or Valuation					
At 31st August 1996	2,789,664	106,219	63,073	9,405	2,968,361
Additions	127,159	5,210	8,131	-	140,500
At 31st August 1997	<u>2,916,823</u>	<u>111,429</u>	<u>71,204</u>	<u>9,405</u>	<u>3,108,861</u>
Depreciation:					
At 31st August 1996	-	2,755	2,328	1,176	6,259
Charge for year	-	16,301	14,031	2,057	32,389
At 31st August 1997	<u>-</u>	<u>19,056</u>	<u>16,359</u>	<u>3,233</u>	<u>38,648</u>
Net book value at 31st August 1997	<u>£ 2,916,823</u>	<u>£ 92,373</u>	<u>£ 54,845</u>	<u>£ 6,172</u>	<u>£ 3,070,213</u>
Net book value at 31st August 1996	<u>£ 2,789,664</u>	<u>£ 103,464</u>	<u>£ 60,745</u>	<u>£ 8,229</u>	<u>£ 2,962,102</u>

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

The comparable amounts of land and buildings included above at valuation determined according to the historical cost accounting rules as follows:-

	<u>Land and Buildings</u> £
Cost	2,346,323
Accumulated Depreciation	-
	<u>2,346,323</u>

The Company in 1995 purchased for a consideration of £200,000, 134.72 hectares of land at Craigie Farm, Leuchars for the construction of a golf course and leisure complex, to be managed by the Company, and the development of residential housing for sale. This land was valued by Messrs Graham & Sibbald, Chartered Surveyors on 7th February, 1995 at £1.95 million. Of this valuation, £635,500 was attributed to the area of land designated for the golf course and leisure complex and this land is included as a fixed asset in the Balance Sheet at the revaluation figure of £635,500.

11. STOCKS	<u>1997</u> £	<u>1996</u> £
Work in Progress	1,157,556	1,262,623
Food	5,574	3,345
Bar	7,643	5,179
Golf Shop	5,428	4,583
	<u>£ 1,176,201</u>	<u>£ 1,275,730</u>

The work in progress represents costs incurred in connection with the residential housing development. Included in this figure is land at a cost value of £135,000 which was valued by Messrs Graham & Sibbald, Chartered Surveyors, on 7th February, 1995, at £1,314,500. Of the 120 plots planned, 18 have now been sold. The cost value of the land of those plots sold have been charged to the profit and loss account.

12. DEBTORS	<u>1997</u> £	<u>1996</u> £
Trade Debtors	155,950	233,872
Other Debtors	1,262	67,198
Prepayments	4,530	2,697
	<u>£ 161,742</u>	<u>£ 303,767</u>

DRUMMOIG LIMITED

Notes to the Accounts (Cont'd)

For the Year Ended 31st August 1997

13.	CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1997</u> £	<u>1996</u> £
	Bank Overdraft (see note 14.1)	1,244,542	1,442,111
	Trade Creditors	554,507	579,497
	Other taxes and social security costs	16,920	4,336
	Accruals	81,173	57,324
	Bank Term Loan (see note 14.1)	1,000,000	250,000
	Fife Enterprise Loan - Current Portion	30,000	-
	Prepaid Membership Fees	34,429	14,850
		<u>£ 2,961,571</u>	<u>£ 2,348,118</u>

DRUMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>1997</u> £	<u>1996</u> £
Bank Term Loan (see note 14.1)	-	750,000
Fife Enterprise Loan (see note 14.1)	82,170	-
	<u>£ 82,170</u>	<u>£ 750,000</u>

14.1 The Bank Term Loan and the Fife Enterprise Loan are due to be repaid, as follows:-

	<u>1997</u> £	<u>1996</u> £
Repayable on demand (included in Current Liabilities)	1,000,000	-
Falling due within one year (included in Current Liabilities)	30,000	250,000
Falling due after more than one year but within five years	82,170	750,000
	<u>£ 1,112,170</u>	<u>£ 1,000,000</u>

The Bank Loan was repayable in Annual Instalments of £250,000 commencing 31st January 1997. The first two instalments have not been paid and the Company has therefore not kept the terms of the agreement. The loan is therefore repayable on demand. Negotiations are continuing with the bank with regard to the amount and structure of the Company's borrowing requirements and therefore only short-term extensions to the facilities have been granted while the negotiations continue.

