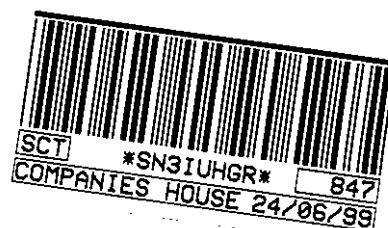


F M Developments Limited

Annual report
for the year ended 31 December 1998

Registered no: SC172175

IAM



F M Developments Limited

Annual report for the year ended 31 December 1998

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F M Developments Limited**Directors and advisers****Directors**

J Milne
J T Milne
J Forbes

Secretary

J Milne

Registered auditors

Reeves & Neylan
4 Atholl Crescent
Perth
PH1 5NG

Solicitors

W & J Burness
50 Lothian Road
Festival Square
Edinburgh
EH3 9WT

A C Morrison & Richards
18 Bon Accord Crescent
Aberdeen
AB11 6DE

Bankers

Bank of Scotland plc
38 Albyn Place
Aberdeen
AB10 1ZS

Registered office

4 Atholl Crescent
Perth
PH1 5NG

F M Developments Limited

Report of the directors for the year ended 31 December 1998

The directors presents their report and the audited financial statements for the year ended 31 December 1998. This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies.

Results and dividends

The trading profit for the year, after taxation, amounted to £344,459 - (1997 - £190,328). The retained profit for the year of £344,459 will be transferred to reserves.

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company's principal activities during the year were property development, the letting of property and related management services. Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

Fixed assets

Movements in fixed assets during the year are set out in note 7 to the financial statements.

Directors and their interests

The directors at 31 December 1998 and their interest in the shares of the company were as follows:

	1998	1997
Ordinary shares of £1 each		
J Milne	10	1
J T Milne	10	1
J Forbes	10	1

Directors' responsibilities

The directors are required by UK company law 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.

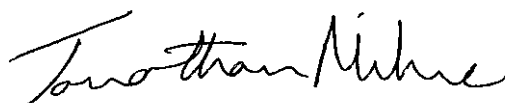
F M Developments Limited

**Report of the director
for the year ended 31 December 1998**

Auditors

A resolution to reappoint the auditors, Reeves & Neylan, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'J Milne', written in a cursive style.

J Milne
Secretary
18 June 1999

Report of the auditors to the shareholders of F M Developments Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

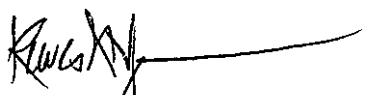
Basis of opinion

We conducted our audit in accordance with 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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Reeves & Neylan
Chartered Accountants and Registered Auditors
Perth
23 June 1999

F M Developments Limited

Profit and loss account for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	1	4,277,607	1,974,890
Cost of sales		<u>3,286,670</u>	<u>1,566,205</u>
Gross profit		990,937	408,685
Administrative expenses		<u>642,609</u>	<u>122,702</u>
		348,328	285,983
Other operating income		<u>54,842</u>	<u>47,389</u>
Operating profit	2	403,170	333,372
Interest receivable	4	-	32
Gain on disposal of Investment Property		193,473	-
Interest payable and similar charges	5	<u>144,722</u>	<u>89,652</u>
Profit on ordinary activities before taxation		451,921	243,752
Tax on profit on ordinary activities	6	<u>107,462</u>	<u>53,424</u>
Retained profit for the financial year		<u><u>344,459</u></u>	<u><u>190,328</u></u>

All amounts relate to continuing activities.

All recognised gains and losses for the year are included in the profit and loss account.

The accounting policies and notes on pages 7 to 12 form part of these financial statements.

F M Developments Limited

Balance sheet at 31 December 1998

	Note	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	7		319,044		398,063
Current assets					
Work in progress	8	1,783,842		1,334,687	
Debtors	9	402,296		86,192	
		<u>2,186,138</u>		<u>1,420,879</u>	
Creditors: amounts falling due within one year	10	<u>1,970,392</u>		<u>1,628,611</u>	
Net current assets/(liabilities)			<u>215,746</u>		<u>(207,732)</u>
Net assets			<u><u>534,790</u></u>		<u><u>190,331</u></u>
Capital and reserves					
Called up share capital	11		30		3
Profit and loss account	12		<u>534,760</u>		<u>190,328</u>
	13		<u><u>534,790</u></u>		<u><u>190,331</u></u>

The financial statements were approved by the directors on 18 June 1999 and signed on their behalf by:



J A Milne
Director

J T Milne
Director

The accounting policies and notes on pages 7 to 12 form part of these financial statements.

F M Developments Limited

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, which have been applied consistently, is set out below.

Basis of accounting

These financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase price, together with any incidental costs of acquisition. The investment property at Hope Street, Edinburgh has not been revalued as the directors do not consider it prudent to do so as the property is incomplete at the year end.

Depreciation

Certain of the company's properties are held for long term investments and, in accordance with SSAP19:

- i) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years of the lease remaining.
- ii) Compliance with SSAP19 is a departure from the Companies Act 1985 necessary to give a true and fair view.

