

Company Registration No. 1660121

GOLDCREST HOMES PLC

Report and Financial Statements

31 March 2005



REPORT AND FINANCIAL STATEMENTS 2005

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REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Sir Peter Thompson (Chairman)* †
M Collins (Chief Executive)* †
D Steer (Development Director)
S E Leach ACA (Finance Director)*
A Roake (Planning & Design Director)
G K Maddrell (Non-Executive)* †
Dr K Mourad FRCR (Non-Executive)
Miss O M Collins (Non-Executive)
Miss S A Collins (Non-Executive)

* indicates member of audit committee

† indicates member of remuneration committee

SECRETARY

M Collins

REGISTERED OFFICE

Goldcrest House
3 Hurlingham Business Park
Sullivan Road
London
SW6 3DU

BANKERS

Barclays Bank plc
One Churchill Place
London
E14 5HP

SOLICITORS

Lawrence Graham
190 Strand
London
WC2R 1JN

AUDITORS

Nexia Audit Limited
Registered Auditors
No 1 Riding House Street
London
W1A 3AS

TAX ADVISORS

Smith & Williamson Limited
Chartered Accountants
No 1 Riding House Street
London
W1A 3AS

CHAIRMAN'S STATEMENT

In a year when the housing market has been less than buoyant, I am pleased to be able to report another year of progress and profit growth.

The highlights of the year are:

Revenue at £29.3m – 66% ahead

Profit before tax at £5.34m - a growth of 3.3%

EPS growth of 15.6% at 42p

Net assets reached £14.7m, an advance of 17% - whilst “triple net assets” (as defined in the Financial Review) showed growth of 37% to £17.37m

At the same time, dividends increased by 10.1% to 19.00 pence per share

The Chief Executive's Report and the Financial Review will put the flesh on the skeleton of these results.

We used the joint venture structure reported in detail in my last year's Statement on two occasions this year which resulted in profits of £5.1m. It is expected that the significant progress towards becoming a balanced property development and land trading business will mean that the future use of joint venture companies is unlikely to be necessary as a means of profit recognition. However, mixed use property development companies are valued not only by their earnings, but by the strength of their Balance Sheets as reflected by their net assets. We therefore will be highlighting this by calculating the true value of the assets each year. This will in turn produce revalued net assets per share or “triple net assets” per share. This we regard as an additional and equally important measure of progress. The exact method of calculation is detailed in the Financial Review.

SHAREHOLDER MATTERS

Dividends increased this year from 17.25 pence to 19.00 pence per share in line with the growth of profit and dilutions in share capital from the previous year. This has been distributed in two interim dividends of 7.30 pence and 11.70 pence; consequently no final dividend is proposed this year. The ‘dealing’ day share price has been set at £2.10, which means that the dividend yield on the shares is still at a generous 9.04%.

CHAIRMAN'S STATEMENT (CONTINUED)

The employee share scheme is being supported enthusiastically by the directors and employees who, other than the Chairman and Chief Executive, now either own or have under option some 6.3% of the company. At the end of this year the outstanding bonus shares will be fully allocated to those who first joined the scheme some 3 years ago.

THE BOARD

The Board has met regularly in the year. The only change is the resignation of the Marketing Director, Miss P. A. Henderson, to pursue other interests. We wish her well in her future career.

CORPORATE STRUCTURE

We are in the process of establishing two separate profit responsible divisions – one for mix use building and the other for land development. David Steer has been appointed Managing Director of the building division, whilst the land division remains for the time being the responsibility of the Chief Executive. It is expected that the focus on the two separate activities will enable the Group to fulfil more effectively its ambition of better balancing the profit contribution from the two distinct activities.

CORPORATE GOVERNANCE

We continue to follow best practice as appropriate to a smaller company, applying the essential elements of the Combined Code.

The Audit and Remuneration Committees have met regularly, whilst the role of the Nomination Committee is carried out by the whole Board.

Strategy is an ongoing activity; in addition at least once a year a Board meeting is devoted solely to a consideration of the longer term direction that the company should take.

CHAIRMAN'S STATEMENT (CONTINUED)

EMPLOYEES

The Board recognises that results of this quality are only achieved through well motivated and well rewarded employees. We wish to thank all for their efforts during the year, which will in turn enable them to participate fully in the profit sharing and share ownership schemes.

OUTLOOK

The current year could be more difficult because of the less than buoyant London market for apartment sales and the increasing length of time being taken by the authorities to grant planning consents. You can be certain that the dynamic executive team will do all in their power to make sure that these trends will not reduce our long term growth, although no-one pretends it will be an easy year.

Sir Peter Thompson

Chairman

CHIEF EXECUTIVE'S REVIEW

TRADING REVIEW

Goldcrest Homes is a driven developer of residential and mixed use schemes, totally focused on meeting all stakeholders' needs and aspirations, whilst robustly addressing the huge planning and technical difficulties involved in city centre development.

Surprisingly the competition for land remains intense notwithstanding the low demand for developed homes. We have maintained our policy of buying land without planning consent, which enables us to maintain margin and to design the right product for the current market place. The right product for today's market place is small, well-designed apartments close to transportation. Unfortunately many local planning authorities disagree and are seeking to impose mix dwelling policies which would result in product inappropriate for today's market.

We continue to develop land to the stage of planning consent; this then allows us to carefully select which sites we should develop and which sites we should sell on to quoted housebuilders who are important customers of ours. Demand for our developed land remains very good which is supported by the level of interest for these sites. Developed homes are suffering from poor demand and values have eased back over the last year which is putting margins under pressure. The London market peaked in 2002 and entered its downturn in 2003. I believe demand will pick up in 2006, with a pick up in values in 2007. I have based this personal view on the fact that in 2006 the expected legislation for SIPP and REIT will be forthcoming as we go into the downward curve on the interest rate cycle.

