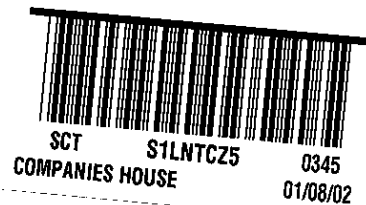


PALISADE PROPERTIES PLC

REPORT AND FINANCIAL STATEMENTS

for the year ended 30th April 2001



Company Number 157989

**BOYER
&
SMITH**
CHARTERED ACCOUNTANTS
CHARTERED TAX ADVISERS

DIRECTORS AND ADVISERS

DIRECTORS

Paul F Doherty

Alan B Wilson (Chairman)

REGISTERED OFFICE

15 Sandyford Place
Glasgow

SECRETARIES

Paull & Williamsons
Investment House
6 Union Row
Aberdeen

AUDITORS

Bower and Smith
Chartered Accountants
30 Carden Place
Aberdeen

BANKERS

Bank of Scotland
39 Albyn Place
Aberdeen

REPORT OF THE DIRECTORS

The Directors submit to the Shareholders the Financial Statements for the year ended 30th April 2001.

PRINCIPAL ACTIVITY

The Company's principal activity during the year was property development.

RESULTS

The results for the year are set out on page 4.

PAYMENT OF ACCOUNTS

It is the policy of the Company to pay all verified accounts within agreed settlement terms. The average period taken to pay suppliers was 55 days (2000 53 days).

DIRECTORS AND THEIR INTERESTS

The Directors of the Company and their interests in the Issued Ordinary Share Capital of the Company were as follows:-

	At <u>30.4.2001</u>	At <u>30.4.2000</u>
P F Doherty	25,000	25,000
A B Wilson	25,000	25,000

REVIEW OF THE BUSINESS

During the year the Company completed a mixed retail and residential development at Byres Road/Cresswell Street, Glasgow. The retail elements of the development were completed during the year to April 2000. The residential element was completed and all of the units sold, in July 2000, generating turnover of £1.6 million.

Four retail units in Edinburgh and Glasgow were fully let during the year generating £103,000 of rental income.

In May 2002, the retail units were marketed for sale. To date one unit has been sold for £396,000 and missives are being negotiated for the other units at a total sales value in excess of £1.26 million.

AUDITORS

A resolution proposing the re-appointment of Messrs Bower and Smith, Chartered Accountants as Auditors to the Company will be put to the Annual General Meeting.

By Order of the Board



ALAN B WILSON

Director

Aberdeen
30th July 2002

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 judgments and estimates that are reasonable and prudent

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements

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.

PROFIT AND LOSS ACCOUNT - for the year ended 30th April 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
TURNOVER	2	1776485	1654030
COST OF SALES		<u>1417572</u>	<u>1426144</u>
GROSS PROFIT		358913	227886
ADMINISTRATIVE EXPENSES		<u>246955</u>	<u>139711</u>
OPERATING PROFIT		111958	88175
PROFIT ON SALE OF FIXED ASSETS		<u>5401</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		117359	88175
INTEREST RECEIVABLE		<u>15843</u>	<u>252</u>
		133202	88427
INTEREST PAYABLE	3	<u>111996</u>	<u>142443</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	21206	(54016)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	5	<u>4370</u>	<u>2</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		16836	(54018)
BALANCE BROUGHT FORWARD		<u>(113829)</u>	<u>(59811)</u>
		<u>(96993)</u>	<u>(113829)</u>
		=====	=====
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Profit/(Loss) for the Financial Year		16836	(54018)
Unrealised Profit on Revaluation of Investment Property		<u>139500</u>	<u>361067</u>
Total Recognised Gains relating to the year		<u>156336</u>	<u>307049</u>
		=====	=====

