

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2002
FOR
DOONBYE PROPERTIES LIMITED

Barstow & Millar
Chartered Accountants
Registered Auditors
Midlothian Innovation Centre
Pentlandfield
Roslin
MIDLOTHIAN
EH25 9RE



DOONBYE PROPERTIES LIMITED

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FOR THE YEAR ENDED 31 MAY 2002

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DOONBYE PROPERTIES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2002

DIRECTORS:	J.W.M. Manclark K W Dunbar
SECRETARY:	1924 Nominees Ltd.
REGISTERED OFFICE:	37 Queen Street Edinburgh EH2 1JX
REGISTERED NUMBER:	SC44503 (Scotland)
AUDITORS:	Barstow & Millar Chartered Accountants Registered Auditors Midlothian Innovation Centre Pentlandfield Roslin MIDLOTHIAN EH25 9RE
SOLICITORS:	Archibald Campbell & Harley WS 37 Queen Street Edinburgh EH2 1JX

DOONBYE PROPERTIES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2002

The directors present their report with the financial statements of the company for the year ended 31 May 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of owning and letting out properties.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No interim dividend was paid during the year. The directors recommend a final dividend of £330 per share.

The total distribution of dividends for the year ended 31 May 2002 will be £33,000.

DIRECTORS

The directors during the year under review were:

J.W.M. Manclark
K W Dunbar

The beneficial interests of the directors holding office on 31 May 2002 in the issued share capital of the company were as follows:

	31.5.02	1.6.01
Ordinary £1 shares		
J.W.M. Manclark	100	100
K W Dunbar	-	-

POTENTIAL INTRODUCTION OF THE EURO

The directors do not consider the potential impact of the Euro to have a significant effect on the company's business.

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.

DOONBYE PROPERTIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2002

AUDITORS

The auditors, Barstow & Millar, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
1924 Nominees Ltd. - SECRETARY

for and on behalf of
1924 Nominees Limited

Dated: 12 June 2003

DOONBYE PROPERTIES LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
DOONBYE PROPERTIES LIMITED

We have audited the financial statements of Doonbye Properties Limited for the year ended 31 May 2002 on pages five to twelve. 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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

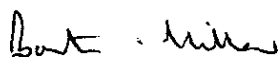
Basis of audit opinion

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 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 May 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Barstow & Millar
Chartered Accountants
Registered Auditors
Midlothian Innovation Centre
Pentlandsfield
Roslin
MIDLOTHIAN
EH25 9RE

Dated: 13/6/03

DOONBYE PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2002

		2002		2001	
	Notes	£	£	£	£
TURNOVER			109,699		134,147
Administrative expenses			100,836		52,090
			8,863		82,057
Other operating income			2,356		4,693
OPERATING PROFIT	2		11,219		86,750
Income from participating interests		3,195		2,627	
Interest receivable and similar income		9,653		10,572	
			12,848		13,199
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			24,067		99,949
Tax on profit on ordinary activities	3		7,220		34,895
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			16,847		65,054
Dividends	4		33,000		-
(DEFICIT)/RETAINED PROFIT FOR THE YEAR			£(16,153)		£65,054

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

The notes form part of these financial statements

DOONBYE PROPERTIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2002

	<u>2002</u>	<u>2001</u>
	£	£
PROFIT FOR THE FINANCIAL YEAR	16,847	65,054
Unrealised profit on revaluation of properties	-	130,000
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£16,847</u>	<u>£195,054</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2002

	<u>2002</u>	<u>2001</u>
	£	£
REPORTED PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	24,067	99,949
Realisation of gains in previous periods	-	19,657
HISTORICAL COST PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>£24,067</u>	<u>£119,606</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>£(16,153)</u>	<u>£84,711</u>

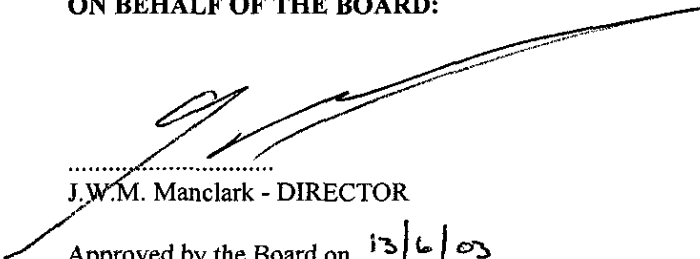
The notes form part of these financial statements

DOONBYE PROPERTIES LIMITED

BALANCE SHEET
31 MAY 2002

		2002		2001	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	5		1,440,000		1,440,000
Investments	6		26,330		26,330
			<u>1,466,330</u>		<u>1,466,330</u>
CURRENT ASSETS					
Debtors	7	402,675		429,100	
Cash at bank and in hand		256,626		266,824	
		<u>659,301</u>		<u>695,924</u>	
CREDITORS					
Amounts falling due within one year	8	49,361		69,831	
				<u>69,831</u>	
NET CURRENT ASSETS			<u>609,940</u>		<u>626,093</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>£2,076,270</u></u>		<u><u>£2,092,423</u></u>
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Revaluation reserve	11		1,206,866		1,206,866
Profit and loss account	11		869,304		885,457
			<u>£2,076,270</u>		<u>£2,092,423</u>
SHAREHOLDERS' FUNDS	14		<u><u>£2,076,270</u></u>		<u><u>£2,092,423</u></u>

ON BEHALF OF THE BOARD:


.....
J.W.M. Manclark - DIRECTOR

Approved by the Board on 13/6/02.....

