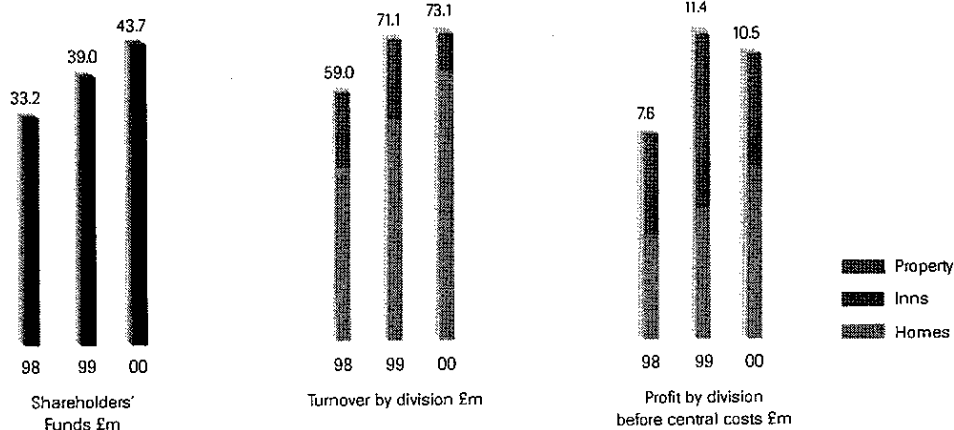


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Financial Highlights

Another fine performance in housing, up 28%, core profits in commercial property up 10% and the hospitality division steady.

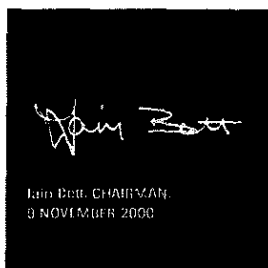
We expect our planned expansion to produce further sound progress.



	2000	1999
Turnover	£73.1m	£71.1m
Profit before taxation	£8.1m	£9.4m
Earnings per Share	40.33p	48.23p
Dividend	11.55p	10.50p
Gearing Percentage	6.8%	nil
Dividend Cover	3.4x	4.6x
Shareholders' Funds	£43.7m	£39.0m



Chairman's Statement



Our results this year were underpinned by another fine performance in housing which saw operating profits increased by 28% to £6.22m. In addition, core operating profits in commercial property increased by 10% to £2.5m and the operating profits in our hospitality division were steady at £1.77m.

I explained last year that our figures had been enhanced to the extent of £2.25m from one commercial property development and that the year under review would not contain such an element. Against that background I am very pleased to report a profit before tax of £8.12m (1999: £9.37m).

The growth in housing was especially strong. In what was a good but not exceptional market, operating profits were £6.22m (1999: £4.85m) with each of our divisions in Scotland and North West England performing well.

Our objective in commercial property is to produce an increase in our core profits while capturing the occasional boost. This year's figure of £2.5m of operating profits compares with 1999 of £2.25m which was supplemented by the £2.25m addition mentioned earlier.

Our hospitality division maintained operating profits at £1.77m (1999: £1.76m). Given the fact that the previous year had the benefit of the Open Golf Championship held at Camoustie and that the market place was challenging, this was a good performance.

Each of these divisions is reviewed by the Chief Executive in more detail in his report.

In housing in particular, we are of course in a cyclical business, although in a low inflation, low interest rate environment we would expect the cycle to be more muted. We are conscious of this background in framing our future strategy, which for many years has been to move increasingly towards stronger locations.

The housing market has come off its peak, most noticeably in South East England, and although our

areas of operation are affected they are less volatile. We believe that in these conditions we can deliver future growth through our strong management teams.

The process of change in all industries is accelerating. Our agenda continues to have as priorities innovation in design, in standards of customer care, in constantly increasing product quality and in developing our people – all directed towards increased profits.

Our balance sheet continues to be strong. It is our intention to use this to increase our investment in the businesses particularly to take advantage of opportunities in commercial property and in housing by adding to our already strong land bank. This will provide the base for longer term expansion and will help cope with the widely reported planning delays. We anticipate therefore that gearing levels will rise, but within acceptable levels.

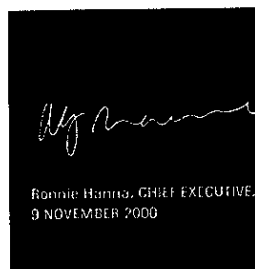
Last year we sold our small precast concrete business (Dick Precast) and at the year end we sold our plumbing subsidiary, Pitkero, to a management buy-out. Our housing division will therefore be more focussed.

Our Group Finance Director Sandy Macrae has decided to move to a new opportunity in a similar role during November 2000. I would like to thank him for his contribution over the last two years. It is also customary to record appreciation to all my colleagues. I do so genuinely in the knowledge that we have excellent teams who share a strong commitment to growing the Group successfully.

The Board is continuing its progressive policy on dividends by recommending a final dividend of 8.25p making a total of 11.55p for the year which is an overall increase of 10%. At the same time it is worth recording that our net assets per share have grown to £2.77 in the year, an increase of 8.5%.

While recognising the slight slowdown in the housing market, we expect our planned expansion this year to produce further sound progress.

Chief Executive's Review



EVEN BETTER

In Housing, profits have increased significantly and the land bank remains strong. This is the basis for further sensible growth.

In Property, our own projects and those in our expanding long term joint venture relationships continue to generate good returns with several potentially rewarding developments in place.

In Inns, despite very strong competition, we maintained our profits. Our estate is in good order and we continue to compete effectively.

Better choice HOMES

28% increase in operating profit

HOUSING The summary picture of housing was a year of increased turnover and better margins. Turnover for the year from our continuing operations was £62m (1999: £52m) from a total of 556 units (1999: 541 units). Operating profits grew by 28% to £6.22m from £4.85m in 1999.

The increase in average selling price from £95,700 in 1999 to £111,000 in 2000 resulted from a combination of a small move upmarket, but also from a mix of product containing more larger houses in *more expensive areas*.

We disposed of Pitkerro Plumbers at the year end leaving a pure homes operation. The division now consists of development businesses in Scotland, North West England and also a Partnership Homes unit in Scotland. It is more meaningful to compare margins with Pitkerro excluded. This analysis gives an operating margin of 10.1% in 2000 up from 9.4% in 1999.

SCOTLAND At present Scotland is by far our largest housing operation. It has been established the longest, has the greatest momentum and it continues to have exciting growth potential.

Our presence is well established throughout the main markets and our land bank, with 2,000 plots under our control with a planning status of zoned or better and a further 4,500 plots under option, underlines this strength.

Scotland produced 456 units (1999: 430 units) at an *average selling price of £112,000 (1999: £98,000)*.

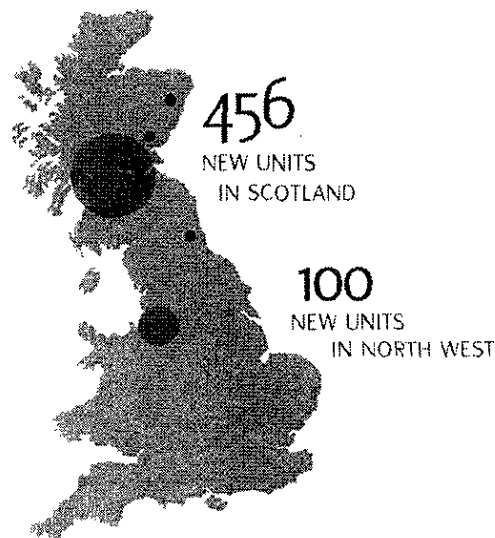
Our plan in the last few years has been to concentrate our activities on to larger sites in faster selling areas. As a result we developed on 12 sites, 4 fewer than 1999. Of these the major contributors in the Central belt were at Livingston, Stirling, Glasgow (Cambuslang and Robroyston), Larbert and Dunfermline plus strong sales in Aberdeen and Dundee.

Better space HOMES

An average selling price of £112,000 per unit

We are continuously striving to enhance our product. The range has been extended to include a slightly larger offering, the first of which has been successfully unveiled in Jordanhill (Glasgow). The rest of the range has also been subjected to a critical review covering both internal and external features to improve attractiveness and efficiency. The process continues and the first evidence of the new styles will begin to appear in the new year.

In Scotland all of our houses are constructed in timber frame giving improved energy efficiency. It is also a basis for introducing and extending the element of construction carried out in factory conditions. This in turn helps the drive for better quality and counteracts skills shortages while complementing our quest for even higher levels of customer care.



