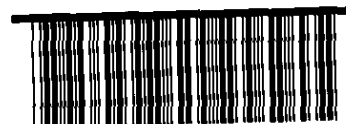


Registrar

F M DEVELOPMENTS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 8 MONTHS ENDED
31 AUGUST 1999**



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COMPANIES HOUSE 11/04/00

Company Information

Directors	J A Milne J T Milne J I Forbes
Secretary	J A Milne
Company Number	SC 172175
Registered Office	9 Great Stuart Street Edinburgh EH3 7TP
Auditors	Reeves & Neylan 4 Atholl Crescent Perth PH1 5NG
Bankers	Bank of Scotland 38 Albyn Place Aberdeen AB10 1ZS

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DIRECTORS' REPORT FOR THE 8 MONTHS ENDED 31 AUGUST 1999

The directors present their report and the financial statements for the 8 months ended 31 August 1999.

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 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;
- 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.

Results and dividends

The profit for the period after taxation, amounted to £184,371 (1998 - £344,459).

Principal activities and review of business

The company's principal activity during the period was property development

Both the level of business and year end financial position were satisfactory and the directors believe that the current level of business will be maintainable for the foreseeable future.

Directors

The directors who served during the period and their beneficial interests in the company's issued share capital were

	<u>Ordinary shares of £1 each</u>	
	<u>1999</u>	<u>1998</u>
J A Milne	10	10
J T Milne	10	10
J I Forbes	10	10

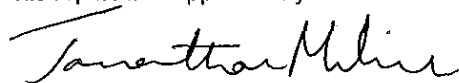
Year 2000 compliance

As part of their consideration of the potential impact of the Year 2000 problem the directors have instituted a review of both the internal and external risks to the company and its operations. The directors do not believe that the problem will significantly affect the ability of the company to continue its activities and an estimate of the total costs relating to the review and any future expenditure have not been quantified.

Auditors

The auditors, Reeves & Neylan, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 22 February 2000 and signed on its behalf.



J A Milne
Secretary

AUDITORS' REPORT TO F M DEVELOPMENTS LIMITED

pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 3 to 14 together with the financial statements of F M Developments Limited prepared under section 226 of the Companies Act 1985 for the period ended 31 August 1999.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

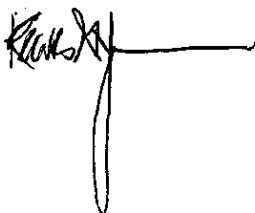
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 3 to 14 are properly prepared in accordance with that provision.

Reeves & Neylan

4 Atholl Crescent
Perth
PH1 5NG



23 February 2000

ABBREVIATED PROFIT AND LOSS ACCOUNT
For the 8 months ended 31 August 1999

	Note	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
GROSS PROFIT		922,070	1,045,779
Administrative expenses		(537,226)	(449,136)
OPERATING PROFIT	2	384,844	596,643
Interest payable	5	(53,773)	(144,722)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		331,071	451,921
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(146,700)	(107,462)
RETAINED PROFIT FOR THE PERIOD		184,371	344,459
RETAINED PROFIT BROUGHT FORWARD		534,760	190,301
RETAINED PROFIT CARRIED FORWARD		£ 719,131	£ 534,760

All amounts relate to continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the 8 months ended 31 August 1999

	8 months ended 31 August 1999	12 months ended 31 December 1998 <i>as restated</i>
	£	£
Profit for the financial period after taxation	184,371	344,459
Unrealised surplus on revaluation of properties	208,015	-
Total gains and losses relating to the period	£ 392,386	£ 344,459

BALANCE SHEET
As at 31 August 1999

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible fixed assets	7		563,586		319,044
CURRENT ASSETS					
Stocks	8	664,560		1,783,842	
Debtors	9	3,771,310		402,296	
Cash at bank and in hand		37,308		-	
			4,473,178	2,186,138	
CREDITORS: amounts falling due within one year	10	(4,047,984)		(1,970,392)	
NET CURRENT ASSETS			425,194		215,746
TOTAL ASSETS LESS CURRENT LIABILITIES			988,780		534,790
PROVISIONS FOR LIABILITIES AND CHARGES	11		(61,604)		-
NET ASSETS			£ 927,176		£ 534,790
CAPITAL AND RESERVES					
Called up share capital	12		30		30
Revaluation reserve	13		208,015		-
Profit and loss account			719,131		534,760
SHAREHOLDERS' FUNDS - All equity	14		£ 927,176		£ 534,790

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the board on 22 February 2000 and signed on its behalf.