Development timescales are now around 3½ years. It takes up to 18 months to obtain planning consent, at least 6 months for pre-contract design and tender followed by an 18 months construction programme for a 50 to 100 unit scheme. Unfortunately our profit and loss account does not always illustrate the value we have added during the 12 month accounting period. However by reporting on "triple net asset value" we are able to demonstrate how value has been added during a 12 month accounting period.

DEVELOPMENT PORTFOLIO

We have continued to maximise our development site at Windmill Lane in Stratford Town Centre. Now with the Olympics coming to Stratford the regeneration of this important part of London will continue to add value to our company. Over the last year we have won an appeal for 124 units with costs. We now have a resolution to grant consent for 148 units. When the 106 Agreement has been signed the Directors will decide whether to place this in our development programme or to sell the site with the benefit consent for 148 apartments.

The site we acquired last year in South London, Colliers Wood High Street, was sold with the benefit of planning consent for a mixed-use scheme of 90 units. The site was sold for £7.2 million.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

A small site at Devons Road, Bow, was acquired during the year and sold for £800,000 with the benefit of planning permission applied for. We do from time to time sell such sites without planning consent where the consent is not controversial and where full value will be obtained in such circumstances. Also in Bow a small site at Westport Street has been purchased for development of 14 apartments and, after planning permission has been granted, this site will be sold.

A major site at Commercial Road, also in Bow, has also been acquired and is subject to a current planning application for a mixed use scheme of 110 small units. Upon the granting of planning consent in 2006 the directors will then decide whether the site will be transferred to our development programme or sold to one of our housebuilding customers in the quoted sector.

A small site in Camberley at Portesbery Road has been subject to a contract with significant conditionality, which has delayed completion. The application for 12 small apartments and 2 small retail units will shortly be made. We have been trying to "reinvent the wheel" with a unique apartment layout and, whilst we would not normally develop such a small site, we will be developing 12 of our new flat types in Camberley before we launch over 100 on a more significant site.

Towards the end of the financial year we agreed terms to acquire a significant site in the Elephant and Castle regeneration area which contracted shortly after the year end. This site in Walworth Road is subject to a planning application for 156 apartments and a significant amount of retail.

Our pipeline of sites moving through the planning process is potentially 446 units, with a development value in excess of £90 million. Our development programme is fully funded by our banking partner Barclays Bank Plc who have funded 138 acquisitions since 1986 when our partnership commenced.

Our current development pipeline includes the final phases at Britannia Walk, close to Old Street tube station, and Lanherne Gate in Wimbledon. The gross development value of these two developments totalling 94 units is in excess of £30 million.

All this would not be possible without the unique Goldcrest team of chartered architects, designers, land developers, marketers, construction professionals supported by an outstanding finance and administration team.

Michael Collins

Chief Executive

FINANCIAL REVIEW

RESULTS FOR THE YEAR

We have achieved excellent growth again this year. The expansion of the company has been assisted by the negotiation of extra bank facilities with our bankers, Barclays, ensuring we have the ability to purchase sites as they come to the market without the necessity to increase our capital base in the short term.

These facilities will be used to a greater extent in the current year to 31 March 2006, although the major impact on profit growth will not be seen until years ending 31 March 2007 and 2008.

Profit and Loss

Turnover has increased to £29.3 million from £17.6 million mainly as a result of the greater number of units sold at our developments in the year.

Gross profit has increased to £5.93 million compared with £3.97 million last year with a margin of 20.2% against 22.5%. The margin has reduced as the slow down in the market has filtered through to sales and profits from land sales have formed a smaller proportion of turnover.

Operating profit after disposals of investments in joint venture projects has increased to £7.4 million from £6.5 million. Sales of residential sites (including to joint ventures) amounted to £19.4 million compared with £19.3 million last year.

Profit before tax increased again to £5.34 million from £5.18 million. This is the 12th consecutive year of increase. Profit before tax (net of minority interest) has increased to £5.5 million compared with £4.9 million last year representing an increase of 12%.

The tax charge for the year was broadly in line with standard rate of 30%.

Dividends

The company paid an interim dividend of 7.30 pence per share in December 2004. A further interim of 11.70 pence per share is proposed resulting in a total of 19.00 pence per share against the total last year of 17.25 pence, being a 10% increase.

Earnings Per Share

Basic earnings per share increased by 15.6% from 36.5p to 42.2p calculated on the weighted average number of shares in issue during the year. The rise is greater than the increase in profit before tax due to the effect of the minority interest.

Shareholders Funds and Capital Employed

Shareholders funds increased by £2.2 million or 17% to £14.7 million due to the retained profits. The return on average shareholders funds remained level at 29%.

The net asset value attributable to each ordinary share is equivalent to £1.57 per share compared with £1.34 per share at March 2004, an increase of 17%.

FINANCIAL REVIEW (CONTINUED)

By revaluing net assets at the year end, the “triple net asset value” at March 2005 is £1.86 per share compared with the equivalent £1.36 per share for March 2004, an increase of 37%. See the table on page 9.

The group’s capital employed consists of shareholders’ funds of £14.7 million and net borrowings of £29.0 million, totalling £43.7 million. This represents a decrease of £4.9 million from March 2004.

Operating profits (including the sale of land to joint ventures) of £7.4 million represents a return on average capital employed of 16% compared with 18% last year.

Finance

Net borrowings at the year end were £29.0 million (2004 - £36.1 million), representing gearing of 198% (2004 – 294%) supported by assets.

Interest paid was £2.26 million compared with £1.35 million last year. This largely reflects the level of investment in the development projects in the build phase during the year. Interest will continue to be a significant cost as the company invests more in land for development and as future build programmes come on stream.

