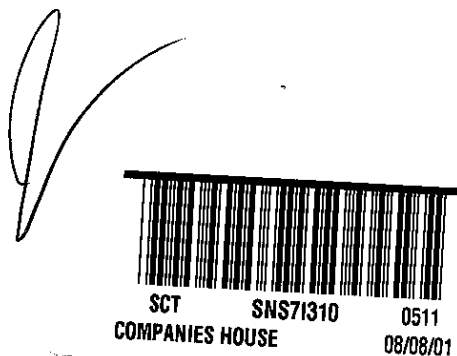


Company Registration No: 192467

LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period 1 October 1999 to 31 December 2000



LAND OPTIONS (EAST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

James McCubbin Rowney - Chairman
Robert Henry Beattie
Kevin David Reid
Michael John Rowley

SECRETARY:

Deborah Susan Esslemont

REGISTERED OFFICE:

42 St Andrew Square
Edinburgh
EH2 2YE
Scotland

AUDITORS:

Deloitte & Touche
39 George Street
Edinburgh EH2 2HZ
Scotland

Registered in Scotland.

LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the fifteen month period ended 31 December 2000. The comparatives are for the twelve months ended 30 September 1999.

ACTIVITIES AND BUSINESS REVIEW

The company sells property development sites.

The retained profit for the period was £43,756 (1999: retained loss £42,805) and this was transferred to reserves. The directors recommend that a dividend of £168,000 be paid.

The directors are satisfied with the results for the period and do not anticipate any material change in either the type or level of activities of the company.

DIRECTORS

The names of the present directors are as listed on page 1.

On 14 March 2000 James McCubbin Rowney resigned as a director of the company and Barbara Ida Mary Turnbull was appointed as a director of the company. On 29 August 2000 Barbara Ida Mary Turnbull resigned as a director of the company and James McCubbin Rowney was appointed as a director of the company.

SECRETARY

On 4 December 2000 Shirley Margaret MacGillivray resigned as Secretary of the company and Deborah Susan Esslemont was appointed as Secretary of the company.

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing the 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;
- 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.

The directors confirm that these financial statements comply with the aforementioned requirements.

DIRECTORS' INTERESTS

No director had an interest in the shares of the company.

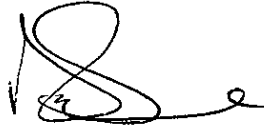
LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

PricewaterhouseCoopers resigned as auditors on 21 March 2000 and the directors appointed Deloitte & Touche in their place. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'D S Esslemont', written in a cursive style.

D S Esslemont
Secretary

27 July 2001

AUDITORS' REPORT TO THE MEMBERS OF LAND OPTIONS (EAST) LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 December 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche
39 George Street
Edinburgh EH2 2HZ
Scotland

July 2001

3 August 2001

LAND OPTIONS (EAST) LIMITED

PROFIT AND LOSS ACCOUNT

Period 1 October 1999 to 31 December 2000

	Note	<u>15 Months ended 31 December 2000</u> £	<u>12 Months ended 30 September 1999</u> £
TURNOVER		420,744	-
Cost of sales		<u>(158,215)</u>	-
Gross profit		262,529	-
Other income		3,784	
Administrative Expenses		<u>(23,234)</u>	<u>(42,805)</u>
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		243,079	(42,805)
Interest received		20,222	-
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	263,301	(42,805)
Tax on Profit on Ordinary Activities	3	<u>(51,545)</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		211,756	(42,805)
Dividend Proposed	4	(168,000)	-
RETAINED EARNINGS/ (LOSS)	8	<u>43,756</u>	<u>(42,805)</u>

All items on the profit and loss account relate to continuing operations.

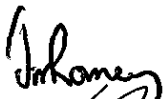
The Company has no recognised gains and losses in the period ended 31 December 2000 other than the profit for the period. Therefore a separate statement of total recognised gains and losses has not been presented.

