

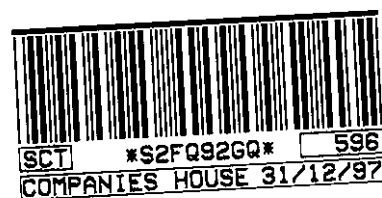
A & L KING (BUILDERS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 MARCH 1997

Registered Number: SC 62886

[Handwritten signature]



A & L KING (BUILDERS) LIMITED

DIRECTORS REPORT

The directors present their report with the audited financial statements of the company for the year ended 31 March 1997.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company in the year under review was that of building and plumbing contractors.

Despite increased trading activities, margins have been under pressure, reducing operating profits. The directors anticipate that the current levels of house and contracting sales will be maintained.

RESULTS AND DIVIDENDS

The company made a profit after tax of £105,984 (1996 - £233,976). No dividend is proposed (1996 - £56,826).

DIRECTORS

The directors of the company in office during the year and their beneficial interests in the issued ordinary share capital were as follows:

	<u>31 March 1997</u>	<u>1 April 1996</u>
	£1 ordinary shares	£1 ordinary shares
AG King	-	98,431
Mrs J King	-	94,778
AD King	378,840	185,631
W Coull	-	-
I Butchart	-	-

None of the directors held a notifiable interest in the share capital of the company at 31 March 1997. The interest of AD King in the share capital of King Group Limited, the company's ultimate parent undertaking, is shown in the accounts of that company.

STATEMENT OF DIRECTORS' 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

A & L KING (BUILDERS) LIMITED

DIRECTORS REPORT (CONTINUED)

AUDITORS

Price Waterhouse have indicated their willingness to be reappointed as auditors of the company and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board

Jan Butchart

I Butchart
SECRETARY
Hunter Street
Auchterarder
PH3 10A

9December 1997

Price Waterhouse



AUDITORS REPORT TO THE SHAREHOLDERS OF A & L KING (BUILDERS) LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors

9 December 1997

A & L KING (BUILDERS) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1997**

	<u>1997</u> £	<u>1996</u> £
TURNOVER (Note 2)	22,991,936	19,683,165
COST OF SALES	(20,488,456)	(17,294,106)
	<hr/>	<hr/>
GROSS PROFIT	2,503,480	2,389,059
Selling and distribution expenses	(149,872)	(139,573)
Administrative expenses	(2,219,933)	(1,983,409)
Other operating income (Note 3)	238,139	268,073
	<hr/>	<hr/>
OPERATING PROFIT (Note 4)	371,814	534,150
Interest receivable (Note 7)	8,811	1,669
Interest payable (Note 8)	(65,655)	(182,317)
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	314,970	353,502
Tax on profit on ordinary activities (Note 9)	(208,986)	(119,526)
	<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	105,984	233,976
Dividends (Note 10)	-	(56,826)
	<hr/>	<hr/>
PROFIT FOR THE YEAR	<u>105,984</u>	<u>177,150</u>

There are no recognised gains or losses other than the profits for the year and all operations are continuing.

The notes of pages 6 to 12 form part of these financial statements.

A & L KING (BUILDERS) LIMITED**BALANCE SHEET
AS AT 31 MARCH 1997**

	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS		
Tangible assets (Note 11)	1,387,374	1,300,006
Investments (Note 12)	15,580	15,580
	<hr/>	<hr/>
	1,402,954	1,315,586
	<hr/>	<hr/>
CURRENT ASSETS		
Stocks (Note 13)	4,106,347	4,871,513
Debtors (Note 14)	2,207,883	2,206,701
Cash in hand	233,862	1,130
	<hr/>	<hr/>
	6,548,092	7,079,344
CREDITORS - Amounts falling due within one year (Note 15)	(6,053,762)	(6,500,297)
	<hr/>	<hr/>
NET CURRENT ASSETS	494,330	579,047
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,897,284	1,894,633
	<hr/>	<hr/>
CREDITORS - Amounts falling due after more than one year (Note 16)	(86,851)	(197,030)
	<hr/>	<hr/>
PROVISION FOR LIABILITIES AND CHARGES (Note 18)	(16,967)	(10,121)
	<hr/>	<hr/>
	1,793,466	1,687,482
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called up share capital (Note 19)	378,840	378,840
Profit and loss account	1,414,626	1,308,642
	<hr/>	<hr/>
SHAREHOLDER'S FUNDS (Note 20)	1,793,466	1,687,482
	<hr/>	<hr/>

Approved by the Board on 9 December 1997.