Cash generated from operations was £13.9 million compared with a net cash outflow of £19.4 million last year and is explained in detail in note 23.

Treasury

Site and construction bank facilities available to the group (subject to security) amount to in excess of £60 million through a mixture of senior debt and mezzanine finance. The overdraft facility of £2.0 million provides the group with short term flexibility.

“TRIPLE NET ASSETS” VALUATION

The Group’s sites are held as trading stock. Under the Companies Act 1985 the audited balance sheet must show these at the lower of cost or net realisable value, not at market value.

The directors believe that an additional way to measure the performance of the Group is to adjust for the market value of the trading stock of undeveloped sites, whilst reflecting the corporation tax liabilities that would crystallise on a sale of these properties at market value. Taking into account, in addition, the effect of fair value adjustments for any fixed rate debt and hedging instruments, gives rise to “triple net assets”.

The directors’ valuation of the Group’s undeveloped sites – including sites completed at the date of approval of these accounts (19 July 2005) – gives rise to an uplift in value of £3.875 million.

FINANCIAL REVIEW (CONTINUED)

Growth in Triple Net Assets 37% to 186p

Net Assets

	19 July 2005		4 August 2004	
	£000	per share	£000	per share
Equity shareholders funds as shown in group balance sheet	14,660		12,483	
Market value of properties held as trading stock less book value and any anticipated costs	3,875		300	
Pre-tax net assets	18,535	199p	12,783	137p
Tax payable on sale of trading stock at market value	(1,163)		(90)	
Fair value adjustments for fixed rate debt	-		-	
Triple net assets (undiluted)	17,372	186p	12,693	136p
Dilution effect if all share options were exercised at balance sheet date		(26p)		(14p)
Triple net assets (diluted)		160p		122p
Number of ordinary shares in issue		9,333,731		9,333,731

Stephen Leach
Finance Director

ENVIRONMENTAL STATEMENT

Goldcrest Homes is committed to the protection and enhancement of the built and natural environment and seeks to operate in an environmentally responsible manner at all times. The company works closely with environmental consultants RPS to achieve various aspects of this corporate responsibility. Goldcrest Homes commitment to the environment is demonstrated in the day to day activities and specifically through the following actions:

1. **Promotion of brownfield redevelopment.** Goldcrest Homes is frequently involved in bringing disused and redundant urban sites back into use through innovative redevelopment projects. Sites acquired for development may be contaminated through historical industrial activities. Goldcrest Homes addresses these problems via strategic site investigation and remediation wherever necessary.
2. **Sustainable remediation schemes.** Wherever possible Goldcrest Homes seeks to deliver sustainable remedial options causing the least impact to the natural environment.
3. Utilisation of **environmentally sound design methods** in development projects, optimising resource utilisation and efficiency at all times.
4. Use of **sustainable building materials** e.g. recycled materials, certified sustainable timbers, energy from renewable sources etc.
5. **Recycling of office paper** is routine at Goldcrest Homes offices and is an easily achievable but effective waste management strategy. Goldcrest Homes similarly purchases office paper from a recycled source.
6. **Office resource consumption** is minimised through various activities promoted by Goldcrest Homes. These range from encouraging staff car sharing / use of public transport / cycling to work through to ensuring lights and equipment are turned off at the end of the working day / when not in use.
7. Goldcrest Homes are committed to reducing the impact of their business activities on the environment by undertaking a **Greenhouse Gas emissions** assessment and taking action in conjunction with Future Forests to achieve carbon neutral status.
8. Goldcrest Homes are committed to a partnership arrangement with Green Energy Ltd to **supply electricity from renewable resources** to its new developments and to Goldcrests Head Office.

Goldcrest Homes seeks wherever possible to ensure that the companies it deals with have a similarly high standard of environmental responsibility.

CORPORATE SOCIAL RESPONSIBILITY POLICY

“Where people live has a major effect on their life. If where they live is well-planned, well-designed and well-managed, their quality of life is likely to be a great deal better.” Extract from the foreword to “Better Places to Live: by design”, Lord Falconer of Thoroton QC and Sir Stuart Lipton, 2001, CABE/ODPM.

We all deserve decent homes in decent neighbourhoods. At Goldcrest Homes we are passionate about building decent homes for our customers and improving the neighbourhoods in which we build those homes.

We believe it is a fundamental goal for our business that we build homes in a socially responsible way which:

- regenerates neglected urban areas;
- achieves the highest intensity of use compatible with local context, design considerations and accessibility by public transport;
- provides a mixture of uses to meet the needs of an urban lifestyle;
- improves the local environment for the benefit of our customers and society at large.

We achieve this goal in a number of ways.

- We only redevelop “brownfield” land; namely land which has been previously used for development and which has become redundant.
- We follow design guidance from central and local government, such as Planning Policy Guidance 3 – Housing (ODPM), the London Plan (GLA), “By Design” (CABE/ODPM), all of which give guidance on how to maximise the potential of land through a design-led approach to development.
- We regularly meet with local residents and user groups active in the vicinity of our developments to better understand their vision for their neighbourhood and to explain how we work with the community to ensure our proposals would enhance the environment.
- We design vibrant and exciting places to live, work and play, which in themselves enhance and improve the environment in which they are located.
- We provide “affordable” housing so that people on low and middle incomes can benefit from our developments. Normally we provide affordable housing without recourse to government subsidy.
- We contribute financially to a range of projects carried out by the local council in the vicinity of our developments, such as schemes to improve road safety, street tree planting, improvements to local parks, contribution to new school places.

We support the aims of the Prince’s Trust 1% Club and regularly contribute financially to a range of projects carried out by charitable organisations in the vicinity of our developments.

