

REGALIAN HOMES LIMITED

Report and Financial Statements

31 March 2002



**Deloitte & Touche
London**

REGALIAN HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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REGALIAN HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E J Badke	(resigned 25 April 2001)
D J Goldstone	(resigned 23 May 2001)
J L Goldstone	
R D King	(resigned 2 July 2002)
E Landau	(appointed 2 July 2002)
D J Lindop	(resigned 23 May 2001)
A N C Storey	(resigned 30 April 2001)

SECRETARY

Miss D Darlington	(appointed 23 May 2001)
DJ Lindop	(resigned 23 May 2001)

REGISTERED OFFICE

44 Grosvenor Hill
London
W1X 9JE

AUDITORS

Deloitte & Touche
Chartered Accountants
London

REGALIAN HOMES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES AND BUSINESS DEVELOPMENTS

The company's principal activity is to develop property for resale and investment.

During the period the company's former ultimate parent company, Regalian Properties Limited, was involved in a transaction whereby most of the groups trading assets and liabilities were disposed of to Ruskin Properties Limited. As part of this transaction the development of Luke House has been disposed of.

The directors are reviewing the future of this company.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £1,994,208 (2001 - £2,615,914). A first interim dividend of £2,000,000 (2001 - £1,500,000) has been paid and a second interim dividend of £nil (2001 - £1,000,000) is payable. The directors do not recommend the payment of a final dividend (2001: £nil).

SUPPLIERS PAYMENTS POLICY

Suppliers are paid in accordance with terms agreed or, in the absence thereof, 30 days from the date of the invoice.

DIRECTORS AND THEIR INTERESTS

The directors during the year were those listed below:

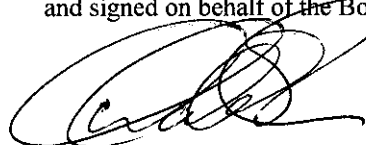
E J Badke	(resigned 25 April 2001)
D J Goldstone	(resigned 23 May 2001)
J L Goldstone	
R D King	(resigned 2 July 2002)
E Landau	(appointed 2 July 2002)
D J Lindop	(resigned 23 May 2001)
A N C Storey	(resigned 30 April 2001)

The directors of the company at 31 March 2002 were also directors of the ultimate parent undertaking, Ruskin Properties Ltd, and their interests in the shares of that undertaking are disclosed in the report and accounts of that company. None of the directors had interests in the shares of Regalian Homes Limited or any other group company.

AUDITORS

During the year Ernst & Young resigned as the company's auditors and the directors appointed Deloitte & Touche to fill the casual vacancy arising. A resolution re-appointing Deloitte & Touche as auditors for the ensuing year will be placed before the Annual General Meeting of this company. Special notice has been received for this resolution pursuant to section 388 of the Companies Act 1985.

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



Director

10-03-2003

02

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 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REGALIAN HOMES LIMITED

We have audited the financial statements of Regalian Homes Limited for the year ended 31 March 2002 which comprise the profit and loss account, the statement of recognised gains and losses, note of historical costs and profits, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

10 February 2003

REGALIAN HOMES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2002

	Note	2002 £	2001 £
TURNOVER	2	3,121,127	18,531,414
Cost of sales	3	(1,266,325)	(15,003,698)
GROSS PROFIT		<u>1,854,802</u>	<u>3,527,716</u>
Administrative expenses	4	(68,000)	(14,133)
OPERATING PROFIT		<u>1,786,802</u>	<u>3,513,583</u>
Profit on disposal of investment property		808,098	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>2,594,900</u>	<u>3,513,583</u>
Interest receivable		1,920	37,705
Interest payable	7	(608,237)	(1,000,226)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,988,583</u>	<u>2,551,062</u>
Tax credit on profit on ordinary activities	8	5,625	64,852
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		<u>1,994,208</u>	<u>2,615,914</u>
Dividends	6	(2,000,000)	(2,500,000)
RETAINED (LOSS)/PROFIT FOR THE YEAR	15	<u>(5,792)</u>	<u>115,914</u>

There are no recognised gains or losses other than those shown in the profit and loss account.

All profits are derived from continuing operations.

REGALIAN HOMES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2002

	Note	2002 £	2001 £
Profit for the financial year		1,994,208	2,615,914
Unrealised surplus on revaluation of long leasehold investment property		-	112,000
Total recognised gains and losses relating to the year		<u>1,994,208</u>	<u>2,727,914</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £	2001 £
Reported profit on ordinary activities before taxation	1,994,208	2,615,914
Realisation of property revaluation gains of previous years	949,112	-
Historical cost profit on ordinary activities before taxation	<u>2,943,320</u>	<u>2,615,914</u>
Historical cost profit for the year retained after taxation and dividends	<u>943,320</u>	<u>180,766</u>

