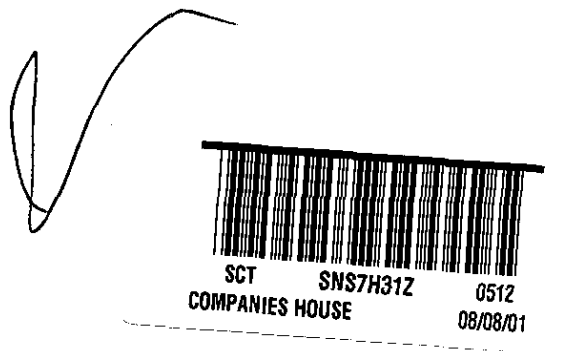


Company Registration No: 192466

LAND OPTIONS (WEST) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period 1 October 1999 to 31 December 2000



LAND OPTIONS (WEST) LIMITED

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LAND OPTIONS (WEST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

James McCubbin Rowney - Chairman
Robert Henry Beattie
Robert Earlie
Terrence Walker

SECRETARY:

Deborah Susan Esslemont

REGISTERED OFFICE:

42 St Andrew Square
Edinburgh
EH2 2YE
Scotland

AUDITORS:

Deloitte & Touche
39 George Street
Edinburgh EH2 2HZ
Scotland

LAND OPTIONS (WEST) LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the fifteen month period ended 31 December 2000. The comparatives are for the twelve months ended 30 September 1999.

ACTIVITIES AND BUSINESS REVIEW

The company sells property development sites.

The retained loss for the period was £122,398 (1999: retained loss £56,953) and this was transferred from reserves.

The directors are satisfied with the results for the period and do not anticipate any material change in either the type or level of activities of the company.

DIRECTORS

The names of the present directors are as listed on page 1.

On 14 March 2000 James McCubbin Rowney resigned as a director of the company and Barbara Ida Mary Turnbull was appointed as a director of the company. On 25 August 2000 Barbara Ida Mary Turnbull resigned as a director of the company and James McCubbin Rowney was appointed as a director of the company.

SECRETARY

On 23 November 2000 Shirley Margaret MacGillivray resigned as Secretary of the company and Deborah Susan Esslemont was appointed as Secretary of the company.

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 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 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.

DIRECTORS' INTERESTS

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

LAND OPTIONS (WEST) LIMITED

AUDITORS

PricewaterhouseCoopers resigned as auditors on 21 March 2000 and the directors appointed Deloitte & Touche in their place. Deloitte & Touche have expressed their willingness to continue in office as auditors and 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

24 July 2001

AUDITORS' REPORT TO THE MEMBERS OF LAND OPTIONS (WEST) LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

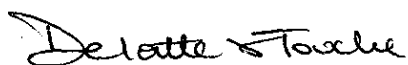
Basis of opinion

We conducted our audit in accordance with 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 2000 and of its loss for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

July 2001

3 August 2001.

LAND OPTIONS (WEST) LIMITED**PROFIT AND LOSS ACCOUNT****Period 1 October 1999 to 31 December 2000**

	Note	15 Months ended 31 December 2000 £	12 Months ended 30 September 1999 £
TURNOVER		-	-
Administrative Expenses		(99,980)	(56,953)
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	2	(99,980)	(56,953)
Interest Payable and Similar Charges		(22,418)	-
LOSS ON ORDINARY ACTIVITIES AFTER INTEREST		(122,398)	(56,953)
Tax on Loss on Ordinary Activities	3	-	-
RETAINED LOSS FOR THE PERIOD	8	<u>(122,398)</u>	<u>(56,953)</u>

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

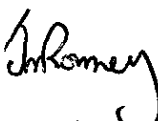
The Company has no recognised gains and losses in the period ended 31 December 2000 other than the loss for the period. Therefore a separate statement of total recognised gains and losses has not been presented.

