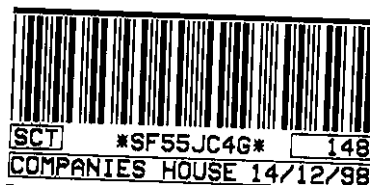


KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

REPORT and FINANCIAL STATEMENTS

For the year ended 30 April 1998



IAM

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

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KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

Director

Robert J Wotherspoon

Secretary

Roderick Urquhart, WS

Registered Office

11 Glenfinlas Street
Edinburgh
EH3 6AQ

Bankers

Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YS

Auditors

Chiene & Tait, CA
61 Dublin Street
Edinburgh
EH3 6NL

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

DIRECTOR'S REPORT

The director submits his report and the audited financial statements for the year ended 30 April 1998.

The company's name was changed from Kirkgate Holdings Limited to Kilmartin Holdings Limited by a special resolution dated 24 April 1998.

Principal activities

The group's principal activities are property trading and the operation of toilets and restaurant facilities.

Results and dividends

The group loss for the year after taxation was £711,234 (1997: loss £143,661).

The director does not recommend the payment of a dividend.

Review of the business

During the year the group acquired the entire share capital of Kilmartin Properties (Glasgow) Limited.

Director

The director of the company at 30 April 1998 was Robert J Wotherspoon and his interest in the share capital of the company is as follows:

	Ordinary Shares	
	1998	1997
	No.	No.
Robert J Wotherspoon	2,000	2,000
	=====	=====

Statement of director's responsibilities

Company law requires the director 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 group and of the profit or loss of the group for that period. In preparing those financial statements, the director is 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 group will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

The director is currently reviewing the in-house electronic systems and is planning to have all of these year 2000 compliant by 30 April 1999. The ability of customers, suppliers and external service providers to cope with this issue is also being addressed.

Small companies exemption

The director's report has been prepared in accordance with the special provisions of Part VII of the Companies Act applicable to Small Companies.

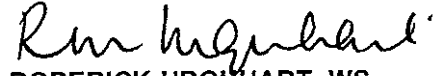
KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

DIRECTOR'S REPORT

Auditors

A resolution to reappoint Messrs Chiene & Tait, CA will be put to the shareholders at the Annual General Meeting.

BY ORDER OF THE BOARD



RODERICK URQUHART, WS
Secretary

7.12 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)



We have audited the financial statements on pages 6 to 15 which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of the director and auditors

As described on page 3 the company's director is 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 director 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.

In forming our opinion, we have considered the fact that the financial statements have been prepared on a going concern basis, the validity of which depends on the continued financial support of the group's bankers. The circumstances of this uncertainty are described in note 23. The financial statements do not include any adjustments which would result from a failure to receive that support and our opinion is not qualified in respect of this matter.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group as at 30 April 1998 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chiene & Tait CA

CHIENE & TAIT, CA
Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

10 December 1998

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

CONSOLIDATED PROFIT and LOSS ACCOUNT

For the year ended 30 April 1998

	Notes	1998	1997
		£	£
Turnover	2		
Continuing operations		1,823,300	1,164,019
Acquisitions		71,599	-
		-----	-----
		1,894,899	1,164,019
Cost of sales		1,686,692	723,046
		-----	-----
Gross profit		208,207	440,973
Administrative expenses		250,517	197,552
		-----	-----
Operating (loss)/profit	3		
Continuing operations		(94,456)	243,421
Acquisitions		52,146	-
		-----	-----
		(42,310)	243,421
Interest receivable		1,151	9,543
Interest payable	6	(676,428)	(391,084)
		-----	-----
		(675,277)	(381,541)
		-----	-----
Loss on ordinary activities before taxation		(717,587)	(138,120)
Taxation	7	(6,353)	5,541
		-----	-----
Loss on ordinary activities after taxation	19	(711,234)	(143,661)
		=====	=====

STATEMENT of TOTAL RECOGNISED GAINS and LOSSES

Loss for the financial year	(711,234)	(143,661)
Unrealised surplus on revaluation of properties	-	145,584
	-----	-----
Total recognised gains and losses relating to the year	(711,234)	1,923
	=====	=====

The notes on pages 9 to 15 form part of these financial statements.