TEN YEAR RECORD

Summary consolidated results £'000	1995	1997 18 months	1998	1999	2000	2001	2002	2003	2004	2005
Turnover	5,880	9,758	9,812	14,958	11,397	21,276	24,940	2,840	17,630	29,303
Operating profit/(loss)	1,250	1,857	2,056	2,696	3,115	4,480	3,761	(1,175)	911	2,332
Income from disposal of investments	-	-	-	-	-	-	875	5,948	5,570	5,095
Interest receivable	39	83	136	58	45	15	36	83	48	167
Interest (payable)	(164)	(438)	(383)	(505)	(453)	(1,162)	(1,010)	(521)	(1,353)	(2,257)
PROFIT BEFORE TAXATION	1,125	1,502	1,809	2,249	2,707	3,333	3,662	4,335	5,176	5,337
Taxation	(415)	(518)	(575)	(730)	(781)	(1,019)	(1,112)	(1,293)	(1,524)	(1,601)
Profit after taxation	710	984	1,234	1,519	1,926	2,314	2,550	3,042	3,652	3,736
Minority Interest	-	-	-	-	-	-	-	(116)	(249)	205
PROFIT FOR THE FINANCIAL YEAR	710	984	1,234	1,519	1,926	2,314	2,550	2,926	3,403	3,941
Dividend	(217)	(258)	(596)	(707)	(902)	(1,088)	(1,239)	(1,406)	(1,606)	(1,773)
Retained profit for the year	493	726	638	812	1,024	1,226	1,311	1,520	1,797	2,168
Net assets										
Stock and debtors	3,765	7,850	7,486	14,103	9,747	30,569	31,778	20,616	44,549	48,235
Net debt	(1,010)	(3,219)	(2,730)	(7,066)	(3,017)	(19,026)	(17,809)	(12,234)	(36,099)	(28,955)
Other assets/(liabilities)	(1,023)	(2,173)	(1,660)	(3,032)	(1,401)	(4,488)	(5,215)	2,308	4,033	(4,620)
	1,732	2,458	3,096	4,005	5,329	7,055	8,754	10,690	12,483	14,660
Ratios (note)										
Basic earnings per share	9.6p	13.3p	16.6p	20.1p	25.3p	29.8p	29.8p	31.9p	36.5p	42.2p
Dividend per share	2.9p	3.5p	8.0p	9.4p	11.8p	14.0p	14.0p	15.2p	17.3p	19.0p
Dividend cover	3.3	3.8	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2
Net asset value per share	£0.23	£0.33	£0.42	£0.53	£0.69	£0.91	£0.98	£1.15	£1.34	£1.57

Note:

On 21 March 2002 each £1 ordinary share was divided into 50 2p ordinary shares. The Basic Earnings per share, Dividend per share and Net Asset Value per share have been adjusted to reflect this for 1995 through to 2001.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group's principal activities for the year under review were that of residential house building, land development and sales.

A summary of the results of the year's trading is shown on page 17 of the financial statements. A review of the Group's business and future developments is included within the Chairman's statement.

RESULTS AND DIVIDENDS

The profit for the year after taxation and minority interests amounted to £3,941,000 (2004: £3,403,000).

The directors recommend that the profit for the year be dealt with as follows:

	£'000
Ordinary dividends	
- Interim dividend paid of 7.30p (2004 - 7.25p) per share	681
- Second interim dividend proposed of 11.70p (2004 - 10.00p) per share	1,092
Transfer to reserves	2,168
	<hr/>
	3,941
	<hr/>

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and their interests in the issued share capital at the beginning and end of the year were as follows:

		Executive Share Options			2p Ordinary shares	
		2005	Granted in year	Exercised in year	Fully paid 2005	2004
Sir Peter Thompson	- Beneficial interests	277,550	69,400	-	208,150	777,333
	- Non-beneficial interests	-	-	-	-	120,047
M Collins		647,059	147,059	-	500,000	6,695,434
D Steer		103,092	-	-	103,092	-
S E Leach		197,602	50,490	-	147,112	55,426
A Roake		175,270	49,020	-	126,250	644
G K Maddrell		15,464	-	-	15,464	644
Dr K Mourad FRCR		-	-	-	-	102,700
Miss O M Collins		-	-	-	-	87,300
Miss S A Collins		-	-	-	-	87,300

On 31 March 2005 Miss P A Henderson resigned as a director.

Sir Peter Thompson's non-beneficial interests arise through two discretionary trusts in favour of his children and grandchildren.

Sir Peter Thompson, A Roake and G Maddrell retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

SUPPLIERS

Contractors are paid 14 days after monthly valuation. Other suppliers are paid on average 45 days after receipt of invoice.

CHARITABLE DONATIONS

During the period the Group contributed £7,445 (2004 - £21,455) to charitable organisations - £2,485 to local charities serving the communities in which the group operates and £4,960 to other charities. Significant charitable commitments were also made during the year. These will become payable in the current year. The Group made no political donations.

AUDITORS

A resolution to reappoint Nexia Audit Limited will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M Collins
Director

19 July 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nexia Audit

— · Limited · —

Independent auditors' report to the shareholders of Goldcrest Homes PLC

We have audited the accounts of Goldcrest Homes PLC for the year ended 31 March 2005 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes 1 to 24. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of its profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited

Nexia Audit Limited
Chartered Accountants
Registered Auditors

1 Riding House Street
London
W1A 3AS

19 July 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
TURNOVER	1	29,303	17,630
Cost of sales		(23,371)	(13,664)
GROSS PROFIT		5,932	3,966
Administrative expenditure		(2,520)	(2,668)
Selling expenses		(1,080)	(387)
OPERATING PROFIT		2,332	911
Income from disposal of investments	9	5,095	5,570
Interest receivable		167	48
Interest payable	4	(2,257)	(1,353)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	5,337	5,176
Tax on profit on ordinary activities	5	(1,601)	(1,524)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,736	3,652
Minority interest		205	(249)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY		3,941	3,403
Dividends	6	(1,773)	(1,606)
RETAINED PROFIT FOR THE YEAR	19	2,168	1,797
Earnings per share - basic	7	£0.42	£0.37
- fully diluted	7	£0.36	£0.33

All gains and losses are recognised in the profit and loss account. Accordingly no statement of total recognised gains and losses is required.

