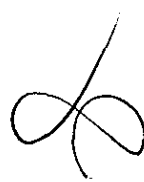


MODERN HOUSING LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2000**



REGISTERED NUMBER: SC106918



**BANNERMAN
JOHNSTONE
MACLAY**

CHARTERED ACCOUNTANTS

MODERN HOUSING LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

BANNERMAN JOHNSTONE MACLAY

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DIRECTORS

Alexander Smith
Doreen Smith

SECRETARY

Doreen Smith

REGISTERED OFFICE

Pomphreys
79 Quarry Street
Hamilton ML3 7AG

AUDITORS

Bannerman Johnstone Maclay
Chartered Accountants
and Registered Auditor
Tara House
46 Bath Street
Glasgow
G2 1HG

SOLICITORS

Pomphreys
76 Quarry Street
Hamilton ML3 7AG

PRINCIPAL BANKERS

The Royal Bank of Scotland plc
98 Buchanan Street
Glasgow G63 0TQ

MODERN HOUSING LIMITED

DIRECTORS' REPORT

BANNERMAN JOHNSTONE MACLAY

The directors present their annual report with the financial statements of the company for the year ended 30 June 2000.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were the purchase, refurbishment, sale and rental of properties.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		2000	1999
Alexander Smith	Ordinary shares	50	50
Doreen Smith	Ordinary shares	50	50

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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 maintaining 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.

AUDITORS

The auditors, Bannerman Johnstone Maclay, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board:



Doreen Smith
Secretary

Date: 2.8.2001

MODERN HOUSING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

BANNERMAN JOHNSTONE MACLAY

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and on the basis of accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

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

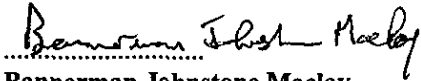
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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 affairs of the company as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



Bannerman Johnstone Maclay
Chartered Accountants
and Registered Auditor
Tara House
46 Bath Street
Glasgow
G2 1HG

Date: 6.8.2001

MODERN HOUSING LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2000**

BANNERMAN JOHNSTONE MACLAY

	Notes	2000 £	1999 £
TURNOVER		260,611	430,777
Cost of sales		68,545	220,297
GROSS PROFIT		192,066	210,480
Administrative expenses		24,157	57,832
		167,909	152,648
Other operating income		48,000	48,000
OPERATING PROFIT	2	215,909	200,648
Profit on disposal of fixed assets		19,982	-
Interest payable and similar charges		(34,977)	(47,741)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		200,914	152,907
Tax on profit on ordinary activities	3	(4,097)	(33,766)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		196,817	119,141
Dividends		(60,000)	(60,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	136,817	59,141

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

The notes on pages 6 to 10 form part of these financial statements.

MODERN HOUSING LIMITED**BALANCE SHEET
AT 30 JUNE 2000**

BANNERMAN JOHNSTONE MACLAY

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	4		1,008,403		1,016,737
Investments	5		100		100
			<u>1,008,503</u>		<u>1,016,837</u>
CURRENT ASSETS					
Stocks		271,393		92,969	
Debtors	6	62,602		341	
Cash at bank and in hand		12,101		-	
		<u>346,096</u>		<u>93,310</u>	
CREDITORS: amounts falling due within one year	7	<u>(822,437)</u>		<u>(657,574)</u>	
NET CURRENT LIABILITIES			<u>(476,341)</u>		<u>(564,264)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>532,162</u>		<u>452,573</u>
CREDITORS: amounts falling due after more than one year	8		<u>(284,105)</u>		<u>(341,333)</u>
NET ASSETS			<u>248,057</u>		<u>111,240</u>
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		247,957		111,140
TOTAL SHAREHOLDERS' FUNDS	12		<u>248,057</u>		<u>111,240</u>

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

Approved by the board of directors on 28.8.2001 and signed on its behalf by the following directors:

Alexander Smith:

)

Doreen Smith:

)

The notes on pages 6 to 10 form part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1: "Cash flow statements".

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Motor vehicles	25% on cost
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Where zero depreciation of freehold buildings is appropriate

Freehold buildings are depreciated to write down the cost less estimated residual value over their remaining useful life by equal annual instalments. Where buildings are maintained to such a standard that their residual value is not less than their cost or valuation, no depreciation is charged as it is not material.

