

**Wolsey Group Limited (formerly
Lexington Group Limited)**

Report and Financial Statements

Year Ended

31 December 2004

2-039 15



BDO

BDO Stoy Hayward
Chartered Accountants

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Annual report and financial statements for the year ended 31 December 2004

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Directors

E W Grove
M A Ratcliffe
S M Ratcliffe
T I Percival
N Solomon
L F Briscoe
S W O'Brien (appointed 1 November 2004)
S J Parkinson (appointed 4 October 2004)
G H Tilston (appointed 4 October 2004)

Secretary and registered office

S M Ratcliffe, Munro House, Portsmouth Road, Cobham, Surrey KT11 1PA

Company number

3883705

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

Bankers

Bank of Scotland, The Mound, Edinburgh, Scotland EH1 1YZ

Solicitors

Laytons, Carmelite, 50 Victoria Embankment, London EC4Y 0LS

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Change of name

On 17 November 2004 the company change its name from Lexington Group Limited to Wolsey Group Limited.

Results and dividends

The group profit and loss account is set out on page 5 and shows the result for the year.

The directors propose the payment of a final ordinary dividend of 5.6p (2003 – 4.0p) per ordinary share, a total of £700,000 (2003 - £500,000).

Principal activities, trading review and future developments

The principal activities of the group comprise the development and construction of residential property, together with the provision of finance for housing developments.

The directors are pleased with the result for the year and are confident of future growth.

Post balance sheet event

Rushmon Limited together with its subsidiaries Berenwood Limited and Prudentworth Limited were demerged from the group on 24th February 2005 by way of a dividend in specie. The Rushmon Limited shares were distributed to the existing Shareholders in the proportions of the Wolsey Group Limited shareholding at that time. As part of this restructuring, but after the demerger, Wolsey Group Limited purchased from Uberior Investments plc its 25% shareholding in Wolsey II Limited in consideration for the issue to Uberior Investments plc by Wolsey Group Limited of 923,989 shares in its capital.

Directors and their interests

The directors of the company during the year and their interests in the share capital of the company were:

	50p ordinary shares	
	31 December 2004	31 December 2003
E W Grove – Chairman	1,953,403	1,953,403
M A Ratcliffe – Chief Executive	3,271,487	3,271,487
S M Ratcliffe – Commercial Director	3,062,500	3,062,500
T I Percival – Southern Regional Chairman	-	-
N Solomon – Non-executive Director	25,000	25,000
L F Briscoe – Non-executive Director	2,209,712	2,209,712
S W O'Brien – Finance Director	-	-
S J Parkinson – Managing Director Northern	-	-
G H Tilston – Managing Director Midlands	-	-

M A Ratcliffe is trustee and non-beneficial shareholder of the Ratcliffe Grandchildrens' Trust which holds 146,486 shares in the company. This shareholding is included within the number of shares held by M A Ratcliffe.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Report of the directors for the year ended 31 December 2004 (Continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

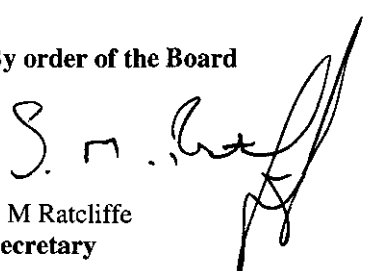
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

By order of the Board


S M Ratcliffe
Secretary

Date: 10 MAY 2005

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Report of the independent auditors

To the shareholders of Wolsey Group Limited (formerly Lexington Group Limited)

We have audited the financial statements of Wolsey Group Limited (formerly Lexington Group Limited) for the year ended 31 December 2004 on pages 5 to 29 which have been prepared under the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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 and other members of the group 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

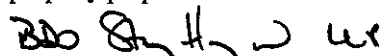
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company as at 31 December 2004 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Bromley

Date: 12 May 2005

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Consolidated profit and loss account for the year ended 31 December 2004