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)


CONSOLIDATED BALANCE SHEET

As at 30 April 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	8	486,919	492,356
Current assets			
Development properties	11	11,422,060	6,993,136
Stocks	12	1,755	-
Debtors	13	371,829	240,415
Cash at bank and in hand		1,881	90,063
		<u>11,797,525</u>	<u>7,323,614</u>
Creditors: amounts falling due within one year	14	<u>11,118,165</u>	<u>3,937,872</u>
Net current assets		679,360	3,385,742
		<u>1,166,279</u>	<u>3,878,098</u>
Creditors: amounts falling due after more than one year	15	<u>3,815,000</u>	<u>3,866,258</u>
Net (liabilities)/assets		<u>(2,648,721)</u>	<u>11,840</u>
		<u>=====</u>	<u>=====</u>
Capital and reserves			
Share capital	17	2,000	2,000
Revaluation reserve	18	145,584	145,584
Profit and loss account	19	(2,796,305)	(135,744)
Equity shareholder's funds	20	<u>(2,648,721)</u>	<u>11,840</u>
		<u>=====</u>	<u>=====</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act applicable to Small Companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Approved by


.....
R. Wotherspoon Director

2/12 1998

The notes on pages 9 to 15 form part of these financial statements.

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)


COMPANY BALANCE SHEET

As at 30 April 1998

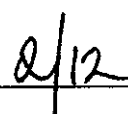
	Notes	£	1998 £	£	1997 £
Fixed assets					
Investments	9		103		102
Current assets					
Developments properties	11	-	-	-	-
Amounts owed by group companies		-		205	
Cash at bank and in hand		427		759	
		-----		-----	
		427		964	
Creditors: amounts falling due within one year	14	3,288		1,592	
		-----		-----	
Net current (liabilities)/assets			(2,861)		(628)
			-----		-----
Net (liabilities)/assets			(2,758)		(526)
			=====		=====
Capital and reserves					
Share capital	17		2,000		2,000
Profit and loss account	19		(4,758)		(2,526)
			-----		-----
Equity shareholder's funds	20		(2,758)		(526)
			=====		=====

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act applicable to Small Companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Approved by



 R. Wotherspoon
 Director


 2/12 1998

The notes on pages 9 to 15 form part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

For the year ended 30 April 1998

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with the Financial Reporting Standard for Smaller Entities.

Basis of consolidation

The group financial statements comprise the consolidated financial statements of the company and its subsidiary undertakings. No profit and loss account is presented for Kilmartin Holdings Limited as provided by S230 of the Companies Act 1985.

Accounting for acquisitions

Acquisitions of businesses are accounted for under the acquisition method with goodwill representing any excess of the fair value of the consideration given over the identifiable assets or liabilities acquired being written off against reserves.

Depreciation

Depreciation of fixed assets is charged by equal annual instalments commencing with year of acquisition at rates estimated to write off their costs or valuation less any residual value over the expected useful lives which are as follows:

Fixtures and equipment - 4 years

Investment properties

In accordance with standard accounting practice investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

No depreciation is provided in respect of investment properties. The director believes that this accounting policy is necessary for the accounts to give a true and fair view, since the current value of investment properties and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified.

Leasing commitments

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Development properties and stocks are valued at the lower of cost and net realisable value. Cost is computed on a first-in, first-out basis. In the case of development properties cost is computed on the total consideration paid. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Grants

Grants received relating to development properties have been deducted from the cost of these properties. These assets are not depreciated and therefore no basis exists on which to recognise grants as deferred income. This treatment is in accordance with SSAP4, however, this is not in accordance with the Companies Act 1985 which requires assets to be stated at their purchase price or production cost. The departure from the requirements of the Act is, in the opinion of the director, necessary to give a true and fair view, since development properties are not depreciated.

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

1. Principal accounting policies (Contd.)

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Cash flow statement

The group is a small group as defined by S247 of the Companies Act 1985 and is entitled to exemption from the preparation of a cash flow statement as required under FRS1. Consequently, a cash flow statement has not been prepared.

