Palmaris Capital Plc

Annual Report and Accounts
for the year ended 30 June 2007

Results
The value of our holding in Scottish Resources Group (SRG previously called Mining Scotland) has been held at the same level as a year ago. The fall in our net assets from £22.2m to £13.5m is attributable almost entirely to the decision to distribute to shareholders as a dividend in specie (and therefore for no consideration) our holding in Perseverance, the Australian gold mining company. The net cost of running the company for the year was £95,000, before charging £133,000 for the cost of distributing the dividend in specie.

Distribution in specie
As shareholders are aware, the board decided to propose a distribution in specie of our holding of shares in Perseverance. The shareholder meeting which was held on 19 February 2007 duly passed the necessary resolutions and the dividend was implemented on 28 February 2007. This dividend reduced our net assets by the value of the dividend, which was £8.5m, and transferred this value to shareholders directly.

Cancellation of Warrants
As a requirement of the distribution in specie it was necessary to treat the warrant holders fairly. As shareholders are aware this was achieved by issuing 25,588,800 new shares and cancelling the warrants.

Scottish Resources Group
SRG's final audited results for the year to end March 2007 have not yet been published; however, we are confident that it will show a welcome return to profitability

During the year the management continued the process of renegotiating long-term coal sale contracts with its main customers in order to recognise substantial increases in gasoil costs and other production related costs. In addition, measures were taken to review the cost base and to reduce these costs wherever possible. However, the exceptionally wet weather during the winter months in particular, reduced the output of the coal business which had an adverse affect on the overall result.

A considerable effort was put into the development of SRG's extensive property interests during the year, and SRG Estates is well set to yield increasing contributions to trading income and the value of the SRG asset base in the future.

In the current year, operations have been satisfactory and SRG is expected to make a significantly higher profit.

In order to strengthen SRG's balance sheet, additional equity of £5m was raised in 2006 and substantial sales of surplus plant took place. In September 2007, debt was further reduced by selling its BioFuel interests to Infinis for an initial payment of £5.45m. The Infinis transaction also included entering into long term leases to enable Infinis to develop over 600MW of renewable electricity generation on SRG Estates land, giving rise to deferred consideration estimated to total £11.0m and continuing royalties of 1% of revenue, which may total some £5.4m per annum over the 25 year life of the facilities, once the projects come on stream.

The SRG balance sheet was further strengthened on 5 November, 2007 when an additional £14m was raised by way of a placing of 7m shares in SRG at £2 per share. We did not have the resources to participate in this fund raising and as a result our percentage interest fell from 18.75% to 15.58%.

The SRG coal reserves remain high representing in excess of 10 years of future mining potential. In addition, the property potential of reinstated mine workings is substantial, particularly at Blindwells in East Lothian, where SRG has a majority interest in a new settlement of up to 4,500 homes, which is expected to be embraced in the East Lothian Local Plan shortly.

We have maintained our valuation of SRG at £2 per share at which the recent placing was carried out.

Conclusion
Our assets are now focussed wholly on Scottish Resources Group. We are optimistic that we will see its value significantly increase and that our holding will have a realisable value in the reasonably near future.

Timothy Noble
Chairman

8 November 2007

Directors

Executive

R. Gregory Melgaard, (57), Managing Director, is currently chairman of Semper Holdings Limited, chairman of Eclipse 3/4 Venture Capital Trust Plc, a non-executive director of Scottish Resources Group Limited and deputy chairman of Electrometals Technologies Limited, listed on the Australian Stock Exchange.

James Richardson, (60), Finance Director, is currently Finance Director of Patersons Quarries Ltd, a group involved in quarrying, landfill, engineering and transport.

Non-Executive

Timothy P. Noble, (63), Chairman, was until 2007 chairman of Noble Group Ltd, which he helped to found in 1980. He is also chairman of Darnaway Venture Capital plc, a non-executive director of Scottish Friendly Assurance Society Ltd and Martin Energy Ltd.

Peter M. B. Bucher, (62), has over 25 years experience in the investment management industry and was a divisional director of Edinburgh Fund Managers plc.

William Paterson, (61), is Managing Director of Patersons Quarries Ltd. He has wide experience in mineral extraction and opencast coal operations.

The company maintains directors and officers liability insurance cover with an indemnity limit of £2m.

