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HEATLINE LIMITED

YEAR ENDED

31 MARCH 1997

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JOHN KERR & COMPANY
CHARTERED ACCOUNTANTS

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997**

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Directors W B Stewart

S S Stewart

Secretary W B Stewart

Registered Office 52 Kilnford Crescent

DUNDONALD

Ayrshire

KA2 8DN

Registered Number 70391

Reporting Accountants John Kerr & Company

Chartered Accountants

32A Hamilton Street

SALTCOATS

KA21 5DS

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1997

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The directors submit their report together with the financial statements for the year ended 31 March 1997.

Results

The profit and loss account is set out on page 2 and shows the profit for the year.

Principal Activities

The company is engaged as contractors in the construction industry.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	<u>Ordinary Shares of £1 each</u>	
	<u>31.3.97</u>	<u>31.3.96</u>
William B Stewart	600	600
Sylvia S Stewart	400	400
	===	===

The director who retires by rotation is Mrs S S Stewart who, being eligible, offers herself for re-election.

Reporting Accountants

John Kerr & Company have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

In preparing this report we have taken advantage of the special exemptions applicable to small companies.

By Order of the Board



W B Stewart
Secretary

18 December 1997

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1997

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	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Turnover	2	82,507	35,953
Decrease in stocks of finished goods and work in progress		(7,200)	(140)
Other operating income		3,758	2,787
		-----	-----
		79,065	38,600
Raw materials and consumables		24,493	9,138
Staff costs		16,204	15,090
Depreciation of tangible fixed assets		5,793	3,237
Other operating charges	4	7,302	10,250
		-----	-----
Operating profit		25,273	885
Interest receivable		5,093	6,765
Interest payable	5	(178)	-
		-----	-----
(Loss)/profit on ordinary activities before taxation		30,188	7,650
Taxation on profit on ordinary activities	6	9,664	2,582
		-----	-----
Profit for the financial year		20,524	5,068
Dividends		8,000	8,000
		-----	-----
Retained profit for year		12,524	(2,932)
Retained profit brought forward		121,072	124,004
		-----	-----
Retained profit carried forward		133,596 =====	121,072 =====

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 5 to 8 form part of these financial statements.

BALANCE SHEET
AS AT 31 MARCH 1997

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	<u>Note</u>	<u>1997</u>	<u>1996</u>
		£	£
Fixed assets			
Tangible assets	7	36,556	28,814
Investments	8	51,000	103,477
		<u>87,556</u>	<u>132,291</u>
Current assets			
Stocks and work in progress		3,560	10,760
Debtors - due within one year	9	200	4,124
Cash at bank and in hand		102,518	82,132
		<u>106,278</u>	<u>97,016</u>
Creditors: amounts falling due within one year	10	32,774	30,536
		<u>73,504</u>	<u>66,480</u>
Net current assets		73,504	66,480
Total assets less current liabilities		161,060	198,771
Creditors: amounts falling due after more than one year	11	78,391	76,149
Provisions for liabilities and charges			
Deferred taxation	12	550	550
		<u>78,941</u>	<u>76,699</u>
		<u>82,119</u>	<u>122,072</u>
		=====	=====
Capital and reserves			
Called up share capital - equity	13	1,000	1,000
Profit and loss account - equity		133,596	121,072
		<u>82,119</u>	<u>122,072</u>
		=====	=====

BALANCE SHEET
AS AT 31 MARCH 1997 (CONTINUED)

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In preparing these financial statements advantage has been taken of the special exemptions applicable to small companies on the grounds that the company is entitled to the benefit of those exemptions as a small company.

- a For the year in question the company was entitled to the exemption under subsection (1) of section 249A;
- b No notice requiring an audit had been deposited under subsection (2) of s249B in relation to the accounts for the financial year; and
- c The directors acknowledge their responsibilities for:
- (i) ensuring that the company keeps accounting records which comply with section 221; and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

These financial statements were approved by the Board on 18 December 1997.

S. Stewart,
S S Stewart
Director

The notes on pages 5 to 8 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

5

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following accounting policies have been applied.

Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

Depreciation

Depreciation is provided to write off the cost less estimated residual values of all fixed assets, except freehold land and some freehold buildings, over their expected useful lives. It is calculated on the original cost of the assets at the following rates:

Plant and machinery - 25% reducing balance
Motor vehicles - 25% reducing balance.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred Taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Pensions

The company operates a defined scheme. All of the contributions paid in the year are charged to the Profit and Loss Account.

2 TURNOVER

During the year 100% of turnover was attributable to markets within the UK.