Better locations HOMES

Two NHBC awards at Larbert & Stirling

The efforts of the last few years on land acquisition have begun to bear fruit. We are in the course of acquiring significant sites in Glasgow (230 units), Hamilton (300 units), Kintore, Aberdeenshire (550 units) plus an extension to the very successful Larbert site (250 units). There is a shortage of quality locations with planning consents throughout the country and so these will provide the resource for future growth and the currency to obtain further outlets through swaps with other developers.

Our site teams' success in being awarded two NHBC awards at Larbert and Stirling was most welcome.

NORTH WEST ENGLAND Last year this region made a small loss but it has continued to gain strength since its start up a few years ago. The fact that it turned in a profit is a tribute to the efforts of the management team there, supported by Scottish personnel.

There were slightly fewer units sold in the year, 100 against 111 in 1999 giving turnover of £10.8m (1999: £9.8m) and average selling price of £108,000 (1999: £88,200).

The focus of the team in the North West is of course to grow the profits but especially through margin improvement. There is also a drive to increase volumes through extending their land bank although, for example as a result of planning delays, this is a slow process.

Four main sites - St Helens, Nantwich, Ashton and Caerwys - contributed to the year. Two new sites in good selling areas are forecast to come on stream in the current year at Crewe (130 units) and Alsager (38 units).

Throughout the year there was considerable effort directed towards improving competitiveness on build costs and this together with the strengthening of skills in the team has enabled them to be able to compete successfully in the area.

Better designs HOMES

100 units sold in North West

The introduction of new planning regulations in England, for example in what is known as PPG3, which affect among other things housing density, has produced a demanding environment of change.

PARTNERSHIP The Partnership division was launched last year with the objective of working with local authorities and housing associations to provide "affordable" homes on both a for sale and for rent basis.

A small experienced team has been working successfully to design suitable product and to tender competitively over the period. They have secured the first three sites, construction on which will be phased in during the autumn. Their first contribution to profit is anticipated during 2000/2001.

The Bett reputation and that of our team has allowed us to join with other developers in a number of consortia in Central Scotland. We are encouraged by the progress and potential in this division.

NORTH EAST ENGLAND The potential for successfully establishing a new region in North East England looks promising. We have acquired one site there and are actively securing more as a base for further geographic expansion.

Better ideas PROPERTIES

PROPERTIES The operating profit for Properties was £2.5m. The comparable result for 1999 was £2.25m which was supplemented by a further £2.25m from the Kingsway West project included in that year.

Much of our commercial property activity over the last several years has been conducted through successful joint ventures. This gives us a wider exposure to the market and enables the sharing of risks.

B & S Ventures is a long term business relationship which operates mainly in South East England. Several of its projects came to fruition during the year notably at Sidcup in Kent where following a successful planning strategy and the provision of enabling works, 15 acres were released for development. This allowed the development of a 90,000 ft² distribution depot for MFI together with other warehouse projects for a variety of other occupiers. The Sidcup site will continue to contribute in 2000/2001. Other B & S schemes completed during the year included Global House, Heathrow where the recently refurbished 10,000 ft² office building, having been let, was sold successfully, and Leatherhead where a 15,000 ft² office and storage facility was pre-sold to an owner occupier. B & S has also acquired the Rich Industrial Estate at Newhaven. It is proposed to improve the investment value of this estate with a view to a future sale.

In another joint venture Bett Properties completed the new 28,000 ft² headquarters for the Institute of Chartered Accountants of Scotland at Haymarket, Edinburgh. There is the potential for a further phase

on this site where there is a planning consent for an office building of 38,000 ft², providing another opportunity in the strong Edinburgh market.

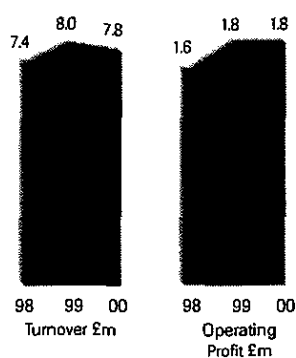
A new joint venture, funded by the Bank of Scotland, acquired a £30m portfolio consisting of 6 office properties in Birmingham, Milton Keynes, Watford, Runcorn, Egham and Camberley with a sound rental stream. Work is underway to re-negotiate a number of leases and improve the portfolio with the intention of resale into the institutional market.

The remaining units in our earlier Salisbury industrial development were disposed of during the year.

We have acquired 175 acres of development land at Bromsgrove near Birmingham with the intention of creating industrial and distribution opportunities. Infrastructure works will begin early in 2001. Other current projects include:

- Bridgend in Wales where, in a joint venture with the Ford Motor Company, we have development proposals on 60 acres of land adjacent to their production facility. Agreement has been reached with Lidl for a major distribution depot in what could be a 'pump priming' project.
- Newcastle, where we have secured 47 acres of land next to the A19, one of the main arterial routes, for warehousing and distribution development.
- Stobcross, Glasgow where we have been granted, at appeal, an outline residential consent for 198 units on the remaining four acres.

Better value INNS



INNS Operating profit was £1.77m (1999: £1.76m).

The main investment was the refurbishment of the bar and external areas of the Woodlands Hotel in Broughty Ferry which is part of our Dundee based portfolio of 3 hotels and 15 pubs – unchanged in the year.

Our trading is in large measure conditioned by the local Dundee economy and by local competition. Several new hotels opened during the year putting pressure on rates. We have positioned ourselves in the market a little above the 'lodge' segment where we provide a more convivial environment and better service, and where we remain local leaders in the function business.

We were of course affected by the competitive pressures. It is a tribute to the efforts of our team that they contained the pressure on hotel profits particularly when the 1999 comparatives included trade associated with the British Open Golf Championship being held nearby at Carnoustie.

Our pubs compensated. A successful year's trading was achieved by fresh marketing initiatives in our bistro bars and sensitive pricing in our pub outlets together with a culture in which performance is rewarded, costs are controlled tightly, and there is a strong focus on results.

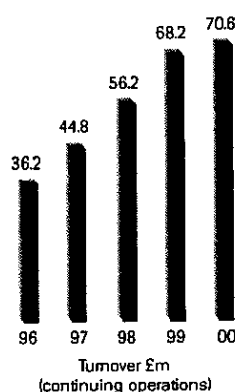
The challenge is to improve the hotel profits and achieve further progress in the bars. We are encouraged by the initial response to the improvements at the Woodlands Hotel, by the fact that we continue to ensure that all our properties are maintained in good condition and by the enthusiasm and commitment of our people.

We also continue our search for new opportunities.

Financial Review



Sandy Macrae, FINANCE DIRECTOR,
9 NOVEMBER 2000



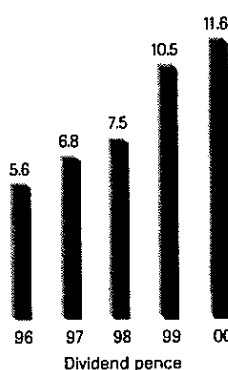
OPERATING RESULTS

In the year to 31 August 2000, the Group generated profits before tax of £8.12m compared with £9.37m in the previous year. As reported last year, the comparative figure included £2.25m from the successful disposal by our joint venture of part of the Kingsway West retail park in Dundee, and an exceptional profit of £0.35m from the disposal of the Dick Precast business. Allowing for these two transactions, the current year profits before tax of £8.12m are 20% higher than the previous year.

In our housebuilding business, profits before interest from continuing operations increased by 28% from £4.85m to £6.22m reflecting further growth in unit numbers and average selling prices in particular. Average selling prices increased by 16% and unit sales by 3%.

Profits before interest from our Inns business were maintained at £1.77m. The previous year included the benefit of the Open Golf Championship at Carnoustie which generated some additional business whereas the 'millennium' impact in the current year was more limited. In addition, the division had a new depreciation charge this year following the implementation of FRS15.

The Properties division generated profits before interest of £2.55m as against £4.5m in the previous year which, as previously highlighted, was boosted by the non-recurring profit of £2.25m from Kingsway West. A significant proportion of the current year's operating profits was generated by our joint venture companies and B&S Ventures in particular. This accounts for the low turnover recorded by the division in the segmental analysis in Note 3 as the reported figure excludes joint ventures.