2. Turnover

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, within the United Kingdom, stated net of value added tax.

3. Operating (loss)/profit	Continuing Operations	Acquisitions	1998 Total	1997 Total
	£	£	£	£
Turnover	1,823,300	71,599	1,894,899	1,164,019
Cost of sales	1,686,692	-	1,686,692	-
	-----	-----	-----	-----
Gross profit	136,608	71,599	208,207	1,164,019
Distribution and administration costs	231,064	19,453	250,517	-
	-----	-----	-----	-----
Operating (loss)/profit	(94,456)	52,146	(42,310)	1,164,019
	=====	=====	=====	=====

4. Operating (loss)/profit	1998	1997
	£	£
This is stated after charging/(crediting):		
Auditors' remuneration	5,175	3,100
Depreciation of tangible fixed assets	9,087	29,012
Rent receivable	(13,154)	(9,301)
Gain on disposal of fixed assets	-	(5,000)
	=====	=====

5. Director and employees

Staff costs including director's emoluments:		
Wages and salaries	8,914	58,511
	=====	=====

The average number of employees during the year was 4 (1997: 12).

The director did not receive any emoluments during the year.

Management fees of £85,900 (1997: £81,000) were paid to R J Wotherspoon & Associates, property consultants, of which R J Wotherspoon is proprietor. A further £25,000 (1997: £82,050) was paid in respect of consultancy services provided in connection with the development properties and £6,200 (1997: £6,000) in respect of accountancy services.

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

6. Interest payable	1998	1997
	£	£
Wholly repayable within 5 years:		
Bank overdraft	387,174	101,475
Bank loans	289,254	289,609
	-----	-----
	676,428	391,084
	=====	=====

7. Taxation

The taxation charge is based on the results for the year as follows:

Corporation tax @ 21% (1997: 23%)	-	6,557
Overprovision in previous year	(6,353)	(1,016)
	-----	-----
	(6,353)	5,541
	=====	=====

8. Tangible fixed assets	Investment Properties	Fixtures and Equipment	Total
	£	£	£
Group			
Cost			
At 1 May 1997	475,000	111,050	586,050
Additions	-	3,650	3,650
	-----	-----	-----
At 30 April 1998	475,000	114,700	589,700
	-----	-----	-----
Depreciation			
At 1 May 1997	-	93,694	93,694
Charge for year	-	9,087	9,087
	-----	-----	-----
At 30 April 1998	-	102,781	102,781
	-----	-----	-----
Net book value			
At 30 April 1998	475,000	11,919	486,919
	=====	=====	=====
At 30 April 1997	475,000	17,356	492,356
	=====	=====	=====

The company has no tangible fixed assets.

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

	Shares in Subsidiary Undertakings £
9. Investment in subsidiaries	
Cost	
At 1 May 1997	102
Additions	1

At 30 April 1998	103
	=====

Nature of Subsidiary Undertaking	Nature of Business	Country of Registration	Class of Share	Proportion Held
Kirkgate Investments Ltd	Property trading	Scotland	Ordinary	100%
Lismore Investments Ltd	Property trading	Scotland	Ordinary	100%
Oban Heritage Ltd	Restaurant	Scotland	Ordinary	100%
Kilmartin Properties (Glasgow) Ltd	Property trading	Scotland	Ordinary	100%

10. Acquisition of business

The company acquired Kilmartin Properties (Glasgow) Ltd during the year as an operating entity. The following table sets out the net assets acquired and the resulting goodwill.

