

DAWN GROUP LIMITED
FINANCIAL STATEMENTS
31ST JANUARY 2006

Registered Number: SC147181

McLay, McAlister and McGibbon
Chartered Accountants

DAWN GROUP LIMITED
FINANCIAL STATEMENTS
for the year ended 31st January 2006

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the Independent Auditors	4
Consolidated profit and loss account	5
Statement of total recognised gains and losses	6
Note of historical cost profits and losses	6
Balance sheets	7
Consolidated cash flow statement	8
Notes on financial statements	9

DAWN GROUP LIMITED**COMPANY INFORMATION****31st January 2006**

INCORPORATED	in Scotland on 27th October 1993
NUMBER	SC147181
CHAIRMAN	Alan G. Macdonald
OTHER DIRECTORS	Barry N. Macdonald M.Sc. Stewart H. Rough L.L.B. (Hons.), C.A.
NON-EXECUTIVE DIRECTOR	Ronald S. Elder B.A.(Econ.), C.A.
SECRETARY	Stewart H. Rough L.L.B. (Hons.), C.A.
REGISTERED OFFICE	Eldo House Monkton Road Prestwick KA9 2PB
BANKERS	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN
SOLICITORS	McGrigor Donald Pacific House 70 Wellington Street Glasgow G2 6SB
AUDITORS	McLay, McAlister & McGibbon Chartered Accountants 53 Bothwell Street Glasgow G2 6TS

DAWN GROUP LIMITED**DIRECTORS' REPORT****31st January 2006**

The directors present their report and group accounts for the year ended 31 January 2006.

Principal activity

The group's principal activities during the year were those of a building contractor, developer and house builder.

Profit, dividends and appropriations

The results for the year are as shown in the consolidated profit and loss account on page 5.

In summary, the Group had another excellent year making a profit before taxation of £12,959,115 (2005 : profit before taxation of £6,808,344). Profits after taxation were £10,677,138 (2005 : profit after taxation of £4,686,427).

An interim dividend of £2,000,000 was paid to the ultimate parent company. No final dividend is proposed. The retained profit, after the payment of the dividend, amounting to £8,595,755 is to be transferred to reserves.

Business review and future developments

The group balance sheet as detailed on page 7 shows net assets of £24,229,898 (2005 : £15,572,612).

In the year to 31 January 2006 all three operating divisions returned results in excess of the previous year.

Dawn Construction, the Group's building contractor, built on its successes of last year and is now very focussed on working with strong clients on medium to larger sized contracts. Operating profit was £2,113,066. After interest and the sale of an investment Profit before tax was £2,876,460, up £199,778 from last year. The business has almost £90m of contracted work for 2006/07 and the directors are confident of further growth in the profitability of this division.

Dawn Homes, the Group's housing business also delivered a strong set of results with profits before tax of £6,606,877, up £3,455,788 from the prior year. This was assisted by a land sale that generated a profit before tax of just under £2m. The key challenge facing Dawn Homes, as with many other house-builders, remains the extremely difficult planning environment in Scotland and a scarcity of short term land with planning consent. Dawn Homes is extremely active in securing both short term and longer term strategic land and is actively developing its presence in the partnership and local authority housing market. Sales on operational sites remain reasonably buoyant but it is anticipated that delayed planning consents and the absence of "one-off" land sales will result in a lower level of profits in 2006/07.

As forecast in last years report, a number of projects completed within the developments division during the year to January 2006. These included the letting and investment sale of an 83,000ft² retail development in Dundee and the land assembly and sale of a supermarket site in Johnstone. Profits before tax were £4,409,939 from £1,304,745 the previous year. Activity levels on ongoing projects and new project generation remains buoyant, although it is anticipated that profits from several of these will not materialise before 2007/08. Recent acquisitions include land at Robroyston in Glasgow with consent for 86,000ft² of retail space and the purchase via a joint venture of circa 40 acres of development land in Cambuslang.

Continued....

DAWN GROUP LIMITED**DIRECTORS' REPORT****31st January 2006****Business review and future developments (cont'd)**

The Group's 50% joint venture which owns and operates Ayr Racecourse obtained outline planning consent at a local level for a substantial redevelopment of the facility to further enhance Ayr Racecourse's reputation as a premier racing venue and to safeguard its future within British racing. In May 2005 the Scottish Executive "called the decision in" and following on from the Public Enquiry, which was held in November 2005, we are pleased to report that the Executive have now issued a positive decision.

Net cash at 31 January 2006 was £3,893,744 (2005 : net debt £19,121,696). A key driver of the reduction was the sale of the development in Dundee for in excess of £20m. The Group continues to invest in ongoing and future projects on both a fully owned and joint venture basis.

