

DOVERLINE LIMITED

**CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE PERIOD ENDED

31 DECEMBER 1999

Company number: 3664351



DOVERLINE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

Company registration number:

3664351

Registered office:

The Clockhouse
Frogmoor
High Wycombe
Buckinghamshire
HP13 5DL

Directors:

D C Miller
R L Chalcraft
A Lakhani

Secretary:

A Lakhani

Bankers:

National Westminster Bank Plc
Chilterns Customer Service Centre
PO Box 315
High Wycombe
Buckinghamshire
HP11 2EU

Solicitors

Jeffrey Green Russell
Apollo House
56 New Bond Street
London
W1Y 0SX

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
1 Westminster Way
Oxford
OX2 0PZ

DOVERLINE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

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DOVERLINE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the period ended 31 December 1999.

Principal activities

The group is principally engaged in one activity, namely building and estate management.

Review of the business

The company was incorporated 9 November 1998, on 5 December 1998 it acquired 67.5% of the share capital of Roxylight Homes Limited. The company is a holding company and does not trade in its own right.

The group's profit for the period £825,000 has been transferred to reserves. The directors do not recommend the payment of a dividend.

Directors

The present membership of the Board is set out below.

The first directors of the company were:

Hallmark Registrars Limited (appointed 9 November 1998) (resigned 10 November 1998)
Hallmark Secretaries Limited (appointed 9 November 1998) (resigned 10 December 1998)
K Foley (appointed 10 November 1998) (resigned 10 March 2000).

The interests of the directors and their families in the shares of the company as at 31 December 1999 are set out below.

	Ordinary shares 31 December 1999	Preference shares 31 December 1999
R L Chalcraft (appointed 17 December 1998)	250	1,000,000
A Lakhani (appointed 10 March 2000)	-	-
D C Miller (appointed 10 November 1998)	-	-

Directors' responsibilities for the financial statements

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 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, subject to any material departures disclosed and explained in the financial statements.
- 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DOVERLINE LIMITED

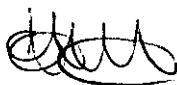
REPORT OF THE DIRECTORS (CONTINUED)

Auditors

Grant Thornton were appointed auditors on 4 December 2000 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



A Lakhani
Secretary

25 April 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF DOVERLINE LIMITED

We have audited the financial statements on pages 4 to 19 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1 the directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. 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 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 group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 affairs of the company and the group at 31 December 1999 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

OXFORD

25 April 2001

DOVERLINE LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below.

Basis of consolidation

These group financial statements consolidate those of the company and of its subsidiary undertakings (see note 7) drawn up to 31 December 1999. The results of subsidiaries acquired or disposed of during the period have been included from the date of acquisition or to the date of disposal. Profits or losses on intragroup transactions are eliminated in full.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for the sale of houses and land.

Sales of houses are recognised when a legally binding unconditional contract has been exchanged and construction is substantially complete.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives as follows:

The rates generally applicable are:

Freehold buildings	50 years
Short leasehold improvements	period of the lease
Plant and equipment	3 to 5 years

Stocks and work in progress

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

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

DOVERLINE LIMITED

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising from the acquisition of subsidiary undertakings, representing the difference between the purchase consideration and fair value of net assets acquired, acquisitions have been capitalised in accordance with the requirements of Financial Reporting Standard number 10. Goodwill is amortised on a straight line basis over its estimated useful economic life.

Deferred taxation

Deferred taxation is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided tax is disclosed as a contingent liability.

DOVERLINE LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE PERIOD ENDED 31 DECEMBER 1999**

	Note	£'000
Turnover	1	19,103
Cost of sales		<u>(15,141)</u>
		3,962
Gross profit		
Operating expenses		<u>(2,294)</u>
Profit arising on the acquisition of subsidiaries		506
		<u>2,174</u>
Operating Profit		2,174
Loss on disposal of subsidiary undertakings		(23)
Net interest payable	2	<u>(886)</u>
Profit on ordinary activities before taxation	1	1,265
Tax on ordinary activities	4	<u>(248)</u>
Profit on ordinary activities after taxation		1,017
Equity minority interests		<u>(192)</u>
Retained profit for the period	14	<u><u>825</u></u>

There were no recognised gains or losses other than the profit in the financial period.