	Note	2004 Continuing Operations £	2004 Discontinuing operations £	2004 Total £	2003 Total £
Turnover	2	18,604,332	19,700,701	38,305,033	34,391,335
Cost of sales		-	(16,327,111)	(16,327,111)	(18,194,776)
Gross profit		18,604,332	3,373,590	21,977,922	16,196,559
Other operating income		1,592,382	62,490	1,654,872	29,367
Operating expenses		(6,986,549)	(2,115,935)	(9,102,484)	(5,208,621)
Operating profit		13,210,165	1,320,145	14,530,310	11,017,305
Finance charges (net)	3				
- Accrued redemption premiums				(822,000)	(722,000)
- Other interest payable (net)				(3,157,084)	(2,358,919)
				(3,979,084)	(3,080,919)
Profit on ordinary activities before taxation	4			10,551,226	7,936,386
Taxation on profit from ordinary activities	6			(3,268,169)	(2,432,143)
Profit on ordinary activities after taxation				7,283,057	5,504,243
Minority interest				(565,413)	(485,320)
Profit for the financial year				6,717,644	5,018,923
Dividends	7			(700,000)	(500,000)
Profit for the year transferred to reserves	18			6,017,644	4,518,923

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 10 to 29 form part of these financial statements.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)**Consolidated balance sheet at 31 December 2004**

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Goodwill	9		667,220		796,362
Tangible assets	10		621,665		214,558
			<u>1,288,885</u>		<u>1,010,920</u>
Current assets					
Investments in land development	12	51,120,096		29,961,026	
Stocks	13	9,139,378		7,761,607	
Debtors	14	23,715,212		25,604,051	
		<u>83,974,686</u>		<u>63,326,684</u>	
Creditors: amounts falling due within one year	15	(14,470,379)		(10,731,051)	
Net current assets			<u>69,504,307</u>		<u>52,595,633</u>
Total assets less current liabilities			<u>70,793,192</u>		<u>53,606,553</u>
Creditors: amounts falling due after more than one year	16		(45,237,801)		(34,633,969)
Net Assets			<u>25,555,391</u>		<u>18,972,584</u>


The notes on pages 10 to 29 form part of these financial statements.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Consolidated balance sheet at 31 December 2004 (Continued)

	Note	2004 £	2003 £
Capital and reserves			
Called up share capital	17	6,248,891	6,248,891
Share premium account	18	701,110	701,110
Capital redemption reserve	18	2,250,000	2,250,000
Merger reserve	18	814,000	814,000
Profit and loss account	18	13,485,789	7,468,145
Shareholders' funds – equity interests		23,499,790	17,482,146
Minority interests (equity)		2,055,601	1,490,438
		25,555,391	18,972,584

The financial statements on pages 5 to 29 were approved by the Board on 10th May 2005.


S W O'Brien
Director

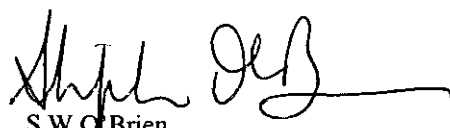
The notes on pages 10 to 29 form part of these financial statements.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Company balance sheet at 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	10		62,680		91,058
Investments	11		6,343,024		6,343,024
			<u>6,405,704</u>		<u>6,434,082</u>
Current assets					
Debtors	14	32,468,421		26,460,235	
Creditors: amounts falling due within one year	15	(1,283,897)		(882,886)	
		<u></u>		<u></u>	
Net current assets			31,184,524		25,577,349
			<u></u>		<u></u>
Total assets less current liabilities			37,590,228		32,011,431
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	16		(24,305,598)		(22,702,570)
			<u></u>		<u></u>
Net assets			13,284,630		9,308,861
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	17		6,248,891		6,248,891
Share premium account	18		701,110		701,110
Capital redemption reserve	18		2,250,000		2,250,000
Profit and loss account	18		4,084,629		108,860
			<u></u>		<u></u>
Shareholders' funds – equity interests			13,284,630		9,308,861
			<u></u>		<u></u>

The financial statements were approved by the Board on 10th May 2005.