Fixed assets

The movements in fixed assets during the year are shown in notes 9 and 10 to the accounts. In the opinion of the directors there is no significant difference between the present market value of the group's properties and the amounts at which they are stated in the accounts.

Directors and their interests

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st January 2006	1st February 2005
	Ordinary shares	Ordinary shares
Alan G. Macdonald	-	-
Stewart H. Rough	-	-
Ronald S. Elder	-	-
Barry N. Macdonald	-	-

In accordance with the Articles of Association the director Alan G. Macdonald retires by rotation, and being eligible, offers himself for re-election.

Directors' liability insurance

The group purchases and maintains liability insurance for the directors in respect of their duties to the group.

Charitable and political donations

There were no political donations. Payments of a charitable nature in the sum of £3,315 were made during the year.

Continued....

DAWN GROUP LIMITED

DIRECTORS' REPORT

31st January 2006

Auditors

The auditors, McLay, McAlister & McGibbon, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By

Order

STEWART H. ROUGH
Secretary

Eldo House
Monkton Road
Prestwick
KA9 2PB

11 May 2006

DAWN GROUP LIMITED**STATEMENT OF 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 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 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 accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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.

On behalf of the board

STEWART H. ROUGH
Director

11 May 2006

DAWN GROUP LIMITED**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF****Dawn Group Limited**

We have audited the financial statements of Dawn Group Limited for the year ended 31 January 2006 which comprise the principal accounting policies, consolidated profit and loss account, balance sheets, consolidated cash flow statement and notes 1 to 30 on pages 5 to 26. 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 on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31 January 2006 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

McLAY, McALISTER & McGIBBON
Registered Auditors & Chartered Accountants

53 Bothwell Street
Glasgow
G2 6TS
11 May 2006

DAWN GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st January 2006

	Note	2006 £	2005 £
Turnover including joint ventures		120,589,009	79,252,940
Less: share of joint ventures' turnover		6,907,932	2,257,236
Group Turnover	2	113,681,077	76,995,704
Cost of sales		(93,527,897)	(63,738,751)
Gross Profit		20,153,180	13,256,953
Net operating expenses			
Administration expenses		(6,588,380)	(5,917,920)
Other operating income		53,300	110,638
Group operating profit	3	13,618,100	7,449,671
Share of operating loss of joint ventures and associates		(345,883)	(392,575)
Total operating profit		13,272,217	7,057,096
Exceptional items			
Gain on sale of freehold properties		-	439,000
Gain on sale of subsidiary		260,004	-
Share of joint ventures exceptional income and gains		498,031	-
Profit on ordinary activities before interest		14,030,252	7,496,096
Net interest and similar charges	6	(1,071,137)	(687,752)
Profit on ordinary activities before taxation		12,959,115	6,808,344
Tax on profit on ordinary activities	7	(2,281,977)	(2,121,917)
Profit on ordinary activities after taxation		10,677,138	4,686,427
Minority interests		(81,383)	(76,954)
Retained profit for year	21	10,595,755	4,609,473

Movements in reserves are shown in notes 20 and 21.

The amounts included above are all in respect of continuing operations.

DAWN GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st January 2006

	2006 £	2005 £
Profit attributable to members of the holding company	10,595,755	4,609,473
Surplus on revaluation of properties	-	89,480
Total recognised gains in the year	<u>10,595,755</u>	<u>4,698,953</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31st January 2006

	2006 £	2005 £
Reported profit on ordinary activities before taxation	12,959,115	6,808,344
Difference between historical cost depreciation and actual charge calculated on revalued amount	5,143	2,954
Realisation of fixed asset revaluation gains of previous years	-	368,829
Historical cost profit on ordinary activities before taxation	<u>12,964,258</u>	<u>7,180,127</u>
Historical cost profit for the year retained after taxation and minority interests	<u>10,600,898</u>	<u>4,981,256</u>