Shareholders' Information

Share price

The share price is published in the following newspapers:

Financial Times

The Scotsman

The Herald

Financial calendar

Announcements and the issue of accounts and reports may normally be expected in the months shown below:

November:	Annual report and accounts published.
December:	Annual general meeting.
March:	Results for half-year to 31 December announced.
March:	Interim report published.

The Directors submit their Annual Report and Accounts for the year ended 30 June 2007.

Activities and tax status

The Company continues to have a substantial interest in the coal mining industry in Scotland, in open cast operations, through its investment in Scottish Resources Group Limited. The Company distributed its shareholding in Perseverance Corporation Limited to its shareholders during the year. Perseverance has interests in gold mining in Australia.

The Company is believed by the directors to be a "close company" for taxation purposes.

Risk and uncertainties

The directors keep under review the uncertainties faced by the group which include changes in investment markets, changes in legislation and investment performance.

Net asset value and dividend

The Group's net asset value per share decreased from 17.04p per share at 30 June 2006 to 8.64p per share at 30 June 2007, after distributing the Perseverance shares to shareholders as a dividend in specie for no consideration.

The Group recorded a loss per ordinary share for the year of 0.16p per share compared to a loss of 0.08p per share for the previous year.

The directors recommended the payment of a dividend in specie this year equivalent to 5.46p per share.

Directors

The names of the current directors are shown on page 2.

In accordance with the terms of the Articles of Association, R.G Melgaard and P.M.B Bucher require to be re-elected at the Annual General Meeting. All directors are subject to retirement by rotation on a three year basis.

The interests associated with the directors or their families in the Company's ordinary shares are:

		30 JUNE 2007	30 JUNE 2006
		BENEFICIAL	
P. M. B. Bucher	Ordinary Shares	**50,000**	50,000
T. P. Noble	Ordinary Shares	**1,517,000**	611,000
W. Paterson	Ordinary Shares	**1,900,000**	1,900,000
R. G. Melgaard	Ordinary Shares	–	–
J. Richardson	Ordinary Shares	–	200,000
		NON BENEFICIAL	
T. P. Noble	Ordinary Shares	–	906,000
R. G. Melgaard	Ordinary Shares	**54,058,040**	41,342,840
W. Paterson	Ordinary Shares	**51,365,972**	38,492,372

Supplier payment policy

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of each transaction or series of transactions, to ensure that suppliers are made aware of these terms and to abide by them. At 30 June 2007 the company had an average of 31 days purchases outstanding in trade creditors.

Donations

The Company made no political or charitable contributions during the year.

Substantial interests

At 8 November 2007 the Company had been notified of the following interests in excess of 3% of the ordinary shares of the Company.

Waverton Holdings Ltd	54,058,040 Shares	34.67%
Patersons Quarries Ltd	51,365,972 Shares	32.94%
Credit Suisse Securities (Europe) Ltd	9,110,000 Shares	5.84%
J M Finn Nominees Ltd	6,945,625 Shares	4.45%
Credit Suisse Client Nominees UK Ltd	4,879,500 Shares	3.13%

Disclosure of information to auditors

As far as each of the directors, at the time the report is approved, are aware:

- there is no relevant information of which the company's auditors are unaware;
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order Of The Board
J. Richardson
Company Secretary

Registered Office
Paterson Building
Gartsherrie Road
Coatbridge
ML5 2EU

8 November 2007

The Board

The Board comprises two executive directors and three non-executive directors. It is the main responsibility of the Board to ensure that there is effective stewardship of the Company's affairs.

The Board meets regularly. The Board has a number of matters reserved for its consideration, with its principal responsibilities being to agree overall strategy and investment policy, to approve major capital expenditure and acquisitions, to monitor the performance of senior management and to ensure that there are proper internal controls in place. In order to provide effective and proper control, certain of the Board's powers have been delegated to committees.

Audit committee

The Audit Committee comprises two non-executive directors, Mr T. P. Noble and Mr P. M. B. Bucher.

It receives and reviews reports from management and from the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Committee has unrestricted access to the auditors.

Remuneration committee

The Remuneration Committee also comprises two non-executive directors, Mr T. P. Noble and Mr P. M. B. Bucher and it met once during the year to review the remuneration of executive directors. It is responsible for reviewing the scale and structure of the remuneration of the executive directors and the terms of any service contracts. The annual report of the Remuneration Committee is laid out on page 7.

Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide it with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The directors annually conduct a review of the effectiveness of the internal controls.