All amounts relate to continuing activities

The Notes on pages 7 to 13 form part of the Financial Statements

BALANCE SHEET - as at 30th April 2001

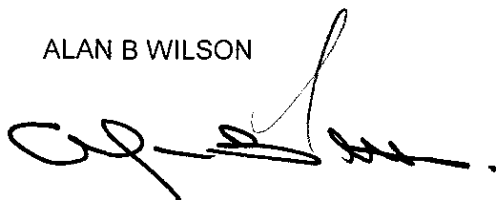
	<u>Notes</u>	<u>2001</u> £	<u>2001</u> £	<u>2000</u> £	<u>2000</u> £
FIXED ASSETS					
Tangible Assets	7		1355895		1269949
Investments			<u>-</u>		<u>2</u>
			1355895		1269951
CURRENT ASSETS					
Stock	8	-		1274609	
Debtors	9	544664		196916	
Cash at Bank and in Hand		<u>121151</u>		<u>-</u>	
		665815		1471525	
CREDITORS - Amounts falling due within one year	10	<u>423237</u>		<u>2075391</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>242578</u>		<u>(603866)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1598473		666085
CREDITORS - Amounts falling due after more than one year	11		<u>1144899</u>		<u>368847</u>
			<u>453574</u>		<u>297238</u>
			=====		=====
CAPITAL AND RESERVES					
Called Up Share Capital	12		50000		50000
Other Reserves	13		500567		361067
Profit and Loss Account	13		<u>(96993)</u>		<u>(113829)</u>
SHAREHOLDERS FUNDS	14		<u>453574</u>		<u>297238</u>
			=====		=====

All items under Capital and Reserves are equity

The Financial Statements were approved by the Board on 30th July 2002

Director

ALAN B WILSON



The Notes on pages 7 to 13 form part of the Financial Statements

CASH FLOW STATEMENT - for the year ended 30th April 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
RECONCILIATION OF OPERATING PROFIT TO INFLOW FROM OPERATING ACTIVITIES			
Operating Profit		111958	88175
Depreciation		2581	1847
Movement in Stocks		1274609	(21944)
Movement in Debtors		(350637)	460195
Movement in Creditors		(209914)	194500
NET CASH INFLOW FROM OPERATING ACTIVITIES		828597 =====	722773 =====
CASH FLOW STATEMENT			
Net Cash Inflow from Operating Activities		828597	722773
Returns on Investments and Servicing of Finance	17	(96153)	(142191)
Taxation Recovered		2682	-
Capital Expenditure	17	<u>56376</u>	<u>(856780)</u>
Financing	17	<u>791502</u> <u>816925</u>	<u>(276198)</u> <u>(153336)</u>
MOVEMENT IN CASH IN THE YEAR		1608427 =====	(429534) =====
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in Cash in the year		1608427	(429534)
Loans Received		(1000000)	-
Loan Repayments		<u>183075</u>	<u>153336</u>
Net Debt Brought Forward		<u>791502</u> <u>(1857290)</u>	<u>(276198)</u> <u>(1581092)</u>
NET DEBT CARRIED FORWARD		(1065788) =====	(1857290) =====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

1 ACCOUNTING POLICIES

The Financial Statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:-

Classification of Property

Properties held for their investment potential which have been completed are treated as investment properties. Land and property in the course of development is treated as work in progress.

Investment Properties

Investment properties are valued at their open market value. No depreciation is charged on these properties. Properties are revalued annually.

Stock and Work in Progress

Stock and Work in Progress is valued at the lower of cost and net realisable value. Cost comprises all direct costs incurred on the development up to the Balance Sheet date. Financing costs are not included.

Rental Income

All leases are operating leases. Rentals receivable are credited to the Profit and Loss Account on an accruals basis.

Leased Assets

All leases are treated as "operating leases". Their annual rentals are charged to the Profit and Loss Account on a straight line basis over the lease term.

Investments

Investments are stated at cost.

Depreciation

Fixtures and Fittings are depreciated at the rate of 25% per annum using the straight line method.

2 TURNOVER

Turnover represents invoiced sales to third parties, stated net of Value Added Tax.