DAWN GROUP LIMITED

BALANCE SHEETS

at 31st January 2006

	Note	2006		2005	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible assets	9	1,022,627	860,057	1,183,906	966,554
Investments	10	1,203,184	3,945,569	1,206,983	3,945,569
Investments in joint ventures	10				
Share of gross assets		20,225,855	-	10,214,872	-
Share of gross liabilities		(19,183,695)	-	(8,670,452)	-
		<u>1,042,160</u>	<u>-</u>	<u>1,544,420</u>	<u>-</u>
Loans to joint ventures		4,676,660	1,500,000	889,268	-
		<u>5,718,820</u>	<u>1,500,000</u>	<u>2,433,688</u>	<u>-</u>
		<u>7,944,631</u>	<u>6,305,626</u>	<u>4,824,577</u>	<u>4,912,123</u>
Current assets					
Stocks	11	22,467,130	-	33,804,725	-
Debtors: amounts due within one year	12	10,501,747	4,790,608	12,291,165	2,856,720
Debtors: amounts due after one year	12	-	-	3,543,585	-
Cash at bank and in hand		11,408,725	-	8,407,088	341
		<u>44,377,602</u>	<u>4,790,608</u>	<u>58,046,563</u>	<u>2,857,061</u>
Creditors, amounts falling due within one year	13	26,552,335	6,235,420	42,441,996	2,380,070
Net current assets/(liabilities)		<u>17,825,267</u>	<u>(1,444,812)</u>	<u>15,604,567</u>	<u>476,991</u>
Total assets less current liabilities		<u>25,769,898</u>	<u>4,860,814</u>	<u>20,429,144</u>	<u>5,389,114</u>
Creditors, amounts falling due after more than one year	15	1,540,000	1,540,000	4,856,532	1,760,000
Net assets		<u>24,229,898</u>	<u>3,320,814</u>	<u>15,572,612</u>	<u>3,629,114</u>
Capital and reserves					
Called up share capital	19	30,100	30,100	30,100	30,100
Revaluation reserve	20	261,557	172,790	266,700	175,480
Revenue reserve	21	23,749,307	3,117,924	15,148,409	3,423,534
Total shareholders' funds	22	<u>24,040,964</u>	<u>3,320,814</u>	<u>15,445,209</u>	<u>3,629,114</u>
Minority interests		<u>188,934</u>	<u>-</u>	<u>127,403</u>	<u>-</u>
		<u>24,229,898</u>	<u>3,320,814</u>	<u>15,572,612</u>	<u>3,629,114</u>

The financial statements on pages 5 to 26 were approved by the board of directors on 11 May 2006.

ALAN G. MACDONALD
Director

STEWART H. ROUGH
Director

DAWN GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st January 2006

	Note	2006 £	2005 £
Net cash outflow from operating activities	28	28,044,352	(3,055,271)
Returns on investments and servicing of finance			
Interest received		726,664	712,256
Rents received		10,068	82,792
Interest paid		(1,221,714)	(1,109,132)
Interest element of finance lease rental payments		(1,244)	(3,532)
		<u>(486,226)</u>	<u>(317,616)</u>
Taxation			
Corporation tax paid		(2,425,390)	(131,498)
Capital expenditure and financial investment			
Payments to acquire fixed assets		(86,981)	(90,887)
Receipts from sales of fixed assets		10,025	1,471,709
		<u>(76,956)</u>	<u>1,380,822</u>
Acquisitions and disposals			
Investments in joint ventures and associates		(3,787,492)	(625,693)
Receipt from disposal of subsidiary undertaking		670,000	-
		<u>(3,117,492)</u>	<u>(625,693)</u>
Dividends			
Equity dividend paid to parent company		(2,000,000)	(500,000)
Financing			
Inception of new loan finance		-	362,176
Capital element of hire purchase repayments		(16,246)	(42,913)
Loans repaid		(276,610)	-
		<u>(292,856)</u>	<u>319,263</u>
Increase/(Decrease) in Cash		<u>19,645,432</u>	<u>(2,929,993)</u>

DAWN GROUP LIMITED**NOTES ON FINANCIAL STATEMENTS****31st January 2006****1. Accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked as explained at note 1(c) below.

A summary of the main accounting policies, which have been applied consistently, are set out below.

(a) Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold properties.

(b) Basis of consolidation

The group accounts consolidate the accounts of Dawn Group Limited and all its subsidiary undertakings made up to 31 January 2006, using the merger method of consolidation for the subsidiaries involved in the group formation in 1994, and the acquisition method for subsequent acquisitions. The results and cashflows of business disposals are included in the consolidated profit and loss account and cashflow statement up to the date of disposal.

Intra-group sales and profits are eliminated fully on consolidation.

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and other venturers under a contractual arrangement are treated as joint ventures. In the group accounts, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiaries or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

(c) Properties

Freehold properties are stated at valuation. Full valuations are made by independently qualified valuers every five years and in the intervening years by the directors. The basis of valuation is explained at note 9.

Certain of the group's properties are held for long-term investment and in accordance with SSAP 19 "Accounting for Investment Properties":-

- (i) Such investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where, in the opinion of the directors, there has been a permanent diminution in value, the deficit against original cost is provided for in the profit and loss account.
- (ii) No depreciation is provided in respect of freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been included cannot be separately identified or quantified.

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

1. Accounting policies (cont'd)**(d) Depreciation**

Depreciation is provided on all tangible assets, other than land and freehold investment properties, at rates calculated to write off the cost of each asset evenly over its estimated useful life as follows

Freehold property	-	Over fifty years
Motor vehicles	-	Over four years
Plant	-	Over five years
Office furniture & equipment	-	Between four and ten years
Tenants improvements	-	Over the term of the lease

(e) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress consists of all land and building project costs on housing and property developments held for eventual resale. The cost of work in progress includes all production overheads and depreciation, the attributable proportion of indirect overheads based on the normal level of activity and where applicable the cost of specific project finance. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Profit on housing and property development sales is recognised on completion of the sale of individual properties.