REGALIAN HOMES LIMITED

BALANCE SHEET

31 March 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	9	-	6,667,500
Investments	10	500,000	-
		<u>500,000</u>	<u>6,667,500</u>
CURRENT ASSETS			
Stocks and development work in progress	11	-	1,380,057
Debtors	12	4,551,089	6,283,321
Cash at bank and in hand		-	15,687
		<u>4,551,089</u>	<u>7,679,065</u>
CREDITORS: amounts falling due within one year	13	(87,668)	(2,064,552)
NET CURRENT ASSETS		<u>4,463,421</u>	<u>5,614,513</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,963,421</u>	<u>12,282,013</u>
CREDITORS: amounts falling due after more than one year	13	-	(7,312,800)
NET ASSETS		<u>4,963,421</u>	<u>4,969,213</u>
CAPITAL AND RESERVES			
Called up share capital	14	3,226,804	3,226,804
Revaluation reserve	15	-	949,419
Profit and loss account	15	1,736,617	792,990
EQUITY SHAREHOLDERS' FUNDS	15	<u>4,963,421</u>	<u>4,969,213</u>

These financial statements were approved by the Board of Directors on 10-03-2003.

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

The results of the company and its subsidiaries are consolidated in the group accounts of Ruskin Properties Ltd and so in accordance with Section 228 of the Companies Act 1985 the company has not presented group accounts.

A cash flow statement for the company has not been presented, as permitted by FRS 1, as the group accounts of Ruskin Properties Ltd incorporate a cash flow statement.

Turnover and recognition of income

Turnover represents proceeds from the sale of properties, rental income and management fees receivable, stated net of value added tax. Sales of residential properties are recognised when, contracts having been exchanged and substantive physical completion of the property/individual units having occurred, the company is contractually entitled to issue a notice requiring the purchaser to complete. Turnover and profit in respect of long term contracts and commercial properties that have been pre-sold are recognised over the period of development on the basis of percentage of development completed.

Cost of sales

The cost of sales of residential properties is computed by applying the ratio of estimated total costs to completion to estimated total sales to completion per development to the total sales achieved per development during the year.

Interest payable

Interest and other financing costs incurred in respect of trading properties in the course of development are carried forward as part of the cost of stocks and development work in progress. Those costs incurred in respect of investment properties in the course of development are carried forward as part of the cost of investment properties under development. All other interest and financing costs are charged to the profit and loss account as incurred.

Investment properties

The book value of investment properties in the course of development includes land and buildings, interest and other appropriate costs, less any provision for permanent diminution in value.

Completed properties held for resale and development work in progress are valued at the lower of cost and net realisable value. Costs include interest and other appropriate development costs which are capitalised to the end of development.

Investments in subsidiary undertakings

Investments are stated at cost less provisions for diminution in value.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

REGALIAN HOMES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

2. TURNOVER

Turnover is attributable to property investment and trading activities and is all derived from activities in the United Kingdom. Turnover includes £341,970 (2001: £756,466) of gross rents receivable and £355,140 (2001: £2,053,213) of management and sales fees receivable.

3. COST OF SALES

Cost of sales includes depreciation of £nil (2001: £90,661) together with a loss on disposal of furniture and equipment of £nil (2001: £37,162).

4. ADMINISTRATIVE EXPENSES

Administrative expenses are stated after charging auditors' remuneration of £10,000 (2001: £10,000).

5. DIRECTORS AND EMPLOYEES

No emoluments were payable by the company to any of the directors during the year (2001: £nil).

The directors of the company at 31 March 2002 were also directors of the ultimate holding company and of fellow subsidiary companies. The remuneration of these directors is disclosed in the accounts of the ultimate holding company which are available from the address given in note 16. The directors do not believe that it is practicable to apportion this remuneration between their services as directors of the company and their services as directors of the ultimate holding company and of fellow subsidiary companies. Regalian Homes Limited had no employees other than its directors in either year

6. DIVIDENDS PAID AND PROPOSED

	2002 £	2001 £
Equity Shares		
Interim dividend paid	(2,000,000)	(2,500,000)
Final dividend proposed	-	-
	<u>(2,000,000)</u>	<u>(2,500,000)</u>

7. INTEREST PAYABLE

	2002 £	2001 £
Charged by parent undertaking on intercompany loan	-	283,815
Other interest	608,237	744,610
Less: amounts transferred to stocks and development work in progress	-	(28,199)
	<u>608,237</u>	<u>1,000,226</u>

REGALIAN HOMES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	1,988,583	2,551,062
Tax on profit on ordinary activities at UK corporation tax rate of 30%	596,575	765,319
Effects of:		
Utilisation of tax losses brought forward	(596,575)	(776,151)
Adjustment to tax charge in respect of prior periods	5,625	75,684
Current tax charge/(credit) for period	<u>5,625</u>	<u>64,852</u>

No provision for corporation tax has been made since the profit for the year will be covered by losses brought forward from prior periods. The credit for taxation of £5,625 is in respect of consideration at 30% for losses surrendered to fellow subsidiary companies in respect of prior periods. It is anticipated that group relief and other tax reliefs will impact on future tax charges.

Deferred tax assets totalling £7,700,000 have not been recognised in respect of allowable losses for tax purposes as Regalian Homes Limited is not sufficiently certain that it will be able to recover the assets within a relatively short period of time.

