

**WALLACE PROPERTY INVESTMENTS
LIMITED (formerly Pacific Shelf 1020
Limited)**

Report and Financial Statements

13 month period ended 31 March 2002



**Deloitte & Touche
Lomond House
9 George Square
Glasgow
G2 1QQ**

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John K Berry
Rosemary Hepburn
William D Hill
Kenneth J Hillen

SECRETARY

Charles A Shields

REGISTERED OFFICE

Phoenix House
Phoenix Crescent
Strathclyde Business Park
Bellshill
ML4 3NJ

BANKERS

The Royal Bank of Scotland plc
10 Gordon Street
Glasgow
G1 3PL

SOLICITORS

Burness
242 West George Street
Glasgow
G2 4QY

McGrigor Donald
Pacific House
70 Wellington Street
Glasgow
G2 6SB

AUDITORS

Deloitte & Touche
Lomond House
9 George Square
Glasgow
G2 1QQ

DIRECTORS' REPORT

The directors present their first report and the audited financial statements for the 13 month period from 21 February 2001 (date of incorporation) to 31 March 2002.

INCORPORATION AND ACTIVITIES

The company was incorporated on 21 February 2001 as Pacific Shelf 1020 Limited and changed its name to Wallace Property Investments Limited on 16 March 2001. The principal activity of the company is the operation of managed office suites.

The company is a 50:50 joint venture between The Royal Bank of Scotland plc and HF Developments (Investments) Limited.

REVIEW OF DEVELOPMENTS

The company's balance sheet as detailed on page 6 shows shareholders' funds amounting to £483,609.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the period are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend and the loss for the period is to be transferred against reserves.

The directors continue to look for appropriate opportunities for the company.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	Ordinary shares of £1 each	
	2002	On incorporation or appointment
John K Berry (appointed 29 March 2001)	-	-
Rosemary Hepburn (appointed 16 March 2001)	-	-
William D Hill (appointed 16 March 2001)	-	-
Kenneth J Hillen (appointed 29 March 2001)	-	-
Jordans (Scotland) Limited (appointed 21 February 2001, resigned 16 March 2001)	-	-

AUDITORS

Deloitte & Touche were appointed as first auditors of the company.

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



Charles A Shields

Secretary

23rd August 2002

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 as at the end of the financial year 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; and
- 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WALLACE PROPERTY INVESTMENTS LIMITED (formerly Pacific Shelf 1020
Limited)**

We have audited the financial statements of Wallace Property Investments Limited for the thirteen month period ended 31 March 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

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 March 2002 and of its loss for the 13 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow
4 September 2002

PROFIT AND LOSS ACCOUNT
13 month period ended 31 March 2002

	Note	13 months ended 31 March 2002 £
TURNOVER: continuing operations	2	512,412
Administrative expenses		(50,968)
OPERATING PROFIT: continuing operations	3	461,444
Interest receivable		5,599
Interest payable and similar charges	5	(476,459)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,416)
Tax on loss on ordinary activities	6	-
RETAINED LOSS FOR THE FINANCIAL PERIOD		(9,416)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	£
Loss the financial year	(9,416)
Unrealised surplus on valuation of fixed assets	492,025
Total gains recognised in the period	482,609

BALANCE SHEET
31 March 2002

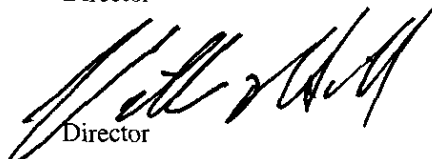
	Note	2002 £
FIXED ASSETS		
Tangible assets	7	10,510,000
CURRENT ASSETS		
Debtors	8	421,528
Cash at bank and in hand		186,423
		607,951
CREDITORS: amounts falling due within one year	9	(307,056)
NET CURRENT LIABILITIES		300,895
TOTAL ASSETS LESS CURRENT LIABILITIES		10,810,895
CREDITORS: amounts falling due after more than one year	10	(10,327,286)
		483,609
CAPITAL AND RESERVES		
Called up share capital	11	1,000
Profit and loss account		(9,416)
Revaluation reserve	12	492,025
TOTAL EQUITY SHAREHOLDERS' FUNDS	13	483,609

These financial statements were approved by the Board of Directors on 23 August 2002.

Signed on behalf of the Board of Directors



Director



Director

NOTES TO THE ACCOUNTS
13 month period ended 31 March 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of investment properties. This is a departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation, and the amount that might otherwise have been included cannot be separately identified or quantified.