(f) Long-term contracts

Amounts recoverable on contracts are stated at cost plus attributable profit taken up as a proportion of the work carried out to date, if the final outcome can be assessed with reasonable certainty, and after provision for any known or anticipated losses.

Payments on account of contracts are deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Costs incurred in excess of amounts transferred to cost of sales are included in long term contract balances.

(g) Finance debtor

In accordance with Financial Reporting Standard 5, Application Note F, costs incurred on PFI/PPP projects which transfer substantially all the risks and rewards of ownership to the customer are treated as a finance debtor within the accounts. Fees are allocated between turnover and reimbursement of finance debtor so as to generate a constant rate of return,

(h) Deferred taxation

The charge for taxation is based on the profit for the year as adjusted for tax purposes. Full provision is made at current rates for taxation deferred in respect of all timing differences, on a non-discounted basis, other than on property revaluations.

Deferred tax assets are only recognised to the extent that the Directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

(i) Leasing and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

DAWN GROUP LIMITED
NOTES ON FINANCIAL STATEMENTS

31st January 2006

1. Accounting policies (cont'd)

(j) Pensions

The group contributes to separate pension schemes

- (I) To an Inland Revenue approved small self-administered pension scheme. Contributions to the scheme are charged as they fall due, the charge for the year amounting to £nil (2005-£nil). The scheme is considered to be a defined contribution pension scheme, the assets of which are held separately in an independently administered fund.
- (II) To staff and site personnel defined contribution pension schemes, the assets of which are held separately from those of the company in independently administered funds. The pension contributions are charged as they fall due, the charge for the year amounting to £211,692 (2005-£366,675). Contributions of £nil were payable to the funds at the year end (2005 - £288,083).

(k) Goodwill

Where the fair value of the net assets acquired exceeds the fair value of consideration given the difference is treated as negative goodwill. This is amortised over the period in which the non-monetary assets acquired are recovered.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's principal activities, entirely within the United Kingdom, stated net of value added tax.

3. Group operating profit

This is stated after charging/(crediting)	2006	2005
	£	£
Operating leases		
Hire of plant and vehicles	1,303,839	1,314,555
Land and buildings	74,000	132,000
Depreciation		
Intangible assets	-	(101,963)
Owned assets	227,728	348,907
Assets held under finance leases	10,831	10,831
Auditors' remuneration	43,000	40,000
Directors' remuneration (note 5)	472,636	408,194
(Profit)/Loss on disposal of tangible assets	(324)	13,404
	<hr/> <hr/>	<hr/> <hr/>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

	2006 £	2005 £
4. Staff costs including directors' emoluments		
Wages and salaries	6,764,105	6,176,928
Social security costs	753,306	653,285
Pension costs	211,692	366,675
	<u>7,729,103</u>	<u>7,196,888</u>
Average monthly number employed	Number	Number
Production	37	53
Supervision and surveying	82	92
Administration	40	42
	<u>159</u>	<u>187</u>
5. Directors' Emoluments		
	£	£
Emoluments	458,044	392,864
Money purchase pension scheme contributions	14,592	15,330
	<u>472,636</u>	<u>408,194</u>
Highest paid director		
Emoluments	204,750	159,198
Money purchase pension scheme contributions	14,592	15,330
	<u>219,342</u>	<u>174,528</u>
	Number	Number
Number of directors to whom pension benefits are accruing under money purchase pension schemes	3	3
6. Net interest and similar charges		
	2006 £	2005 £
Interest on bank loans and overdrafts	1,218,034	1,109,132
Hire purchase interest	1,244	3,532
Other interest	3,680	-
Total interest payable	<u>1,222,958</u>	<u>1,112,664</u>
Interest receivable and similar income	736,732	795,048
Net interest charge	486,226	317,616
Share of joint ventures' interest charge	584,911	370,136
	<u>1,071,137</u>	<u>687,752</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

7. Tax on profit on ordinary activities

	2006 £	2005 £
UK Corporation tax	2,188,296	1,420,100
Under/(Over) provided in previous years	20,285	(14,981)
	<u>2,208,581</u>	<u>1,405,119</u>
Share of tax in joint ventures	-	(52,102)
Consortium relief payment	-	94,300
	<u>2,208,581</u>	<u>1,447,317</u>
Transfer to deferred tax	-	674,600
Share of deferred tax in joint venture	73,396	-
	<u>2,281,977</u>	<u>2,121,917</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	12,959,115	6,808,344
	<u>12,959,115</u>	<u>6,808,344</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 – 30%)	3,887,734	2,042,503
Effects of:		
Consortium relief less consideration paid	(1,796,424)	-
Net expenses not deductible for tax purposes	57,624	13,016
Depreciation for period in excess of capital allowances	860	16,140
Other tax adjustments	38,502	65,239
Utilisation of losses	-	(674,600)
Adjustment to tax charge in respect of prior period	20,285	(14,981)
	<u>2,208,581</u>	<u>1,447,317</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

8. Profit attributable to members of the holding company

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

The retained profit dealt with in the accounts of the holding company was £1,691,700 (2005 - £1,459,526).