S W O'Brien
Director

The notes on pages 10 to 29 form part of these financial statements.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)**Consolidated cash flow statement for the year ended 31 December 2004**

	Note	2004 £	2003 £
Net cash outflow from operating activities	20	(7,290,135)	(7,544,640)
Returns on investments and servicing of finance	21	(2,961,731)	(2,258,973)
Taxation	21	(2,876,341)	(2,756,990)
Capital expenditure and financial investment	21	(589,868)	(128,231)
Equity dividends paid		(500,000)	(200,000)
Cash outflow before financing		(14,218,075)	(12,888,834)
Financing	21	9,586,229	10,617,428
Decrease in cash in the year	23	(4,631,846)	(2,271,406)

The notes on pages 10 to 29 form part of these financial statements.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of accounting

The group accounts consolidate the accounts of Wolsey Group Limited (formerly Lexington Group Limited) and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Tangible fixed assets

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 values of each asset, on a straight-line basis over its expected useful life, as follows:

Office equipment	-	Between four and five years
Leasehold improvements	-	On cost over the remaining term of lease
Motor vehicles	-	Over four years
Plant and machinery	-	Between three and five years

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value and represent the investments made by the group in land development. The group's share of profit from current land developments is shown within turnover.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

1 Accounting policies (*Continued*)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development including directly attributable fees and expenses, but not interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences. Deferred tax balances are not discounted.

Turnover

Revenue derived from the sale of development and construction of residential property is recognised on exchange of contracts where the property is substantially complete and the group receives monies due on legal completion by the date the financial statements are formally approved by the directors.

Where activities involve the provision of finance for housing developments, turnover represents the share of profits arising on investments, together with any amounts derived from the provision of management services. Profit on investments is recognised if development plots are substantially complete and contracts exchanged during the year.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Pensions

Contributions to money purchase pension schemes are charged to the profit and loss account in the year in which they become payable.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gains or losses are recognised on conversion. Provision is made for redemption premia arising on debt to give a constant rate of effective funding cost over the period to anticipated repayment.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**1 Accounting policies (*Continued*)***Interest rate movements*

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

2 Segmental analysis

All profit is derived from the group's principal activities and wholly within the UK.

Discontinuing operations in the year to 31 December 2004 and 2003 relate to the demerger of Rushmon Limited on 24 February 2005. An analysis of operating profit between continuing and discontinuing operations during 2003 is as follows:

	2003 Continuing Operations £	2003 Discontinuing operations £	2003 Total £
Turnover	12,371,113	22,020,222	34,391,335
Cost of sales	(15,003)	(18,179,773)	(18,194,776)
Gross	12,356,110	3,840,449	16,196,559
Other operating income	(4,940)	34,307	29,367
Operating expenses	(3,901,901)	(1,306,720)	(5,208,621)
Operating profit	8,449,269	2,568,036	11,017,305

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**3 Finance charges (net)**

<i>Interest receivable and similar income</i>	2004	2003
	£	£
Other interest receivable and similar income	-	9,965
	<hr/>	<hr/>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	2,200,463	1,211,688
Other loans	868,859	882,664
Financing fees	87,762	274,532
	<hr/>	<hr/>
Accrued redemption premiums	3,157,084 822,000	2,368,884 722,000
	<hr/>	<hr/>
Finance charges (net)	3,979,084	3,080,919
	<hr/>	<hr/>

4 Profit on ordinary activities before taxation

	2004	2003
	£	£
This has been arrived at after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets		
- owned	183,363	100,177
Profit on sale of tangible fixed assets	(602)	-
Amortisation of goodwill	129,142	129,144
Operating lease rentals		
- plant and machinery	251,962	191,268
- land and buildings	290,518	128,848
Auditors' remuneration for audit services - group	25,700	24,500
- company	-	-
Auditors' remuneration for non audit services	27,150	24,000
	<hr/>	<hr/>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**5 Staff costs**

