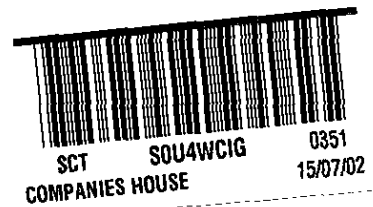


KINNOULL HOUSE LIMITED
STATUTORY ACCOUNTS
FOR THE YEAR ENDED
30 NOVEMBER 2001



KINNOULL HOUSE LIMITED
REPORT OF THE DIRECTORS – YEAR ENDED 30 NOVEMBER 2001

1. The directors submit their report and the audited financial statements for the year ended 30 November 2001.

2. **REVIEW OF ACTIVITIES**

The Company carries on the business of developers of land and buildings and provides assets for use under PFI arrangements.

The Directors are confident that the Company will continue to develop successfully for the foreseeable future.

3. **RESULTS AND DIVIDEND**

The trading results for the period are as shown in the profit and loss account on page 4. The directors recommend a dividend of £144,000 in respect of the year.

4. **DIRECTORS**

The directors of the Company who held office during the period and to date were:

John Hope (resigned 16/10/01)
R Christie (appointed 16/10/01)
R S Fullerton
W J Mackintosh
J M Thornton

In accordance with the Company's Articles of Association, none of its directors are required to retire. None of the directors who held office at the beginning or end of the period had any interests in the shares of the company.

5. **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare the financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 November 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

KINNOULL HOUSE LIMITED
REPORT OF THE DIRECTORS – YEAR ENDED 30 NOVEMBER 2001 - CONTINUED

6. **AUDITORS**

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

By Order of the Board



R S Fullerton
Director
19 June 2002

Registered in Scotland - No. - 190800

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINNOULL HOUSE LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

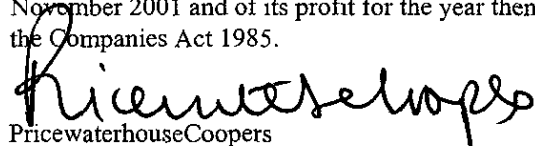
Basis of audit opinion

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 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 at 30 November 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh

21 June 2002

KINNOULL HOUSE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 30 NOVEMBER 2001

	Notes	Year ended 30.11.01 £	Year ended 30.11.00 £
Turnover	1(b)	2,992,477	657,989
Cost of Sales		<u>(810,460)</u>	<u>(180,465)</u>
Gross Profit		2,182,017	477,524
Administration Expenses		(113,705)	(27,511)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX AND INTEREST	3	2,068,312	450,013
Interest payable and similar charges	4	(1,366,419)	(295,028)
Interest receivable		61,397	15,373
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		763,290	170,358
Taxation	5	(284,075)	(69,314)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		479,215	101,044
Dividends	6	(144,000)	-
RETAINED PROFIT FOR THE PERIOD		335,215	101,044

STATEMENT OF RETAINED PROFITS

Opening Balance	99,044	(2,000)
RETAINED PROFITS FOR THE PERIOD	335,215	101,044
Balance at 30 November	<u>434,259</u>	<u>99,044</u>

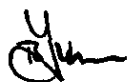
All activities are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historic cost equivalents.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

KINNOULL HOUSE LIMITED
BALANCE SHEET AS AT
30 NOVEMBER 2001

	Notes	30.11.01 £	30.11.00 £
TANGIBLE FIXED ASSETS			
Land and Buildings	7	17,587,637	18,042,444
		17,587,637	18,042,444
CURRENT ASSETS			
Debtors due within one year	8	800,765	430,311
Cash at bank and in hand		1,520,218	1,456,515
		2,320,983	1,886,826
CURRENT LIABILITIES			
Creditors - Amounts falling due within one year	9	1,216,031	1,365,119
NET CURRENT ASSETS		1,104,952	521,707
TOTAL ASSETS LESS CURRENT LIABILITIES		18,692,589	18,564,151
Creditors - amounts falling due after more than one year	10	17,770,941	18,261,793
Provision for Liabilities and Charges	11	353,389	69,314
NET ASSETS		<u>568,259</u>	<u>233,044</u>
CAPITAL AND RESERVES			
Called-up share capital	12	134,000	134,000
Profit and loss account		434,259	99,044
EQUITY SHAREHOLDERS' FUNDS	13	<u>568,259</u>	<u>233,044</u>



.....
DIRECTOR

The Directors approved the financial statements on 19 June 2002.
The notes on pages 6 to 10 form part of these financial statements.

KINNOULL HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2001

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been consistently applied, is set out below.

(a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(b) TURNOVER

Turnover represents the value of rental income and service charges receivable during the period, wholly within the UK, excluding Value Added Tax.

(c) TANGIBLE FIXED ASSETS

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. The cost of land and buildings includes interest paid and finance costs specifically incurred to finance assets in the course of construction.

Provision for depreciation is made so as to write off the cost, or valuation, of tangible fixed assets to their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings 25 years

(d) DEFERRED TAXATION

Deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts is provided under the liability method to the extent that a liability is likely to arise in the foreseeable future.