	<u>2001</u>	<u>2000</u>
	£	£
Sale of Property	1670156	1618630
Management Fees	-	30000
Rent Received	<u>106329</u>	<u>5400</u>
	1776485	1654030
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

3	INTEREST PAYABLE	<u>2001</u>	<u>2000</u>
		£	£
	Interest on Bank Loans and Overdrafts	75919	96049
	Interest on Director's Loan	<u>36077</u>	<u>46394</u>
		111996	142443
		=====	=====
4	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
	This is stated after charging:-		
	Directors Emoluments	71200	34004
	Auditors Remuneration		
	Audit Services	3500	3200
	Non-Audit Services	400	400
	Operating Lease Rentals	<u>15295</u>	<u>25955</u>
		=====	=====
5	TAXATION		
	U K Current Year Taxation		
	Corporation Tax	4163	(1130)
	Prior Years		
	Corporation Tax	<u>207</u>	<u>1132</u>
		4370	2
		=====	=====
6	STAFF COSTS		
	Wages and Salaries	154950	71438
	Social Security Costs	<u>15811</u>	<u>6444</u>
		170761	77882
		=====	=====

The average number of employees during the year was 6 (2000 4).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

7 TANGIBLE FIXED ASSETS	Investment Properties £	Fixtures and Fittings £	Total £
Cost or Valuation			
As at 1st May 2000	1264449	7347	1271796
Additions	-	2976	2976
Surplus on Revaluation	139500	-	139500
Disposal	(53949)	-	(53949)
	<u>1350000</u>	<u>10323</u>	<u>1360323</u>
At Cost	-	10323	10323
At Valuation	<u>1350000</u>	<u>-</u>	<u>1350000</u>
	<u>1350000</u>	<u>10323</u>	<u>1360323</u>
Depreciation			
As at 1st May 2000	-	1847	1847
Charge for Year	-	2581	2581
	<u>-</u>	<u>4428</u>	<u>4428</u>
NET BOOK VALUE			
As at 30th April 2001	1350000	5895	1355895
	=====	=====	=====
NET BOOK VALUE			
As at 30th April 2000	1264449	5500	1269949
	=====	=====	=====

Investment properties are revalued in accordance with Statement of Standard Accounting Practice No.19. Such properties are revalued in order that Accounts show a true and fair view. This represents a departure from the Companies Act 1985.

All investment properties are used to generate operating lease income.

Investment properties were valued by the Directors as at 30th April 2001 at open market value.

8 STOCKS	2001 £	2000 £
Work in Progress	-	1274609
	=====	=====
9 DEBTORS		
Trade Debtors	15275	88970
Other Debtors	<u>529389</u>	<u>107946</u>
	<u>544664</u>	<u>196916</u>
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

10 CREDITORS - Amounts falling due within one year	2001 £	2000 £
Bank Loans and Overdrafts	42040	1488443
Trade Creditors	344374	551992
Corporation Tax	4163	-
Other Taxes and Social Security Costs	4290	-
Sundry Creditors and Accruals	<u>28370</u>	<u>34956</u>
	<u>423237</u>	<u>2075391</u>
	=====	=====

The Bank of Scotland holds a bond and floating charge over the whole of the assets of the Company and also holds standard securities over the Company's investment properties. A life assurance policy over the life of Alan B Wilson has been assigned to the Bank of Scotland.

The Bank of Scotland also holds cross guarantees between Palisade Properties plc and Palisade Properties (Holdings) Limited and its subsidiary undertakings.

11 CREDITORS - Amounts falling due after more than one year		
Bank Loan	934816	49398
Directors' Loans	<u>210083</u>	<u>319449</u>
	<u>1144899</u>	<u>368847</u>
	=====	=====
<i>Bank Loan</i>		
Amount outstanding	976856	50565
Amount repayable within one year	<u>(42040)</u>	<u>(1167)</u>
	<u>934816</u>	<u>49398</u>
	=====	=====
Amounts repayable in 1 - 2 years	45361	1274
Amounts repayable in 2 - 5 years	158739	4568
Amounts repayable in more than 5 years	<u>730716</u>	<u>43556</u>
	<u>934816</u>	<u>49398</u>
	=====	=====

The Bank Loan is repayable in monthly instalments over 15 years.