The key features of the internal control system that operated throughout the period covered by the accounts can be described as follows:

- an annual budgeting process with regular reforecasting of results, ongoing identification and evaluation of key risks and opportunities. All budgets are approved by the Board prior to the commencement of the financial year;
- monthly reporting of financial information to the Board encompassing profit and loss, cash flow and balance sheet information and key operating ratios and the review of the management of risks identified;
- defined investment and capital expenditure approval procedures, through the Investment Committee reporting to the Board.

Going Concern

The directors, having made enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the protection and detection of fraud and other irregularities.

By Order Of The Board
J. Richardson
Company Secretary

Remuneration Committee report

The Remuneration Committee consists of Mr T. P. Noble and Mr P. M. B. Bucher, each of whom is a non-executive Director.

Its remit is to determine the terms and conditions including annual remuneration of Executive Directors.

The relevant components in the total remuneration packages of the Chairman and the Executive Directors of the Company during the year are disclosed in Note 6 to the accounts.

The Committee has established a general policy that Service Contracts for executives should be terminable by the Company without compensation on not more than one year's notice and should not provide for payment of any guaranteed or pre-determined amount on termination.

There is no pension plan for Executive Directors and no bonuses have been awarded.

T. P. Noble
Chairman of the Remuneration Committee

We have audited the financial statements of Palmaris Capital Plc for the year ended 30 June 2007 set out on pages 10 to 24. These financial statements have been prepared under the accounting policies set out on pages 16 and 17.

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 auditor's 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards and the Rules of the Alternative Investment Market are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We read the other information contained in the annual report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Scottish Resources Group Limited (formerly Mining (Scotland) Limited)

The valuation of an unlisted investment is necessarily subjective. The realisable value in the short term could differ materially from the amount included in the financial statements. Our opinion is not qualified in this respect.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 June 2007 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Scott-Moncrieff
Chartered Accountants

Registered Auditor
17 Melville Street
Edinburgh EH3 7PH

8 November 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2007

	NOTES	2007 TOTAL	2006 TOTAL
Turnover	2		
Cost of Sales			
Gross Profit			
Administrative expenses		**(177,003)**	(184,102)
Exceptional Item	4	**(133,171)**	–
Operating loss	5	**(310,174)**	(184,102)
Investment and other income	3	**81,790**	80,718
(Loss) on ordinary activities before interest payable		**(228,384)**	(103,384)
Interest payable		**–**	–
(Loss) on ordinary activities before taxation	2	**(228,384)**	(103,384)
Taxation on (loss) on ordinary activities	7	**–**	–
(Loss) on ordinary activities after taxation		**(228,384)**	(103,384)
(Loss) for the financial year	13	**(228,384)**	(103,384)

The reported (loss) on ordinary activities before taxation equates to the historical cost (loss) on ordinary activities before taxation.
None of the Company's activities were acquired or discontinued during the above two financial years.

Earnings per ordinary share

(Loss) per ordinary share	8	**(0.16)p**	(0.08)p
Diluted (loss) per ordinary share	8	**(0.16)p**	(0.06)p

Net assets per share

Net assets per ordinary share	**8.64p**	17.04p
Diluted net assets per ordinary share	**8.64p**	14.46p

CONSOLIDATED BALANCE SHEET
As at 30 June 2007

	NOTES	2007 £	2006 £
Fixed assets			
Investments	9	**12,880,000**	21,390,081
		12,880,000	21,390,081
Current assets			
Debtors	10	**22,415**	26,050
Cash		**599,506**	830,990
		621,921	857,040
Creditors			
Amounts falling due within one year			
Other	11	**(35,093)**	(41,828)
		(35,093)	(41,828)
Net current assets		**586,828**	815,212
Net Assets		**13,466,828**	22,205,293
Capital and reserves			
Called up equity share capital	12	**7,796,665**	6,517,225
Unrealised appreciation reserve	13	**6,382,114**	12,838,616
Capital reserve	13	**–**	1,719,906
Share Premium	13	**351,500**	351,500
Profit and loss account	13	**(1,063,451)**	778,046
Shareholders' funds	14	**13,466,828**	22,205,293

The notes on pages 15 to 24 form part of these financial statements.