J A Milne

Director

J T Milne

Director

The notes on pages 8 to 14 form part of these financial statements.

CASH FLOW STATEMENT
For the 8 months ended 31 August 1999

		8 months ended 31 August 1999	12 months ended 31 December 1998
	Note	£	£
Net cash outflow from operating activities (Page 7)		(322,071)	(862,450)
Returns on investments and servicing of finance	15	(53,773)	(144,722)
Capital expenditure and financial investment	15	(40,547)	(226,943)
Cash outflow before use of liquid resources and financing		<u>(416,391)</u>	<u>(1,234,115)</u>
Financing:	15		
Issue of shares		-	30
Increase in debt		-	-
		<u>-</u>	<u>30</u>
Decrease in cash in the period		<u>£ (416,391)</u>	<u>£ (1,234,085)</u>

The notes on pages 8 to 14 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the 8 months ended 31 August 1999

	Note	£	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
Operating profit			384,844	596,643
Depreciation of tangible fixed assets			10,810	16,131
Profit on disposal of tangible fixed assets			(6,790)	(191,177)
Increase in debtors			(3,369,014)	(402,296)
Decrease/(increase) in stocks			1,119,282	(1,783,842)
Increase in creditors			1,538,797	902,091
Net cash outflow from operating activities			£ (322,071)	£ (862,450)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT				
	16			
Decrease in cash in the period			(416,391)	(1,234,085)
Change in net debt resulting from cash flows			(416,391)	(1,234,085)
Net debt at 1 January 1999			(960,839)	273,246
Net debt at 31 August 1999			£ (1,377,230)	£ (960,839)

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties held at the period end and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Investment properties	-	NIL%
Motor vehicles	-	25%
Office equipment	-	15%

1.4 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.5 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.6 Pensions

The company operates a small self administered pension scheme and the pension charge represents the amounts paid by the company to the fund in respect of the period.

2. OPERATING PROFIT

The operating profit is stated after charging:

	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
Depreciation of tangible fixed assets		
- owned by the company	10,810	16,131
Audit fees	5,000	5,000
Auditors' remuneration - non-audit services	4,900	12,955

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
Wages and salaries	264,290	271,568
Other pension costs	109,115	278,800
	<u>£ 373,405</u>	<u>£ 550,368</u>

The average monthly number of employees, including directors, during the period was as follows:

8 months ended 31 August 1999 3	12 months ended 31 December 1998 20
<u>3</u>	<u>20</u>

4. DIRECTORS' REMUNERATION

	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
Aggregate emoluments	249,854	252,093
Company pension contributions to money purchase schemes	109,115	278,800
	<u>£ 358,969</u>	<u>£ 530,893</u>

Included in the above are emoluments, excluding pension contributions, paid to:

Highest paid director	<u>£ 220,000</u>	<u>£ 90,750</u>
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NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

5. INTEREST PAYABLE

	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
On bank loans and overdrafts	40,966	108,601
On other loans	12,807	36,121
	<u>£ 53,773</u>	<u>£ 144,722</u>

6. TAXATION

	8 months ended 31 August 1999 £	12 months ended 31 December 1998 £
Current year taxation		
UK Corporation Tax at 25.6% (1998 - 23.8%)	85,096	107,462
Transfer to deferred taxation	61,604	-
	<u>£ 146,700</u>	<u>£ 107,462</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

7. TANGIBLE FIXED ASSETS

	Investment Property	Fixtures & Equipment	Motor Vehicles	Total
Cost or valuation				
At 1 January 1999	268,468	5,757	62,528	336,753
Additions	57,517	10,690	5,735	73,942
Disposals	-	(7,871)	(25,837)	(33,708)
Revaluations	208,015	-	-	208,015
At 31 August 1999	<u>534,000</u>	<u>8,576</u>	<u>42,426</u>	<u>585,002</u>
Depreciation				
At 1 January 1999	-	1,134	16,575	17,709
Charge for period	-	2,855	7,955	10,810
On disposals	-	(1,134)	(5,969)	(7,103)
At 31 August 1999	<u>-</u>	<u>2,855</u>	<u>18,561</u>	<u>21,416</u>
Net Book Value				
At 31 August 1999	<u>£ 534,000</u>	<u>£ 5,721</u>	<u>£ 23,865</u>	<u>£ 563,586</u>
<i>At 31 December 1998</i>	<u>£ 268,468</u>	<u>£ 4,623</u>	<u>£ 45,953</u>	<u>£ 319,044</u>

At the period end investment properties were revalued by the directors to disclose open market value of the properties at the 31 August 1999.