Deferred taxation

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

2. TURNOVER

Turnover represents amounts derived from the provision services which fall within the company's ordinary activities after deduction of Value Added Tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the company's principal activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any emoluments during the period and there were no staff costs.

4. OPERATING PROFIT: continuing operations

Operating profit is after charging:
Auditors' remuneration

**13 months
ended 31
March
2002
£**

2,000

NOTES TO THE ACCOUNTS
13 month period ended 31 March 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

	13 months ended 31 March 2002 £
Bank loan interest	472,776
Bank overdraft interest	3,683
	<u>476,459</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

No tax charge arises in the period due to the incidence of losses.

7. TANGIBLE FIXED ASSETS

	Investment properties £	Total £
Cost or valuation		
Additions	10,017,975	10,017,975
Valuation	492,025	492,025
	<u>10,510,000</u>	<u>10,510,000</u>
At 31 March 2002	10,510,000	10,510,000
Accumulated depreciation		
Charge for the period	-	-
	<u>-</u>	<u>-</u>
At 31 March 2002	-	-
	<u>-</u>	<u>-</u>
Net book value		
At 31 March 2002	<u>10,510,000</u>	<u>10,510,000</u>

On 23 March 2001, two of the company's investment properties were valued by Healy and Baker, Chartered surveyors at an open market value of £8,000,000. On 21 September 2001, the other investment property was revalued by Healy and Baker at an open market value of £2,510,000. All valuations resulted in an increase in book value.

At the year end the directors consider that the above revalued amounts fairly reflect their market value at that date.

8. DEBTORS

	2002 £
Trade debtors	11,783
Other debtors	94,354
Accrued income	315,391
	<u>421,528</u>

NOTES TO THE ACCOUNTS
13 month period ended 31 March 2002

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002
	£
Bank loan (note 10)	94,407
Trade creditors	19,937
Other taxes and social security	5,489
Other creditors	90,000
Accruals and deferred income	85,572
Amounts due to related companies (note 13)	11,651
	<u>307,056</u>

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

	2002
	£
Bank loans	9,227,286
Other loan	1,100,000
	<u>10,327,286</u>

Maturity of debt

Within one year	100,000
In one to two years	200,000
In two to five years	400,000
After more than five years	9,800,000
	<u>10,500,000</u>
Less loan issue costs	(78,307)
	<u>10,421,693</u>

The first bank term loan of £8,300,000 is secured by a standard security over all of the company's investment properties. The loan incurs interest at 1.5% above LIBOR together with an additional mandatory cost rate. The loan is repayable by the fifteenth anniversary of drawdown.

The second bank term loan of £1,100,000 and other loan have been granted by the shareholders in the company. The loans are unsecured, are interest free and are repayable in not less than five years.

Loan issue costs are released to the profit and loss account over the life of the loan.

NOTES TO THE ACCOUNTS
13 month period ended 31 March 2002

11. CALLED UP SHARE CAPITAL

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

Two ordinary shares were issued on incorporation at par value as part of the set up of the company. On 29 March 2001 the authorised shares were redesignated as 500 A ordinary shares and 500 B ordinary shares. On 30 March 2001, the remaining 998 shares were issued at par value.

The holders of the A and B ordinary shares have equal rights with regard to voting and income.

The company is a 50:50 joint venture between The Royal Bank of Scotland plc and HF Developments (Investments) Limited.

12. REVALUATION RESERVE

	2002 £
On valuation of property in the period (see note 7)	492,025
At 31 March 2002	<u>492,025</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	13 months ended 31 March 2002 £
Loss for the period	(9,416)
Shares issued in period	1,000
Valuation of assets in the period (note 7)	492,025
Net addition to shareholders' funds	<u>483,609</u>
Closing shareholders' funds	<u>483,609</u>

NOTES TO THE ACCOUNTS
13 month period ended 31 March 2002

14. RELATED PARTY TRANSACTIONS

During the period the company received charges for services from HF Property Management Services Limited totalling £11,875 and charges for services from SBP Management Limited totalling £10,868.

At the period end the company owed £11,000 to Strathclyde Business Park (Willow House) Limited and £651 to Poulvett Investments Limited

In addition the company has been granted a loan of £1,100,000 by HF Developments (Investments) Limited. Details of this loan are given in note 10 to the accounts.

All of the above are companies in which William Hill, a director of the company, has an interest.

The company also has bank borrowings with The Royal Bank of Scotland plc as detailed in note 10 to the accounts. Interest on bank loans and other bank borrowings charged in the period is detailed in note 5 to the accounts.