

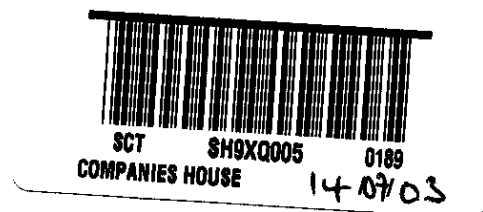
Company Registration No: sc192467

LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2002

**Group Secretary's Department
The Royal Bank of Scotland Group plc
42 St Andrew Square
Edinburgh EH2 2YE
Scotland**



LAND OPTIONS (EAST) LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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LAND OPTIONS (EAST)

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Kevin David Reid
Michael John Rowley
James McCubbin Rowney
Anne Rutherford Stewart

SECRETARY

Deborah Susan Esslemont

REGISTERED OFFICE

42 St Andrew Square
Edinburgh
EH2 2YE

AUDITORS

Deloitte & Touche
London

Registered in Scotland.

LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year to 31 December 2002.

ACTIVITIES AND BUSINESS REVIEW

The company is a property development company which buys and sells development land, properties and options over land.

The retained profit for the year was £5,354 (2001: retained profit £7,896) and this was transferred to reserves. The directors propose a dividend for the year £100,000 (2001: Nil), to be paid during the year ended 31 December 2003.

The directors do not anticipate any material change in either the type or level of activities of the company.

DIRECTORS and SECRETARY

The names of the directors and secretary are listed on page 1.

From 1 January 2002 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Robert Henry Beattie	-	13 November 2002
Anne Rutherford Stewart	13 November 2002	-

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the system of internal control, 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.

LAND OPTIONS (EAST) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

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

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors. 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', with a long horizontal flourish extending to the right.

D S Esslemont
Secretary
Date: 30 June 2003

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

We have audited the financial statements of Land Options (East) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 10. These financial statements have been prepared under 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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

Deloitte + Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

Date *30 June 2003*

LAND OPTIONS (EAST) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	Year ended 31 December 2002 £	Year ended 31 December 2001 £
TURNOVER	1	211,404	3,959
Cost of sales		(49,360)	(745)
Gross profit		162,044	3,214
Administrative expenses		(16,849)	(5,467)
OPERATING PROFIT/(LOSS)		145,195	(2,253)
Other income		-	1,000
Interest receivable and similar income		5,310	11,123
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	150,505	9,870
Tax on profit on ordinary activities	3	(45,151)	(1,974)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		105,354	7,896
Dividend proposed	4	(100,000)	-
Retained profit	8	5,354	7,896

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

The company has no recognised gains and losses other than those disclosed above. Therefore a separate statement of total recognised gains and losses has not been presented.

LAND OPTIONS (EAST) LIMITED

BALANCE SHEET

31 December 2002

	Note	2002 £	2001 £
CURRENT ASSETS			
Development assets	5	838,238	882,173
Cash at bank		303,311	131,464
		<u>1,141,549</u>	<u>1,013,637</u>
CREDITORS: amounts falling due within one year	6	<u>(127,348)</u>	<u>(4,790)</u>
NET CURRENT ASSETS		<u>1,014,201</u>	<u>1,008,847</u>
CAPITAL AND RESERVES			
Called up share capital	7	1,000,000	1,000,000
Profit and loss account	8	14,201	8,847
EQUITY SHAREHOLDERS' FUNDS	8	<u>1,014,201</u>	<u>1,008,847</u>

These financial statements were approved by the Board of Directors on 30 June 2003.

Signed on behalf of the Board of Directors



Director

LAND OPTIONS (EAST) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable United Kingdom law and accounting standards. A summary of the more important accounting policies is set out below.

Basis of accounting

The accounts 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, taking into account relief for overseas taxation where appropriate. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences, except in relation to revaluations of fixed assets where there is no commitment to dispose of the asset, gains on sales of fixed assets that are rolled over into replacement assets, and the remittance of overseas earnings. Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

Development assets

Development assets are stated at the lower of cost and net realisable value. Cost includes the cost of purchasing the land, property or options over land and capitalised expenditure associated with obtaining planning permission.

Turnover

Turnover represents rent receivable on an accruals basis under operating leases, and the proceeds from the sale of development assets, exclusive of value added tax, and is derived from activities in the United Kingdom.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Auditors' remuneration	1,500	1,500

Auditors remuneration is solely for audit services (2001: same)

The directors received no emoluments for services to the company during the current year or prior period.

The company had no employees during the current year or prior period.

3. TAXATION

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
UK corporation tax at 30% (2001: 20%)	45,151	1,974

LAND OPTIONS (EAST) LIMITED
NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

4. DIVIDENDS

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Dividend proposed of £0.10 per share (2001: nil)	<u>100,000</u>	<u>-</u>

5. DEVELOPMENT ASSETS

	2002 £	2001 £
At 1 January	882,173	872,317
Acquisitions	5,425	9,856
Disposals	<u>(49,360)</u>	<u>-</u>
At 31 December	<u>838,238</u>	<u>882,173</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Dividend proposed	100,000	-
Corporation tax	19,931	1,984
VAT	3,111	-
Accruals	<u>4,306</u>	<u>2,806</u>
	<u>127,348</u>	<u>4,790</u>

LAND OPTIONS (EAST) LIMITED
NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

7. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
‘A’ 500,000 ordinary shares of £1 each	500,000	500,000
‘B’ 500,000 ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted and fully paid:		
‘A’ 500,000 ordinary shares of £1 each	500,000	500,000
‘B’ 500,000 ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>

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.

8. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS’ FUNDS AND STATEMENT OF RECONCILIATION OF SHAREHOLDERS’ FUNDS

	Issued share capital £	Profit and loss account £	2002 Total £	2001 Total £
At beginning of the year	1,000,000	8,847	1,008,847	1,000,951
Profit attributable to members of the company	<u>-</u>	<u>5,354</u>	<u>5,354</u>	<u>7,896</u>
At the end of the year	<u>1,000,000</u>	<u>14,201</u>	<u>1,014,201</u>	<u>1,008,847</u>

9. RELATED PARTY TRANSACTIONS

During the year the company received interest of £5,310 (2001: £11,123), calculated at market rates, from the Royal Bank of Scotland plc.

At 31 December 2002 the company had £303,311 (2001: £131,464) held in bank accounts at the Royal Bank of Scotland plc.

LAND OPTIONS (EAST) LIMITED
NOTES TO THE ACCOUNTS (continued)
Year ended 31 December 2002

10. IMMEDIATE AND ULTIMATE PARENT COMPANIES

The company is a joint venture and is jointly controlled by KUC Properties Limited and Cruden Property Developments Limited, both of which are incorporated in Great Britain and registered in Scotland.

The ultimate controlling party, and the parent of the largest group into which KUC Properties Limited is consolidated is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Financial Statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE. The ultimate controlling party, and the parent of the largest group into which Cruden Property Developments Limited is consolidated is Cruden Foundation Limited, which is incorporated in Great Britain and registered in Scotland.

The smallest subgroup into which KUC Properties Limited is consolidated has as its parent company, The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

The smallest subgroup into which Cruden Property Developments Limited is consolidated has as its parent company, Cruden Investments Limited, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from Cruden Investments Limited, Baberton House, Juniper Green, Edinburgh EH14 3HN.