GOLDCREST HOMES PLC

CONSOLIDATED BALANCE SHEET
31 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	8	459	495
Investments	9	10	-
		<u>469</u>	<u>495</u>
CURRENT ASSETS			
Stocks	10	33,262	28,560
Debtors	11	14,973	15,989
Cash at bank and in hand		17	23
		<u>48,252</u>	<u>44,572</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdraft	12	(26,508)	(33,578)
Other creditors	12	(17,608)	(7,417)
		<u>(44,116)</u>	<u>(40,995)</u>
NET CURRENT ASSETS		<u>4,136</u>	<u>3,577</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,605</u>	<u>4,072</u>
CREDITORS: amounts falling due after more than one year			
Loan stock	13	(2,461)	(2,536)
		<u>(2,461)</u>	<u>(2,536)</u>
		2,144	1,536
Minority interests		<u>12,516</u>	<u>10,947</u>
NET ASSETS		<u>14,660</u>	<u>12,483</u>
CAPITAL AND RESERVES			
Called up share capital	17	187	187
Share premium account	19	2,097	2,097
Own shares in ESOP trust		(110)	(119)
Profit and loss account	19	<u>12,486</u>	<u>10,318</u>
EQUITY SHAREHOLDERS' FUNDS	20	<u>14,660</u>	<u>12,483</u>

GOLDCREST HOMES PLC

COMPANY BALANCE SHEET 31 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	8	459	495
Investments	9	2,481	819
		<u>2,940</u>	<u>1,314</u>
CURRENT ASSETS			
Stocks	10	940	160
Debtors	11	27,185	24,795
Cash at bank and in hand		11	10
		<u>28,136</u>	<u>24,965</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdraft	12	(360)	(1,172)
Other creditors	12	(13,963)	(10,304)
		<u>(14,323)</u>	<u>(11,476)</u>
NET CURRENT ASSETS		<u>13,813</u>	<u>13,489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,753</u>	<u>14,803</u>
CREDITORS: amounts falling due after more than one year			
Loan stock	13	(2,461)	(2,536)
		<u>(2,461)</u>	<u>(2,536)</u>
NET ASSETS		<u>14,292</u>	<u>12,267</u>
CAPITAL AND RESERVES			
Called up share capital	17	187	187
Share premium account	19	2,097	2,097
Own shares in ESOP trust		(110)	(119)
Profit and loss account	19	12,118	10,102
EQUITY SHAREHOLDERS' FUNDS		<u>14,292</u>	<u>12,267</u>

These financial statements were approved by the Board of Directors on 19 July 2005.

Signed on behalf of the Board of Directors



M. Collins
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash inflow/(outflow) from operating activities	23	13,940	(19,408)
Returns on investments and servicing of finance	23	(2,090)	(1,305)
Taxation		(1,565)	(1,623)
Capital expenditure	23	(66)	(387)
Acquisitions and disposals	23	(1,461)	198
Equity dividends paid		(1,614)	(1,444)
Net cash inflow/(outflow) before financing		7,144	(23,969)
Financing	23	(6,549)	22,893
Increase/(decrease) in cash in the year		<u>595</u>	<u>(1,076)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The following accounting policies are consistent with those used in previous years, except with regard to the Employee Share Ownership Plan. This change in policy to adopt UITF Abstract 38 "Accounting for ESOP trusts" is to comply with accounting best practice. The accounting policy for the Employee Share Ownership Plan is set out below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of Goldcrest Homes plc and all its subsidiary undertakings. No profit and loss account for Goldcrest Homes plc has been presented as permitted by Section 230 of the Companies Act 1985.

Turnover

Turnover comprises amounts receivable for properties sold and services provided in the normal course of business excluding value added tax.

Profit recognition

Developed units for sale are treated as sold and profits are recognised when unconditional contracts are exchanged and the building work is substantially complete. For other disposals profits are recognised when contracts are exchanged and the contract is unconditional on the date the accounts are signed.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	-	over term of lease
Fixtures, fittings and equipment	-	over 5 years
Computer equipment	-	over 4 years
Motor vehicles	-	over 4 years

Leasing and hire purchase

Assets obtained under finance leases and hire purchase contracts which result in the transfer of substantially all the risks and rewards of ownership are capitalised as tangible fixed assets at the estimated present value of underlying minimum lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES (CONTINUED)

obligation in each period. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

Employee Share Ownership Plan

The company's accounts include the Goldcrest Employee Share Ownership Plan. The directors consider that the company has control of the shares held by the trust and bears their benefits and risks. Shares held by the trust are shown as a deduction to shareholders' funds.

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes cost of acquisition, construction costs, professional fees and directly attributable overhead expenditure but excludes interest.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investments

In the company balance sheet, investments in subsidiaries are stated at cost less provision for impairment in value.