AG King
DIRECTOR



The notes on pages 6 to 12 form part of these financial statements.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A cash flow statement has been excluded from these financial statements as the consolidated financial statements of King Group Limited, the company's ultimate parent undertaking, contains a cash flow statement. Also the company has not produced consolidated accounts because it is a wholly owned subsidiary of the King Group Limited, which will prepare group accounts.

(b) Turnover

Turnover represents amounts receivable, excluding VAT, for goods supplied and services rendered during the year, together with the sales value attributable to long term contracts in progress.

(c) Tangible Fixed Assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	2% on reducing balance
Plant & machinery	25% on reducing balance
Fixtures & fittings	25% on reducing balance
Motor vehicles	25% on reducing balance

(d) Stocks

Work in progress is stated at valuation net of amounts transferred to sales, including attributable profits and after deducting foreseeable losses and any surplus payments on account. Property held for resale and development is held at the lower of cost or market value.

(e) Deferred taxation

Provision is made for deferred taxation on all timing differences under the liability method where, after allowing for taxation losses carried forward, there is reasonable probability that a taxation liability will arise in the foreseeable future.

(f) Leased assets

Fixed assets acquired under finance leases and hire purchase arrangements are capitalised and the related leasing obligations included in creditors. Rentals under operating leases are charged against trading profit on a straightline basis over the term of the lease.

(g) Related party transactions

The company has taken advantage of the exemption in FRS 8 which allows non-disclosure of transactions with wholly-owned group companies where those transactions are eliminated on consolidation in publicly available financial statements.

2 TURNOVER

The turnover and profit before taxation are that of building and plumbing contractors.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

3 OTHER OPERATING INCOME

	<u>1997</u> £	<u>1996</u> £
Rental income receivable	238,139	268,073

4 OPERATING PROFIT

	<u>1997</u> £	<u>1996</u> £
The operating profit is stated after charging/(crediting)		
Depreciation		
- owned assets	181,387	188,308
- leased assets	118,381	105,326
Gain on disposal of fixed assets	(28,124)	(1,812)
Gain on disposal of property held for resale	(133,644)	-
Auditors' remuneration		
- audit	9,750	9,275
- non-audit	3,850	3,650

5 STAFF COSTS

	<u>1997</u> £	<u>1996</u> £
Wages and salaries	2,318,884	2,065,353
Social security costs	89,663	108,782
Other pension costs	101,829	60,457
	<u>2,510,376</u>	<u>2,234,592</u>

The average number of employees during the year was 120 (1996 - 106).

6 DIRECTORS' REMUNERATION

Directors' remuneration for management services, excluding pension contributions, amounted to £79,004 (1996 - £92,107). During the year ended 31 March 1997, £367,800 (1996 - £319,721) was payable by the company to the King Group Limited (Note 23) for making available the services of Mr AD King and Mr AG King.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

7 INTEREST RECEIVABLE

	<u>1997</u> £	<u>1996</u> £
Bank deposit account	8,811	1,669

8 INTEREST PAYABLE

	<u>1997</u> £	<u>1996</u> £
On bank loans, overdrafts and hire purchase loans repayable within five years	65,655	182,317

9 TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	<u>1997</u> £	<u>1996</u> £
Based on the results of the year:		
UK Corporation Tax		
- current year	202,140	137,042
- prior year	-	(6,665)
Deferred taxation (Note 18)		
- current year	6,846	(4,962)
- prior year	-	(5,889)
	<u>208,986</u>	<u>119,526</u>

The high effective tax rate is due primarily to taxable profits which include an amount of £267,000 charged to the profit and loss account.

10 DIVIDENDS

	<u>1997</u> £	<u>1996</u> £
Dividend proposed and paid	-	56,826

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

11 TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
1 April 1996	349,985	874,987	159,904	1,048,694	2,433,570
Additions	-	135,141	26,667	316,205	478,013
Disposals	-	-	-	(226,899)	(226,899)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1997	349,985	1,010,128	186,571	1,138,000	2,684,684
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION					
1 April 1996	37,024	504,001	90,396	502,143	1,133,564
Charge for year	5,639	112,113	18,822	163,194	299,768
Eliminated on disposals	-	-	-	(136,022)	(136,022)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1997	42,663	616,114	109,218	529,315	1,297,310
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE					
31 March 1997	307,322	394,014	77,353	608,685	1,387,374
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 1996	312,961	370,986	69,508	546,551	1,300,006
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of assets held under hire purchase agreements at 31 March 1997 was £211,129 (1996 - £380,611).