**9. Tangible fixed assets
Group**

	Tenants Improvements	Properties	Motor Vehicles	Plant & Office Equipment	Total
	£	£	£	£	£
Cost or valuation					
1st February 2005	309,108	600,000	141,215	1,898,680	2,949,003
Additions		-	6,800	80,181	86,981
Disposals	(6,544)	-	(59,186)	-	(65,730)
31st January 2006	<u>302,564</u>	<u>600,000</u>	<u>88,829</u>	<u>1,978,861</u>	<u>2,970,254</u>
Depreciation					
1st February 2005	72,316	-	118,548	1,574,233	1,765,097
Disposals	(523)		(55,506)		(56,029)
Charge for year	12,364	9,000	14,215	202,980	238,559
31st January 2006	<u>84,157</u>	<u>9,000</u>	<u>77,257</u>	<u>1,777,213</u>	<u>1,947,627</u>
Net book value					
31st January 2006	<u>218,407</u>	<u>591,000</u>	<u>11,572</u>	<u>201,648</u>	<u>1,022,627</u>
1st February 2005	<u>236,792</u>	<u>600,000</u>	<u>22,667</u>	<u>324,447</u>	<u>1,183,906</u>

The net book value of tangible fixed assets includes amounts of £21,660 (2005 - £32,491) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown at note 3.

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

9. Tangible fixed assets (cont'd)
Company

	Tenants Improvements	Properties	Motor Vehicles	Plant & Office Equipment	Total
	£	£	£	£	£
Cost or valuation					
1st February 2005	309,108	600,000	7,307	942,914	1,859,329
Additions	-	-	6,800	20,603	27,403
Disposals	(6,544)	-	(7,307)	-	(13,851)
31st January 2006	<u>302,564</u>	<u>600,000</u>	<u>6,800</u>	<u>963,517</u>	<u>1,872,881</u>
Depreciation					
1st February 2005	72,316	-	7,307	813,152	892,775
Disposals	(523)	-	(7,307)	-	(7,830)
Charge for year	12,364	9,000	425	106,090	127,879
31st January 2006	<u>84,157</u>	<u>9,000</u>	<u>425</u>	<u>919,242</u>	<u>1,012,824</u>
Net book value					
31st January 2006	<u>218,407</u>	<u>591,000</u>	<u>6,375</u>	<u>44,275</u>	<u>860,057</u>
1st February 2005	<u>236,792</u>	<u>600,000</u>	<u>-</u>	<u>129,762</u>	<u>966,554</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

9. Tangible fixed assets (cont'd)

The net book value of properties comprises

	2006 £	2005 £
Freehold investment properties	150,000	150,000
Other freehold properties	441,000	450,000
	<u>591,000</u>	<u>600,000</u>

Group and company

The freehold investment property was valued by the directors for the purposes of the 2006 financial statements.

The other freehold property was independently valued by Bell Ingram Ayrshire Ltd., Chartered Surveyors, on an open market basis for the purposes of the 2005 financial statements.

The historical cost of properties included at valuation is as follows

	2006		2005	
	Group £	Company £	Group £	Company £
Freehold investment property	158,743	142,000	158,743	142,000
Other freehold property	170,700	276,210	174,557	282,520
	<u>329,443</u>	<u>418,210</u>	<u>333,300</u>	<u>424,520</u>

If the land and buildings were sold at their valuation a tax liability of £21,000 would arise.

10. Investments

a) Group

	2006 £	2006 £	2005 £	2005 £
Joint ventures		5,718,820		2,433,688
Associate	399,899		403,698	
Other investments	803,285		803,285	
		<u>1,203,184</u>		<u>1,206,983</u>
		<u>6,922,004</u>		<u>3,640,671</u>

a) (i) Joint Ventures

	Share Capital £	Loans £	Share of Losses £	Total £
At 1 February 2005	2,315,600	889,268	(771,180)	2,433,688
Additions	100	3,787,392	-	3,787,492
Losses for year	-	-	(502,360)	(502,360)
At 31 January 2006	<u>2,315,700</u>	<u>4,676,660</u>	<u>(1,273,540)</u>	<u>5,718,820</u>

DAWN GROUP LIMITED
NOTES ON FINANCIAL STATEMENTS

31st January 2006

10. Investments (Cont'd)

The share of net assets of joint ventures comprises:

	2006	2005
	£	£
Fixed assets	7,789,495	5,178,205
Current assets	12,436,360	5,036,667
Share of gross assets	<u>20,225,855</u>	<u>10,214,872</u>
Liabilities due within one year	(8,426,281)	(6,140,206)
Liabilities due after more than one year	(10,757,414)	(2,530,246)
Share of gross liabilities	<u>(19,183,695)</u>	<u>(8,670,452)</u>
Share of net assets	<u><u>1,042,160</u></u>	<u><u>1,544,420</u></u>

The joint venture investments are generally funded by bank borrowings secured over the assets of each joint venture together with unsecured funding provided by the joint venture shareholders.

a) (ii) Associate

	Share Capital £	Loan £	Share of Net Assets £	Total £
At 1 February 2005	650	403,975	(927)	403,698
Share of loss	-	-	(3,799)	(3,799)
At 31 January 2006	<u>650</u>	<u>403,975</u>	<u>(4,726)</u>	<u>399,899</u>

b) Company

	Subsidiary Undertakings £	Other Investments £	Interest in Joint Venture £	Total £
At 1 February 2005	1,720,569	25,000	2,220,000	3,945,569
Additions	-	-	1,500,000	1,500,000
At 31 January 2006	<u>1,720,569</u>	<u>25,000</u>	<u>3,700,000</u>	<u>5,445,569</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

10. Investments (Cont'd)

Details of the active subsidiaries and other investments in which the company holds share capital are as follows:

Name of Undertaking	Country of Registration	Percentage of Ordinary Shares Held	Nature of Business
Dawn Construction Ltd	Scotland	96.3	Building Contractors
Dawn Homes Ltd	Scotland	100	House Builders
Dawn Developments Ltd	England	100	Developers
Kite Dedicated Ltd	England	10.2	Other Service Activities
St. Vincent Street (379) Ltd*	Scotland	100	Developers
TDI Corporation Ltd*	Scotland	100	Developers
Dawn Homes Johnstone Ltd*	Scotland	100	House Builders
The Western Meeting Club 2003 Ltd	Scotland	50	Racecourse Operator #
St. Vincent Street (346) Ltd *	Scotland	50	Developers
Earlybird (Scotland) Ltd *	Scotland	50	Developers
Dawn Riverside Ltd *	Scotland	50	Developers
Northinvest Heathfield Ltd *Scotland		50	Developers
Dawn Highfield Ltd *	Scotland	50	Developers
St. Vincent Street (435) Ltd *	Scotland	50	Developers
Earlybird LLP*	Scotland	50	Developers
LH Project Ltd *	Scotland	10	Provision of Hospital Building
Ayrshire Hospitals Ltd*	Scotland	32.5	Provision of Hospital Building
CH Bolton (Holdings) Ltd *	England	20	Investment Holding Company
KE Project Ltd *	Scotland	10	Provision of College Campus

‘*’ – held by subsidiary company.

‘#’ – accounting period ended 31 December 2005.

The investments in CH Bolton (Holdings) Ltd and Kite Dedicated Ltd have not been accounted for as associates as in the opinion of the Directors, the Group is not in a position to exercise significant influence over their operations or policies.

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

11. Stocks

	2006		2005	
	Group £	Company £	Group £	Company £
Raw materials	1,800	-	1,800	-
Work in progress	22,465,330	-	33,802,925	-
	<u>22,467,130</u>	<u>-</u>	<u>33,804,725</u>	<u>-</u>

Work in progress includes specific interest charges of £nil (2005 - £1,071,125).

Work in progress comprises housing and property development balances as follows

	2006		2005	
	Group £	Company £	Group £	Company £
Net cost less foreseeable losses	22,500,101	-	33,871,925	-
Applicable payments on account	(34,771)	-	(69,000)	-
	<u>22,465,330</u>	<u>-</u>	<u>33,802,925</u>	<u>-</u>

12. Debtors

	2006		2005	
	Group £	Company £	Group £	Company £
Amounts falling due within one year				
Amounts recoverable on contracts	449,017	-	844,154	-
Trade debtors	7,540,025	2,056	8,489,864	74,626
Finance debtor	-	-	2,300	-
Other debtors	988,598	471,779	317,314	208,896
Prepayments and accrued income	213,710	65,662	449,508	1,572,364
Amounts owed by group undertakings	-	4,089,164	398,388	953,336
Amounts owed by associates and joint ventures	1,280,423	131,973	1,789,637	47,498
Directors' loan accounts	29,974	29,974	-	-
	<u>10,501,747</u>	<u>4,790,608</u>	<u>12,291,165</u>	<u>2,856,720</u>
Amounts due after more than one year				
Finance debtor	-	-	3,543,585	-