INTEREST

Total interest charges in the year were £0.9m (1999 - £1.1m) and interest cover was 10 times, consistent with the previous year. The Group's borrowings bear interest at floating rates and the Group is therefore exposed to increases in the variable rate of interest. Opportunities to minimise or eliminate this risk are monitored on an ongoing basis, taking into account anticipated future interest rate movements and borrowing requirements.

TAXATION

The effective rate of tax for the year was 23% (1999 - 22%). The Group continues to benefit from significant tax losses which serve to reduce the effective rate of tax to 75% of the standard rate. The potential deferred tax asset in respect of the remaining trading losses of £14m has not been recognised.

EARNINGS AND DIVIDEND PER SHARE

Earnings per share reduced from 48.23p to 40.33p. After adjusting for the impact of Kingsway West and the sale of Dick Precast on last year's earnings, earnings per share have increased by 17%. The Board has recommended a final dividend of 8.25p making a total dividend for the year of 11.55p an increase of 10%. Dividend cover is 3.4 (1999 - 4.6).

Financial Review

In the year to 31 August 2000, the Group generated profits before tax of £8.1m. A significant investment in work in progress, which includes land for future development, was reflected in an increase in net debt of £6.6m.

CASHFLOW

A significant investment in work in progress, which includes land for future development, was reflected in an increase in net debt of £6.6m (1999 – decrease £5.8m), although the level of debt remains modest.

The principal movements were as follows:

	2000 £m	1999 £m
Operating profit	6.4	9.7
Investment in work in progress (net)	(9.2)	(1.5)
Disposal of subsidiary operation	–	1.1
Taxation	(1.8)	(1.9)
Dividends	(1.7)	(1.3)
All other	(0.3)	(0.3)
Net (increase)/decrease in net debt	(6.6)	5.8

The investment in work in progress reflects the continuing growth in the properties' and the house-building businesses in particular. A further £14m of expenditure on development land is included within accruals at the year end.

NET DEBT

At the end of the year, the Group had net debt of £3.0m (1999 – cash £3.6m) which represents gearing of 7%. Given the nature of the Group's business this is an unrepresentative position and gearing averaged 15% (1999 – 21%) during the year. The Group has negotiated bank facilities totalling £55m, including a revolving credit facility of £20m which is available until 31 October 2002, with the balance on overdraft facilities. The variable interest rate is broadly 1% above base rate and all bank covenants were complied with throughout the period.

RETURN ON CAPITAL

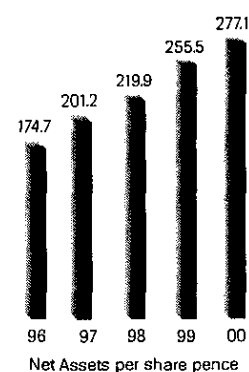
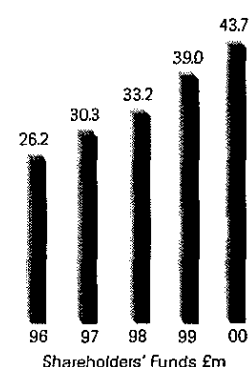
Total shareholders' funds at the end of the year amounted to £43.7m, an increase of £4.6m or 12%. This represents a net asset value of £2.77 per share (1999 – £2.55).

The total return on capital employed, based on the average of the net assets employed at the beginning and end of the year and profits before interest earned in the year, was 22% (1999 – 29%).

FRS15

During the year, the Accounting Standards Board issued a new standard – FRS15 'Tangible Fixed Assets' – which introduced a requirement to depreciate all buildings. Prior to the introduction of the standard, the Group, in line with many other companies, had not depreciated its hotels and public houses on the grounds that they were maintained to such a standard that residual values remained in line with original cost in real terms. The impact of the new standard is to increase the depreciation charge in the year by £50,000.

Following the introduction of FRS15, the Group's accounting policy in respect of Operating Properties has been changed from regular revaluations to non-revaluation. In accordance with the standard's transitional provisions, the Group has retained the previous property valuations but these will not be updated.



Board of Directors

EXECUTIVE

I C R Bett* Age 54. The son of the original chairman of Bett Brothers plc. Joined the Company in 1963 and was made a director in 1966. Became chairman and joint managing director in 1982 and on the appointment of Mr R G Hanna as chief executive in February 1992, became executive chairman. He is vice president of The Benevolent Society of the Licensed Trade of Scotland.

R G Hanna CA Age 58. Appointed as director and chief executive in February 1992. Formerly joint managing director of Gala plc, he is a non-executive director of Edinburgh High Income Trust plc and chairman of Glasgow Income Trust plc.

I T Townsend FRICS Age 51. Commenced employment in the Group in 1974 and was appointed a director of Bett Properties in 1981 and managing director in 1993. He was appointed to the Board of Bett Brothers plc in May 1989.

A M Macrae ACA Age 40. Joined the Company as group finance director in July 1998 from Inveresk plc where he was group financial controller and company secretary. Previously in senior financial position with Scottish & Newcastle plc.

A Anderson Age 49. Joined the Group in September 1996 as managing director of Bett Homes and was appointed to the Board of Bett Brothers plc on 1 September 1998. Formerly technical director with Beazer Homes Scotland.

NON-EXECUTIVE

G H Webster FRICS* Age 60. The senior independent director who was appointed as non-executive director in August 1992. A chartered surveyor, he is a non-executive director of a number of companies including The Scottish Friendly Assurance Society Limited and Forth Ports plc.

A H Macdiarmid* Age 64. Appointed as non-executive director in March 1996. A chartered accountant formerly an executive director of Coats Viyella plc, he is a non-executive director of a number of private companies and is vice-president of Euratex, the European textiles industry's representative organisation.

* Members of the Audit and Remuneration Committees.

Divisional Directors and Advisers

DIVISIONAL DIRECTORS

**HOUSEBUILDING AND
RELATED ACTIVITIES**

Scotland
D S Barlow
K Davidson
D J Hitchen
J M Kirkpatrick
appointed 5/9/00
S Lyon
K D Haldane
I C Baird

North west
N Uttley
D E Caldwell
appointed 5/9/00
S B Griffin
R D Law

PROPERTIES
D Robinson

PUBS AND HOTELS
G K Whiting

COMPANY SECRETARY
E R Mason FCA

REGISTERED OFFICE
Bett Brothers plc
9 Cox Street
Dundee DD3 9HA
Tel: 01382 884191
Fax: 01382 833918

**REGISTRARS AND
TRANSFER OFFICE**
Lloyds TSB
Registrars
117 Dundas Street
Edinburgh EH3 5ED

BANKERS

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

STOCKBROKERS

Bell Lawrie White
7 Drumsheugh Gardens
Edinburgh EH3 7QH

AUDITORS

Arthur Andersen
18 Charlotte Square
Edinburgh EH2 4DF

SOLICITORS

Dickson Minto WS
11 Walker Street
Edinburgh EH3 7NE

Directors' Report

The directors present their annual report on the affairs of the Group together with the accounts and auditors' report for the year ended 31 August 2000.

BUSINESS REVIEW

A review of the Group's principal business activities for the year ended 31 August 2000 is presented on pages 3 to 9. Group turnover and profit before interest are analysed in note 3.

RESULTS AND DIVIDENDS

	£000	£000
Group profit for the financial year		6,212
Dividends paid and proposed		
- interim paid of 3.3p per share (1999 - 3.0p per share)	(520)	
- final proposed of 8.25p per share (1999 - 7.5p per share)	(1,300)	(1,820)
Proposed transfer to retained profits		<u>4,392</u>

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, and their interests, are as shown in the Remuneration Report. Mr Ronald G Hanna and Mr Alistair H Macdiarmid retire by rotation and are eligible and willing to stand for re-election at the forthcoming annual general meeting. Mr Hanna has a service contract which may be terminated by the Company giving two years' notice. Mr Macdiarmid was appointed by a letter of appointment which subsists until he is required to retire by rotation.

SUBSTANTIAL SHAREHOLDINGS

On 9 November 2000, the following substantial interests in the Company's ordinary share capital were registered:

	Number of Shares	Percentage held
Mrs Irene W Bett	1,893,130	12.01%
Edinburgh Fund Managers plc	1,473,000	9.35%
Mrs Margaret F Bett	785,000	4.98%
Albert A Bett's Executry	552,760	3.51%

EXECUTIVE SHARE OPTION SCHEME

At the 1998 Annual General Meeting the Bett Brothers plc 1992 Executive Share Option Scheme was replaced with the Bett Brothers plc 1998 Executive Share Option Scheme comprising two parts, an Inland Revenue approved part and an unapproved part. The two parts are identical except where the Inland Revenue requirements for approval dictate otherwise, to ensure that the parts operate consistently wherever possible.