The notes form part of these financial statements

DOONBYE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

The turnover shown in the profit and loss account represents amounts receivable from accommodation rented out and proceeds from the sale of way leaves.

Deferred tax

There is no current intention to sell the remaining investment property. Deferred tax liability is not provided for.

Investment properties

Investment properties are valued by a director on an open market basis in accordance with the requirements of SSAP 19 and not depreciated. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the affect on the financial period would have been decreased by depreciation on the revalued properties of £26,200 (2001 £26,200).

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred in respect of significant timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow statement

The company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

2. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2002 £	2001 £
Profit on disposal of fixed assets	-	(4,693)
Auditors remuneration	1,750	2,000
Management charge	23,289	26,052
After crediting - Property rental income	<u>106,699</u>	<u>119,669</u>
Directors' emoluments	<u>-</u>	<u>-</u>

DOONBYE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

3. **TAXATION**

Analysis of the tax charge

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

	2002 £	2001 £
Current tax:		
UK corporation tax	7,220	34,895
Tax on profit on ordinary activities	7,220	34,895

4. **DIVIDENDS**

	2002 £	2001 £
Equity shares:		
Final	33,000	-

5. **TANGIBLE FIXED ASSETS**

	Investment property £
COST OR VALUATION:	
At 1 June 2001	
and 31 May 2002	1,440,000
NET BOOK VALUE:	
At 31 May 2002	1,440,000
At 31 May 2001	1,440,000

The properties were valued at 31 May 2001 by Mr JWM Manclark, a director of the company. The historic cost of these properties at 31 May 2002 was £436,634 (2001 £436,634).

Cost or valuation at 31 May 2002 is represented by:

6. **FIXED ASSET INVESTMENTS**

	Listed investments £
COST:	
At 1 June 2001	
and 31 May 2002	26,330
NET BOOK VALUE:	
At 31 May 2002	26,330
At 31 May 2001	26,330

DOONBYE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

6. **FIXED ASSET INVESTMENTS - continued**

Investments are stated at the lower of cost or market value in the balance sheet. The market value of listed investments, based on middle market prices at the balance sheet date was £103,592 (2001 £124,121). No provision has been made for any taxation liability which would arise were the investments sold at their market value at the balance sheet.

7. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002	2001
	£	£
Trade debtors	-	46,831
Amounts owed by group undertakings	398,360	377,954
Directors' current accounts	3,453	3,453
Taxation	862	862
	<u>402,675</u>	<u>429,100</u>

Amounts owed by related undertakings include £398,360 (2001 £377,954) interest free loans either to entities in which Mr Manclark has a personal interest or to entities connected with him.

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002	2001
	£	£
Taxation	41,558	63,778
Other creditors	4,053	4,053
Accruals and deferred income	3,750	2,000
	<u>49,361</u>	<u>69,831</u>

9. **PROVISION FOR LIABILITIES AND CHARGES**

	Full Potential Liability £
Balance at 1 June 2001	<u>200,673</u>
Balance at 31 May 2002	<u>200,673</u>

There is no current intention to sell the remaining investment property. The above deferred tax liability is not provided for.

10. **CALLED UP SHARE CAPITAL**

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002	2001
			£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

DOONBYE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

11. **RESERVES**

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 June 2001	885,457	1,206,866	2,092,323
Loss for the year	(16,153)	-	(16,153)
At 31 May 2002	<u>869,304</u>	<u>1,206,866</u>	<u>2,076,170</u>

12. **ULTIMATE PARENT COMPANY**

Mr JWM Manclark is the controlling party by virtue of his controlling interest in the company's equity capital.

13. **CONTINGENT LIABILITIES**

No salaries or wages have been paid to employees, including the directors, during the year.

14. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit for the financial year	16,847	65,054
Dividends	(33,000)	-
	<u>(16,153)</u>	<u>65,054</u>
Other recognised gains and losses relating to the year (net)	-	130,000
Net (reduction)/addition to shareholders' funds	<u>(16,153)</u>	<u>195,054</u>
Opening shareholders' funds	2,092,423	1,897,369
Closing shareholders' funds	<u>2,076,270</u>	<u>2,092,423</u>
Equity interests	<u>2,076,270</u>	<u>2,092,423</u>

15. **DIRECTORS INTEREST IN CONTRACTS**

Mr K W Dunbar is a partner in Archibald Campbell & Harley WS who act as the company's solicitors. Payments by the company during the period to their solicitors in respect of professional fees amounted to £1,331 (2001 £904).

DOONBYE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

16. RELATED PARTY TRANSACTIONS

The directors consider Mr JWM Manclark to be the ultimate controlling party of the company, by virtue of his shareholding in the company. At the year end there existed debtor balances with various companies which are related to Doonbye Properties Limited through Mr JWM Manclark, who is director and shareholder in these and in Doonbye Properties Limited. These loans are as follows:

	2002	2001
Knowe Properties	184,920	167,514
Brotstown Developments	1,000	1,000
Frebord Limited	3,709	3,709
Malcolm Gray	2,731	2,731
Advisewatch	200,000	200,000
Monkrigg Farm	6,000	3,000
	398,360	377,954