

Signature

PALISADE PROPERTIES PLC

REPORT AND FINANCIAL STATEMENTS

for the period from 1st November 1996 to  
30th April 1998

Company Number 157989

*Ch*



**DIRECTORS**

Paul F Doherty

Alan B Wilson (Chairman)

**SECRETARIES AND REGISTERED OFFICE**

Paul & 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 period from 1st November 1996 to 30th April 1998.

**PRINCIPAL ACTIVITY**

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

**DIRECTORS**

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

	At <u>30.4.98</u>	At <u>31.10.96</u>
P F Doherty	25,000	25,000
A B Wilson	25,000	25,000

**RESULTS**

The Loss for the period after Taxation was £292,324 (1996 Profit £11,219).

**REVIEW OF THE BUSINESS**

The Company acquired properties for proposed future development during the period under review and the Directors are hopeful that these developments will proceed successfully. Since 30th April 1998 the Company has acquired further properties for development and has sold parts of the development properties held at the year end.

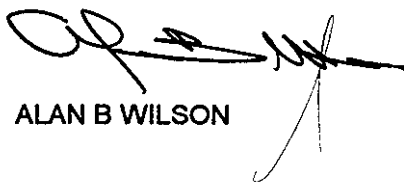
**PAYMENT OF ACCOUNTS**

It is the policy of the Company to pay all verified accounts within agreed settlement terms. The average period taken to pay suppliers was 102 days (1996 49 days).

**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  
11th December 1998

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 period from 1st November 1996 to 30th April 1998

		Period 1.11.96 to 30.4.98 £	Period 15.5.95 to 31.10.96 £
	Notes		
TURNOVER	2	76402	110000
COST OF SALES		<u>191234</u>	<u>76542</u>
GROSS (LOSS)/PROFIT		(114832)	33458
ADMINISTRATIVE EXPENSES		<u>80873</u>	<u>13652</u>
OPERATING (LOSS)/PROFIT		(195705)	19806
EXCEPTIONAL ITEM	3	<u>19226</u>	<u>-</u>
		(214931)	19806
INTEREST PAYABLE	4	<u>81217</u>	<u>4763</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(296148)	15043
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	6	<u>(3824)</u>	<u>3824</u>
		(292324)	11219
BALANCE BROUGHT FORWARD		<u>11219</u>	<u>-</u>
		(281105)	11219
		=====	=====

All amounts relate to continuing activities

All recognised gains and losses are included in the Profit and Loss Account

The Notes on pages 7 to 11 form part of the Financial Statements

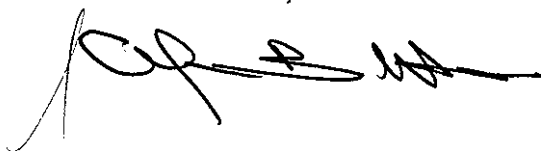
**BALANCE SHEET** - as at 30th April 1998

	<u>Notes</u>	<u>1998</u> £	<u>1998</u> £	<u>31.10.96</u> £	<u>31.10.96</u> £
<b>FIXED ASSETS</b>					
Tangible Assets	8		53949		-
Investments	9		<u>1</u>		<u>-</u>
			53950		-
<b>CURRENT ASSETS</b>					
Stock	10	634649		46402	
Debtors	11	30863		140	
Cash at Bank and in Hand		<u>-</u>		<u>96769</u>	
		665512		143311	
<b>CREDITORS - Amounts falling due within one year</b>	12	<u>792879</u>		<u>12092</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			(127367)		<u>131219</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(73417)		131219
<b>CREDITORS - Amounts falling due after more than one year</b>	13		<u>157688</u>		<u>70000</u>
			(231105)		61219
			=====		=====
<b>CAPITAL AND RESERVES</b>					
Issued Share Capital	14		50000		50000
Profit and Loss Account			(281105)		<u>11219</u>
			(231105)		61219
			=====		=====