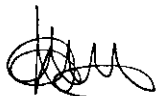
The accompanying accounting policies and notes form an integral part of these financial statements.

DOVERLINE LIMITED**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1999**

	Note	£'000	£'000
Fixed assets			
Tangible assets	6		1,691
Current assets			
Stock	8	13,074	
Debtors	9	2,804	
Cash at bank and in hand		1,653	
		<u>17,531</u>	
Creditors: amounts falling due within one year	10	<u>(15,064)</u>	
Net current assets			<u>2,467</u>
Total assets less current liabilities			4,158
Creditors: amounts falling due after more than one year	11		(1,236)
Net assets			<u><u>2,922</u></u>
Capital and reserves			
Called up share capital	13		1,001
Profit and loss account	14		825
Total shareholders' funds			<u>1,826</u>
Minority interests			<u>1,096</u>
			<u><u>2,922</u></u>
Equity shareholders' funds			826
Non-equity shareholders' funds			<u>1,000</u>
			<u><u>1,826</u></u>

These financial statements were approved by the Board of Directors on 25 April 2001.

A Lakhani



Director

25/04/2001

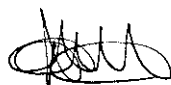
The accompanying accounting policies and notes form an integral part of these financial statements.

DOVERLINE LIMITED**BALANCE SHEET AT 31 DECEMBER 1999**

	Note	£'000
Fixed assets		
Investments	7	<u>1,001</u>
Capital and reserves		
Called up share capital	13	<u>1,001</u>

The financial statements were approved by the Board of Directors on 25 April 2001.

A Lakhani



25/4/2001

Director

The accompanying accounting policies and notes form a integral part of these financial statements.

DOVERLINE LIMITED**CONSOLIDATED CASH FLOW STATEMENT****FOR THE PERIOD ENDED 31 DECEMBER 1999**

	Note	£'000
Net cash inflow from operating activities	15	1,847
Returns on investment and servicing of finance		
Interest received		10
Interest paid		(892)
Finance lease interest paid		<u>(4)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(886)</u>
Taxation		
Corporation tax paid		(306)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	6	(57)
Acquisitions and disposals		
Purchase of subsidiaries	18	(1,001)
Net cash amount on purchase of business		<u>1,307</u>
Net cash inflow from acquisitions and disposals		<u>306</u>
Financing		
Issue of shares	13	1,001
Net repayment of loans		(290)
Capital element of finance leases		<u>38</u>
Net cash inflow from financing		<u>749</u>
Increase in cash in the period		<u><u>1,653</u></u>

DOVERLINE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

1 Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation are attributable to one activity namely building and estate management. This is carried on in a single geographical market.

The turnover and profit on ordinary activities is stated after:

	£'000
Auditors' remuneration	28
Depreciation - assets held under finance leases	17
Depreciation - owned	64
Hire of plant and machinery	<u>68</u>

2 Net interest

	£'000
On bank loans, overdrafts and other loans repayable within five years, otherwise than by instalments	798
Interest payable to group undertakings	94
Finance charges in respect of finance leases	4
Interest receivable	<u>(10)</u>
	<u>886</u>

3 Directors and employees

Staff costs during the period were as follows:

	£'000
Wages and salaries	1,284
Social security costs	129
Other pension costs	<u>55</u>
	<u>1,468</u>

The average number of employees of the company during the period was 39.

The directors did not receive any emoluments during the period from the group.

DOVERLINE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

4 Taxation

The tax charge is based on the profit for the period and represents:

	£'000
UK corporation tax at 30%	291
Deferred taxation	(43)
	<u>248</u>

5 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company did not have any transactions in the period which affected its reserves.