T. P. Noble (Director)
Authorised for issue by the board on 8 November 2007

COMPANY BALANCE SHEET
as at 30 June 2007

	NOTES	2007 £	2006 £
Fixed assets			
Investments	9	**12,880,000**	21,390,081
		12,880,000	21,390,081
Current assets			
Debtors	10	**22,415**	26,050
Cash		**599,506**	830,990
		621,921	857,040
Creditors			
Amounts falling due within one year			
Other	11	**(35,093)**	(41,828)
		(35,093)	(41,828)
Net current assets		**586,828**	815,212
Net Assets		**13,466,828**	22,205,293
Capital and reserves			
Called up equity share capital	12	**7,796,665**	6,517,225
Unrealised appreciation reserve	13	**5,217,763**	11,674,266
Capital reserve	13	**–**	1,719,906
Share Premium	13	**351,500**	351,500
Profit and loss account	13	**100,900**	1,942,396
Shareholders' funds	14	**13,466,828**	22,205,293

The notes on pages 15 to 24 form part of these financial statements.

T. P. Noble (Director)
Authorised for issue by the board on 8 November 2007

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 June 2007

	NOTES	2007 £	2006 £
(Loss) for the financial year		**(228,384)**	(103,384)
Realised gains on investments		**6,456,502**	–
Unrealised (depreciation) on investments	13	**–**	(5,427,039)
Total recognised gains (losses) for the year		**6,228,118**	(5,530,423)

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2007 £	2006 £
Reported (loss) on ordinary activities before taxation	**(228,384)**	(103,384)
Historical cost (loss) on ordinary activities before taxation	**(228,384)**	(103,384)
Historical cost (loss) for the year after taxation	**(228,384)**	(103,384)

The notes on pages 15 to 24 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2007

	NOTES	2007 £	2006 £
Net cash (outflow) inflow from operating activities	A	**(313,274)**	240,047
Returns on investments and servicing of finance	B	**81,790**	80,718
Cash (outflow) inflow before financing		**(231,484)**	320,765
Financing	B	**–**	–
(Decrease) increase in cash in the year		**(231,484)**	320,765

The notes on pages 15 to 24 form part of these financial statements.

A. Reconciliation of operating loss to operating cash flows

	2007 £	2006 £
Operating loss	**(310,174)**	(184,102)
Decrease in debtors	**3,635**	543,449
(Decrease) in creditors	**(6,735)**	(119,300)
Net cash (outflow) inflow from operating activities	**(313,274)**	240,047

B. Analysis of cash flows

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	**37,931**	36,593
Fees and commissions received	**43,859**	44,125
Net cash inflow	**81,790**	80,718

C. Analysis and reconciliation of net funds

	1 JULY 2006 £	CASH FLOW £	30 JUNE 2007 £
Cash	830,990	(231,484)	**599,506**
Overdrafts	–	–	**–**
	830,990	(231,484)	**599,506**
Net Funds	830,990	(231,484)	**599,506**

	2007 £	2006 £
(Decrease) increase in cash in the year	**(231,484)**	320,765
Net cash outflow from decrease in debt	**–**	–
(Decrease) increase in net funds in year	**(231,484)**	320,765
Net funds at beginning of year	**830,990**	510,225
Net funds at end of year	**599,506**	830,990

1. **Accounting policies**
A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are as follows:

Basis of accounting:
The accounts have been prepared in accordance with applicable accounting standards.

Basis of consolidation:
The Group accounts consolidate the results of Palmaris Capital Plc together with the results of its subsidiaries.
The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is written off against reserves on acquisition.
No profit and loss account is presented for Palmaris Capital Plc, under the exemption available by S.230 of Companies Act 1985. The Company's loss for the year ended 30 June 2007 was £228,384 (2006 – £169,573).

Turnover:
Turnover represented amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT.

Income and expenses from investments:
Income from securities is credited to the profit and loss account when the securities are listed ex-dividend. Interest receivable, interest payable and other expenses of management are dealt with on an accruals basis.

Foreign currency transactions:
Overseas income is converted to sterling at the rates of exchange ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date.

On consolidation, assets and liabilities of subsidiary undertakings are translated into sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange prevailing during the year. Exchange differences resulting from the translation at closing rates of net investments in subsidiary undertakings, together with differences between earnings for the period translated at average and closing rates, are taken to exchange reserve. Realised exchange differences and unrealised translation differences on short term monetary assets or liabilities are taken to the profit and loss account.

Investments:
Fixed Assets: Listed investments are stated at values based on market prices at the balance sheet date. Unlisted investments are valued by the directors at cost less amounts written-off or on an earnings multiple basis. Provisions are made for permanent diminutions in value.