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:	2005 £'000	2004 £'000
Depreciation: owned fixed assets	92	70
Depreciation: assets under finance leases	10	16
Operating lease rentals - motor vehicles	5	9
- land and buildings	122	122
Directors' emoluments		
- fees	51	37
- remuneration	863	795
Auditors' remuneration		
- audit services	37	27
- non-audit services	-	14
- non-audit services (paid to related company of the auditors)	15	15

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Number of employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2005	2004
Office and management	28	29

Employment costs (including directors)

	2005 £'000	2004 £'000
Wages and salaries	1,447	1,362
Social security costs	202	187
	1,649	1,549

The amounts in respect of the highest paid director are as follows:

	2005 £'000	2004 £'000
Emoluments	345	325

4. INTEREST PAYABLE

	2005 £'000	2004 £'000
On loans and overdrafts repayable:		
Within five years not repayable by instalments	1,963	1,219
Interest on loan stock	237	129
Other interest payable	57	5
	2,257	1,353

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2005 £'000	2004 £'000
Current tax		
UK corporation tax	1,885	1,605
Adjustments in respect of prior years		
- UK corporation tax	14	(5)
Total current tax	<u>1,899</u>	<u>1,600</u>
Deferred tax		
Origination and reversal of timing differences	(298)	(76)
Total deferred tax (note 11)	<u>(298)</u>	<u>(76)</u>
Total tax on profit on ordinary activities	<u><u>1,601</u></u>	<u><u>1,524</u></u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2005 £'000	2004 £'000
Group profit on ordinary activities before tax	<u>5,337</u>	<u>5,176</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	1,601	1,553
Effects of:		
Expenses not deductible for tax purposes	60	42
Utilisation of tax losses	(80)	-
Depreciation in excess capital allowances	27	1
Other timing differences	277	13
Effect of small companies rate	-	(4)
Adjustments to tax charge in respect of previous periods	14	(5)
Group current tax charge for the year	<u><u>1,899</u></u>	<u><u>1,600</u></u>

Deferred tax asset is recognised as follows:

	2005 £'000	2004 £'000
Group		
Accelerated capital allowances	16	16
Income subject to tax in a different period	20	318
Deferred tax asset	<u><u>36</u></u>	<u><u>334</u></u>
Company		
Accelerated capital allowances	16	16
Deferred tax asset	<u><u>16</u></u>	<u><u>16</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

6. DIVIDENDS

	2005	2004
	£'000	£'000
Ordinary shares:		
- Interim dividend paid of 7.30p (2004 – 7.25p) per share	681	673
- Second interim dividend declared of 11.70p (2004 – 10.00p) per share	1,092	933
	<u>1,773</u>	<u>1,606</u>

No final dividend is proposed.

7. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the attributable profit of £3,941,000 (2004: £3,403,000) by 9,289,257 (2004: 9,262,000) being the basic weighted average number of ordinary shares in issue during the year.

The diluted earnings per share has been calculated using the attributable profit of £3,941,000 (2004: £3,403,000) by 10,879,162 (2004: 10,433,522) calculated as follows:

	2005	2004
Weighted average number of shares	9,333,731	9,318,302
Less: own shares in the ESOP trust	(44,474)	(56,302)
	<u>9,289,257</u>	<u>9,262,000</u>
Basic weighted average number of shares		
Dilutive potential ordinary shares:		
Employee share options	1,589,905	1,171,522
	<u>10,879,162</u>	<u>10,433,522</u>
Basic earnings per share	£0.42	£0.37
Diluted earnings per share	£0.36	£0.33

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

8. TANGIBLE FIXED ASSETS

Group & Company	Leasehold improve- ments £'000	Fixtures, fittings, and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2004	354	113	271	106	844
Additions	38	-	28	-	66
At 31 March 2005	392	113	299	106	910
Depreciation					
At 1 April 2004	37	79	181	52	349
Charge for the year	37	13	42	10	102
At 31 March 2005	74	92	223	62	451
Net book value					
Owned assets	318	21	76	-	415
Leased assets	-	-	-	44	44
At 31 March 2005	318	21	76	44	459
Owned assets	317	34	90	-	441
Leased assets	-	-	-	54	54
At 31 March 2004	317	34	90	54	495

9. FIXED ASSET INVESTMENTS

GROUP

Income from disposal of investments

During the year, income arose on the disposal of investments of £5,095,201 (2004 - £5,570,000). The majority of this figure is explained below.

On 31 March 2005, Goldcrest Homes (Land) Limited issued £99,999 of £1 shares, of which the Group subscribed to £999 of voting shares. This resulted in the Group's equity interest in the company reducing from 100% to 1%. As noted in note 21 the balance of non-voting shares issued were subscribed for by a number of directors. The disposal of its 99% interest in Goldcrest Homes (Land) Limited gave rise to a profit to the Group of £2,241,278 based upon the net assets at the date of disposal.

On 31 March 2005, Goldcrest Homes (Colliers Wood) Limited issued £99,999 of £1 shares, of which the Group subscribed to £999 of voting shares. This resulted in the Group's equity interest in the company reducing from 100% to 1%. As noted in note 21 the balance of non-voting shares issued were subscribed for by a number of directors. The disposal of its 99% interest in Goldcrest Homes (Colliers Wood) Limited gave rise to a profit to the Group of £2,689,394 based upon the net assets at the date of disposal.

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

9. FIXED ASSET INVESTMENTS (CONTINUED)

The subsidiaries are:

	Percentage holding	Issued ordinary share capital
Goldcrest Homes (Balham) Limited	100	£2
Goldcrest Homes (Princes Way) Limited	100	£2
Goldcrest Homes (Larkhall) Limited	100	£2
Goldcrest Homes (Britannia) Limited	1	£99,999
Goldcrest Homes (Heathfield) Limited	100	£1
Goldcrest Homes (The Downs) Limited	1	£100,000
Goldcrest Advertising and Design Limited	100	£2
Goldcrest Homes (Graham) Limited	100	£1,890,002
Goldcrest Homes (Graham Developments) Limited (i)	100	£1
Goldcrest Homes (Britannia Developments) Limited (iii)	100	£1
Goldcrest Homes (Downs Development) Limited (iv)	100	£1
Goldcrest Homes (Haringey Park) Limited	100	£1
Goldcrest Homes (Staines Road) Limited	100	£1
Goldcrest Homes (Construction) Limited (ii)	100	£2
Goldcrest Homes (Effra) Limited	100	£100,000
Goldcrest Homes (Land) Limited	1	£100,000
Goldcrest Homes (Windmill) Limited	1	£100,000
Goldcrest Homes (Effra Developments) Limited (v)	100	£1
Goldcrest Homes (Portesbery) Limited	100	£1
Goldcrest Homes (Colliers Wood) Limited	1	£100,000
Goldcrest Homes (Windmill Developments) Limited (vi)	100	£1
Goldcrest Homes (Land Developments) Limited (vii)	100	£1
Goldcrest Homes (Colliers Wood Developments 2) Limited (viii)	100	£1

(i) Wholly owned subsidiary of Goldcrest Homes (Graham) Limited.