LAND OPTIONS (EAST) LIMITED**BALANCE SHEET**
31 December 2000

	Note	<u>31 December</u> <u>2000</u> £	<u>30 September</u> <u>1999</u> £
CURRENT ASSETS			
Development Assets	5	872,317	1,000,000
Debtors		29,000	-
Cash at Bank		<u>413,030</u>	<u>-</u>
		1,314,347	1,000,000
 CREDITORS: AMOUNTS			
FALLING DUE WITHIN ONE YEAR	6	(313,396)	(42,805)
		<u> </u>	<u> </u>
 NET CURRENT ASSETS		<u><u>1,000,951</u></u>	<u><u>957,195</u></u>
 CAPITAL AND RESERVES			
Called up Share Capital	7	1,000,000	1,000,000
Profit and Loss Account		951	(42,805)
 EQUITY SHAREHOLDERS' FUNDS	8	<u><u>1,000,951</u></u>	<u><u>957,195</u></u>

The financial statements on pages 5 to 9 were approved by the Board of Directors on... 24 July 2001 and signed on its behalf by:

Director :



Director :



LAND OPTIONS (EAST) LIMITED

NOTES TO THE ACCOUNTS (cont'd) Period 1 October 1999 to 31 December 2000

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 accounting policies is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in compliance with the Companies Act 1985.

Taxation

Provision is made for taxation at the current rates on taxable profits.

Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Development Asset

Development properties are stated at the lower of cost and net realisable value.
Cost comprises the purchase cost of land and building developments.

Turnover

Turnover represents the proceeds from the sale of development properties, exclusive of value added tax, and is derived from United Kingdom activities.

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) on ordinary activities before taxation is stated after charging the following:

	<u>15 Months ended 31 December 2000</u> £	<u>12 Months ended 30 September 1999</u> £
Auditors' Remuneration	<u>1,500</u>	<u>3,000</u>

The directors received no emoluments from the Company during the period (1999: nil).

The Company has no employees (1999: nil).

3. TAXATION

	<u>15 Months ended 31 December 2000</u> £	<u>12 Months ended 30 September 1999</u> £
United Kingdom corporation tax for the period to 31 December 2000 at 20%	51,545	-
At 31 December 2000	<u>51,545</u>	<u>-</u>

LAND OPTIONS (EAST) LIMITED

NOTES TO THE ACCOUNTS (cont'd) Period 1 October 1999 to 31 December 2000

4. DIVIDEND

	<u>15 Months ended 31 December 2000</u> £	<u>12 Months ended 30 September 1999</u> £
Dividend proposed 16.8 pence per share (1999: nil)	168,000	-
At 31 December 2000	<u>168,000</u>	<u>-</u>

5. DEVELOPMENT ASSETS

	<u>31 December 2000</u> £	<u>30 September 1999</u> £
At 1 October	1,000,000	-
Acquisitions	26,317	1,000,000
Disposals	(154,000)	-
At 31 December 2000	<u>872,317</u>	<u>1,000,000</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 2000</u> £	<u>30 September 1999</u> £
Due to Joint Venturers	44,805	39,805
Accruals	1,500	3,000
VAT Liability	47,546	-
Corporation Tax	51,545	-
Dividend Proposed	168,000	-
	<u>313,396</u>	<u>42,805</u>

7. SHARE CAPITAL

	<u>Authorised (number and value)</u>	<u>Allotted called up and fully paid (number and value)</u>
A Ordinary Shares	500,000	500,000
B Ordinary Shares	500,000	500,000
At 31 December 2000	<u>1,000,000</u>	<u>1,000,000</u>
Ordinary Shares of £1 each		

The A ordinary shares and B ordinary shares constitute different classes of shares and confer upon the holders the same rights and rank *pari passu* in all respect. The A shareholders and B shareholders may each appoint two directors and may not remove directors appointed by each other.

LAND OPTIONS (EAST) LIMITED

NOTES TO THE ACCOUNTS (cont'd) Period 1 October 1999 to 31 December 2000

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31 December</u> <u>2000</u> £	<u>30 September</u> <u>1999</u> £
Opening shareholders' funds	957,195	-
Share capital issued and fully paid up	-	1,000,000
Retained profit/(loss) for the period	43,756	(42,805)
Closing shareholders' funds	<u>1,000,951</u>	<u>957,195</u>

9. RELATED PARTY TRANSACTIONS

On the 25 June 1999 Land Options (East) Ltd acquired a portfolio of land sites for a consideration of £1,000,000 from various subsidiaries of Cruden Foundation Limited, the ultimate parent company of Cruden Property Developments Limited a shareholder in Land Options (East) Limited. The balance owing to Cruden Property Developments Ltd at the balance sheet date is £19,902.

10. PARENT COMPANIES

The Company is a joint venture whose immediate parent companies are KUC Properties Limited and Cruden Property Developments Limited, both of which are incorporated in Great Britain and registered in Scotland.