DOVERLINE LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 31 DECEMBER 1999****6 Tangible fixed assets**

The Group	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
Acquired on acquisition	1,553	267	1,820
Additions	-	57	57
Disposals	-	(20)	(20)
At 31 December 1999	<u>1,553</u>	<u>304</u>	<u>1,857</u>
Depreciation			
Acquired on acquisition	-	103	103
Charge for the period	18	63	81
Disposals	-	(18)	(18)
At 31 December 1999	<u>18</u>	<u>148</u>	<u>166</u>
Net book amount at 31 December 1999	<u>1,535</u>	<u>156</u>	<u>1,691</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	Plant and equipment £'000
Net book amount at 31 December 1999	<u>33</u>
Depreciation provided during the period	<u>17</u>

DOVERLINE LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 31 DECEMBER 1999**

7 Fixed asset investments

Company	Shares in group undertakings £'000
Cost and net book amount	<u>1,001</u>

At 31 December 1999 the company held directly and indirectly 100% of the equity of the following undertakings, all which were incorporated in England and Wales.

	Class of share capital held	Nature of business held
Roxylight Homes Limited	Ordinary	Parent company
Saxon Developments Limited	Ordinary Deferred	Housebuilding and estate management
Roxylight Midland Limited (held by Saxon Developments Limited)	Ordinary	Investment company
Roxylight Properties Limited (held by Roxylight Midland Limited and Saxon Developments Limited)	Ordinary 'B'	Property development
Edmond Holdings Limited (held by Roxylight Properties Limited)	Ordinary	Parent company
Zatum Properties Limited (held by Saxon Developments Limited)	Ordinary	Leasing of commercial properties
Saxon Securities Limited	Ordinary	Investment company

DOVERLINE LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 31 DECEMBER 1999**

8 Stocks**The Group****£'000**

Land and developments held as trading stock	13,074
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9 Debtors**The Group****£'000**

Trade debtors	2,382
Other debtors	352
Taxation recoverable	58
Prepayments and accrued income	12
	<u>2,804</u>

10 Creditors: amounts falling due within one year**The Group****£'000**

Bank loans and overdrafts	8,628
Trade creditors	4,324
Retentions	474
Amounts owed to related parties	113
Deferred consideration	58
Corporation tax	596
Social security and other taxes	52
Accruals and deferred income	802
Amounts due under finance leases	17
	<u>15,064</u>

DOVERLINE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

11 Creditors: amounts falling due after more than one year

	The Group
	£'000
Amounts owed to group undertakings	1,215
Amounts due under finance leases	<u>21</u>
	<u>1,236</u>

Borrowings are repayable as follows:

	The Group
	£'000
Within one year	
Bank and other borrowings	8,628
Finance leases	17
After one and within two years	
Bank and other borrowings	65
Finance leases	21
After two and within five years	
Bank and other borrowings	195
After five years	
Bank and other borrowings	<u>955</u>
	<u>9,881</u>

The bank loans are secured by fixed and floating charges over all the company's assets and by first legal mortgages over certain land held in stock by the group.

12 Deferred taxation

The deferred taxation included in debtors in the financial statements is set out below. The deferred tax asset is calculated using a tax rate of 30%.

Group	£'000
Short-term timing differences	<u>43</u>

DOVERLINE LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 31 DECEMBER 1999****13 Share capital**

	The group and the company £'000
Authorised, allotted, called up and fully paid	
1,000 ordinary shares of £1 each	1
1,000,000 8% Cumulative Redeemable Preference shares of £1 each	<u>1,000</u>
	<u>1,001</u>

Preference shares

No dividend is payable in respect of the preference shares in relation to the two years to 13 November 2000. An 8% dividend paid quarterly in arrears is due for the year to 13 November 2001. From that date the cumulative dividend is 10% per annum. The cumulative preference dividend is to be paid in priority to any payment of dividends to ordinary shareholders.

The preference shares may be redeemed any time after 31 December 1998 if any person acquires directly or indirectly legal or beneficial ownership of any ordinary shares with an aggregate voting right of 50% of the ordinary share capital.