(ii) Wholly owned subsidiary of Goldcrest Homes (London) Limited.

(iii) Wholly owned subsidiary of Goldcrest Homes (Britannia) Limited.

(iv) Wholly owned subsidiary of Goldcrest Homes (The Downs) Limited.

(v) Wholly owned subsidiary of Goldcrest Homes (Effra) Limited.

(vi) Wholly owned subsidiary of Goldcrest Homes (Windmill) Limited.

(vii) Wholly owned subsidiary of Goldcrest Homes (Land) Limited.

(viii) Wholly owned subsidiary of Goldcrest Homes (Colliers Wood) Limited.

All the above companies are incorporated in Great Britain and operate in the United Kingdom. All companies are involved in house building and property development except Goldcrest Homes (London) Limited which is a holding company.

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

9. FIXED ASSET INVESTMENTS (CONTINUED)

Company

Investments

	2005	2004
	£'000	£'000
Investments in Subsidiary Undertakings:		
Shares at cost in Goldcrest Homes (Graham) Limited	2,267	815
Shares at cost in Goldcrest Homes (Britannia) Limited	1	1
Shares at cost in Goldcrest Homes (The Downs) Limited	1	1
Shares at cost in Goldcrest Homes (Effra) Limited	199	1
Shares at cost in Goldcrest Homes (Windmill) Limited	1	1
Shares at cost in Goldcrest Homes (Land) Limited	1	-
Shares at cost in Goldcrest Homes (Colliers Wood) Limited	1	-
Shares at cost in Goldcrest Property Limited	250	250
Provision for impairment in value	(250)	(250)
	<hr/>	<hr/>
Shares in subsidiary undertakings	2,471	819
Other fixed asset investments	10	-
	<hr/>	<hr/>
	2,481	819
	<hr/>	<hr/>
	2005	2004
	£'000	£'000
Group		
Other fixed asset investments	10	-
	<hr/>	<hr/>

10. STOCKS

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Stock – land	17,587	20,413	600	-
Work in progress	15,675	8,147	340	160
	<hr/>	<hr/>	<hr/>	<hr/>
	33,262	28,560	940	160
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

11. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	14,561	14,398	72	65
Amounts owed by Group undertakings	-	-	26,912	24,448
Deferred tax (note 5)	36	334	16	16
Corporation tax	-	-	-	11
Other debtors	270	1,119	79	120
Prepayments	106	138	106	135
	<u>14,973</u>	<u>15,989</u>	<u>27,185</u>	<u>24,795</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Obligations under finance leases	3	8	3	8
Bank loans (secured)	26,006	32,475	-	184
Bank overdraft (secured)	502	1,103	360	988
Trade creditors	735	148	11	-
Other creditors	1,088	130	24	17
Accruals and deferred income	13,120	3,235	97	282
Amounts owed to Group undertakings	-	-	12,643	8,991
Corporation tax	1,497	1,759	21	-
Other taxes and social security costs	73	1,204	72	73
Proposed dividend	1,092	933	1,092	933
	<u>44,116</u>	<u>40,995</u>	<u>14,323</u>	<u>11,476</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Loan stock (unsecured)	2,461	2,536	2,461	2,536
	<u>2,461</u>	<u>2,536</u>	<u>2,461</u>	<u>2,536</u>

14. LOANS

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans				
Wholly repayable within one year	26,006	32,475	-	184
	<u>26,006</u>	<u>32,475</u>	<u>-</u>	<u>184</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

14 LOANS (CONTINUED)

Loan stock

Wholly repayable within one year

Between two and five years

-	-	-	-
2,461	2,536	2,461	2,536
<u>2,461</u>	<u>2,536</u>	<u>2,461</u>	<u>2,536</u>

Aggregate amounts repayable

Within one year

Between two and five years

26,006	32,475	-	184
2,461	2,536	2,461	2,536
<u>28,467</u>	<u>35,011</u>	<u>2,461</u>	<u>2,720</u>

Security

Bank loans and overdrafts are secured by a legal charge over the Group's stock of land for development and a floating charge over all other assets.

Loan Stock

£658,000 of the Loan Stock is repayable in June 2007, £291,000 repayable in September 2007, £1,509,000 repayable in December 2008 and £3,000 repayable in March 2009. Of the £2,461,000 outstanding at 31 March 2005, £1,465,000 is owed to directors and their spouses or dependants.

