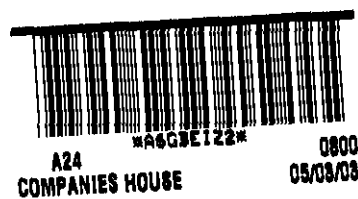


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30TH JUNE 2002
FOR**

**P.J. LIVESEY COUNTRY HOMES
(SOUTHERN) LIMITED**



P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED

COMPANY INFORMATION
FOR THE PERIOD ENDED 30TH JUNE 2002

DIRECTORS:	P.J. Livesey D.A. Livesey R. Brocklehurst J.W. Allcock P.G. Richardson
SECRETARY:	D.A. Livesey
REGISTERED OFFICE:	Ashburton Park Ashburton Road West Trafford Park Manchester M17 1AF
REGISTERED NUMBER:	4190847
AUDITORS:	Ainsworths Chartered Accountants and Registered Auditors Charter House Stansfield Street Nelson BB9 9XY
BANKERS:	National Westminster Bank Plc 115 Deansgate Manchester M3 2BG

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED**REPORT OF THE DIRECTORS**

The Directors present their report together with the financial statements of the Company for the period ended 30th June 2002. The Company was incorporated on 30th March 2001 as Circlebright Limited. The Company changed its name by special resolution on 20th April 2001 to P.J. Livesey Country Homes (Southern) Limited. The Company commenced trading on 20th April 2001.

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.

PRINCIPAL ACTIVITY

The Company's principal activity in the period under review was the construction and development of residential property.

RESULTS AND DIVIDENDS

A summary of the results for the period is set out on page 5 of the financial statements.

The loss for the period after taxation amounted to £3,550.

The Directors do not recommend a dividend.

REVIEW OF BUSINESS

The results for the period and the state of the Company's affairs are satisfactory.

FUTURE DEVELOPMENTS

No significant changes to the Company's business are anticipated.

DIRECTORS

The Directors who served during the year and their beneficial interest in the issued share capital were as follows:

At 30.6.02

P.J. Livesey	(appointed 25.04.01)	-
D.A. Livesey	(appointed 25.04.01)	-
R. Brocklehurst	(appointed 25.04.01)	-
J.W. Allcock	(appointed 25.04.01)	-
P.G. Richardson	(appointed 10.05.01)	-

The interest of the Directors in the shares of the ultimate parent undertaking, P.J. Livesey Group Limited, are shown in the financial statements of that Company.

The Directors report was approved by the Directors on 28th February 2003.



D.A. Livesey – SECRETARY

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF**
P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED

We have audited the financial statements of P.J. Livesey Country Homes (Southern) Limited for the period ended 30th June 2002 on pages 5 to 8. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

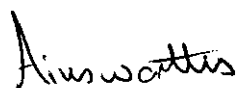
Basis of audit opinion

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 30th June 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ainsworths
Chartered Accountants and Registered Auditors
Charter House
Stansfield Street
Nelson
BB9 9XY

Dated: 28th February 2003

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE PERIOD ENDED 30TH JUNE 2002

	<u>Notes</u>	<u>2002</u>
TURNOVER	2	-
Cost of sales		(-)
GROSS PROFIT		-
Administrative expenses		(<u>3,550</u>)
OPERATING LOSS	3	(3,550)
Interest receivable and other income		-
Interest payable and similar charges		<u>-</u>
LOSS on ordinary activities before taxation		(3,550)
TAXATION on loss on ordinary activities	5	<u>-</u>
LOSS on ordinary activities after taxation		(<u>3,550</u>)
Proposed dividend		<u>-</u>
RETAINED LOSS	10	£ (<u>3,550</u>)

All activities of the Company relate to continuing operations.

The Company has no recognised gains or losses in 2002 other than the loss for the period and therefore no statement of total recognised gains or losses is presented.

A statement of movements in shareholders' funds has not been presented as the only movement is the retained loss for the year.

The notes on pages 6 to 7 form part of these financial statements.

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED**BALANCE SHEET AS AT 30TH JUNE 2002**

	<u>Notes</u>	<u>2002</u>	
CURRENT ASSETS			
Stocks	6	6,409,633	
Debtors	7	1,617,679	
Cash at bank and in hand		<u>257,240</u>	
			8,284,552
CREDITORS: amounts falling due within one year			
	8	<u>8,288,101</u>	
NET CURRENT LIABILITIES			<u>8,288,101</u>
			£ (<u>3,549</u>)
CAPITAL AND RESERVES			
Called up share capital	9		1
Reserves	10		(<u>3,550</u>)
SHAREHOLDERS' FUNDS			£ (<u>3,549</u>)

These financial statements were approved by the Directors on 28th February 2003.

P.J. Livesey  DIRECTOR

The notes on pages 6 to 7 form part of these financial statements.

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2002

1. ACCOUNTING POLICIES

Accounting Convention

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

Turnover

Turnover relates to ordinary activities and represents the contract sale price of properties exchanged, sale of goods and services to third parties and excludes value added tax.

Stocks

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

Cost includes all direct expenditure and an appropriate proportion of overheads.

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

Cash flow statement

The Company is exempt from the requirement to produce a cash flow statement as it is a wholly owned subsidiary.

2. TURNOVER

The turnover and pre-tax loss is attributable to the one principal activity of the company.

Turnover is all in the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging:	<u>2002</u>
	£
Auditors' remuneration	<u>1,500</u>

4. STAFF COSTS (including Directors' remuneration)

The Directors were the only employees and no remuneration was paid to them.

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

No charge to taxation has arisen due to the tax losses in the period.

6. STOCKS

	<u>2002</u>
Work-in-progress	£ <u>6,409,633</u>
Stocks include interest capitalised on borrowings related to the properties concerned.	

P.J. LIVESEY COUNTRY HOMES (SOUTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2002 (CONTINUED)

7. DEBTORS

	<u>2002</u>
Amounts owed by subsidiary undertaking	£ <u>1,617,679</u>

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2002</u>
Trade creditors	3,977,500
Amounts owed to parent undertaking	3,400,601
Bank loans	<u>910,000</u>
	£ <u>8,288,101</u>

The bank overdraft and loans are secured by a floating charge over the Company's assets. The bank loans bear interest at 1.875% above base per annum and are repayable by varying amounts linked mainly to the sale of completed properties. As the timing of repayments is linked to the sale of properties it is not possible to accurately calculate the amounts which fall to be repaid in more than one year and all loans have been disclosed as due within one year.

9. CALLED UP SHARE CAPITAL

	<u>2002</u>
Authorised	
1,000 Ordinary shares of £1 each	£ <u>1,000</u>
Allotted, called up and fully paid	
1 Ordinary shares of £1 each	£ <u>1</u>

10. RESERVES

	<u>Profit and loss account</u>
Loss for the period	(3,550)
At 30 th June 2002	£ <u>(3,550)</u>

11. CONTINGENT LIABILITIES

The Company has guaranteed the bank borrowings of the parent undertaking and fellow-subsiidiaries. At 30th June 2002 the bank borrowings were £8,776,274.

12. ULTIMATE HOLDING COMPANY

The parent company is P.J. Livesey South Limited a company which is incorporated in England.

The ultimate holding company is P.J. Livesey Group Limited a company which is incorporated in England. Copies of the financial statements of both companies are available from Companies House.