Unrealised appreciation reserve:
The unrealised appreciation reserve represents the difference between the book cost and the market value of fixed asset investments, held at the balance sheet date. This reserve is non-distributable.

Realised gains and losses on investment transactions:
Gains and losses on realisation of fixed asset investments and realised exchange differences thereon are transferred from the unrealised appreciation reserve to the capital reserve at the time of the realisation of the investment. The capital reserve is a distributable reserve.

Taxation:
The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation arising on short term timing differences between the treatment of certain income for taxation and accounting purposes. Deferred taxation is provided for at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods that differ from those in which they are included in the financial statements. Deferred tax assets and liabilities are recorded only where it is expected that an asset or liability will crystallise in the foreseeable future.

2. Segmental analysis

	2007 £	2006 £
(Loss) on ordinary activities before taxation		
United Kingdom	**(228,384)**	(103,384)
Investments		
Australia	–	8,510,081
United Kingdom	**12,880,000**	12,880,000
	12,880,000	21,390,081
Net current assets	**586,828**	815,212
Net assets	**13,466,828**	22,205,293

3. Investment and other income

	2007 £	2006 £
Fees and commission receivable	**43,859**	44,125
Interest receivable	**37,931**	36,593
	81,790	80,718

4. Exceptional Item

Legal and professional costs incurred in distributing the dividend in specie to shareholders.

5. Operating loss

	2007 £	2006 £
Operating loss is stated after charging (crediting):		
Auditors' remuneration:		
Audit of these financial statements	**7,000**	11,145
Consultation and taxation services	**14,630**	3,800

6. Staff costs

	2007 £	2006 £
Wages and salaries	**88,000**	88,000
Social security costs	**4,842**	4,851
	92,842	92,851

	2007 NUMBER	2006 NUMBER
The average monthly number of employees (including executive directors) was:		
Administration staff	**2**	2

Directors' remuneration

	2007 £	2006 £
Directors' emoluments		
Name of director		
Executive		
R. G. Melgaard	**36,000**	36,000
J. Richardson	**12,000**	12,000
Non-executive		
T. P. Noble	**16,000**	16,000
P. M. B. Bucher	**12,000**	12,000
W. Paterson	**12,000**	12,000
Aggregate emoluments	**88,000**	88,000

The fees due to T. P. Noble were paid to Noble House and the fees due to W. Paterson and J. Richardson were paid to Patersons Quarries Ltd under arrangements in which the services of these directors were provided by the businesses concerned.

No directors had accrued entitlements under defined benefit schemes.

Directors' share options

No director holds options to acquire shares in the company.

7. Taxation on (loss) on ordinary activities

No taxation charge arises as a result of the tax losses incurred and brought forward (2006 – nil).

The difference between this nil charge and that which would arise from applying the relevant standard rate of tax to the loss on ordinary activities before tax is as follows:

	2007 **£**	2006 £
(Loss) on ordinary activities before tax	**(228,384)**	(103,384)
Standard rate of corporate tax at 30% (2006 – 30%)	**68,515**	31,015
Adjustments – (losses) for which no relief currently available	**(68,515)**	(31,015)
Tax charge for the year	**–**	–

8. (Loss) per ordinary share

	2007 **£**	2006 £
(Loss) attributable to ordinary shareholders	**(228,384)**	(103,384)
(Loss) per ordinary 5p share based on the weighted average number of shares in issue in the year to 30 June 2007 which totalled 139,528,430 (2006 – 130,344,504)	**(0.16)p**	(0.08)p
Diluted (loss) per ordinary 5p share	**(0.16)p**	(0.06)p

The diluted (loss) per share is calculated after allowing for the 35,540,000 warrants issued on the 8 May, 2001 and not converted at 30 June, 2006. These warrants were converted on 19 February, 2007.

9. Fixed asset investments

	GROUP 2007 £	GROUP 2006 £	COMPANY 2007 £	COMPANY 2006 £
Equity Holdings				
Listed on recognised stock exchanges overseas	**–**	8,510,081	**–**	8,510,081
Unlisted at directors' valuation	**12,880,000**	12,880,000	**12,880,000**	12,880,000
	12,880,000	21,390,081	**12,880,000**	21,390,081

The unlisted shares were valued at the year end by the directors.