The Fife Enterprise Loan is repayable in Annual Instalments of £30,000. There is no interest charged on this loan.

Clydesdale Bank plc hold a floating charge over the assets of the company dated 14th March, 1995. The Bank also holds a standard security over the land at Drumoig.

The charges in favour of the Clydesdale Bank plc are subject to the terms of a ranking agreement as is a standard security in favour of the Scottish National Golf Centre Limited in respect of obligations undertaken by the company.

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

15. DEFERRED TAXATION

	<u>1997</u> <u>Provision</u> <u>made</u> <u>£</u>	<u>Amount</u> <u>unprovided</u> <u>£</u>	<u>1996</u> <u>Provision</u> <u>made</u> <u>£</u>	<u>Amount</u> <u>unprovided</u> <u>£</u>
Property Revaluations	161,000	-	161,000	-
Land Appropriated to Trading Stock		288,600		333,000
	<u>£161,000</u>	<u>£288,600</u>	<u>£161,000</u>	<u>£333,000</u>

The land appropriated to trading stock from fixed assets is included in the accounts at cost. The capital gain arising has been held over and will emerge as the house sites are developed and sold.

The movements on the deferred taxation account are:

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Balance at 31st August 1997	<u>161,000</u>	<u>161,000</u>

16. SHARE CAPITAL

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
<u>Authorised</u>		
1,200 Ordinary 'A' Shares of £1 each	1,200	1,200
800 Ordinary 'B' Shares of £1 each	<u>800</u>	<u>800</u>
<u>Allotted, Issued and Fully Paid</u>		
1,200 Ordinary 'A' Shares of £1 each	1,200	1,200
800 Ordinary 'B' Shares of £1 each	<u>800</u>	<u>800</u>
	<u>2,000</u>	<u>2,000</u>

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Revaluation Reserve</u>	<u>Profit & Loss</u>	<u>Total</u>
Balance as at 31st August 1995	1,807	758,143	409,500	(24,837)	1,144,613
Loss for Year				(101,297)	(101,297)
Other Movements: Shares Issued - Ordinary 'B'	193	241,057			241,250
Balance as at 31st August, 1996	2,000	999,200	409,500	(126,134)	1,284,566
Loss for Year				(85,547)	(85,547)
Balance as at 31st August 1997	<u>2,000</u>	<u>999,200</u>	<u>409,500</u>	<u>(211,681)</u>	<u>1,199,019</u>

18. CAPITAL COMMITMENTS

	<u>1997 £</u>	<u>1996 £</u>
Capital expenditure contracted for but not provided for the financial statements	<u>Nil</u>	<u>18,000</u>
Capital expenditure authorised by the directors but not yet contracted for	<u>Nil</u>	<u>229,000</u>

19. CONTINGENT LIABILITIES

Performance Bonds to the value of £233,000 (1996 £125,000) have been granted to the Clydesdale Bank.

DRUMMOIG LIMITED
Notes to the Accounts (Cont'd)
For the Year Ended 31st August 1997

20. CASH FLOW STATEMENT

<u>Note 1 - GROSS CASH FLOWS</u>	£	<u>1997</u>	£	<u>1996</u> £
Returns on investments and servicing of finance				
Interest received		7,262		1,339
Interest paid		(194,838)		(87,617)
			(187,576)	(86,278)
Capital expenditure				
Payments to acquire tangible fixed assets			(138,695)	(1,623,357)
Financing				
Receipt of loan		142,170		1,000,000
Repayment of loan		(30,000)		-
Issue of ordinary share capital		-		241,250
			112,170	1,241,250

Note 2 - ANALYSIS OF CHANGES IN NET DEBT

	<u>At 1 Sept</u> <u>1996</u>	<u>Cash</u> <u>Flows</u>	<u>Other</u> <u>Changes</u>	<u>At 31 Aug</u> <u>1997</u>
Cash in hand, at bank	2,085	132		2,217
Overdrafts	(1,442,111)	197,569		(1,244,542)
Debt due within 1 year	(250,000)		(780,000)	(1,030,000)
Debt due after 1 year	(750,000)	(112,170)	780,000	(82,170)
Total	(2,440,026)	85,531	-	(2,354,495)