If not previously redeemed, redemption date is 13 November 2001. If the company is unable to redeem due to the law or other restrictions they should be redeemed as soon thereafter as the law or other such restrictions allow.

14 Reserves

The Group	Profit and loss account £'000
Retained profit for the period and at 31 December 1999	<u>825</u>

15 Net cash inflow from operating activities

	£'000
Operating profit	2,174
Goodwill written off on acquisition	(506)
Depreciation	81
Increase in stock	(1,264)
Decrease in debtors	3,046
Decrease in creditors	(1,663)
Loss on sale of fixed assets	2
Loss on sale of subsidiary	<u>(23)</u>
Net cash inflow from operating activities	<u>1,847</u>

DOVERLINE LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 31 DECEMBER 1999**

16 Reconciliation of net cash flow to movement in net debt

	£'000
Increase in cash	346
Cash outflow from financing in the year	290
Cash outflow from finance leases	(38)
	<u>598</u>
Changes in net debt from cash flows, leases, loans, finance leases acquired with subsidiary	<u>(7,611)</u>
Net debt at 31 December 1999	<u><u>(7,013)</u></u>

17 Analysis of changes in net debt

	Cashflow £'000	Acquisition £'000	Non cash items £'000	At 31 December 1999 £'000
Cash in hand at bank	346	1,307	-	1,653
Debt due within one year	290	(8,918)	-	(8,628)
Finance leases	-	-	(38)	(38)
	<u>636</u>	<u>(7,611)</u>	<u>(38)</u>	<u><u>(7,013)</u></u>

DOVERLINE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

18 Acquisition

Effective January 1999 the group acquired 625 ordinary shares in Roxylight Homes Limited being 62.5% of its issued share capital for a consideration of £450,450 in cash. Goodwill arising on the acquisition has been written off to the profit and loss account.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair value £'000
Fixed assets	1,130	1,717
Current assets		
Debtors	5,792	5,792
Stocks	11,810	11,810
Bank and cash	1,307	1,307
	<u>18,909</u>	<u>18,909</u>
Creditors		
Bank loans and overdrafts	8,918	8,918
Trade creditors	886	886
Accruals	8,411	8,411
	<u>18,215</u>	<u>18,215</u>
Total net assets of Roxylight Homes Limited	<u>1,824</u>	<u>2,411</u>
Less minority interests		<u>(904)</u>
Net assets acquired		1,507
Purchased goodwill		<u>(506)</u>
Cash Consideration		<u><u>1,001</u></u>

19 Capital commitments

Neither the group nor the company had any capital commitments at 31 December 1999.

DOVERLINE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1999

20 Contingent liabilities

The company is party to a multilateral guarantee in respect of its bank borrowings and those of its group undertakings. At 31 December 1999 this amounted to £7,751,103.

The group has given indemnities to its bankers and the National House Building Council in respect of performance bonds in the normal course of business. At 31 December 1999 its contingent liability amounted to £1,651,626.

The group had no other contingent liabilities at 31 December 1999 except in respect of deferred taxation.

21 Leasing commitments

The group has annual operating lease payments amounting to £200,000. The leases to which these payments relate expire as follows:

	Land and buildings £'000	Other £'000
In one year or less	-	13
Between one and five years	-	42
In five years or more	145	-
	<u>145</u>	<u>55</u>

22 Defined Contribution Pension Scheme

Saxon Developments Limited operates a defined contribution pension scheme for the benefit of the employees. Edmond Holdings Limited operates two defined contribution pension schemes for the benefit of the employees. The assets of the schemes are administered by trustees in a fund independent from those of that company.

23 Post balance sheet events

In December 1999 Saxon Developments Limited agreed to purchase Tower Gate Homes PLC for £854,757 on the basis of a put and call option. The put option was served upon the company by Quintain PLC on 29 June 2000, and was exercised by the company on 21 September 2000.

On 20 October 2000 Saxon Developments Limited entered into a cross guarantee arrangement with its Bankers and Galleondeal Limited a connected company.