	GROUP 2007 £	GROUP 2006 £	COMPANY 2007 £	COMPANY 2006 £
Market value of investments held at beginning of year	**21,390,081**	26,817,120	**21,390,081**	26,817,120
Unrealised appreciation at beginning of year	**12,838,616**	18,265,655	**11,674,266**	17,101,305
Cost of investments held at beginning of year	**8,551,465**	8,551,465	**9,715,815**	9,715,815
Disposals at cost	**(2,053,578)**	–	**(2,053,578)**	–
Cost of investments held at end of year	**6,497,887**	8,551,465	**7,662,237**	9,715,815
Unrealised appreciation at end of year	**6,382,113**	12,838,616	**5,217,763**	11,674,266
Market value of investments held at end of year	**12,880,000**	21,390,081	**12,880,000**	21,390,081

9. **Fixed asset investments (continued)**

Listed investments

Neither the Group or the Company held any listed investments at 30 June, 2007.

Subsidiary undertakings

Details of the subsidiary undertakings of the Group at 30 June, 2007 are as follows:

		COUNTRY OF INCORPORATION/ REGISTRATION	CLASS OF SHARES HELD	PRINCIPAL ACTIVITIES
Operating mainly in the UK – unlisted				
Waverley Asset Management Ltd	100%	Scotland	Ordinary	Investment and Investment dealing
Waverley Investment Management Ltd	100%	Scotland	Ordinary	Investment and Investment dealing

Waverley Investment Management Ltd is a wholly owned subsidiary of Waverley Asset Management Ltd. Both subsidiaries were dormant throughout the year ended 30 June, 2007.

Investments

Details of the significant investments of the Group at 30 June, 2007 are as follows:

		CLASS OF SHARES HELD	YEAR END	PRINCIPAL ACTIVITIES
Operating mainly in the UK – unlisted				
Scottish Resources Group Limited (formerly Mining (Scotland) Ltd)	18.75%	Ordinary	25 March	Coal mining

Information on significant investments

YEAR END	SCOTTISH RESOURCES GROUP LIMITED 25 MARCH 2006 £000
Turnover	148,852
Profit (loss) before tax	(589)
Taxation Credit	4,671
Profit after tax	4,082
Fixed assets	55,450
Current assets	93,541
Liabilities due within one year	(55,043)
Liabilities due after one year	(92,021)
Net assets	1,927

* Audited accounts of Scottish Resources Group Limited to 24 March, 2007 are not yet available. In these circumstances the information from the Accounts to 25 March, 2006 has been shown.

10. Debtors – amounts falling due within one year

	GROUP & COMPANY 2007 £	2006 £
Trade debtors	**7,344**	2,937
Prepayments and accrued income	**10,290**	13,929
VAT	**4,781**	9,184
	22,415	26,050

11. Creditors

Amounts falling due within one year

	GROUP & COMPANY 2007 £	2006 £
Other		
VAT, payroll taxes and social security	**4,251**	6,455
Accruals and deferred income	**17,500**	22,000
Trade and sundry creditors	**13,342**	13,373
	35,093	41,828

12. Called up equity share capital

	GROUP 2007 £	GROUP 2006 £	COMPANY 2007 £	COMPANY 2006 £
Authorised				
190,000,000 (2006 – 190,000,000)				
Ordinary shares of 5p each	**9,500,000**	9,500,000	**9,500,000**	9,500,000
Issued and fully paid				
155,933,304 (2006 – 130,344,504)				
Ordinary shares of 5p each	**7,796,665**	6,517,225	**7,796,665**	6,517,225

As at 30 June 2006 there were 35,540,000 Warrants issued and not converted.

An EGM was held on 19 February, 2007 and under the terms of an Ordinary Resolution shares were issued to the warrant holders in the undernoted proportions in satisfaction of the exercise and in consideration for the cancellation of all such warrants.

Patersons Quarries Limited	12,873,600
Waverton Holdings Limited	12,715,200
	25,588,800

The independent Directors considered that the terms of the exchange were fair and reasonable insofar as Palmaris shareholders were concerned, having consulted with Noble & Company Limited, the Company's Nominated Advisor.

The Directors have the power to allot up to a further 16,500,000 Ordinary Shares on a non pre-emptive basis without reverting to shareholders.