All items under Capital and Reserves are equity

The Financial Statements were approved by the Board on 11th December 1998

Director ALAN B WILSON



The Notes on pages 7 to 11 form part of the Financial Statements

CASH FLOW STATEMENTfor the period from 1st November 1996 to 30th April 1998

	Notes	Period 1.11.96 to 30.4.98 £	Period 15.5.95 to 31.10.96 £
<b>RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>			
Operating (Loss)/Profit		(195705)	19806
Increase in Debtors		(26908)	(140)
Increase in Creditors		63381	8268
Increase in Stock		<u>(588247)</u>	<u>(46402)</u>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(747479)</b> =====	<b>(18468)</b> =====
<b>CASH FLOW STATEMENT</b>			
Net Cash Outflow from Operating Activities		(747479)	(18468)
Returns on Investments and Servicing of Finance - Interest Paid		(81217)	(4763)
Capital Expenditure and Financial Investment	16	(73176)	-
Taxation		<u>(3815)</u>	<u>-</u>
Financing	16	(905687) <u>88873</u>	(23231) <u>120000</u>
<b>(DECREASE)/INCREASE IN CASH</b>		<b>(816814)</b> =====	<b>96769</b> =====
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
(Decrease)/Increase in Cash		(816814)	96769
Loans Received		(89336)	(70000)
Loan Repayments		<u>463</u>	<u>-</u>
Net Funds Brought Forward		(905687) <u>26769</u>	26769 <u>-</u>
<b>NET (DEBT)/FUNDS CARRIED FORWARD</b>	17	<b>(878918)</b> =====	<b>26769</b> =====

NOTES FORMING PART OF THE FINANCIAL STATEMENTSfor the period from 1st November 1996 to 30th April 1998**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.

**2 TURNOVER**

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

	1.11.96	15.5.95
	to	to
	<u>30.4.98</u>	<u>31.10.96</u>
	£	£
Sale of Property	55000	110000
Management Fees	13500	-
Rent Received	<u>7902</u>	<u>-</u>
	76402	110000
	=====	=====

**3 EXCEPTIONAL ITEM**

Provision against Loan given to Third Party	19226	-
	=====	=====



NOTES FORMING PART OF THE FINANCIAL STATEMENTSfor the period from 1st November 1996 to 30th April 1998

		1.11.96 to <u>30.4.98</u> £	15.5.95 to <u>31.10.96</u> £
<b>4</b>	<b>INTEREST PAYABLE</b>		
	Interest on Bank Loans and Overdrafts	62752	4763
	Interest on Director's Loan	<u>18465</u>	<u>-</u>
		81217 =====	4763 =====
<b>5</b>	<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
	This is stated after charging:-		
	Directors Emoluments	1800	-
	Auditors Remuneration		
	Audit Services	2500	3000
	Non-Audit Services	250	-
	Operating Lease Rentals	<u>16277</u>	<u>-</u>
		=====	=====
<b>6</b>	<b>TAXATION</b>		
	Corporation Tax on (Loss)/Profit for current period	(3815)	3824
	Prior Period Adjustment	<u>(9)</u>	<u>-</u>
		(3824) =====	3824 =====
<b>7</b>	<b>STAFF COSTS</b>		
	Wages and Salaries	6000	-
	Social Security Costs	-	-
	Pension Costs	<u>-</u>	<u>-</u>
		6000 =====	- =====
	The average number of employees during the period was 4 (1996 2).		
<b>8</b>	<b>TANGIBLE FIXED ASSETS</b>	<u>1998</u> £	<u>1996</u> £
	Investment Property	53949 =====	- =====
	Investment property is stated at Directors' valuation as at 30th April 1998. The Directors are of the opinion that there is no difference between the valuation of the property and its cost. The value of property held for use in operating leases is £53,949 (1996 Nil).		
<b>9</b>	<b>INVESTMENTS</b>		
	Investments in Associated Undertakings	1 =====	- =====

<i>Name of Company</i>	<i>Country of Registration</i>	<i>Holding</i>	<i>Proportion of Voting Rights Held</i>	<i>Nature of Business</i>
Park Lane Palisade Limited	Scotland	Ordinary Shares	50%	Property Development

Audited Accounts for the first period of trading have not yet been prepared for Park Lane Palisade Limited.