Date of Grant	Number of Options Outstanding at 31.8.99	Granted	Exercised	Lapsed	Number of Options Outstanding at 31.8.00	Option Price
11 January 1993	450,000	-	(450,000)	-	-	46p
9 December 1993	40,000	-	-	-	40,000	101p
2 December 1994	30,000	-	-	-	30,000	179p
7 December 1995	10,000	-	-	-	10,000	178p
9 December 1996	17,000	-	-	-	17,000	172p
5 December 1997	30,000	-	-	(20,000)	10,000	154p
17 May 1999	165,000	-	-	(20,000)	145,000	178.5p
18 November 1999	-	58,000	-	-	58,000	223.5p
	<u>742,000</u>	<u>58,000</u>	<u>(450,000)</u>	<u>(40,000)</u>	<u>310,000</u>	

Options under the Scheme are normally exercisable three years after the date of grant and for a period of seven years thereafter. Between 1 September 2000 and 9 November 2000, no options under the Scheme lapsed.

Directors' Report

SAVINGS RELATED SHARE OPTION SCHEME

The Bett Brothers plc Savings Related Share Option Scheme was approved by shareholders on 17 December 1993 and is approved under the Income and Corporation Taxes Act 1988. The following options have been granted under the scheme:

	Outstanding at 01.09.99	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31.08.00
Granted 15.02.94 at 97p					
Number of persons	4	–	(2)	(2)	–
Number of shares	31,296	–	(2,844)	(28,452)	–
Granted 09.01.97 at 132p					
Number of persons	24	–	(1)	(4)	19
Number of shares	56,439	–	(5,290)	(3,070)	48,079
Granted 08.01.98 at 129p					
Number of persons	22	–	(1)	(2)	19
Number of shares	69,792	–	(7,220)	(801)	61,771
Granted 23.12.98 at 116p					
Number of persons	46	–	(5)	(8)	33
Number of shares	187,226	–	(38,232)	(1,910)	147,084
Granted 21.12.99 at 187p					
Number of persons	–	50	(6)	–	44
Number of shares	–	120,527	(11,005)	–	109,522

Options under the Scheme are exercisable either during the period of six months following the completion of the related five year SAYE contract which is 1 April 1999, 1 March 2002, 1 March 2003, 1 April 2004 and 1 April 2005 respectively, or when employees have left the Company more than three years since the option grant date.

Between 1 September 2000 and 9 November 2000 the following options have lapsed or have been exercised:

	Lapsed	Exercised
Granted 08.01.98	5,883	–
Granted 23.12.98	17,411	335
Granted 21.12.99	4,149	–

PURCHASE OF OWN SHARES

The Company has authority to make market purchases of shares in the Company up to a maximum number of 1,530,721 shares. This authority expires on 16 March 2001 and renewal of this authority will be sought at the forthcoming annual general meeting.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 11 to the accounts.

The Group's interests in investment properties were valued on an open-market existing use basis as at 31 August 2000 and the resulting valuations have been incorporated in the accounts.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group contributed £2,900 (1999 – £2,005) to charities during the year. There were no political contributions in either year.

CORPORATE GOVERNANCE

The Company has complied with the provisions of the Code of Best Practice set out in section 1 of the Combined Code on Corporate Governance, other than where indicated below.

There are some practical difficulties for a company of this size in implementing all of the provisions. The Company has two non-executive directors whereas the Code recommends at least three based on a board comprising of seven directors; the non-executive directors are experienced and independent.

The Company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the principles have been applied is set out below and in the Remuneration Report.

Directors' Report

The principal responsibilities of the Board are to agree overall strategy and investment policy, to approve major capital expenditure, to monitor the performance of the senior management and to ensure that there are proper internal controls in place.

The Audit Committee is comprised of the two non-executive directors and the Chairman. 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.*

The Remuneration Committee is also comprised of the two non-executive directors and the Chairman. It keeps under review the scale and structure of remuneration of the executive directors and the terms of their service contracts. The Remuneration Report is presented on pages 18 to 20.

GOING CONCERN

On the basis of current financial projections and bank facilities available, the directors have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the accounts.

INTERNAL FINANCIAL CONTROL

The Board acknowledges ultimate responsibility for ensuring the Group has in place systems of internal financial control which are appropriate to the business.

No system of internal financial control can provide absolute assurance against material misstatement or loss.

The directors, however, believe that the systems of internal financial control do provide reasonable assurance that the assets of the Group are safeguarded, that transactions are properly authorised and recorded and that material errors or irregularities are either prevented or would be detected within a reasonable timescale.

The internal financial control procedures operate within a clearly defined divisional structure. Each division assesses the business risks involved and develops procedures appropriate to these risks. The key procedures which have been developed can be described under the following headings:

Organisational Structure The Group has a management structure designed to provide the shortest lines of communication, with each division having its own management team. The Board is represented on each of the divisional management teams.

Financial Reporting The Group has a comprehensive system for reporting and monitoring divisional performance. Budgets are prepared by each division and, following a Group review, are considered and adopted by the Board. Forecasts are prepared and updated quarterly and are routinely reported at Board meetings.

Operating Division Controls The Group has appropriate internal financial controls and approval procedures within each division.

The purchase of land and other major capital expenditure require the authorisation of the Board. Agreed levels of authorisation for land purchases and capital expenditure are delegated to the Chief Executive and these levels are reviewed from time to time. Projects in excess of the agreed limits require prior Board approval.

Other Key Functions The Group's other key functions including insurance, taxation, finance, treasury, secretarial and legal are all handled centrally and periodically reported to the Board.

The directors reviewed the effectiveness of the systems of internal financial control during the year and the period to the date of approval of the financial statements. No material weaknesses in internal financial controls were identified. As permitted by The London Stock Exchange, the Company has complied with Code Provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance on internal control and financial reporting issued in December 1994. In respect of the application of Code Principle D.2, the Board has adopted the transitional approach as permitted by The London Stock Exchange and has established the procedures necessary to implement the guidance.

Directors' Report

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 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 Group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting, to be held at 1.00pm on Wednesday 20 December 2000 at 9 Cox Street, Dundee, is contained in a separate letter from the Chairman accompanying this annual report.

DISABLED EMPLOYEES

The aims of the Manpower Services Commission "Code of Good Practice on the Employment of Disabled People" campaign form the basis of Group policy. Disabled persons are given equal opportunity and encouragement as far as recruitment, training, personal development and promotion are concerned.

SUPPLIER PAYMENT POLICY

It is the Company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are made aware of these terms and to abide by them. At 31 August 2000, there was the equivalent of 50 days purchases outstanding.

ENVIRONMENTAL POLICY

The Group keeps itself informed of all legislation, regulations and Codes of Practice on environmental matters that are relevant to its operations. It makes best endeavours to ensure that its personnel are aware of and adequately instructed in the requirements of this legislation, and takes all other reasonable actions to ensure compliance.

EMPLOYEE CONSULTATION

Communication of information to employees is achieved through trade union representatives, consultative meetings and Company notices.

AUDITORS

The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

CAPITAL GAINS TAX

The middle market quotation of the 20p ordinary shares at 31 March 1982 was 52.5p.

By order of the Board



E R Mason, SECRETARY
9 NOVEMBER 2000



Remuneration Report

As well as complying with the provisions of the Code as disclosed in the Company's corporate governance statements, the Company has applied the Principles of Good Governance relating to directors' remuneration as described below. For completeness of presentation this report covers the remuneration of the non-executive as well as the executive directors, and also related matters such as the interests of the directors in the Company's shares. It therefore covers issues which are the concern of the Board as a whole in addition to those which are dealt with by the Remuneration Committee.

COMPOSITION

The Remuneration Committee is appointed by the Board and is composed of the two non-executive directors, Graham H Webster (Remuneration Committee Chairman) and Alistair H Macdiarmid, and Iain C R Bett (Executive Chairman of the Board). The Board considers that the remuneration received by Iain Bett as Board Chairman does not materially influence his judgement as a member of the Remuneration Committee. His salary and benefits are determined by the two non-executive directors and Mr Bett is not present for these discussions. No discretionary bonus is paid to Mr Bett, and he does not receive any options under any executive share option scheme.