13. Reserves

The movements on reserves are as follows:

GROUP	UNREALISED APPRECIATION RESERVE £	CAPITAL RESERVE £	SHARE PREMIUM £	PROFIT AND LOSS ACCOUNT £
Beginning of year	12,838,616	1,719,906	351,500	778,046
Realised (gains) on investments	(6,456,502)	6,456,502	–	–
Transfer	–	(8,176,408)	–	8,176,408
Dividend Payment	–	–	–	(8,510,081)
Warrants Capitalised	–	–	–	(1,279,440)
Loss for the financial year	–	–	–	(228,384)
End of year	**6,382,114**	**–**	**351,500**	**(1,063,451)**

COMPANY	UNREALISED APPRECIATION RESERVE £	CAPITAL RESERVE £	SHARE PREMIUM £	PROFIT AND LOSS ACCOUNT £
Beginning of year	11,674,266	1,719,906	351,500	1,942,396
Realised (gains) on investments	(6,456,502)	6,456,502	–	–
Transfer	–	(8,176,408)	–	8,176,408
Dividend Payment	–	–	–	(8,510,080)
Warrants Capitalised	–	–	–	(1,279,440)
Loss for the financial year	–	–	–	(228,384)
End of year	**5,217,764**	**–**	**351,500**	**100,900**

	GROUP		COMPANY	
	2007 £	2006 £	**2007 £**	2006 £
Total distributable reserves are as follows:				
Profit and loss account				
(Deficit)/surplus	**(1,063,451)**	778,046	**100,900**	1,942,396
Capital reserve	**–**	1,719,906	**–**	1,719,906
	(1,063,451)	2,497,952	**100,900**	3,662,302
Total non distributable reserves are as follows:				
Unrealised appreciation reserve	**6,382,114**	12,838,616	**5,217,764**	11,674,266
Share premium	**351,500**	351,500	**351,500**	351,500
	6,733,614	13,190,116	**5,569,264**	12,025,766

14. Reconciliation of movements in shareholders' funds

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	£	£	**£**	£
(Loss) for the financial year	**(228,384)**	(103,384)	**(228,384)**	(169,573)
Unrealised (losses)on investments	**(8,510,081)**	(5,427,039)	**(8,510,081)**	(5,427,039)
Realised (losses) on investments	**–**	–	**–**	–
Net reduction to shareholders' funds	**(8,738,465)**	(5,530,423)	**(8,738,465)**	(5,596,612)
Opening shareholders' funds	**22,205,293**	27,735,716	**22,205,293**	27,801,905
Closing shareholders' funds	**13,466,828**	22,205,293	**13,466,828**	22,205,293

15. Exchange Rates

The foreign currency rates as at the year end applicable to these accounts were:

	30 JUNE 2007	30 JUNE 2006
Australian Dollars	**–**	A$2.4884

16. Related party transactions

During the year there were a number of transactions with related parties all of which arose in the normal course of business. These transactions and the related balances outstanding as at 30 June are summarised below:

	VALUE OF TRANSACTIONS IN THE YEAR		OUTSTANDING BALANCE AS AT 30 JUNE	
	2007	2006	**2007**	2006
	£	£	**£**	£
Services rendered:				
Scottish Resources Group Ltd	**15,000**	15,000	**7,344**	2,937
Purchase of Goods and Services:				
Patersons Quarries Ltd	**24,000**	24,000	**–**	7,050
Noble & Company Ltd	**102,963**	21,667	**–**	–
Noble House	**16,000**	16,000	**–**	–

Scottish Resources Group Ltd is an associated company. Patersons Quarries Ltd hold 32.94% of the share capital of Palmaris Capital Plc and Tim Noble, chairman of Palmaris Capital plc, was a director of Noble Group Ltd, the parent company of Noble & Company Ltd, and is a partner in Noble House.

Directors:
T. P. Noble (Chairman)
R. G. Melgaard (Managing Director)
J. Richardson (Finance Director)
P. M. B. Bucher
W. Paterson

Secretary:
J. Richardson
Paterson Building
Gartsherrie Road
Coatbridge ML5 2EU

Registered Office:
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Gartsherrie Road
Coatbridge ML5 2EU
Company number: SC108429
Registered in Scotland

Bankers:
The Royal Bank of Scotland
62 Hamilton Road
Motherwell
ML1 3DA

Financial Advisers:
Noble & Company Ltd
76 George Street
Edinburgh
EH2 3BU

Auditors:
Scott-Moncrieff
17 Melville Street
Edinburgh EH3 7PH

Legal Advisers:
Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ET

Registrars:
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