9. TANGIBLE FIXED ASSETS

	Investment properties £	Furniture and equipment £	Total £
Cost			
At 1 April 2001	6,667,500	160,498	6,827,998
Additions	21,908	-	21,908
Disposals	(6,689,408)	(160,498)	(6,849,906)
At 31 March 2002	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation			
At 1 April 2001	-	160,498	160,498
Eliminated on disposals	-	(160,498)	(160,498)
At 31 March 2002	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 March 2002	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2001	<u>6,667,500</u>	<u>-</u>	<u>6,667,500</u>

Investment property comprised the development of Luke House, Abbey Orchard Street, which was held long leasehold at directors' valuation. The property was valued by the directors at 31 March 2001 on the basis of open market value. The historical cost of the property at 31 March 2001 was £5,718,081, which included capitalised interest of £226,000.

REGALIAN HOMES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

10. INVESTMENTS

	2002 £
Investments in subsidiary undertakings	
Cost at 1 April 2001	9
Additions	500,000
Cost at 31 March 2002	<u>500,009</u>
Provision for diminution in value	
At 1 April 2001 and 31 March 2002	<u>(9)</u>
Net Book Value	
At 31 March 2002	<u><u>500,000</u></u>
At 31 March 2001	<u><u>-</u></u>

The principal subsidiary undertakings of Regalian Homes Limited are:

Baynard's Green Properties Limited
 Betafield Limited
 Regalian (Balvaird) Limited
 Regalian (Central) Limited
 Regalian (Chelsea Gate) Limited

The aforementioned companies are registered in England and Wales and have only ordinary share capital in issue, which is owned 100% by Regalian Homes Limited.

During the year, Baynard's Green Properties Limited, a 100% subsidiary of Regalian Homes Limited, issued new share capital of 500,000 ordinary shares of £1 each. Regalian Homes Limited subscribed for the full amount of new share capital, with the consideration settled via an intercompany payment.

Betafield Limited operates in England and Wales and had a 50% interest in Oakwood United Kingdom, a partnership formed in February 1999 with Oakwood International to provide corporate housing and serviced accommodation in Central London. The company's interest in the partnership was disposed of during the year. Oakwood United Kingdom is accounted for in the group accounts of the ultimate holding company, Ruskin Properties plc, as an associate undertaking.

Regalian (Chelsea Gate) Limited operates in England and Wales and is a partner in The Chelsea Gate Partnership, which was formed to develop a property in Central London. The Chelsea Gate Partnership, which is 50% owned by the group, is accounted for in the group accounts of Ruskin Properties plc as a joint venture.

11. STOCKS AND DEVELOPMENT WORK IN PROGRESS

	2002 £	2001 £
Completed properties held for resale	<u>-</u>	<u>1,380,057</u>

Interest included in production cost of stock, before provisions, amounts to £nil (2001 - £76,670).

REGALIAN HOMES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

12. DEBTORS

	2002 £	2001 £
Amounts owed by parent undertaking	4,398,749	307,834
Amounts due from purchasers under the Home Purchase Plan	-	1,723
Trade debtors	2,500	1,028,159
Prepayments and accrued income	149,840	4,945,605
	<u>4,551,089</u>	<u>6,283,321</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	49,048	183,838
Customer deposits	-	75,672
Proposed dividend	-	1,000,000
Accruals and deferred income	38,620	805,042
	<u>87,668</u>	<u>2,064,552</u>
Amounts falling due after more than one year:		
Loans (secured)	-	7,312,800
	<u>-</u>	<u>7,312,800</u>

The loans were from the Nationwide Building Society and were drawn under a facility expiring in January 2018 or such other date as the lender and the company may agree in writing. Repayments were to be evenly spread over the period from April 2003 to the expiry date. The rate of interest payable on £5,095,600 of the loans was fixed at 8.015% until January 2003. The rate of interest payable on the remaining loans was LIBOR plus 1.375%. The loans were secured on the fixed asset investment properties of the company and of a fellow subsidiary company.

14. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
3,235,183 ordinary shares of £1 each	<u>3,235,183</u>	<u>3,235,183</u>
Called up, allotted and fully paid		
3,226,804 ordinary shares of £1 each	<u>3,226,804</u>	<u>3,226,804</u>

REGALIAN HOMES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Revaluation reserve £	Share capital £	Profit and loss account £	Shareholders' funds £
At 1 April 2001	949,419	3,226,804	792,990	4,969,213
Profit for the year	-	-	(5,792)	(5,792)
Transfer of revaluation surplus on disposal of investment property	(949,419)	-	949,419	-
At 31 March 2002	<u>-</u>	<u>3,226,804</u>	<u>1,736,617</u>	<u>4,963,421</u>

16. RELATED PARTIES

The company's ultimate parent company and controlling party at the date of signing is Ruskin Properties Ltd, a company incorporated in the United Kingdom and the largest of such group undertakings of which the company is a member and for which group accounts are prepared. The smallest company in the group for which group accounts are prepared is Regalian Properties Ltd, this company's immediate parent company. Copies of both financial statements are available from its registered office at 44 Grosvenor Hill, London, W1X 9JE.

The company has taken advantage of provisions in FRS 8 which exempt subsidiary undertakings from disclosing transactions with other entities within the group.