3 DIRECTORS

	<u>1997</u>	<u>1996</u>
	£	£
Directors' emoluments	14,120	12,800
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

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4 <u>OTHER OPERATING CHARGES</u>				
Other operating charges include:				
		<u>1997</u>		<u>1996</u>
		£		£
Auditors' remuneration		950		850
		===		===
5 <u>INTEREST PAYABLE</u>				
Interest payable includes:				
		<u>1997</u>		<u>1996</u>
		£		£
Bank interest		178		-
		===		===
6 <u>TAXATION</u>				
Based on profits for the year:				
		<u>1997</u>		<u>1996</u>
		£		£
UK corporation tax at 24% (1996 - 25%)		7,527		2,074
Deferred taxation		-		(162)
Over-Provision in previous year		2,137		670
		-----		-----
		9,664		2,582
		=====		=====
7 <u>TANGIBLE ASSETS</u>				
	<u>Motor</u>	<u>Heritable</u>	<u>Plant and</u>	<u>Total</u>
	<u>Vehicles</u>	<u>Property</u>	<u>Machinery</u>	<u>£</u>
	£	£	£	£
<u>Cost</u>				
At 1 April 1996	59,131	18,843	13,166	91,140
Additions	19,625	-	-	19,625
Disposals	(47,131)	-	-	(47,131)
	-----	-----	-----	-----
At 31 March 1997	31,625	18,843	13,166	63,634
<u>Depreciation</u>				
At 1 April 1996	49,553	-	12,773	62,326
Charge for year	5,753	-	40	5,793
Disposal	(41,041)	-	-	(41,041)
	-----	-----	-----	-----
At 31 March 1997	14,265	-	12,813	27,078
<u>Net Book Value</u>				
At 31 March 1997	17,360	18,843	353	36,556
	=====	=====	=====	=====
At 31 March 1996	9,578	18,843	393	28,814
	=====	=====	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

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8	<u>INVESTMENTS</u>	£	
	At 31.3.96		103,477
	Less: Reduction in value		52,477

	At 31.3.97		51,000
			=====
9	<u>DEBTORS</u>		
	Amounts receivable within one year	<u>1997</u>	<u>1996</u>
		£	£
	Trade debtors	-	150
	Others	-	3,774
	Prepayments	200	200
		-----	-----
		200	4,124
		=====	=====
10	<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1997</u>	<u>1996</u>
		£	£
	Bank overdraft	2,877	6,733
	Trade creditors	3,782	2,899
	Other creditors	3,000	3,000
	Tax and social security	5,010	4,501
	Accruals and deferred income	2,113	2,003
	Corporation tax	4,592	-
	Directors loan	11,400	11,400
		-----	-----
		32,774	30,536
		=====	=====
11	<u>CREDITORS: AMOUNTS FALLING DUE ONE YEAR</u>	<u>1997</u>	<u>1996</u>
		£	£
	Loans	-	2,500
	Other loans	78,391	73,649
		-----	-----
		78,391	76,149
		=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

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12 DEFERRED TAXATION

	<u>1997</u>		<u>1996</u>	
	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>
	<u>£</u>	<u>in</u>	<u>£</u>	<u>in</u>
		<u>Accounts</u>		<u>Accounts</u>
		<u>£</u>		<u>£</u>
Accelerated capital allowances	-	550	-	712
	===	===	===	===

13 SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up</u>	
	<u>1997</u>	<u>1996</u>	<u>and fully paid</u>	<u>1996</u>
	<u>£</u>	<u>£</u>	<u>1997</u>	<u>1996</u>
			<u>£</u>	<u>£</u>
Ordinary shares of £1 each	5,000	5,000	1,000	1,000
	=====	=====	=====	=====

14 MOVEMENT IN SHAREHOLDERS FUNDS

	<u>£</u>
As at 1.4.96	122,072
Profit for year	20,524

Reduction in value of investments	142,596
Dividend	(52,477)
	(8,000)

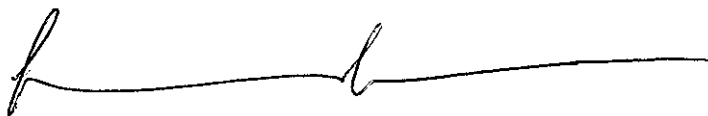
As at 31.3.97	82,119
	=====

ACCOUNTANT'S REPORT TO THE SHAREHOLDERS OF HEATLINE LIMITED

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As described on page 4 the company's directors are responsible for the preparation of the accounts, and they believe that the company is exempt from an audit. In accordance with their instructions and in order to assist the directors to fulfil their responsibilities, we have prepared the accounts on pages 2 to 8 from the accounting records and from information and explanations supplied to us.

As we have not performed an audit we do not provide any assurance that the accounts show a true and fair view, which remains the sole responsibility of the directors.



John Kerr & Company
Chartered Accountants
27 Hamilton Street
SALTCOATS
KA21 5DS

23. December 1997.