The non-executive directors do not hold any share options, nor participate in any bonus or pension schemes; they have no personal interest in the matters to be decided other than as shareholders and no day-to-day involvement in running the businesses of the Group. Their fees are determined at an annual meeting of the directors.

Apart from the requirement that Remuneration Committees should consist exclusively of non-executive directors, the constitution and operation of the Remuneration Committee comply with the Principles of Good Governance relating to directors' remuneration.

REMUNERATION POLICY

The basic objectives of the Remuneration Committee's policies are that executive directors should receive compensation which is appropriate to their level of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. The Committee also agrees, in consultation with Ronald G Hanna, Chief Executive, the principles underlying remuneration for other senior executives.

DIRECTORS' REMUNERATION

	Salary/ Fees £000	Benefits £000	Bonuses and PRP £000	Total Excluding Pensions £000	1999 £000	Money Purchase Pension Contributions 2000 £000	1999 £000
Iain C R Bett (Chairman)	100	16	1	117	115	-	-
Ronald G Hanna (Chief Executive)	145	16	74	235	229	66	64
Ian T Townsend (Executive Director)	106	10	19	135	139	-	-
Alexander M Macrae (Executive Director)	76	13	24	113	109	3	3
Alexander Anderson (Executive Director)	94	12	45	151	146	-	-
Graham H Webster (Non-Executive Director)	17	-	-	17	16	-	-
Alistair H Macdiarmid (Non-Executive Director)	13	-	-	13	13	-	-
	551	67	163	781	767	69	67

Basic Salary The salary of individual executive directors is reviewed at 1 September each year. Account is taken of individual achievements, any change in responsibilities that may have occurred and the salaries for similar roles in comparable companies.

Benefits Certain executive directors receive taxable benefits comprising car, fuel, telephone and healthcare. Under long-standing contractual arrangements, taxable benefits for Iain C R Bett and Ian T Townsend are pensionable.

Remuneration Report

Bonuses and Profit Related Pay Payments under discretionary bonus and profit related pay schemes for the executive directors are conditional on the achievement of operating profit and specific performance targets.

Profit Related Pay is pensionable whereas discretionary bonuses are not, with the exception of bonuses paid to Ronald G Hanna; this is a long-standing contractual arrangement and unlikely to be repeated in future appointments.

Pensions Executive directors joining the Company prior to 1 September 1997 were entitled to become members of the Group's contributory defined benefit pension scheme or, if preferred, to receive payment of a proportion of salary into a personal money purchase pension scheme. Executive directors joining the Company after 1 September 1997 are entitled to join the Group's personal pension money purchase scheme and receive payment of a proportion of salary into the scheme. The Group's defined benefit pension scheme is designed to provide a pension of one sixtieth of final pensionable salary for each year of completed pensionable service. The pension contributions shown in the table above reflect the actual payments made for those directors who are not members of the Group's defined benefit pension scheme. The following directors had accrued entitlements under the Group's defined benefit scheme as follows:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	Accrued pension 31 August 2000 £000	Accrued pension 31 August 1999 £000
Iain CR Bett	3	28	59	56
Ian T Townsend	4	39	50	46
Alexander Anderson	2	9	6	4

The pension entitlement shown is that which would be paid annually from normal retirement based on service to the end of the year under review.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less director's contributions.

Members of both schemes have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

Share Options The Committee believes that share ownership by executive directors and senior executives strengthens the link between their personal interest and those of the shareholders. The Group operates an Executive Share Option Scheme which comprises of an Inland Revenue approved part and an Inland Revenue unapproved part. The most recent grants of options to executive directors were on 18 November 1999. The Remuneration Committee has initially set a performance condition of options normally only being exercisable if the growth of the Company's earnings per share at least matches the growth in the Retail Prices Index plus 9 per cent over a three year period.

DIRECTORS AND THEIR INTERESTS

The directors who held office at 31 August 2000 and their beneficial interests in the ordinary shares of Bett Brothers plc were as follows:

	Number of Shares 31 August 2000	Number of Shares 31 August 1999
Iain C R Bett	3,181,276	3,167,050
Ronald G Hanna	1,028,018	563,792
Ian T Townsend	65,389	65,389
Alexander M Macrae	-	-
Alexander Anderson	21,000	21,000
Graham H Webster	57,200	53,700
Alistair H Macdiarmid	20,000	20,000

Iain C R Bett has a non-beneficial interest in 10,000 shares (1999 - 10,000). In addition, he is an executor of Albert A Bett's Estate (1999 - same) and this non-beneficial interest is described on Page 14.

Remuneration Report

There were no movements in the interest of directors between 1 September 2000 and 9 November 2000.

The following directors have interests in options under the Executive Share Option Scheme:

	Number of Options				At 31.08.00	Exercise Price	Date from which Exercisable	Expiry Date
	At 01.09.99	Granted In Year	Lapsed In Year	Exercised In Year				
Ronald G Hanna	450,000	-	-	450,000*	-	46p	11.01.96	11.01.03
Ian T Townsend	25,000	-	-	-	25,000	101p	09.12.96	09.12.03
	10,000	-	-	-	10,000	179p	02.12.97	02.12.04
	25,000	-	-	-	25,000	178.5p	17.05.02	17.05.09
Alexander M Macrae	15,000	-	-	-	15,000	178.5p	17.05.02	17.05.09
	-	10,000	-	-	10,000	223.5p	18.11.02	18.11.09
Alexander Anderson	17,000	-	-	-	17,000	172p	09.12.99	09.12.06
	25,000	-	-	-	25,000	178.5p	17.05.02	17.05.09
	-	18,000	-	-	18,000	223.5p	18.11.02	18.11.09

* Options exercised on 8 June 2000 when the mid-market price was 203p, a gain of £706,500.

The mid market price of the shares at 31 August 2000 was 201.5p and the range during the year was 182.5p to 240.0p.

In addition to the above, executive directors have an interest in a Savings Related Share Option Scheme which was introduced in 1994. Under this scheme, the maximum number of shares over which the directors have options are:

	Number of Options	Exercise Price
Ian T Townsend	9,024	187p
Alexander Anderson	13,310	129p-132p

On 25 October 1999 Iain C R Bett and Ronald G Hanna were both issued 14,226 shares following exercise of options pertaining to the Savings Related Share Option Scheme at an option price of 97p. The mid-market price of the shares on that date was 209p, a gain for each director of £15,933.

No directors had any interest in contracts with the Group.

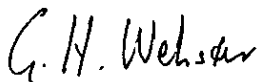
EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

The notice period for executive directors is two years with the exception of Alexander M Macrae and Alexander Anderson who have a one year notice period. The Committee is aware that the terms of certain contracts are longer than the one year recommended by the Principles of Good Governance, but it considers them appropriate having regard to established practice in the market place and is necessary to enable the Company to attract and retain the highest calibre of management.

OUTSIDE APPOINTMENTS

Subject to Board approval, executive directors may serve as non-executive directors on the boards of other companies and may retain remuneration from such appointments.

On behalf of the Board



Graham H Webster, CHAIRMAN, Remuneration Committee
9 NOVEMBER 2000

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Consolidated Profit and Loss Account For the year ended 31 August 2000
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	Notes	2000 £000	1999 £000
Group turnover including share of joint ventures		81,008	78,322
Share of joint ventures turnover		(7,924)	(7,215)
Group turnover	3	73,084	71,107
Cost of sales		(61,108)	(57,822)
Gross profit		11,976	13,285
Management fee from joint venture		-	1,925
Other operating expenses (net)	4	(5,572)	(5,509)
Operating profit		6,404	9,701
Share of operating profit in joint ventures		2,587	378
Profit on sale of subsidiary operation		-	350
Profit on ordinary activities before interest	3	8,991	10,429
Interest payable (net)	5	(876)	(1,060)
Profit on ordinary activities before taxation	6	8,115	9,369
Tax on profit on ordinary activities	8	(1,903)	(2,061)
Profit for the financial year		6,212	7,308
Dividends paid and proposed	9	(1,820)	(1,606)
Retained profit for the year	18	4,392	5,702
Earnings per ordinary share – Basic	10	40.33p	48.23p
– Diluted	10	39.93p	46.83p

Consolidated Statement of Total Recognised Gains and Losses For the year ended 31 August 2000

	2000 £000	1999 £000
Profit for the financial year	6,212	7,308
Unrealised deficit on revaluation of property	-	(15)
Total recognised gains and losses for the financial year	6,212	7,293