	Fair Value £
Development properties	3,600,000
Debtors	143,526
Cash	41,337
Creditors	(5,734,189)

	(1,949,326)
	=====
Cash consideration	1
	=====
Goodwill transferred to reserves (note 20)	(1,949,327)
	=====

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

11. Development properties

	Company		Group	
	1998	1997	1998	1997
	£	£	£	£
At 1 May 1997	-	-	6,993,136	5,801,930
Additions	1,538,022	-	6,090,794	2,131,255
Transferred to investment properties	-	-	-	(329,416)
Disposals	(1,538,022)	-	(1,661,870)	(610,633)
	-----	-----	-----	-----
At 30 April 1998	-	-	11,422,060	6,993,136
	=====	=====	=====	=====

12. Stocks

Goods for resale	-	-	1,755	-
	=====	=====	=====	=====

13. Debtors

Trade debtors	-	-	96,655	156,166
Prepayments	-	-	3,278	3,911
VAT recoverable	-	-	254,994	62,363
Sundry debtors	-	-	16,902	17,975
	-----	-----	-----	-----
	-	-	371,829	240,415
	=====	=====	=====	=====

14. Creditors: Amounts falling due within one year

Trade creditors	-	-	10,842	8,757
Other creditors and accruals	1,300	300	164,328	94,318
Bank overdraft (note 16)	-	-	9,820,551	3,700,600
Other taxation and social security	-	-	14,701	20,596
Deferred income	-	-	107,743	107,044
Corporation tax	-	-	-	6,557
Bank term loan	-	-	1,000,000	-
Amounts due to group companies	1,988	1,292	-	-
	-----	-----	-----	-----
	3,288	1,592	11,118,165	3,937,872
	=====	=====	=====	=====

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

15. Creditors: Amounts falling due after more than one year

	Company		Group	
	1998	1997	1998	1997
	£	£	£	£
Other creditors	-	-	-	51,258
Bank term loan (see note 16)	-	-	3,815,000	3,815,000
	-----	-----	-----	-----
	-	-	3,815,000	3,866,258
	=====	=====	=====	=====

The term loan is for a period of 5 years from November 1993 and interest is charged at variable rates. The director is currently in the process of re-negotiating the repayment terms of the bank loan.

16. Bank borrowing

The bank borrowing is secured.

17. Share capital	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	No.	No.	£	£
Ordinary shares of £1 each	2,000	2,000	2,000	2,000
	=====	=====	=====	=====

18. Revaluation reserve

	Company		Group	
	1998	1997	1998	1997
	£	£	£	£
At 1 May 1997	-	-	145,584	-
Surplus on property revaluation	-	-	-	145,584
	-----	-----	-----	-----
At 30 April 1998	-	-	145,584	145,584
	=====	=====	=====	=====

KILMARTIN HOLDINGS LIMITED
(Formerly Kirkgate Holdings Limited)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 30 April 1998

19. Profit and loss account

	Company		Group
	1998	1997	1998
	£	£	£
At 1 May 1997	(2,526)	(1,870)	(135,744)
Loss for the year	(2,232)	(656)	(711,234)
Goodwill on acquisitions	-	-	(1,949,327)
	-----	-----	-----
At 30 April 1998	(4,758)	(2,526)	(2,796,305)
	=====	=====	=====

20. Reconciliation of movement in shareholders' funds

	Company		Group
	1998	1997	1998
	£	£	£
At 1 May 1997	(526)	130	11,840
Loss for the year	(2,232)	(656)	(711,234)
Surplus on property revaluation	-	-	-
Goodwill on acquisitions	-	-	(1,949,327)
	-----	-----	-----
At 30 April 1998	(2,758)	(526)	(2,648,721)
	=====	=====	=====

21. Ultimate controlling party and related party disclosures

For the whole of the year the company's ultimate controlling party was its sole director and shareholder R J Wotherspoon.

During the year the group paid £110,949 to Strathmore Building Services Limited, of which R J Wotherspoon is a director and 50/50 shareholder. These transactions were carried out on an arms length basis.

22. Capital commitments

	1998	1997
Group and company		
Contracted	-	856,000
	=====	=====

23. Going concern

The group relies upon a bank overdraft facility in order to meet its day to day working capital requirements. The director has provided cashflow projections and budgets for the year ended 30 April 1999. These projections indicate that the group will be able to operate within the current overdraft facility and that which the director expects to be agreed during the current year when the group's bankers are due to consider its renewal for a further period. On the basis of the projected results and the continued support of the group's bankers the director considers it appropriate to prepare the financial statements on the going concern basis.