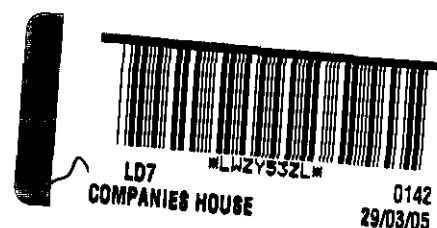


Company Registration No. 3778310 (England and Wales)

FERNHAM HOMES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2004

REGISTERED COPY
OF ACCOUNTS

Cavendish
Chartered Certified Accountants
61 Chandos Place
London
WC2N 4HG
Reference: 5074



FERNHAM HOMES LIMITED

COMPANY INFORMATION

Directors	I D Fern M C Canham D E Masters
Secretary	A B Canham
Company number	3778310
Registered office	61 Chandos Place London WC2N 4HG
Auditors	Cavendish Chartered Certified Accountants 61 Chandos Place London WC2N 4HG
Business address	Wiltshire House Burial Ground Lane, Tovil Green, Maidstone Kent ME15 6RJ
Bankers	Natwest Bank plc 3 High Street Maidstone Kent ME14 1XU

FERNHAM HOMES LIMITED

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FERNHAM HOMES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2004

The directors present their report and financial statements for the year ended 31 May 2004.

Principal activities

The principal activity of the company during the year was the redevelopment of land and construction of buildings acquired on behalf of the joint venture participants.

Directors

The following directors have held office since 1 June 2003:

I D Fern
M C Canham
D E Masters

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 May 2004	1 June 2003
I D Fern	50	50
M C Canham	50	50
D E Masters	50	50

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cavendish be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

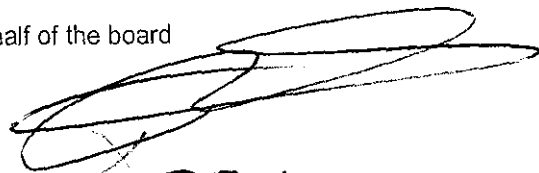
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the board



D.E. MASTERS

Director

16 March 2005

FERNHAM HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FERNHAM HOMES LIMITED

We have audited the financial statements of Fernham Homes Limited on pages 3 to 8 for the year ended 31 May 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

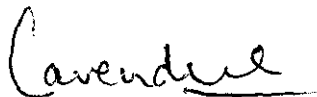
Basis of audit opinion

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 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 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cavendish
Chartered Certified Accountants
Registered Auditors

17 March 2005
61 Chandos Place
London
WC2N 4HG

FERNHAM HOMES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2004

	Notes	2004 £	2003 £
Turnover		1,181,750	2,921,250
Cost of sales		(991,970)	(2,614,861)
Gross profit		189,780	306,389
Administrative expenses		(78,947)	(59,008)
Other operating income		18,736	-
Operating profit	2	129,569	247,381
Other interest receivable and similar income		5,521	59
Interest payable and similar charges		(92,301)	(73,971)
Profit on ordinary activities before taxation		42,789	173,469
Tax on profit on ordinary activities	3	(8,500)	(33,133)
Profit on ordinary activities after taxation	9	34,289	140,336

FERNHAM HOMES LIMITED

BALANCE SHEET AS AT 31 MAY 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	4		23,862		35,357
Investments	5		1		1
			<u>23,863</u>		<u>35,358</u>
Current assets					
Stocks		3,306,428		2,283,573	
Debtors	6	129,194		148,092	
Cash at bank and in hand		56		66,457	
		<u>3,435,678</u>		<u>2,498,122</u>	
Creditors: amounts falling due within one year	7	<u>(3,063,787)</u>		<u>(2,172,014)</u>	
Net current assets			<u>371,891</u>		<u>326,108</u>
Total assets less current liabilities			<u>395,754</u>		<u>361,466</u>
Capital and reserves					
Called up share capital	8		150		150
Profit and loss account	9		395,604		361,316
Shareholders' funds			<u>395,754</u>		<u>361,466</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 16 March 2005

D E Masters
Director



M C Canham
Director



FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

1.2 Turnover

Turnover represents amounts receivable from the sales of property.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% Reducing balance
Fixtures, fittings & equipment	25% Reducing balance

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2	Operating profit	2004	2003
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	11,495	11,785
	Auditors' remuneration	2,500	2,000
		<u>14,000</u>	<u>13,785</u>
3	Taxation	2004	2003
		£	£
	Domestic current year tax		
	U.K. corporation tax	8,500	40,000
	Adjustment for prior years	-	(6,867)
		<u>8,500</u>	<u>33,133</u>

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2004

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 June 2003 & at 31 May 2004	74,642
Depreciation	
At 1 June 2003	39,285
Charge for the year	11,495
At 31 May 2004	50,780
Net book value	
At 31 May 2004	23,862
At 31 May 2003	35,357

The net book value of tangible fixed assets includes £- (2003- £24,000) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £- (2003- £8,000) for the year.

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2004

5 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 June 2003 & at 31 May 2004	<u>1</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Fernham Homes (Kent) Limited	GB	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2004 £	Profit for the year 2004 £
Fernham Homes (Kent) Limited	<u>123</u>	<u>122</u>

6 Debtors

	2004 £	2003 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	25,000	60,002
Other debtors	104,194	88,090
	<u>129,194</u>	<u>148,092</u>

FERNHAM HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2004

7	Creditors: amounts falling due within one year	2004 £	2003 £
	Bank loans (Secured)	2,183,067	1,233,156
	Net obligations under hire purchase contracts	-	5,110
	Trade creditors and accruals	832,220	893,748
	Corporation tax	48,500	40,000
		<u>3,063,787</u>	<u>2,172,014</u>

The bank loans are secured by a Mortgage Debenture incorporating a fixed and floating charge over all the assets of the company.

8	Share capital	2004 £	2003 £
	Authorised		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	150 Ordinary shares of £1 each	<u>150</u>	<u>150</u>

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 June 2003	361,315
Retained profit for the year	<u>34,289</u>
Balance at 31 May 2004	<u>395,604</u>

10 Related party transactions

The company paid £706,331 (2003:£1,073,573) during the year to A B Canham & Sons, a firm of builders for whom the director M C Canham is a partner. At the year end the company owed £69,183 (2003:£166,980) to A B Canham & Sons.

The company paid £19,260 (2003:£71,321) for materials and services during the year to Ferns Surfacing Limited, a company for whom I D Fern is a director.