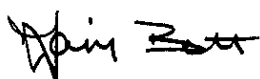
Consolidated Note of Historical Cost Profits and Losses For the year ended 31 August 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	8,115	9,369
Realisation of property gains from previous years	154	717
Historical cost profit on ordinary activities before taxation	8,269	10,086
Historical cost profit for the year retained after taxation and dividends	4,546	6,419

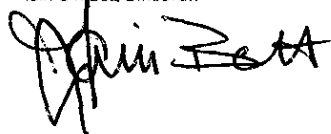
Consolidated Balance Sheet At 31 August 2000
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	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	12,887	13,052
Investments			
Joint ventures - share of gross assets		20,523	4,613
- share of gross liabilities		(18,056)	(3,898)
	12	2,467	715
		15,354	13,767
Current assets			
Stocks	13	55,562	35,718
Debtors	14	6,003	4,121
Cash at bank and in hand		-	3,608
		61,565	43,447
Creditors			
Amounts falling due within one year	15	(32,894)	(17,842)
Net current assets		28,671	25,605
Total assets less current liabilities		44,025	39,372
Provisions for liabilities and charges	16	(351)	(331)
Net assets	3	43,674	39,041
Capital and reserves			
Called-up equity share capital	17	3,152	3,056
Share premium	18	362	217
Revaluation reserve	18	2,392	2,546
Profit and loss account	18	37,768	33,222
Equity shareholders' funds	18	43,674	39,041

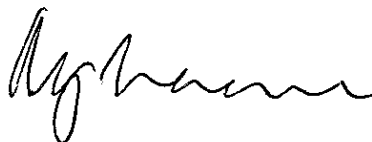
The financial statements on pages 22 to 37 were approved by the Board on 9 November 2000 and signed on its behalf by:



Iain C R Bett, DIRECTOR



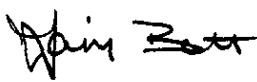

Ronald G Hanna, DIRECTOR



Company Balance Sheet At 31 August 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	12,877	13,042
Investments	12	764	580
		13,641	13,622
Current assets			
Stocks	13	55,553	35,709
Debtors	14	7,804	5,922
Cash at bank and in hand		-	3,608
		63,357	45,239
Creditors			
Amounts falling due within one year	15	(32,894)	(17,842)
Net current assets		30,463	27,397
Total assets less current liabilities		44,104	41,019
Provisions for liabilities and charges	16	(351)	(331)
Net assets		43,753	40,688
Capital and reserves			
Called-up equity share capital	17	3,152	3,056
Share premium	18	362	217
Revaluation reserve	18	310	324
Profit and loss account	18	39,929	37,091
Equity shareholders' funds		43,753	40,688

The financial statements on pages 22 to 37 were approved by the Board on 9 November 2000 and signed on its behalf by:



Iain C R Bett, DIRECTOR



Ronald G Hanna, DIRECTOR




Consolidated Cash Flow Statement For the year ended 31 August 2000
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	Notes	2000 £000	1999 £000
Net cash inflow/(outflow) from operating activities	19	(2,412)	8,364
Interest paid		(594)	(1,058)
UK corporation tax paid		(1,775)	(1,864)
Capital expenditure and financial investment	20	(178)	321
Disposals/(acquisitions)	20	(184)	1,150
Equity dividends paid		(1,668)	(1,272)
Cash inflow/(outflow) before financing		(6,811)	5,641
Financing	20	224	158
Increase/(decrease) in cash in the year		(6,587)	5,799

Reconciliation and Analysis of Net Debt

	2000 £000	1999 £000
Increase/(decrease) in cash in the year	(6,587)	5,799
Cash outflow from decrease in debt and lease financing	17	33
Movement in net debt in year	(6,570)	5,832
Net cash/(debt) at beginning of year	3,591	(2,241)
Net cash/(debt) at end of year	(2,979)	3,591
	2000 £000	1999 £000
Cash at bank and in hand/(overdraft)	(2,979)	3,608
Finance leases and hire purchase contracts	-	(17)
Net cash/(debt) at end of year	(2,979)	3,591

Notes to the Accounts For the year ended 31 August 2000
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1. STATEMENT OF ACCOUNTING POLICIES

A summary of the Group's principal accounting policies is set out below. The accounting policies have been applied consistently throughout the year and with the preceding year, except for the implementation of FRS15 on Fixed Asset accounting. The impact of this FRS is explained on page 11. Compliance with FRS16 on Current Tax has not resulted in any material changes to the Group's principal accounting policies.

A – basis of accounting The accounts are prepared in accordance with applicable accounting standards under the historical cost convention, modified to reflect the revaluation of certain fixed assets.

B – basis of consolidation The Group accounts consolidate the accounts of Bett Brothers plc and its subsidiary undertakings made up to 31 August 2000. The acquisition method of accounting has been adopted. Goodwill arising on acquisitions in the year ended 31 August 1999 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

In the Company's accounts, investments in subsidiary undertakings and joint ventures are stated at cost less amounts written-off. Only dividends received and receivable are credited to the Company's profit and loss account.

C – tangible fixed assets

(i) Basis of valuation

Investment Properties are defined in line with SSAP 19 as interests in properties held for investment potential and these properties are revalued every five years by independent, professionally-qualified valuers.

Development Properties are defined as those properties in respect of which construction and development have not been completed at the balance sheet date and are classified as work in progress within stock until sold.

Operating Properties comprise all other properties used in the Group's operations, other than Investment and Development Properties. Prior to the adoption of FRS15 in the year ended 31 August 2000, Operating Properties were regularly revalued and any net surpluses were taken to the revaluation reserve. Since the adoption of FRS15, the group policy has been not to revalue these properties. The transitional provisions of FRS15 have been applied and, while previous valuations have been retained, they have not been updated. Surpluses from prior valuations will continue to be reflected in the accounts and details of the last revaluations are given in note 11.

All other operating fixed assets are shown at cost.

(iii) Depreciation

Fixed assets are depreciated on a straight line basis to their estimated residual values over their useful lives as follows:

Freehold land and investment properties	- not depreciated
Freehold buildings	- 50 years
Plant, vehicles and equipment	- 3-10 years

Notes to the Accounts For the year ended 31 August 2000
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1. STATEMENT OF ACCOUNTING POLICIES – continued

D – investments Fixed asset investments are shown at cost less amounts written-off and provisions for impairment. Provisions are made for permanent reductions in value. Income is included (together with the related tax credit) in the consolidated accounts of the year in which it is receivable, for both fixed and current asset investments.

E – interests in joint ventures Joint ventures are entities in which a Group company has a participating interest and over whose operating and financial policy it exercises a significant influence. These investments are dealt with by the gross equity method of accounting with any net deficits disclosed as provisions for liabilities and charges, except where the Group has a stated policy not to provide additional support to a joint venture.

F – stocks Stocks, which include land for development, are stated at the lower of cost and net realisable value.

G – taxation Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided on significant timing differences where it is likely that a liability or asset will crystallise.

H – turnover Group turnover is stated net of VAT and intra-group transactions and includes:

- Sales of development properties
- Apportioned estimated proceeds where development profits are recognised in stages
- Legally completed house sales.

I – revaluation reserve Surpluses or deficits arising on the revaluation of individual tangible fixed assets are transferred to a non-distributable reserve known as the revaluation reserve. Permanent revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset are charged to the profit and loss account. On the disposal of a revalued fixed asset any remaining revaluation surplus corresponding to the item is transferred to revenue reserves with the gain in excess of the revaluation taken to the profit and loss account.

2. HOLDING COMPANY PROFIT AND LOSS ACCOUNT

The Company has taken advantage of the exemption in s.230 of the Companies Act 1985 not to present its own profit and loss account. The profit after taxation dealt with in the parent company's profit and loss account amounted to £4,644,000 (1999 – £7,354,000).

Notes to the Accounts For the year ended 31 August 2000

3. SEGMENTAL INFORMATION

Group turnover, profit before interest and net assets by segment are as follows:

	Turnover		Profit before interest		Net assets	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
Housebuilding	61,901	51,781	6,220	4,851	24,853	23,154
Inns	7,844	7,986	1,774	1,763	11,473	11,139
Property	814	8,437	2,547	4,503	12,632	3,712
Discontinued activities*	2,525	2,903	(4)	264	(240)	67
Profit on sale of business	-	-	-	350	-	-
Central costs	-	-	(1,546)	(1,302)	-	-
Cash/(borrowings)	-	-	-	-	(2,979)	3,591
Unallocable†	-	-	-	-	(2,065)	(2,622)
Group total	73,084	71,107	8,991	10,429	43,674	39,041

* Discontinued activities comprise the Dick Precast and Pitkerro Plumbing (see note 12) operations which were sold on 31 August 1999 and 1 September 2000 respectively.