The average monthly number of group employees (including executive directors) during the year was:

	2004 Number	2003 Number
Administration	33	28
Sales	6	4
Surveyors	11	10
Project managers	16	11
Construction	4	2
Land	1	2
	<hr/>	<hr/>
	71	57
	<hr/>	<hr/>
	2004 £	2003 £

Their aggregate remuneration comprised:

Wages and salaries	3,206,287	2,726,991
Social security costs	354,610	307,284
Contributions to money purchase pension schemes	904	2,763
	<hr/>	<hr/>
	3,561,801	3,037,038
	<hr/>	<hr/>

Directors' remuneration

The remuneration of the directors was as follows:

	2004 £	2003 £
Emoluments	1,197,988	903,156
	<hr/>	<hr/>
Fees paid to non executive directors	20,600	20,600
	<hr/>	<hr/>

Pensions

There were 2 directors (2003 – 2) who were members of money purchase pension schemes. No contributions were made to the pension schemes in respect of these directors in either year.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

5 Staff costs (Continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2004	2003
	£	£
Emoluments	242,475	185,721

6 Taxation

	2004	2003
	£	£
<i>Current tax</i>		
UK corporation tax	3,267,124	2,449,449
Under/(over) provision in respect of prior years	1,045	(17,306)
	3,268,169	2,432,143

Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	10,551,226	7,936,386

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**6 Taxation (*Continued*)**

	2004 £	2003 £
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	3,165,368	2,380,916
Effects of:		
Expenses not deductible for tax purposes	66,407	43,586
Land remediation relief	-	(16,474)
Capital allowances for year in excess of depreciation	(3,394)	-
Depreciation for year in excess of capital allowances	-	5,740
Adjustment in respect of prior years	1,045	(17,306)
Amortisation of goodwill	38,743	38,742
Marginal rate	-	(3,061)
	<hr/>	<hr/>
Current tax charge	3,268,169	2,432,143
	<hr/>	<hr/>

7 Dividends

	2004 £	2003 £
Final proposed equity dividend of 5.6p (2003 – 4.0p) per share	700,000	500,000
	<hr/>	<hr/>

8 Company profit and loss account

The profit for the year dealt with in the accounts of the parent company, Wolsey Group Limited (formerly Lexington Group Limited), was £3,975,769 (2003 – profit of £1,508,057). As provided by section 230 of the Companies Act 1985, no profit and loss account is presented in respect of the parent company.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

9 Intangible fixed assets – Goodwill

	£
<i>Cost</i>	
At 1 January 2004 and 31 December 2004	2,135,751
	<hr/>
<i>Amortisation</i>	
At 1 January 2004	1,339,389
Charge for the year	129,142
	<hr/>
At 31 December 2004	1,468,531
	<hr/>
<i>Net book value</i>	
At 31 December 2004	667,220
	<hr/>
At 31 December 2003	796,362
	<hr/>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

10 Tangible fixed assets

Group	Motor vehicles £	Office equipment, plant and machinery £	Leasehold improvements £	Total £
<i>Cost</i>				
At 1 January 2004	13,210	535,518	12,339	561,067
Additions	-	599,416	-	599,416
Disposals	(13,210)	(19,826)	-	(33,036)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	1,115,108	12,339	1,127,447
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2004	13,210	327,511	5,788	346,509
Charge for the year	-	176,812	6,551	183,363
Disposals	(13,210)	(10,880)	-	(24,090)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	493,443	12,339	505,782
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2004	-	621,665	-	621,665
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	208,007	6,551	214,558
	<hr/>	<hr/>	<hr/>	<hr/>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

10 Tangible fixed assets (Continued)

Company	Office equipment £
<i>Cost</i>	
At 1 January 2004	190,892
Additions	22,799
Disposals	(851)
	<hr/>
At 31 December 2004	212,840
	<hr/>
<i>Depreciation</i>	
At 1 January 2004	99,834
Charge for the year	50,513
Disposals	(187)
	<hr/>
At 31 December 2004	150,160
	<hr/>
<i>Net book value</i>	
At 31 December 2004	62,680
	<hr/>
At 31 December 2003	91,058
	<hr/>