12 SHARE CAPITAL

Authorised		
50,000 Ordinary Shares of £1 each	50000	50000
	=====	=====
Issued and Fully Paid		
50,000 Ordinary Shares of £1 each	50000	50000
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

13 EQUITY RESERVES	Profit and Loss Account £	Investment Property Reserve £	Total £
At 1st May 2000	(113829)	361067	247238
Revaluation of Property	-	139500	139500
Retained Profit for the year	<u>16836</u>	<u>-</u>	<u>16836</u>
At 30th April 2001	<u>(96993)</u>	<u>500567</u>	<u>403574</u>

14 RECONCILIATION OF SHAREHOLDERS FUNDS	2001 £	2000 £
Profit/(Loss) for the Financial Year	16836	(54018)
Profit on Revaluation of Investment Property	<u>139500</u>	<u>361067</u>
Net Addition to Shareholders' Funds	156336	307049
Opening Shareholders' Funds	<u>297238</u>	<u>(9811)</u>
	<u>453574</u>	<u>297238</u>

15 LEASING COMMITMENTS

At 30th April 2001 the Company had an annual commitment under a non cancellable operating lease in respect of land and buildings. Under the terms of the lease agreement the charge for the year to 30th April 2002 is £16,189. The lease expires in 2010 but both landlord and tenant have an option to terminate the lease in 2005.

16 RELATED PARTY TRANSACTIONS

At the beginning of the year the Company held 50% interests in Park Lane Palisade Limited and Park Lane Palisade (Newlands) Limited. These were sold to Palisade Properties (Holdings) Limited at their combined book value of £2. Palisade Properties (Holdings) Limited is owned by Mr Alan Wilson and Mr Paul Doherty.

During the year the Company transferred interests in two construction projects to Palisade Properties (Holdings) Limited at their combined book value of £60,841.

The Company also sold an investment property to Palisade Properties (Holdings) Limited at its open market value of £59,350.

The Company also transferred an interest in a construction project to Palisade Properties (Crow Road) Limited at book value of £65,070. That Company is a Subsidiary Undertaking of Palisade Properties (Holdings) Limited.

Palisade Properties plc has a management agreement to provide estate management and planning advice services for some offshore trusts which Elmford Limited, a nominee company, holds title to land for. Mr Alan Wilson has an interest in some of these trusts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

16 RELATED PARTY TRANSACTIONS (Continued)

Amounts included in debtors in respect of these parties are:-

	<u>2001</u>	<u>2000</u>
	£	£
Palisade Properties (Holdings) Limited	438158	-
Palisade Properties (Crow Road) Limited	65070	-
Elmford Limited	6070	5519
	=====	=====

There were no transactions with Park Lane Palisade Limited during the year. During the year to 30th April 2000 purchases of £45,014 were made from that Company in the ordinary course of business.

The Company received £2,915 (2000 £5,400) from Mr Paul Doherty's sister in respect of rent for a property owned by the Company.

17 GROSS CASH FLOWS

	<u>2001</u>	<u>2000</u>
	£	£
<i>Returns on Investments and Servicing of Finance</i>		
Interest Received	15843	252
Interest Paid	(111996)	(142443)
	(96153)	(142191)
	=====	=====
<i>Capital Expenditure</i>		
Purchase of Investment Property	-	(849433)
Purchase of Fixtures and Fittings	(2976)	(7347)
Receipts from Sales of Tangible Assets	59350	-
Receipts from sales of Investments	2	-
	56376	(856780)
	=====	=====
<i>Financing</i>		
Loans Repaid to Directors	(109366)	(152660)
Bank Loan Received	1000000	-
Bank Loan Payments	(73709)	(676)
	816925	(153336)
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th April 2001

16 ANALYSIS OF CHANGES IN NET DEBT	Opening Balance £	Cash Flows £	Other Changes £	Closing Balance £
Cash at Bank and in Hand	-	121151		121151
Bank Overdrafts	(1487276)	1487276		-
	(1487276)	1608427		121151
Debt due within one year	(1167)	132535	(173408)	(42040)
Debt due after one year	(368847)	(949460)	173408	(1144899)
	(370014)	(816925)	-	(1186939)
NET DEBT	(1857290)	791502	-	(1065788)
	=====	=====	=====	=====

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALISADE PROPERTIES PLC

We have audited the Financial Statements of Palisade Properties plc for the year ended 30th April 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related Notes. These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain Fixed Assets and the Accounting Policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' Remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement in it.

Basis of Opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 30th April 2001 and of its Profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BOWER AND SMITH C.A.,

Registered Auditors and
Chartered Accountants

30 Carden Place
Aberdeen

30th July 2002