15. OBLIGATIONS UNDER FINANCE LEASES

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Obligations under finance lease contracts				
Amounts payable:				
Within one year	3	8	8	8
Between one and two years	-	-	-	-
	<u>3</u>	<u>8</u>	<u>8</u>	<u>8</u>

16. COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Annual commitments under non-cancellable operating leases are as follows:				
Land and buildings:				
Expiring in over five years	<u>122</u>	<u>122</u>	<u>122</u>	<u>122</u>

17. CALLED UP EQUITY SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
50,000,000 (2004: 50,000,000) 2p ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>
Allotted and fully paid		
9,333,731 (2004: 9,333,731) 2p ordinary shares	<u>186,674</u>	<u>186,674</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

18. SHARE OPTIONS

Options have been granted under an Approved Executive Share Option Scheme and an Unapproved Executive Share Option Scheme to subscribe for Ordinary Shares of Goldcrest Homes plc as follows:

Scheme	No of options	Grant date	Subscription price per share	Exercise period
Approved scheme	14,250	October 1999	£1.40	In general options can be exercised if there has been a compound growth in EPS of 15% per annum (subject to board discretion) but not earlier than 3 or later than 10 years after grant of option.
	19,350	April 2000	£1.40	
	12,500	August 2000	£1.40	
	9,406	April 2002	£1.80	
	7,260	September 2002	£1.80	
	15,463	February 2004	£1.94	
Unapproved scheme	41,075	October 1998	£0.70	
	536,066	April 2002	£1.80	
	33,815	September 2002	£1.80	
	334,540	April 2003	£1.80	
	15,464	December 2003	£1.94	
	87,629	February 2004	£1.94	
	315,969	May 2004	£2.04	

19. RESERVES

Group	Share premium account £'000	Profit and loss account £'000
At 1 April 2004	2,097	10,318
On issue of shares	-	-
Retained profit for the year	-	2,168
At 31 March 2005	2,097	12,486

Company	Share premium account £'000	Profit and loss account £'000
At 1 April 2004	2,097	10,102
On issue of shares	-	-
Retained profit for the year	-	2,016
At 31 March 2005	2,097	12,118

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

20. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2005	2004
	£'000	£'000
Profit for the financial year	3,941	3,403
Purchase of own shares in ESOP trust	-	(108)
Amortisation of own shares in ESOP trust	9	-
Dividend paid on equity shares	(681)	(673)
Dividend payable on equity shares	(1,092)	(933)
New shares issued	-	104
	<hr/>	<hr/>
Net addition to shareholders' funds as previously stated	2,177	1,793
	<hr/>	<hr/>
Net addition to shareholders' funds	2,177	1,793
	<hr/>	<hr/>
Opening equity shareholders' funds	12,483	10,690
	<hr/>	<hr/>
Closing equity shareholders' funds	14,660	12,483
	<hr/>	<hr/>

21. RELATED PARTY TRANSACTIONS

On 1 April 2003 the company entered into a 16 year lease with Michael Collins for its offices at 3 Hurlingham Business Park. The annual rent amounts to £122,100.

On 31 March 2005 Goldcrest Homes (Land) Limited and Goldcrest homes (Colliers Wood) Limited then both wholly owned subsidiaries, issued 99,000 non-voting £1 shares each resulting in 99% ownership transferring to a minority interest including Michael Collins (the Chief Executive), Sir Peter Thompson (the non-Executive Chairman), Stephen Leach (the Finance Director), David Steer (the Development Director), Adam Roake (the Planning & Design Director) and Oona Collins and Sally Collins (both non-Executive Directors). The investment was offered to all shareholders on 31 March 2005. All the cash for these transactions had been received by 30 June 2005.

Details of other transactions with related parties are given in Notes 14 and 17.

22. CONTINGENT LIABILITIES

The company is party to a cross-guarantee and debenture for the bank borrowings of its subsidiary companies. At 31 March 2005 the borrowings of these companies totalled £26,006,867 (2004: £32,291,567).

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2005	2004
	£'000	£'000
Operating profit	2,332	911
Depreciation	102	86
Amortisation	9	-
Decrease/(increase) in stock	480	(11,921)
Decrease/(increase) in debtors	718	(12,518)
Increase in creditors	10,299	4,034
Net cash inflow/(outflow) from operating activities	<u>13,940</u>	<u>(19,408)</u>

Returns on investment and servicing of finance

	2005	2004
	£'000	£'000
Interest received	167	48
Loan interest paid	(2,256)	(1,348)
Finance lease interest paid	(1)	(5)
	<u>(2,090)</u>	<u>(1,305)</u>

Capital Expenditure

	2005	2004
	£'000	£'000
Purchase of fixed asset investments	(10)	-
Purchase of tangible fixed assets	(66)	(387)
	<u>(76)</u>	<u>(387)</u>

Acquisitions and disposals

	2005	2004
	£'000	£'000
Repurchase of shares in subsidiary undertakings	(1,649)	-
Sale of shares in subsidiary undertakings	198	198
	<u>(1,451)</u>	<u>198</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2005

23. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (CONTINUED)

Financing

	2005 £'000	2004 £'000
Issue of ordinary share capital	-	104
(Decrease)/increase in short term borrowings	(6,469)	21,291
(Decrease)/increase in loan stock	(75)	1,512
Capital element of finance lease rental payments	(5)	(14)
	<u>(6,549)</u>	<u>22,893</u>

24. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 April 2004 £'000	Cashflow £'000	31 March 2005 £'000
Cash at bank and in hand	23	(6)	17
Overdrafts	(1,103)	601	(502)
	<u>(1,080)</u>	<u>595</u>	<u>(485)</u>
Debt due after 1 year	(2,536)	75	(2,461)
Debt due within 1 year	(32,475)	6,469	(26,006)
Finance leases	(8)	5	(3)
	<u>(36,099)</u>	<u>7,144</u>	<u>(28,955)</u>
Net debt			
		2005 £'000	2004 £'000
Increase/(decrease) in cash in the year		595	(1,076)
Cash inflow/(outflow) from debt and lease financing		6,549	(22,789)
Movement in net debt in the year		<u>7,144</u>	<u>(23,865)</u>
Net debt at 1 April 2004		<u>(36,099)</u>	<u>(12,234)</u>
Net debt at 31 March 2005		<u>(28,955)</u>	<u>(36,099)</u>