11 Fixed asset investments

	Company 2004 £
<i>Group undertakings</i>	
Cost	
At 1 January 2004 and 31 December 2004	6,343,024
	<hr/>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**11 Fixed assets investments (*Continued*)***Subsidiary undertakings*

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
Rushmon Limited*	England	Ordinary	100%	Property development
Wolsey Securities Limited*	England	Ordinary	100%	Property development
Wolsey Securities (Pontefract) Limited	England	Ordinary	100%	Property development
Wolsey II Limited	England	Ordinary	75%	Property development
Wolsey Securities (HBF) Limited	England	Ordinary	100%	Dormant
Lion Gate Developments Limited	England	Ordinary	100%	Property development
Berenwood Properties Limited	England	Ordinary	100%	Property management
Prudentworth Limited	England	Ordinary	100%	Dormant
Lexington Group Limited (formerly Rush to Let Limited) *	England	Ordinary	100%	Property lettings
Lexington Finance Limited	England	Ordinary	100%	Part Exchange

* Held directly by Wolsey Group Limited (formerly Lexington Group Limited).

All subsidiary undertakings have been included in the consolidation (see note 24).

12 Current asset investments

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Investments in land development	51,120,096	29,961,026	-	-

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 *(Continued)***13 Stocks and work in progress**

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Work in progress	9,139,378	7,761,607	-	-

14 Debtors

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Trade debtors	69,978	100,767	-	-
Sales debtors	7,496,950	10,664,304	-	-
Amounts owed by group undertakings	-	-	32,454,320	26,448,605
Other debtors	607,869	184,488	500	1,378
Prepayments and accrued income	15,540,415	14,654,492	13,601	10,252
	23,715,212	25,604,051	32,468,421	26,460,235

All amounts shown under debtors fall due for payment within one year.

15 Creditors: amounts falling due within one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank overdrafts	7,382,838	2,750,992	-	-
Trade creditors	811,132	681,297	13,000	13,624
Amounts owed to group undertakings	-	-	-	4,204
Corporation tax	1,092,109	700,281	(344,764)	(129,944)
Other taxation and social security	185,342	172,653	185,342	56,183
Other creditors	1,167,535	3,831,871	9,969	5,512
Dividends payable	700,000	500,000	700,000	500,000
Accruals and deferred income	3,131,423	2,093,957	720,350	433,307
	14,470,379	10,731,051	1,283,897	882,886

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Creditors: amounts falling due after more than one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank loans	31,059,198	21,472,969	15,715,598	14,660,570
Institutional Loan Stock	10,750,000	10,750,000	6,250,000	6,250,000
Accrued redemption premiums	3,428,603	2,411,000	2,340,000	1,792,000
	45,237,801	34,633,969	24,305,598	22,702,570
Maturity of debt:				
Due within one year or on demand	7,382,838	2,750,992	-	-
<i>Due in more than two years but less than five years</i>				
Bank loans	15,343,600	6,812,400	-	-
Institutional Loan Stock	4,500,000	4,500,000	-	-
	19,843,600	11,312,400	-	-
<i>Due after five years</i>				
Bank loans	15,715,598	14,660,569	15,715,598	14,660,569
Institutional Loan Stock	6,250,000	6,250,000	6,250,000	6,250,000
	21,965,598	20,910,569	21,965,598	20,910,569

The company has given an unlimited guarantee to Bank of Scotland to secure the borrowings of Wolsey Group Limited (formerly Lexington Group Limited). The maximum liability at 31 December 2004 in aggregate for all companies within Wolsey Group Limited (formerly Lexington Group Limited) was £49,632,838 (2003: £35,500,992).