LAND OPTIONS (WEST) LIMITED

**BALANCE SHEET
AT 31 December 2000**

	Note	31 December 2000 £	30 September 1999 £
CURRENT ASSETS			
Development Assets	4	4,530,393	1,743,703
Debtors	5	177,531	-
		<u>4,707,924</u>	<u>1,743,703</u>
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR	6	(487,275)	(300,656)
		<u>4,220,649</u>	<u>1,443,047</u>
NET CURRENT ASSETS			
		4,220,649	1,443,047
CREDITORS:			
AMOUNTS FALLING DUE AFTER ONE YEAR		(4,399,000)	(1,499,000)
NET LIABILITIES		<u>(178,351)</u>	<u>(55,953)</u>
CAPITAL AND RESERVES			
Called up Share Capital	7	1,000	1,000
Profit and Loss Account		(179,351)	(56,953)
DEFICIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS	8	<u>(178,351)</u>	<u>(55,953)</u>

The financial statements on pages 5 to 9 were approved by the Board of Directors on ..21st...July 2001
and signed on its behalf by:

Director : 

Director : 

LAND OPTIONS (WEST) LIMITED

NOTES TO THE ACCOUNTS

Period 1 October to 31 December 2000

1. 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 is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in compliance with the Companies Act 1985. It is considered appropriate to use the going concern basis of accounting due to the continued financial support of the joint venture companies.

Taxation

Provision is made for taxation at the current rates on taxable profits.

Deferred Taxation

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

Development assets

Development assets are stated at the lower of cost and net realisable value.
Cost comprises the purchase cost of land, building developments and options over land.

Turnover

Turnover represents the proceeds from the sale of development assets, together with rents receivable, exclusive of value added tax and is derived solely from UK activities.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	15 Months ended 31 December 2000 £	12 Months ended 30 September 1999 £
Auditors' Remuneration	<u>1,500</u>	<u>3,000</u>

The directors received no emoluments from the Company during the period (1999: nil).

The Company has no employees (1999: nil).

3. TAXATION

A taxable loss of £122,398 was incurred in the current period (1999: £56,953).

LAND OPTIONS (WEST) LIMITED

NOTES TO THE ACCOUNTS

Period 1 October to 31 December 2000

4. DEVELOPMENT ASSETS

	31 December 2000 £	30 September 1999 £
At 1 October	1,743,703	-
Acquisitions	2,786,690	1,743,703
At 31 December	<u>4,530,393</u>	<u>1,743,703</u>

5. DEBTORS

	31 December 2000 £	30 September 1999 £
Due from Joint Venturer	175,000	-
VAT recoverable	2,531	-
At 31 December	<u>177,531</u>	<u>-</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2000 £	30 September 1999 £
Bank Overdraft	483,619	-
Due to Joint Venturers	-	194,953
Accruals	3,656	105,703
	<u>487,275</u>	<u>300,656</u>

7. SHARE CAPITAL

As at 30 September 1999 and 31 December 2000:

	<u>Authorised Number and value</u>	<u>Allotted, called up And fully paid (number and value)</u>
'A' Ordinary Shares of £1 each	300	250
'B' Ordinary Shares of £1 each	600	500
'C' Ordinary Shares of £1 each	300	250
At 31 December 2000		
Ordinary Shares of £1 each	<u>1,200</u>	<u>1,000</u>

The A, B and C ordinary shares constitute different classes of shares and confer upon the holders the same rights and rank *pari passu* in all respects, with the following exceptions.

The A and B shareholders each have one vote and on a poll the holders of the A shares as a class shall be entitled to cast five hundred votes and the holders of the B shares as a class shall be entitled to cast five hundred votes.

The C shareholders are not entitled to vote at any General Meeting.

The A and B shareholders may each appoint two directors and may not remove directors appointed by each other.

LAND OPTIONS (WEST) LIMITED**NOTES TO THE ACCOUNTS****Period 1 October to 31 December 2000****8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	15 Months ended 31 December 2000	12 Months ended 30 September 1999
	£	£
Opening shareholders' deficit	(55,953)	-
Share capital issued and fully paid up	-	1,000
Retained loss for the period	(122,398)	(56,953)
Closing shareholders' deficit	<u>(178,351)</u>	<u>(55,953)</u>

9. RELATED PARTY TRANSACTIONS

During the period, options over land were acquired from various directors of Land Options (West) Limited and from Kelvin Homes Limited, a shareholder in the company, for a consideration of £1,557,486 (1999 £1,688,000).

10. PARENT COMPANIES

The Company is a joint venture whose immediate parent companies are KUC Properties Limited and Kelvin Homes Limited, both of which are incorporated in Great Britain and registered in Scotland.