12 FIXED ASSET INVESTMENTS

	1997 £	1996 £
Investments listed on recognised stock exchange	15,555	15,555
Investment in subsidiary undertaking	25	25
	<hr/>	<hr/>
	15,580	15,580
	<hr/>	<hr/>

The market value of listed investments at 31 March 1997 was £11,220 (1996 - £15,470).

The company's investment in subsidiary undertaking consists of the entire ordinary share capital James Turner & Company Limited. The directors do not consider the carrying value of the investment to be impaired and, accordingly, no diminution in value has been provided.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

13 STOCKS

	<u>1997</u> £	<u>1996</u> £
Raw materials and consumables	24,000	24,000
Work in progress	4,032,632	4,548,028
Property held for resale and development	49,715	299,485
	<hr/>	<hr/>
	4,106,347	4,871,513
	<hr/>	<hr/>

14 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	1,348,394	1,236,542
Other debtors	346,165	303,131
Prepayments & accrued income	21,153	80,291
Amounts owed by group undertaking	165,184	110,184
Due by related undertakings	326,987	476,553
	<hr/>	<hr/>
	2,207,883	2,206,701
	<hr/>	<hr/>

15 CREDITORS: Amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Bank loans and overdrafts (Note 17)	634,695	729,509
Trade creditors	3,559,111	3,861,279
Payments on account	220,535	449,676
Hire purchase creditors	175,021	158,236
Other creditors	57,310	11,957
Due to related undertaking	491,933	653,828
Amounts due to group undertaking	422,103	165,100
Accrued expenses	130,870	125,782
Other taxes & social security	82,401	103,334
Payable to directors	77,643	104,510
Corporation taxation	202,140	122,880
ACT payable	-	14,206
	<hr/>	<hr/>
	6,053,762	6,500,297
	<hr/>	<hr/>

The amounts payable to subsidiary and associated undertakings are unsecured, do not bear interest and are repayable on demand.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

16 CREDITORS: Amounts falling due after more than one year

	1997 £	1996 £
Bank loans (Note 17)	49,982	144,215
Hire purchase creditors (repayable within 5 years)	36,869	52,815
	<u>86,851</u>	<u>197,030</u>

17 BANK LOANS AND OVERDRAFTS

Amounts falling due within one year:

	1997 £	1996 £
Bank overdrafts	-	157,813
Short term bank loans	628,035	527,091
Long term bank loans - current portion	6,660	44,605
	<u>634,695</u>	<u>729,509</u>

Amounts falling due after more than one year:

Bank loans repayable		
- between one and two years	6,660	44,605
- between two and five years	19,980	69,640
- after five years	23,342	29,970
	<u>49,982</u>	<u>144,215</u>
Aggregate loans and overdrafts	<u>684,677</u>	<u>873,724</u>

The company's borrowings are secured by a standard security over substantially all the company's premises and land under development. The borrowings bear interest at 1.5% over base rate.

The short term bank loans consist of four facilities which are secured over specific properties under development and are repayable in equal instalments. An instalment is payable on the sale of each individual parcel of land and the associated house.

The company has a long term bank loan which is secured over specific properties and is repayable in equal monthly instalments. The facility is repayable in full by 31 August 2005.

18 PROVISION FOR LIABILITIES AND CHARGES

Full provision has been made for deferred taxation. The liability of £16,967 (1996 - £10,121) has arisen primarily due to accelerated capital allowances.

A & L KING (BUILDERS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

19 CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised 500,000 ordinary shares of £1 each	500,000	500,000
Allotted, issued and fully paid 378,840 ordinary shares of £1 each	<u>378,840</u>	<u>378,840</u>

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	<u>1997</u> £	<u>1996</u> £
1 April	1,687,482	1,510,332
Profit for the financial year	105,984	233,976
Dividends	-	(56,826)
31 March	<u>1,793,466</u>	<u>1,687,482</u>

21 CONTINGENT LIABILITIES

Unlimited guarantees have been given in respect of bank overdraft and loan facilities granted to the subsidiary and certain associated undertakings. The company has given guarantees totalling £647,142 (1996 - £310,527) relating to performance bonds given by the bank on behalf of the company.

22 RELATED PARTY DISCLOSURES

Debtors include £11,000 (1996 - £11,000) due from Coll Earn House Hotel (Auchterarder) Limited. These companies are deemed to be related parties by Financial Reporting Standard 8 because of a close family relationship.

Creditors includes £428,769 (1996 - £428,769) due to Rumbling Bridge Nursing Home Limited, a company in which AG King is a director.

There were no material transactions with related parties during the year.

23 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party is the King Group Limited. Copies of King Group Limited's consolidated financial statements are available from the Secretary, Hunter Street, Auchterarder.