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

13. Creditors: amounts falling due within one year

	2006		2005	
	Group £	Company £	Group £	Company £
Bank overdrafts and development loans (note 14)	5,748,211	4,640,726	22,392,006	1,488,637
Current term loan instalments (note 14)	220,000	220,000	264,000	220,000
Payments received on account	1,102,090	-	1,200,997	-
Hire purchase creditors	6,771	-	16,246	-
Trade creditors	14,099,164	232,628	15,606,695	222,827
Amounts due to group undertakings	10,099	-	3,857	-
Current corporation tax	656,681	-	906,512	31,000
Other taxes and social security	1,375,639	153,675	178,222	138,998
Other creditors	14,347	1,291	63,994	53,012
Directors' loan accounts	-	-	2,533	2,533
Accruals and deferred income	3,319,333	987,100	1,806,934	223,063
	<u>26,552,335</u>	<u>6,235,420</u>	<u>42,441,996</u>	<u>2,380,070</u>

14. Bank borrowings

The bank borrowings are secured by standard securities over certain of the group's properties and a floating charge over the remainder of the group's assets. There is a cross-guarantee between all group subsidiary undertakings.

As part of the interest rate management strategy the group have entered into interest rate swap agreements for a period of five years commencing August 2003. Under the terms of these agreements, interest is paid on £10,000,000 of borrowing at a fixed weighted average rate of 4.59%.

15. Creditors: amounts falling due after more than one year

	2006		2005	
	Group £	Company £	Group £	Company £
Bank term loans (note 14)	1,540,000	1,540,000	4,797,262	1,760,000
Obligations under finance leases and hire purchase contracts	-	-	6,770	-
Subordinated debt	-	-	52,500	-
	<u>1,540,000</u>	<u>1,540,000</u>	<u>4,856,532</u>	<u>1,760,000</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

16. Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments and are secured over the relevant assets financed. The maturity of these amounts is as follows:

	2006		2005	
	Group £	Company £	Group £	Company £
In the next year	6,770	-	16,246	-
In the second to fifth years	-	-	6,770	-
	<u>6,770</u>	<u>-</u>	<u>23,016</u>	<u>-</u>

17. Loans

Analysis of maturity of loans with an element repayable after one year:

	2006		2005	
	Group £	Company £	Group £	Company £
In the next year	220,000	220,000	264,000	220,000
In the first to second years	220,000	220,000	220,000	220,000
In the second to fifth years	660,000	660,000	709,000	660,000
In five years or more	660,000	660,000	3,920,762	880,000
	<u>1,760,000</u>	<u>1,760,000</u>	<u>5,113,762</u>	<u>1,980,000</u>

Details of loans not wholly repayable within five years are as follows:

Group and company

Bank loan of £1,760,000 repayable in 40 quarterly instalments commencing February 2004 bearing interest at 2% over LIBOR.

18. Deferred taxation**Group and company**

Deferred taxation provided in the accounts and the amounts not provided are as follows

	2006		2005	
	Provided £	Not Provided £	Provided £	Not Provided £
Taxation on valuation surplus	-	21,000	-	26,000

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

19. Called up share capital

	2006 £	2005 £
Authorised		
Ordinary shares of £1 each	35,100	35,100
Allotted, called up and fully paid		
Ordinary shares of £1 each	30,100	30,100

20. Revaluation reserve

	Group £	Company £
1st February 2005	266,700	175,480
Transfer of additional depreciation on revalued assets	(5,143)	(2,690)
31st January 2006	261,557	172,790

21. Revenue reserve

	Group £	Company £
1st February 2005	15,148,409	3,423,534
Transfer from revaluation reserve	5,143	2,690
Retained profit for year	10,595,755	1,691,700
Dividends	(2,000,000)	(2,000,000)
31st January 2006	23,749,307	3,117,924

22. Reconciliation of movements in shareholders' funds

	2006		2005	
	Group £	Company £	Group £	Company £
Profit for the financial year	10,595,755	1,691,700	4,609,473	1,459,526
Surplus on revaluation of property	-	-	89,480	89,480
Dividends	(2,000,000)	(2,000,000)	(500,000)	(500,000)
Net addition to/(subtraction from) shareholders' funds	8,595,755	(308,300)	4,198,953	1,049,006
Opening shareholders' funds	15,445,209	3,629,114	11,246,256	2,580,108
Closing shareholders' funds	24,040,964	3,320,814	15,445,209	3,629,114

DAWN GROUP LIMITED
NOTES ON FINANCIAL STATEMENTS
31st January 2006

23. Capital commitments

There were no capital commitments at the balance sheet date (2005 - £nil).