Grants

Improvement grants are credited to the cost of refurbishment of the properties to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Dividends are credited to the profit and loss account when received.

2. OPERATING PROFIT

Operating profit is stated	2000	1999
	£	£
After charging:		
Depreciation of fixed assets	-	10,845
Auditors' remuneration	2,885	4,818

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
The taxation charge comprises:		
Corporation tax at 20% (1999 - 21%)	39,419	33,766
Adjustment in respect of prior years	(35,322)	-
	4,097	33,766

4. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery etc £	Total £
Cost:			
At 1 July 1999	1,016,004	54,698	1,070,702
Additions	35,000	-	35,000
Disposals	(43,334)	(5,489)	(48,823)
At 30 June 2000	1,007,670	49,209	1,056,879
Depreciation:			
At 1 July 1999	-	53,965	53,965
On disposals	-	(5,489)	(5,489)
At 30 June 2000	-	48,476	48,476
Net book value:			
At 30 June 2000	1,007,670	733	1,008,403
At 30 June 1999	1,016,004	733	1,016,737

	2000 £	1999 £
Analysis of net book value of land and buildings:		
Freehold	1,007,670	1,016,004

5. INVESTMENTS

Cost or valuation:	1 July 1999 and 30 June 2000 £
Other investments	100
Other investments other than loans	

5. INVESTMENTS - (continued)

Shares in related undertakings:

Cost or valuation:	1 July 1999 and 30 June 2000 £
Shares:	
Group undertaking	100
Net book value	100

6. DEBTORS

	2000 £	1999 £
Other debtors	62,602	341

Included within other debtors is an amount of £37,029 due from A. Smith, Director.

7. CREDITORS: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts (see note 8)	246,502	106,040
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	(9,954)
Taxation and social security	119,847	106,448
Other creditors	456,088	455,040
	822,437	657,574

8. CREDITORS: amounts falling due after more than one year

	2000 £	1999 £
Bank loans and overdrafts	284,105	341,333

Total bank borrowings are secured by a bond and floating charge over the entire assets of the company together with standard securities over the company's properties at 491/517 Merry Street, Motherwell.

9. BORROWINGS

	2000 £	1999 £
The company's borrowings are repayable as follows		
Up to one year and on demand	246,502	106,040
Between one and two years	56,290	43,919
Between two and five years	188,981	131,757
After five years	38,834	165,657
	<u>530,607</u>	<u>447,373</u>
 Wholly repayable within five years	 <u>491,773</u>	 <u>281,716</u>
 Included in current liabilities	 <u>246,502</u>	 <u>106,040</u>

10. SHARE CAPITAL

	2000 £	1999 £
Authorised:		
Equity interests:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
 Allotted, called up and fully paid:		
Equity interests:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. PROFIT AND LOSS ACCOUNT

	2000 £	1999 £
Retained profit as at 1 July 1999	111,140	51,999
Profit for the year	<u>136,817</u>	<u>59,141</u>
Retained profit as at 30 June 2000	<u>247,957</u>	<u>111,140</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the year	196,817	119,141
Dividends	(60,000)	(60,000)
Net addition to shareholders' funds	136,817	59,141
Opening shareholders' funds	111,240	52,099
Closing shareholders' funds	248,057	111,240
Represented by:-		
Equity interests	248,057	111,240

13. CONTINGENT LIABILITIES

The company has contingent liabilities in respect of grants received from Scottish Homes for its development at Merry Street, Motherwell. These grants are repayable in certain circumstances, principally the disposal of the properties. Grants of £326,728 were received in respect of these properties. Scottish Homes holds a second ranking standard security over the company's property at 495-517 Merry Street, Motherwell, in respect of these sums.

The company also guarantees under a cross guarantee agreement the bank borrowings of its subsidiary company, Modern Housing (Contracts) Limited. At the balance sheet date the amount so guaranteed was £1,243,457.

14. CONTROL

The company is under the control of Mr. A. Smith and Mrs. D. Smith, who are also directors of the company.