Other fixed assets are depreciated in order to write off the cost of the assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Motor vehicles	25
Tools and office equipment	15

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Profit is taken on short term contracts as they are completed. Once missives have been concluded on a property, it is treated as sold and a debtor for the sale proceeds introduced. Total cost of a site is attributed to individual properties in direct proportion to the selling price.

Long term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as activity progresses. Where the outcome of each long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the turnover and the related cost for that contract.

Cash flow statement

The company is exempt from the requirement to publish a cash flow statement under FRS1.

F M Developments Limited**Principal accounting policies****Turnover**

Turnover represents the value of properties sold which fall within the company's ordinary activities.

Deferred taxation

Provision is made for deferred taxation, using the liability method, for all material timing differences to the extent that it is probable that a liability or asset will crystallise.

F M Developments Limited

Notes to the financial statements for the year ended 31 December 1998

1 Turnover

Turnover represents the value of properties sold which fall within the company's ordinary activities and the value of management services provided in the period.

2 Operating profit

Operating profit is arrived at after charging:	1998 £	1997 £
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Auditors' remuneration - audit services	<u>5,000</u>	<u>5,000</u>
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3 Directors' emoluments

	1998 £	1997 £
Fees	219,449	74,290
Social security costs	21,944	7,115
Pension costs	<u>278,800</u>	<u>-</u>
	<u>520,193</u>	<u>81,405</u>

4 Interest receivable

	1998 £	1997 £
Interest accrued on retentions held	<u>-</u>	<u>32</u>

5 Interest payable and similar charges

	1998 £	1997 £
On bank overdrafts and loans	<u>144,722</u>	<u>89,652</u>

6 Taxation on profit on ordinary activities

	1998 £	1997 £
Corporation tax @ 23.77%	<u>107,462</u>	<u>53,424</u>

F M Developments Limited

Notes to the financial statements for the year ended 31 December 1998

7 Tangible fixed assets

	Total £	Motor vehicles £	Investment properties £	Tools & office equipment £
Cost				
At 1 January 1998	399,923	6,163	391,624	2,136
Additions	432,469	70,997	357,851	3,621
Disposals	495,639	14,632	481,007	-
	<u>336,753</u>	<u>62,528</u>	<u>268,468</u>	<u>5,757</u>
At 31 December 1998				
Depreciation				
At 1 January 1998	1,861	1,541	-	320
Charge for year	16,131	15,317	-	814
Depreciation on disposals	283	283	-	-
	<u>17,709</u>	<u>16,575</u>	<u>-</u>	<u>1,134</u>
At 31 December 1998				
Written down value				
At 31 December 1998	<u>319,044</u>	<u>45,953</u>	<u>268,468</u>	<u>4,623</u>
At 31 December 1997	<u>398,063</u>	<u>4,623</u>	<u>391,624</u>	<u>1,816</u>

8 Work in progress

	1998 £	1997 £
Work in progress	<u>1,783,842</u>	<u>1,334,687</u>

9 Debtors

	1998 £	1997 £
Trade debtors	259,672	47,576
Other debtors	142,624	38,616
	<u>402,296</u>	<u>86,192</u>

F M Developments Limited

Notes to the financial statements for the year ended 31 December 1998

10 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	960,839	1,309,044
Trade creditors	365,992	103,917
Corporation tax payable	107,462	53,424
Taxation and social security payments	33,579	-
Accruals	22,851	14,907
Loan account	300,000	-
Deferred income	5,700	12,502
Directors loans	173,969	134,817
	<u>1,970,392</u>	<u>1,628,611</u>

The bank overdrafts are secured by a standard security over the two flats at 14 Hope Street, Edinburgh and a bond and floating charge over all assets of the company.

11 Called up share capital

	1998 £	1997 £
Authorised		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>30</u>	<u>3</u>

12 Profit and loss account

	1998 £	1997 £
At 1 January 1998	190,328	-
Retained profit for the year	344,459	190,328
Capitalisation	(27)	-
At 31 December 1998	<u>534,760</u>	<u>190,328</u>

F M Developments Limited

Notes to the financial statements for the year ended 31 December 1998

13 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	344,459	190,328
Share issue	-	3
Opening shareholders' funds	190,331	-
	<hr/>	<hr/>
Closing shareholders' funds	534,790	190,331
	<hr/>	<hr/>

14 Related party transactions

Loan finance of £200,000 has been received from R S M Milne (Dykelands) Limited, a company of which J T Milne is a director. Interest of £14,942 has been paid. There are no terms in place for the repayment of the capital.

Additional loan finance of £100,000 has been received from Mrs G C Milne, a close family member of J T Milne and J A Milne. Interest of £7,471 has been paid during the year. There are no terms in place for the repayment of the capital.

Bogincaber Limited, a company of which J T Milne is a director, advanced £50,000 to the company during the year. £2,308 was paid in interest and the loan was repaid during the year.

The property, 9 Great Stuart Street, Edinburgh, was sold to F M Developments Limited Executive Pension Scheme for £500,000. The sale price was determined by an independent valuer.

15 Contingent liability

The company has granted bonds in favour of NHBC for £20,000 which expires on 24 September 2003 and City of Edinburgh Council for £98,544 with no expiry date.