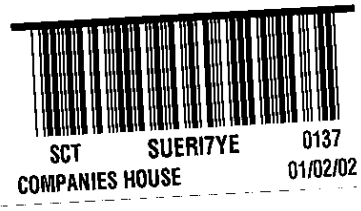
STEWART MILNE (WEST) LIMITED

REPORT AND ACCOUNTS

28th February 2001

COMPANY NUMBER SC 192726



REPORT OF THE DIRECTORS

Directors
J. K. Cruickshank
G. Allison
J. C. O'Neil
G. C. Loudon

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 28th February 2001.

Activity and Review of Business

The Company's principal activity is the acquisition and sale of land for development.

The Company made a loss in the period of £277,445 (2000 – loss £200,155). The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors at the date of this report are as stated above. None of the Directors had any interest in the shares of the Company at any time during the period. On the 18th August, 2000 G. C. Loudon and J. C. O'Neil were appointed as Directors. J. Barkley, who had served as a Director from 12th February, 1999 resigned on the 18th August, 2000. G. Cochrane, who had served as a Director from 12th February, 1999 resigned on 18th May, 2001.

Secretary

Lysanne J W Black resigned on the 1st September, 2000 and was replaced by A. I. Macrae on that date.

Auditors

In accordance with s.386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By Order of the Board,

A. I. Macrae
Secretary

21/12/2001

Registered Office
2nd Floor
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

PROFIT AND LOSS ACCOUNT
For the Year ended 28th February, 2001

	Notes	2001 £	13 month period ending 29th February 2000 £
Operating expenses		(14,778)	(11,175)
Interest receivable		758	114
Other operating income		11,500	
Interest payable and similar charges		(275,000)	(275,213)
Loss on ordinary activities before taxation	2	(277,520)	(286,274)
Taxation	3	75	86,119
Loss on ordinary activities after taxation		(277,445)	(200,155)
Profit and Loss Account at 1st March, 2000		(200,155)	-
Profit and Loss Account at 28th February, 2001		(477,600)	(200,155)

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the Company.

The notes on pages 4 to 6 form part of these accounts.

BALANCE SHEET
As at 28th February, 2001

	Notes	2001	2000 £
Current Assets			
Stock of land for development		5,697,861	5,712,143
Taxation recoverable		43,132	86,119
Cash at bank		51,368	1
		5,792,361	5,798,263
Creditors: amounts falling due within one year			
Loans	4,8	(5,717,861)	(5,689,173)
Accrued expenses		(552,000)	(309,145)
		(6,269,861)	(5,998,318)
Net Current Liabilities		(477,500)	(200,055)
Total Net Liabilities		(477,500)	(200,055)
Share Capital and Reserves			
Share Capital	5	100	100
Profit and Loss Account	6	(477,600)	(200,155)
Equity Shareholders' Funds	7	(477,500)	(200,055)

Approved by the Board at a meeting on 21st December 2001 and signed on its behalf by:

.....Director

.....Director

2001

.....Date

The notes on pages 4 to 6 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

1.1 Accounting convention

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with currently applicable accounting standards.

1.2 Basis of preparation

The accounts have been prepared on a going concern basis because facilities are currently made available by the holders of the "A" and "B" Ordinary shares which are sufficient to meet the Company's obligations as they fall due.

1.3 Stocks

Stock is stated at lower of cost and net realisable value. Cost includes the cost of land and direct construction costs.

2. Loss on ordinary activities before taxation

	2001 £	2000 £
Loss on ordinary activities before taxation is stated after charging :-		
Audit fees	588	1,175

The Company has no employees and none of the Directors receive any emoluments from the Company.

3. Taxation

The charge for taxation which is based on profits on ordinary activities comprises:

	2001 £	2000 £
Consortium relief recoverable	41,628	86,119
Release of prior year consortium relief	(41,553)	-
	75	86,119

4. Loans

	2001 £	2000 £
Amounts due to Horizon Capital 2000 Limited (formerly Horizon Capital Limited)	192,566	172,566
Loan Stock due to Horizon Capital 2000 Limited (formerly Horizon Capital Limited)	5,250,000	5,250,000
D Loan Stock due to Stewart Milne Homes (Southern) Limited	25,295	16,607
Amounts due to Stewart Milne Homes (Southern) Limited	250,000	250,000
	5,717,861	5,689,173

NOTES TO THE ACCOUNTS (Continued)

5. Share capital

	2001 £	2000 £
Authorised		
5,800,000 "A" ordinary shares of £1 each	5,800,000	5,800,000
1,000,000 "B" ordinary shares of £1 each	1,000,000	1,000,000
	6,800,000	6,800,000
Allotted, Called up and Fully Paid		
50 "A" ordinary shares of £1 each	50	50
50 "B" ordinary shares of £1 each	50	50
	100	100

6. Reserves

	Profit and Loss account £
As at 1st March, 2000	(200,155)
Retained loss for the year	(277,445)
As at 28th February, 2001	(477,600)

7. Reconciliation of Equity Shareholders' Funds

	2001 £	2000 £
Profit/(Loss) attributed to Equity Shareholders	(277,445)	(200,155)
Issued equity share capital	-	100
Net movement in Shareholders' Funds	(277,445)	(200,055)
Equity Shareholders' Funds at 1st March, 2000	(200,055)	-
Equity Shareholders' Funds at 28th February, 2001	(477,500)	(200,055)

NOTES TO THE ACCOUNTS (Continued)

8. Related party transactions

The Company has been given loan facilities by Horizon Capital 2000 Limited (formerly Horizon Capital Limited), the holder of the "A" Ordinary shares and Stewart Milne Homes (Southern) Limited, the holder of the "B" Ordinary shares. The loan from Horizon Capital 2000 Limited (formerly Horizon Capital Limited) consists of £5,250,000 (2000 - £5,250,000) "A" Redeemable Loan Stock. This loan is unsecured. The loan is repayable from land sales. A fee of £275,000 is payable to the holder of the Loan Stock. Horizon Capital 2000 Limited (formerly Horizon Capital Limited) has also provided £182,566 (2000 - £172,566) of unsecured, deferred "C" Loan Stock. In addition the company has been charged £10,000 (2000 - £nil) from Horizon Resources Limited (a subsidiary of the holder of the "A" Ordinary shares) for administration services. £10,000 was outstanding at the year end. The loan from Stewart Milne Homes (Southern) Limited consists of £250,000 (2000 - £250,000) unsecured Loan Stock and £25,295 (2000 – £16,607) unsecured, deferred "D" Loan Stock.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the profit or loss of the company 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 to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF
STEWART MILNE (WEST) LIMITED

We have audited the accounts on pages 2 to 6.

Respective responsibilities of Directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 7 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Accounting Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 28th February, 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

21 December 2001