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Creditors: amounts falling due after more than one year (*Continued*)

The bank loans represent a £16,000,000 revolving credit facility provided by Bank of Scotland to the group (with the exception of Wolsey II Limited, Rushmon Limited and Berenwood Properties Limited) that may be repaid and re-borrowed as required. A separate £10,500,000 revolving credit facility has been provided by Bank of Scotland to Wolsey II Limited. Interest is payable on the £16,000,000 revolving credit facility at the aggregate of a fixed margin, mandatory costs plus LIBOR. The £16,000,000 facility has a final repayment date of 21 February 2010 but can be repaid earlier at the option of the company with a non-utilisation fee charged at 0.75% of the non-utilised balance.

With respect to the separate revolving credit facility of £10,500,000, Wolsey II Limited has the option to pay interest at either a fixed margin above Bank of Scotland base rate or the same fixed margin above LIBOR and mandatory costs. The facility is repayable 60 months from the date of initial drawdown but can be repaid earlier at the option of the company, with a non-utilisation fee charged at 0.5% of the non-utilised balance.

During the year, Rushmon Limited, agreed a separate £15,000,000 revolving credit facility with Bank of Scotland of which £5,000,000 was drawn down at 31 December 2004. Interest is payable in arrears and charged at the aggregate of a fixed margin, mandatory costs plus LIBOR. The facility is repayable 36 months from the date of initial draw down but can be repaid earlier at the option of the company, with a non-utilisation fee charged at 0.5% of the non-utilised balance during the first 24 months and 0.25% thereafter.

£4,250,000 of the first secured institutional loan stock was allotted on 21 February 2000. On this date £1,866,000 of this stock was issued to Bank of Scotland. A further £110,000 was issued to the bank on 16 October 2000 and £120,000 on 17 April 2001. The remaining £2,154,000 of this stock was issued to Bank of Scotland on 7 June 2002. Interest is payable bi-annually in arrears and is charged based on the aggregate of a fixed margin, mandatory costs plus LIBOR. The stock has a final repayment date of 21 February 2012 but can be repaid earlier at the option of the company. A premium on redemption is payable to the stock holder of an amount necessary to ensure that the stock holder achieves an internal rate of return over the stock held of 17%.

The second secured institutional loan stock of £2,000,000 was issued in full to Bank of Scotland on 21 February 2000. The stock has a final repayment date of 21 February 2012 but can be repaid earlier at the option of the company. Interest is payable bi-annually in arrears and is charged based on the aggregate of a margin of at least 0.875% mandatory costs plus LIBOR.

Secured institutional loan stock of £4,500,000 was issued in full to Bank of Scotland by Wolsey II Limited. £1,500,000 was issued on 4 December 2001 and £1,500,000 was issued on 2 May 2002. Further institutional stock of £1,500,000 was issued on 22 July 2003. Interest is payable in arrears and charged based on the aggregate of a fixed margin, mandatory cost plus LIBOR. The stock is repayable by December 2008 but can be repaid early at the opinion of Wolsey II Limited. A premium on redemption is payable to the stockholder of an amount necessary to ensure that the stockholder achieves an internal rate of return over the stock issued in 2001 and 2002 at 19% and at 15% over the stock issued in 2003.

The bank loans are secured against the group's land stock and work in progress. The borrowings held directly by Wolsey II Limited and Rushmon Limited are secured against all that company's assets.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

17 Share capital

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	£	£	£	£
40,000,000 ordinary shares of 50p each	20,000,000	20,000,000	-	-
12,497,782 ordinary shares of 50p each	-	-	6,248,891	6,248,891
	<u>20,000,000</u>	<u>20,000,000</u>	<u>6,248,891</u>	<u>6,248,891</u>

18 Reserves

	Share Premium Account £	Capital Redemption Reserve £	Merger Reserve £	Profit and loss Account £	Total £
At 1 January 2004	701,110	2,250,000	814,000	7,468,145	11,233,255
Profit for the financial year	-	-	-	6,717,644	6,717,644
Proposed final dividend	-	-	-	(700,000)	(700,000)
	<u>701,110</u>	<u>2,250,000</u>	<u>814,000</u>	<u>13,485,789</u>	<u>17,250,899</u>