† Unallocable comprises taxation and proposed dividend balances.

4. OTHER OPERATING EXPENSES (NET)

	2000 £000	1999 £000
Selling and marketing costs	475	304
Administrative expenses	5,534	5,580
	6,009	5,884
Other operating income	(437)	(375)
	5,572	5,509

5. INTEREST PAYABLE (NET)

	2000 £000	1999 £000
Interest receivable		
Bank deposits	(10)	(9)
Interest payable and similar charges		
Bank loans and overdrafts	601	944
Finance leases and hire purchase contracts	-	1
Share of joint ventures	285	124
	886	1,069
Interest payable (net)	876	1,060

Notes to the Accounts For the year ended 31 August 2000

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £000	1999 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	415	402
Gain on sale of tangible fixed assets	(72)	(270)
Hire of plant and machinery	714	720
Operating leases - plant and machinery	371	355
- other	293	309
Auditors' remuneration - audit only	52	50
- non audit services	35	20
Rental income	(375)	(414)

7. STAFF COSTS

	2000 £000	1999 £000
Particulars of employees (including executive directors) are shown below:		
Employee costs during the year amounted to:		
Wages and salaries	7,361	7,429
Social security costs	636	588
Other pension costs	547	417
	8,544	8,434

	2000 Number	1999 Number
The average monthly number of persons employed by the Group during the year was as follows:		
Housebuilding and related activities	220	246
Pubs and hotels	232	232
Property investment and development	4	4
	456	482

Details of directors' remuneration are included in the Remuneration Report.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
The tax charge is based on the profit for the year and comprises:		
Corporation tax - current year at 30% (1999 - 30%)	1,371	1,986
- prior years	(151)	(184)
Corporation tax on share of profit from joint ventures	663	69
Deferred taxation arising from capital allowances - current year	(81)	43
- prior years	101	147
	1,903	2,061

Notes to the Accounts For the year ended 31 August 2000

9. DIVIDENDS PAID AND PROPOSED

	2000 £000	1999 £000
Ordinary:		
Interim paid 3.30p per share (1999 – 3.00p per share)	520	458
Final proposed 8.25p per share (1999 – 7.50p per share)	1,300	1,148
	1,820	1,606

10. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per share are calculated as follows:

	2000 £000	1999 £000
Profit for the financial year	6,212	7,308
Weighted average number of shares:	2000 Number	1999 Number
For basic earnings per share	15,402,232	15,151,234
Effect of exercise of share options	155,615	453,278
For diluted earnings per share	15,557,847	15,604,512

11. TANGIBLE FIXED ASSETS**GROUP**

(a) The movement in the year was as follows:

	Investment Properties £000	Operating Properties £000	Plant Vehicles and Equipment £000	Total £000
Cost or Valuation				
Beginning of year	578	11,551	3,464	15,593
Additions	–	237	238	475
Disposals	(224)	–	(1)	(225)
End of year	354	11,788	3,701	15,843
Depreciation				
Beginning of year	–	166	2,375	2,541
Charge	–	59	356	415
End of year	–	225	2,731	2,956
Net book value 1999	578	11,385	1,089	13,052
Net book value 2000	354	11,563	970	12,887
Leased assets included above:				
Net book value 1999	–	–	17	17
Net book value 2000	–	–	3	3

Notes to the Accounts For the year ended 31 August 2000

11. TANGIBLE FIXED ASSETS - continued**(b) Basis of Valuation**

Plant, vehicles and equipment are shown at cost. Investment Properties were valued at 31 August 2000 and 1999 on the basis of open-market value and existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Mr ITownsend, FRICS, a director of Bett Brothers plc. The valuations have been incorporated in the accounts. The valuation of Investment Properties exceeds their cost by £197,539 (1999 - £351,668).

Operating Properties were last revalued on 31 August 1999. In accordance with the transitional provisions of FRS15 these valuations have not been updated.

(c) The original cost, and aggregate depreciation based on cost, of operating properties included at valuations is as follows:

	2000 £000	1999 £000
Original cost	9,750	9,514
Depreciation based on cost	(103)	(54)
	9,647	9,460

COMPANY

With the exception of freehold investment properties costing £10,000 which are owned by a subsidiary undertaking and which have been held throughout the year, all of the Group's fixed assets are held by the Company.

12. FIXED ASSET INVESTMENTS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
The following are included in the net book value of fixed asset investments:				
Subsidiary undertakings	-	-	224	224
Joint ventures	2,463	711	534	350
Other investments	4	4	6	6
	2,467	715	764	580

Principal Group Investments

Investments which are not significant are not included in the list given below since their inclusion would result in a statement of excessive length.

	Country of operation	Principal activity
Principal Subsidiary Undertakings:		
Bett Homes Limited	Scotland	Housebuilding
Bett Homes (Northern) Limited	England	Housebuilding
Bett Partnerships Limited	Scotland	Social housing
Bett Properties Limited	Scotland	Property development and trading
Bett Inns Limited	Scotland	Hotels and public houses
Principal Joint Ventures (all 50%):		
B & S Ventures Limited*	UK	Property development and trading
Haymarket Court Limited	Scotland	Property development
Kingsway West Development Limited*	Scotland	Property development
Thistlestone Estates Limited	Scotland	Property development and trading

* Investments held by Bett Properties Limited

Notes to the Accounts For the year ended 31 August 2000

12. FIXED ASSET INVESTMENTS – continued

All of the principal subsidiary undertakings are wholly-owned agents of Bett Brothers plc, which is incorporated in Scotland. All Group companies have an accounting reference date of 31 August, with the exception of Haymarket Court Limited which prepares accounts to 31 July.

Joint Ventures

The Group has gross equity accounted for its investments in B&S Ventures Limited, Kingsway West Development Limited, Haymarket Court Limited and Thistlestone Estates Limited as follows:

	2000 £000	1999 £000
At beginning of year	711	526
Share of retained profit	1,568	185
Cost of investment	184	-
At end of year	2,463	711

The Group has not equity accounted for its share of the net deficit of Guild Base Properties Limited, a joint venture between Bett Properties Limited and R.H. Edmondson Properties Limited, as the directors do not consider it necessary to provide any further financial support. The borrowings of Guild Base Properties Limited are non-recourse to the Group. The accounts of Guild Base Properties Limited at 31 August 2000 show gross assets of £1.3m offset by gross liabilities of £4.0m.

Acquisition of Joint Venture

In June 2000, the Group acquired 50% of Thistlestone Estates Limited, a newly established joint venture company. The new company then acquired Talisker Two Limited, which controls a property portfolio in England. The total cost of this investment was £184,000.

Sale of Pitkerro Plumbing Operation

On 1 September 2000, the business and trading assets of the Pitkerro Plumbing operation were sold to the existing management team. The total cash consideration comprised the net asset value at 1 September 2000 plus goodwill.

Notes to the Accounts For the year ended 31 August 2000

13. STOCKS

The following amounts are included in the net book value of stocks:

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
Raw materials and consumables	23	19	23	19
Work-in-progress	53,206	32,509	53,197	32,500
Finished goods and goods for resale	2,333	3,190	2,333	3,190
	55,562	35,718	55,553	35,709

Work-in-progress includes property developments stated at £6,381,646 (1999 - £1,661,829). Due to the special nature of the Group's stocks the directors believe it would be misleading to quote a replacement value.

14. DEBTORS

The following amounts are included in the net book value of debtors:

	2000 £000	Group 1999 £000	2000 £000	Company 1999 £000
Amounts falling due within one year:				
Trade debtors	890	497	844	384
Amounts owed by subsidiary undertakings	-	-	1,907	1,907
Amounts owed by joint ventures	3,306	1,566	3,246	1,506
VAT	70	239	70	306
Other debtors	1,160	900	1,160	900
Prepayments and accrued income	515	806	515	806
	5,941	4,008	7,742	5,809
Amounts falling due after more than one year:				
Amounts recoverable under contracts	62	113	62	113
	6,003	4,121	7,804	5,922

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year:

	2000 £000	Group and Company 1999 £000
Obligations under finance leases	-	17
Bank overdraft	2,979	-
Trade creditors	7,370	7,377
Amounts owed to joint ventures	5	16
Corporation tax payable	415	970
Social security and PAYE	213	180
Proposed dividends	1,300	1,148
Accruals and deferred income	20,612	8,134
	32,894	17,842

Notes to the Accounts For the year ended 31 August 2000

16. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax has been provided to the extent that the directors have concluded on the basis of reasonable assumptions and the intention of management that it is probable that part of the liability will crystallise.