2. CASHFLOW

The Company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cashflow statement, as it is a small company by definition.

3. PROFIT ON ORDINARY ACTIVITIES

None of the directors received any remuneration as directors from the company during the period. The company has no directly employed personnel. The profit on ordinary activities includes auditors remuneration of £2,250 (2000 - £2,250).

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2001 - CONTINUED
4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended <u>30.11.01</u> £	Year ended <u>30.11.00</u> £
Bank loans	1,125,618	267,668
Other loans	240,801	27,360
	1,366,419	295,028

5. TAXATION

	Year ended <u>30.11.01</u> £	Year ended <u>30.11.00</u> £
The charge for taxation comprises:		
Corporation tax at 20%	-	-
Deferred Tax at 30%	284,075	69,314

6. DIVIDENDS

	<u>30.11.01</u> £	<u>30.11.00</u> £
Dividends on ordinary shares:		
Final	144,000	-
	144,000	-

7. TANGIBLE FIXED ASSETS

	Land and Buildings £
Cost	
As at 30.11.00	18,108,381
Additions	25,932
Disposal	(187,995)
As at 30.11.01	17,946,318
Accumulated Depreciation	
As at 30.11.00	(65,937)
Charge for the year	(292,744)
As at 30.11.01	(358,681)
NBV	
As at 30.11.00	18,042,444
As at 30.11.01	17,587,637

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2001 – CONTINUED
8. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30.11.01</u>	<u>30.11.00</u>
	£	£
Amounts falling due within one year		
Sundry Debtors	624,439	339,308
Other	176,326	91,003
	800,765	430,311

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30.11.01</u>	<u>30.11.00</u>
	£	£
Bank Loans	688,614	829,813
Other Loans	66,321	9,719
Trade Creditors	57,224	203,889
VAT	67,827	32,709
Accruals	336,045	288,989
	1,216,031	1,365,119

10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Amounts falling due			30.11.01	30.11.00
	1-2	2-5	Over 5	TOTAL	TOTAL
	years	years	Years		
	£	£	£	£	£
Bank Loan	977,987	1,738,323	13,210,936	15,927,246	16,399,195
Other Loans	30,856	64,394	1,748,445	1,843,695	1,862,598
	1,008,843	1,802,717	14,959,381	17,770,941	18,261,793

Bank loans are repayable over a period of 20 years by way of semi-annual payments commencing 10 March 2001. The last payment is due on 10th September 2020. The bank loans are secured by way of a fixed and floating charge over the assets of the company. Interest is charged on the bank loan at the rate of 6.735% per annum. Subordinated Debt is repayable over a period of 25 years by way of semi-annual payments commencing 10 March 2001. The last payment is due on 10th September 2025. Interest is charged on the subordinated debt at the rate of 12.94% per annum.

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2001 - CONTINUED
11. PROVISION FOR LIABILITIES AND CHARGES
Deferred Taxation

Details of the provision made for deferred taxation which represents the full potential liability are set out below:

	<u>30.11.01</u>	<u>30.11.00</u>
	£	£
Accelerated capital allowances	856,889	266,508
Losses arising on capitalised interest	(503,500)	(197,194)
Total liability	353,389	69,314

12. CALLED UP SHARE CAPITAL

	30.11.01		30.11.00	
	£	£	£	£
	Authorised	Issued	Authorised	Issued
"A" Type shares of £1 each	250,000	67,000	250,000	67,000
"B" Type shares of £1 each	<u>250,000</u>	<u>67,000</u>	<u>250,000</u>	<u>67,000</u>
	<u>500,000</u>	<u>134,000</u>	<u>500,000</u>	<u>134,000</u>

"A" & "B" share have equal ranking and voting rights.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>30.11.01</u>	<u>30.11.00</u>
	£	£
Opening shareholders' funds	233,044	132,000
Profit for the financial period	335,215	101,044
Issue of shares	-	-
Closing shareholders' funds	568,259	233,044

KINNOULL HOUSE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2001 - CONTINUED****13. RELATED PARTY TRANSACTIONS**

The company's related parties, as defined by Financial Reporting Standard 8, and the extent of transactions with them are summarised below:

	Purchases from Related Parties in the period to	Amounts Due to Related Parties as at	Purchases from Related Parties in the period to	Amounts Due to Related Parties as at
	30.11.01	30.11.01	30.11.00	30.11.00
	£	£	£	£
Morrison Construction Ltd	475,997	39,626	12,044,976	449,383

The company made no sales to related parties during the period and, at the period end, was due no sums from related parties.

As at the year end, Kinnoull House Ltd owed the Morrison Edison Investments Ltd and Royal Bank Project Investments Ltd (the shareholders of the company) subordinated debt of £921,847 and £921,847 respectively and during the year paid interest of £120,400 and £120,400 respectively. Management fees payable of £55,705 are owed to shareholders, 50% to Morrison Edison Investments Ltd and 50% to Royal Bank Project Investments Ltd.