Company

	Share Premium Account £	Capital Redemption Reserve £	Profit and loss Account £	Total £
At 1 January 2004	701,110	2,250,000	108,860	3,059,970
Profit for the financial year	-	-	4,675,769	4,675,769
Proposed final dividend	-	-	(700,000)	(700,000)
	<u>701,110</u>	<u>2,250,000</u>	<u>4,084,629</u>	<u>7,035,739</u>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**19 Reconciliation of movements in shareholders' funds**

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Profit for the year	6,717,644	5,018,923	4,675,769	2,008,057
Dividends	(700,000)	(500,000)	(700,000)	(500,000)
Net additions to shareholders' funds	6,017,644	4,518,923	3,975,769	1,508,057
Opening shareholders' funds	17,482,146	12,963,223	9,308,861	7,800,804
Closing shareholders' funds	23,499,790	17,482,146	13,284,630	9,308,861

20 Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit	14,530,310	11,017,305
Depreciation charges	183,363	100,177
Profit on sale of tangible fixed assets	(602)	-
Amortisation of goodwill	129,142	129,144
Increase in stocks and current asset investments	(22,536,841)	(13,181,194)
Decrease/(increase) in debtors	1,888,839	(7,090,752)
(Decrease)/increase in creditors	(1,484,346)	1,480,680
Net cash outflow from operating activities	(7,290,135)	(7,544,640)

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

21 Analysis of cash flows

	2004 £	2003 £
<i>Returns on investments and servicing of finance</i>		
Interest received	-	9,965
Interest paid	(2,961,731)	(2,268,938)
	<hr/>	<hr/>
Net cash outflow	(2,961,731)	(2,258,973)
	<hr/>	<hr/>
<i>Taxation</i>		
UK corporation tax paid	(2,876,341)	(2,756,990)
	<hr/>	<hr/>
Net cash outflow	(2,876,341)	(2,756,990)
	<hr/>	<hr/>
<i>Capital expenditure and financial investments</i>		
Purchase of tangible fixed assets	(599,416)	(129,335)
Sale of tangible fixed assets	9,548	1,104
	<hr/>	<hr/>
Net cash outflow	(589,868)	(128,231)
	<hr/>	<hr/>
	2004 £	2003 £
<i>Financing</i>		
Minority interest subscription in subsidiary share capital	-	250,000
Decrease in short term borrowings	-	(1,000,000)
Issue of institutional loan stock	-	1,500,000
Increase in long term borrowings	9,586,229	9,867,428
	<hr/>	<hr/>
Net cash inflow	9,586,229	10,617,428
	<hr/>	<hr/>

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**22 Analysis of net debt**

	At 1 January 2004 £	Cash Flow £	At 31 December 2004 £
Overdrafts	(2,750,992)	(4,631,846)	(7,382,838)
	<u>(2,750,992)</u>	<u>(4,631,846)</u>	<u>(7,382,838)</u>
Debt due after one year	(32,222,969)	(9,586,229)	(41,809,198)
Debt due within one year	-	-	-
	<u>(32,222,969)</u>	<u>(9,586,229)</u>	<u>(41,809,198)</u>
Net debt	<u>(34,973,961)</u>	<u>(14,218,075)</u>	<u>(49,192,036)</u>

23 Reconciliation of net cash outflow to movement in net debt

	2004 £	2003 £
Decrease in cash in the year	(4,631,846)	(2,271,406)
Cash inflow from increase in debt	(9,586,229)	(10,367,428)
	<u>(14,218,075)</u>	<u>(12,638,834)</u>
Movement in net debt in the year	(14,218,075)	(12,638,834)
Opening net debt	(34,973,961)	(22,335,127)
	<u>(49,192,036)</u>	<u>(34,973,961)</u>
Closing net debt	(49,192,036)	(34,973,961)

24 Post balance sheet event

Rushmon Limited together with its subsidiaries Berenwood Limited and Prudentworth Limited were demerged from the group on 24th February 2005 by way of a dividend in specie. The Rushmon Limited shares were distributed to the existing Shareholders in the proportions of the Wolsey Group Limited shareholding. As part of this restructuring, but after the demerger, Wolsey Group Limited purchased from Uberior Investments plc its 25% shareholding in Wolsey II Limited in consideration for the issue to Uberior Investments plc by Wolsey Group Limited of 923,989 shares in its capital. At the same time the 75% shareholding in Wolsey II Limited held by Wolsey Securities Limited was hived up to Wolsey Group Limited at fair market value.