On the historical cost basis, land and buildings would have been included as follows:

	1999 £	1998 £
Cost	325,644	268,468
Cumulative depreciation	-	-
Net book amount	<u>£ 325,644</u>	<u>£ 268,468</u>

8. STOCKS

	1999 £	1998 £
Work in progress	<u>£ 664,560</u>	<u>£ 1,783,842</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

9. DEBTORS

	1999 £	1998 £
Due within one year		
Trade debtors	2,631,304	402,296
Other debtors	1,140,006	-
	<u>£ 3,771,310</u>	<u>£ 402,296</u>

Included within other debtors is an amount recoverable on long term contracts of £1,038,623

**10. CREDITORS:
Amounts falling due within one year**

	1999 £	1998 £
Bank loans and overdrafts	1,402,802	960,839
Excess payments on account	1,452,139	-
Trade creditors	206,975	365,992
Corporation tax	192,558	107,462
Social security and other taxes	20,942	33,579
Other creditors	550,082	473,969
Amount due to pension fund	11,736	-
Accruals and deferred income	210,750	28,551
	<u>£ 4,047,984</u>	<u>£ 1,970,392</u>

The bank loans and overdrafts are secured by a bond and floating charge over the assets of the company and a standard security held on the investment property at Hope Street Edinburgh.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £
Amounts provided during the year	61,604
At 31 August 1999	<u>£ 61,604</u>

Deferred tax

The above amount represents the provision required for tax which would be payable on the disposal of the investment property.

12. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>
Allotted, called up and fully paid		
30 ordinary shares of £1 each	<u>£ 30</u>	<u>£ 30</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

13. RESERVES

	£	
Revaluation Reserve		
Surplus on revaluation of investment properties	208,015	
	<u>£ 208,015</u>	

14. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds	1999	1998
	£	£
Profit for the period	184,371	344,459
Shares issued during period	-	27
Other recognised gains and losses during period	208,015	-
	<u>392,386</u>	<u>344,486</u>
Opening shareholders' funds	534,790	190,304
	<u>£ 927,176</u>	<u>£ 534,790</u>

**15. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	1999	1998
	£	£
Returns on investments and servicing of finance		
Interest paid	(53,773)	(144,722)
	<u>£ (53,773)</u>	<u>£ (144,722)</u>
Net cash outflow for returns on investments and servicing of finance		
	<u>£ (53,773)</u>	<u>£ (144,722)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(73,942)	(432,469)
Sale of tangible fixed assets	33,395	205,526
	<u>£ (40,547)</u>	<u>£ (226,943)</u>
Financing		
Issue of ordinary shares	-	30
	<u>-</u>	<u>30</u>
Issue of shares		
	<u>-</u>	<u>30</u>
Net cash inflow from financing	<u>£ -</u>	<u>£ 30</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the period ended 31 August 1999

16. ANALYSIS OF NET DEBT

	At 1 Jan 1999 £	Cash flow £	Other changes £	At 31 Aug 1999 £
Net cash:				
Cash at bank and in hand	-	37,308		37,308
Bank overdrafts	(960,839)	(465,435)		(1,414,538)
	<u>(960,839)</u>	<u>(428,127)</u>		<u>(1,377,230)</u>
Debt:				
	-	-	-	-
Net debt	<u>£ (960,839)</u>	<u>£ (428,127)</u>	<u>£ -</u>	<u>£ (1,377,230)</u>

17. CAPITAL COMMITMENTS

At 31 August 1999 the company had capital commitments as follows:

	1999 £	1998 £
Contracted for but not provided in these accounts	<u>£ 576,000</u>	<u>£ -</u>

18. RELATED PARTIES

During the period J.A.M. Construction Limited became the main contractor for FM Developments Limited. Work carried out and invoiced during the period amounted to £530,436 and management charges were levied to FM Developments Limited in the amount of £25,000. £173,390 was owed by FM Developments Limited at the year end. Jonathon Milne, a director of FM Developments Limited, is the sole director and shareholder of J.A.M. Construction Limited.

The company is owed £49,442 by Jonathon Milne Properties Limited, a company in which Jonathon Milne is a director.