NOTES FORMING PART OF THE FINANCIAL STATEMENTSfor the period from 1st November 1996 to 30th April 1998

	<u>1998</u>	<u>1996</u>
	£	£
<b>10 STOCKS</b>		
Work in Progress	634649	46402
	=====	=====
<b>11 DEBTORS</b>		
Trade Debtors	23750	-
Other Debtors	7113	-
Prepayments	-	140
	=====	=====
	30863	140
	=====	=====
<b>12 CREDITORS - Amounts falling due within one year</b>		
Bank Loans and Overdrafts	721230	-
Trade Creditors	49685	8268
Corporation Tax	-	3824
Accruals	21964	-
	=====	=====
	792879	12092
	=====	=====
The Bank of Scotland holds a bond and floating charge over the whole of the assets of the Company. It also holds standard securities over the Company's investment property and over the Company's development sites in Ayr, Glasgow and Edinburgh.		
<b>13 CREDITORS - Amounts falling due after more than one year</b>		
Bank Loan	51352	-
Directors' Loans	106336	70000
	=====	=====
	157688	70000
	=====	=====
<i>Bank Loan</i>		
The Bank Loan is repayable in monthly instalments over 20 years.		
Amount outstanding as at 30th April 1998	52537	-
Amount repayable within one year	(1185)	-
	=====	=====
	51352	-
	=====	=====
Amounts repayable in 1 - 2 years	1296	-
Amounts repayable in 2 - 5 years	4655	-
Amounts repayable in more than 5 years	45401	-
	=====	=====
	51352	-
	=====	=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTSfor the period from 1st November 1996 to 30th April 1998

14	SHARE CAPITAL	1998 £	1996 £
	<b>Authorised</b>		
	50,000 Ordinary Shares of £1 each	50000	50000
		=====	=====
	<b>Issued and Fully Paid</b>		
	50,000 Ordinary Shares of £1 each	50000	50000
		=====	=====
15	RECONCILIATION OF SHAREHOLDERS FUNDS		
	(Loss)/Profit for the Financial Period	(292324)	11219
	Issue of Share Capital	-	50000
		(292324)	61219
	Opening Shareholders Funds	61219	-
		(231105)	61219
		=====	=====
		1.11.96	15.5.95
		to	to
16	GROSS CASH FLOWS	30.4.98	31.10.96
		£	£
	<i>Financing</i>		
	Issue of Ordinary Share Capital	-	50000
	Loans Received from Directors	36336	70000
	Bank Loan Received	53000	-
	Bank Loan - Capital Repaid	(463)	-
		88873	120000
		=====	=====
	<i>Capital Expenditure and Financial Investment</i>		
	Purchase of Investment Property	(53949)	-
	Purchase of Investments	(1)	-
	Loan to Third Party	(19226)	-
		(73176)	-
		=====	=====
17	ANALYSIS OF CHANGES IN NET DEBT	At 1.11.96 £	Cash Flows £
	Cash at Bank and in Hand	96769	(96769)
	Bank Overdrafts	-	(720045)
			(816814)
	Debts due within one year	-	(1185)
	Debts due after one year	(70000)	(87688)
		26769	(905687)
		=====	=====
			At 30.4.98 £
			-
			(720045)
			(1185)
			(157688)
			(878918)
			=====

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the period from 1st November 1996 to 30th April 1998

**18 RELATED PARTY TRANSACTIONS**

The Company's investment property is let to Mr Paul Doherty's sister. The rental income for the period was £5,456 (1996 Nil).

Included in Trade Debtors is £12,000 (1996 Nil) due by Elmford Limited, a Nominee Company. This Company holds title to land on behalf of certain Offshore Trusts. Palisade Properties plc has a management agreement to provide estate management and planning advice services for some of the Trusts which Elmford Limited holds title to land for. Mr Alan Wilson has an interest in some of these Trusts.

**19 GOING CONCERN**

At 30th April 1998 the Company had a net deficiency of assets of £231,105, £106,336 of this deficiency relates to amounts due to Directors on their loan accounts. In June 1998 Mr Alan Wilson increased the balance on his loan account by paying £500,000 into the Company bank account. The Directors have intimated that the Company will not be required to repay the loans from them until such time as sufficient funds are available. In view of these circumstances the Directors consider that it is appropriate to prepare Accounts on the going concern basis.

## AUDITORS' REPORT TO THE SHAREHOLDERS OF PALISADE PROPERTIES PLC

We have audited the Financial Statements on pages four to eleven which have been prepared under the historical cost convention and the Accounting Policies set out on page seven.

### Respective responsibilities of Directors and Auditors

As described on page three 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 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.

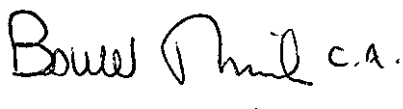
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### Going Concern

In forming our opinion we have considered the adequacy of the disclosure made in Note 19 to the Financial Statements concerning the deficiency of assets. In view of the significance of this fundamental uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### 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 1998 and of its Loss for the period 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

11th December 1998