	Group and Company	
	2000 £000	1999 £000
The movement on deferred taxation comprises:		
Beginning of year	331	141
Charged to profit and loss account	20	190
End of year	351	331

All of the deferred taxation relates to excess capital allowances. The potential deferred tax asset relating to trading losses of £14m (1999 - £15m) has not been recognised in the Group accounts.

17. CALLED-UP EQUITY SHARE CAPITAL

	2000 £000	1999 £000
Authorised:		
16,500,000 ordinary shares of 20p each	3,300	3,300
Allotted, called-up and fully paid:		
15,761,978 ordinary shares of 20p each (1999 - 15,277,745)	3,152	3,056

During the year 484,233 shares were issued (1999 - 195,451) giving rise to a share premium of £145,053 (1999 - £151,314).

Details of options granted and exercised under the Bett Brothers plc Executive Share Option and Savings Related Share Option Schemes are given in the Directors' Report.

18. RESERVES

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Distributable: profit and loss account	37,768	33,222	39,929	37,091
Non-distributable: revaluation reserve	2,392	2,546	310	324
share premium	362	217	362	217
Total reserves	40,522	35,985	40,601	37,632

The total goodwill previously written off against reserves amounted to £89,497 (1999 - £89,497).

GROUP

	Share Premium £000	Revaluation Reserve £000	Profit and Loss Account £000
Beginning of year	217	2,546	33,222
Share issues	145	-	-
Realised revaluation surplus	-	(154)	154
Retained profit for the year	-	-	4,392
End of year	362	2,392	37,768

Notes to the Accounts For the year ended 31 August 2000

18. RESERVES – continued**COMPANY**

	Share Premium £000	Revaluation Reserve £000	Profit and Loss Account £000
Beginning of year	217	324	37,091
Share issues	145	–	–
Realised revaluation surplus	–	(14)	14
Retained profit for the year	–	–	2,824
End of year	362	310	39,929

No deferred tax has been provided in respect of the revaluation reserve, since the directors consider that no liability to tax will arise in the foreseeable future.

Reconciliation of movements in consolidated shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	6,212	7,308
Dividends	(1,820)	(1,606)
Retained profit for the year	4,392	5,702
<i>Other recognised deficits in the year</i>	–	(15)
Issue of ordinary share capital	241	191
Net addition to shareholders' funds	4,633	5,878
Opening shareholders' funds	39,041	33,163
Closing shareholders' funds	43,674	39,041

19. NOTES TO CASH FLOW STATEMENT

	2000 £000	1999 £000
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:		
Operating profit	6,404	9,701
Depreciation	415	402
Gain on sale of fixed assets	(72)	(270)
Increase in stock net of provisions	(19,844)	(149)
Increase in debtors	(1,882)	(1,579)
Increase in creditors	12,567	259
Net cash inflow/(outflow) from operating activities	(2,412)	8,364

Notes to the Accounts For the year ended 31 August 2000

20. ANALYSIS OF CASH FLOWS

	2000 £000	1999 £000
Capital expenditure and financial investment		
Sale of tangible fixed assets	297	1,180
Purchase of tangible fixed assets	(475)	(859)
Net cash inflow/(outflow)	(178)	321
Disposals/(acquisitions)		
Sale of business and assets	-	1,150
Purchase of 50% interest in joint venture	(184)	-
Net cash inflow/(outflow)	(184)	1,150
Financing		
Issue of ordinary share capital	241	191
Capital element of finance lease rental payments	(17)	(33)
Net cash inflow	224	158

21. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**(a) Capital and Related Commitments**

At the end of the year there were no capital or related commitments which had been contracted but not provided for in either the Company or the Group (1999 - nil).

(b) Contingent Liabilities

The Company has granted various performance bonds and guarantees under the normal course of business which totalled £215,000 (1999 - £185,000) at the end of the year.

Notes to the Accounts For the year ended 31 August 2000

21. GUARANTEES AND OTHER FINANCIAL COMMITMENTS – continued

(c) Lease Commitments

The Group has entered into non-cancellable operating leases in respect of plant and machinery. The total annual rental (including interest) for 2000 was £371,395 (1999 – £355,458), all of which was applicable to the Company. The Group may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental. In addition, the Group leases certain land and buildings on short and long-term leases. The annual rental on these leases was £156,500 (1999 – £309,132), all of which was applicable to the Company. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays for all insurance, maintenance and repairs of these properties.

The minimum annual rentals under the foregoing operating leases are as follows:

	Land and buildings		Plant and machinery	
	2000 £000	1999 £000	2000 £000	1999 £000
Operating leases which expire:				
within one year	–	–	35	59
within two to five years	–	41	319	246
after five years	109	264	–	–
	109	305	354	305

22. PENSION ARRANGEMENTS

The Group operates two pension schemes, one providing benefits based on final pensionable pay and the other providing benefits from contributions paid into a Group Personal Pension Plan.

The assets of the former scheme are held separately from those of the Group, being invested by professional investment managers. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 1 September 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and to the rate of increase in pay. It was assumed that the investment returns would be 1.75% per annum higher than the growth in pensionable pay. The actuarial valuation at 1 September 1999 showed that the market value of the assets held in trust under the pension arrangements aggregated £12.3m and that the actuarial value of those assets represented 97% of the benefits that had accrued to members, after allowing for expected future increases in pay. The deficit is being spread evenly over a 10 year period from the valuation date by an increase in the contribution rate expressed as a fixed amount per annum. With effect from 1 January 1993 a common normal pension age applies to all members of the scheme. The pension charge for the defined benefit scheme for the year was £365,383 (1999 – £253,331). This scheme is now closed to new members.

The Group Personal Pension Plan was introduced with effect from 1 September 1998. The pension charge for this scheme for the year was £73,729 (1999 – £43,514).

As set out in the Remuneration Report, the Company makes contributions to a personal money purchase pension scheme on behalf of an executive director who is not a member of the Company's pension schemes.

23. RELATED PARTY TRANSACTIONS

Transactions between Group companies that are fully eliminated on consolidation are not disclosed as permitted by FRS8 on Related Party Disclosures.

Report of the Auditors

TO THE SHAREHOLDERS OF BETT BROTHERS PLC

We have audited the accounts on pages 22 to 37 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 26 and 27. We have also examined the amounts disclosed relating to the emoluments, share options and pension benefits of the directors which form part of the Remuneration Report on pages 18 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 17, 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 Auditing Practices Board, the Listing Rules of the Financial Services Authority 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on pages 15 and 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

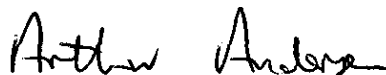
Basis of audit opinion

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 circumstances of the Company and of the Group, 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 affairs of the Company and of the Group at 31 August 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
18 Charlotte Square, Edinburgh EH2 4DF
9 NOVEMBER 2000

Five Year Summary

	1996	1997	1998	1999	2000
Turnover (£000)	38,281	47,193	58,953	71,107	73,084
Profit before taxation (£000)	5,023	6,950	5,447	9,369	8,115
Tax on profit on ordinary activities (£000)	(32)	(1,832)	(1,332)	(2,061)	(1,903)
Profit for the financial year (£000)	4,991	5,118	4,115	7,308	6,212
Earnings per ordinary share	33.27p	34.06p	27.33p	48.23p	40.33p
Dividend per ordinary share:					
Interim	1.75p	1.90p	2.05p	3.00p	3.30p
Final	3.85p	4.85p	5.40p	7.50p	8.25p
	5.60p	6.75p	7.45p	10.50p	11.55p
Dividend cover	5.9x	5.0x	3.7x	4.6x	3.4x
Net assets employed (£000)	26,215	30,252	33,163	39,041	43,674
Net assets per ordinary share	174.7p	201.2p	219.9p	255.5p	277.1p

Shareholders' Calendar

Annual General Meeting	20 December 2000
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Payment of Final Dividend	22 January 2001
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Announcement of half-year results	April 2001
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Payment of Interim Dividend	16 July 2001
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Preliminary announcement of full-year results	November 2001
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