Since February 2000 Uberior Trading Limited have held a warrant to subscribe for shares in Wolsey Group Limited at an aggregate subscription price of £2,000,000. After the demerger of Rushmon Limited Uberior Trading Limited exercised its warrant in full in return for 934,121 shares issued by Wolsey Group Limited to Uberior Investments plc.

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**25 Financial commitments**

The group has annual commitments under non-cancellable operating leases as follows:

	2004 Motor Vehicles £	2003 Motor vehicles £	2004 Land and buildings £	2003 Land and buildings £
Expiry date:				
- within one year	41,964	71,592	-	-
- between two and five years	143,211	113,646	-	80,000
- greater than five years	-	-	244,880	-
	185,175	185,238	244,880	80,000

26 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £904 (2003 - £2,763). There were no outstanding or prepaid contributions at the year end (2003 - £NIL).

27 Related party transactions

During the year, Berenwood Properties Limited paid rent to the Rushmon Pension Scheme of £35,824 (2003 - £80,000). The scheme owns the freehold property at 7 Wolsey Road, East Molesey, Surrey. At the year end £Nil (2003 - £Nil) was owed to the scheme.

During May 2004 the group relocated from 7 Wolsey Road to Munro House, Cobham. Effective from 11 June 2004 both parties agreed to cancel Berenwood's leasehold rental obligations payable to the Rushmon Pension Scheme and the vacated freehold property was sold to a third party at an open market value.

During the period to 31 December 2001, E W Grove, L F Briscoe and C Briscoe (the husband of L F Briscoe), entered into sub-participation agreements relating to a development with Roseberry Homes (Greenwich) Limited at Greenwich Gate, Creek Road, London. The amounts invested by each party were as follows:

	Original Investment £	Repayment £	Balance Outstanding £
E W Grove	320,000	(181,040)	138,960
L F Briscoe	160,000	(90,520)	69,480
C Briscoe	160,000	(90,520)	69,480

WOLSEY GROUP LIMITED (FORMERLY LEXINGTON GROUP LIMITED)

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

27 Related party transactions (continued)

These amounts remained payable to investors at 31 December 2004 along with the sub-participants profit share as generated by the development. During November 2004 these investment monies plus profit share were reinvested into a second development with Roseberry Homes (Greenwich Limited). These monies will be repaid when any part of the full facility from Wolsey Securities is repaid by the joint venture, at percentages as set out within the sub-participation agreements. E W Grove, L F Briscoe and C Briscoe will also receive a share of the profits arising from the new development at percentages outlined in within the sub-participation agreements.

During the year Tangent Limited, a company in which S M Ratcliffe and M A Ratcliffe have an interest, exchanged contracts to purchase four properties at Gainsborough Court, Stoneleigh from Rushmon Limited. These four units had a combined open market value of £838,250. Two purchases completed on 31 March 2005 and a further two units completed 4 April 2005. During the year M K Bicknell, the Managing Director of Rushmon Limited, exchanged contracts to purchase two properties at Gainsborough Court, Stoneleigh from Rushmon Limited. The two units had a combined open market sales value of £417,895 and both purchases completed 31 March 2005.

During December 2005 Rushmon Limited received £1,000,000 from E W Grove as deposit monies paid upon the exchange of contracts at on three units at Palmar Road, Bexleyheath. These purchasers did not complete and the deposit monies were returned during January 2005.

28 Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party.