24. Transactions with directors

During the year interest free loans were made available to the following directors:

	2006	2005	Maximum balance during year
	£	£	£
A. G. Macdonald	28,082	-	28,082
	<u> </u>	<u> </u>	<u> </u>
B. N. Macdonald	1,892	-	1,892
	<u> </u>	<u> </u>	<u> </u>

25. Contingent liabilities**Group**

In the normal course of business the group provides performance bonds in respect of its contractual obligations.

Guarantees without limit have been granted to the Bank of Scotland, in respect of sums advanced by way of overdrafts and term loans to group undertakings. At 31 January 2006 the total sums advanced were £4,515,750 (2005 - £4,720,000). The group have provided various interest shortfall guarantees in respect of borrowings by joint ventures.

Company

Guarantees without limit have been granted to the Bank of Scotland, in respect of sums advanced by way of overdraft to group undertakings. At 31 January 2006 the total sums advanced were £10,263,961 (2005 - £27,453,783) guaranteed by the company. However at that date there were group funds in hand of £16,049,354 (2005 - £12,252,773).

26. Financial commitments

The group has financial commitments under non-cancellable operating leases which will result in the following payments falling due in the year to January 2007:

	2006		2005	
	Plant & Vehicles	Land & Buildings	Plant & Vehicles	Land & Buildings
	£	£	£	£
Expiring within two to five years	-	20,000	-	20,000
Expiring after five years	-	54,000	-	54,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	74,000	-	74,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

DAWN GROUP LIMITED**NOTES ON FINANCIAL STATEMENTS****31st January 2006****27. Transactions with related parties**

Transactions with entities, 90% or more of whose voting rights are controlled within the same group are not disclosed as provided within FRS 8.

- (i) Transactions amounting to £13,680,000 (2005-£6,113,630) have been made with joint ventures and associates for provision of services falling within the group's ordinary activities on normal commercial terms.

Interest receivable from joint ventures and associates amounting to £113,000 (2005-£98,000) was received during the year.

The group was owed net balances of £6,361,000 (2005-£2,679,000) by these joint ventures and associates at the balance sheet date in respect of trading balances and loan advances.

- (ii) The group leased one property from Ailsa Executive Pension Fund, a small self administered pension scheme established for the director A. G. Macdonald, in the sum of £54,000 per annum. At the balance sheet date a balance of £117,875 was owed by the scheme to the group.

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

28. Notes to the consolidated cash flow statement

Reconciliation of operating profit to operating cashflows

	2006 £	2005 £
Group operating profit	13,618,100	7,449,671
Depreciation charges	238,559	257,775
(Profit)/Loss on sale of fixed assets	(324)	13,404
Decrease/(Increase) in stocks	11,337,595	(10,205,482)
Decrease in debtors	1,669,620	2,813,318
Increase/(Decrease) in creditors	1,180,802	(3,383,957)
Net cash inflow/(outflow) from operating activities	<u>28,044,352</u>	<u>(3,055,271)</u>

Analysis of changes in net debt

	At start of year £	Cash flows £	Non Cash flows £	At end of year £
Cash at bank and in hand	8,407,088	3,001,637	-	11,408,725
Bank overdrafts and development loans	(22,392,006)	16,643,795	-	(5,748,211)
	<u>(13,984,918)</u>	<u>19,645,732</u>	<u>-</u>	<u>5,660,514</u>
Finance leases and hire purchase	(23,016)	16,246	-	(6,770)
Bank term loans	(5,061,262)	276,610	3,024,652	(1,760,000)
Subordinated debt	(52,500)	-	52,500	-
Total	<u>(19,121,696)</u>	<u>19,938,288</u>	<u>3,077,152</u>	<u>3,893,744</u>

Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase/(Decrease) in cash in the year	19,645,432	(2,929,993)
Cash outflow/(inflow) from decrease/(increase) in loans and lease financing	292,856	(319,263)
Change in net debt resulting from cash flows	<u>19,938,288</u>	<u>(3,249,256)</u>
Non cash flows on sale of subsidiary	3,077,152	-
Net debt at 1st February 2005	(19,121,696)	(15,872,440)
Net funds at 31st January 2006	<u>3,893,744</u>	<u>(19,121,696)</u>

DAWN GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st January 2006

29. Disposals

The cash effects of the disposal concluded on 31 January 2006 are shown below.

	£
Debtors	3,663,383
Creditors	(123,360)
Bank loan	(3,024,652)
Taxation	(33,022)
Subordinated loans	(52,500)
Minority interest	(19,853)
	<hr/>
Net assets	409,996
Gain on sale	260,004
	<hr/>
	670,000
	<hr/> <hr/>
Satisfied by:	
Cash	670,000
	<hr/> <hr/>

30. Ultimate Parent Company

The directors consider Pacific Shelf 1117 Limited, a company registered in Scotland, to be the ultimate holding company.

The director Alan G. Macdonald held 100% of the issued ordinary share capital of this company throughout the year.

