

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006
FOR
DAWN HOMES LIMITED**

Registered Number: SC90866

DAWN HOMES LIMITED

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FOR THE YEAR ENDED 31 JANUARY 2006**

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DAWN HOMES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 JANUARY 2006

CHAIRMAN	Alan G. Macdonald
MANAGING DIRECTOR	Ian Mahon B.Sc. (Hons)
OTHER DIRECTORS	Martin R. Egan B.Sc. Stewart H. Rough L.L.B. (Hons), C.A.
SECRETARY	Stewart H. Rough L.L.B. (Hons), C.A.
REGISTERED OFFICE	Eldo House Monkton Road Prestwick Ayrshire KA9 2PB
REGISTERED NUMBER	SC90866
AUDITORS	McLay, McAlister & McGibbon Chartered Accountants 53 Bothwell Street Glasgow G2 6TS
BANKERS	Bank of Scotland 4th Floor New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN

DAWN HOMES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2006

The directors present their report with the financial statements of the company for the year ended 31 January 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of general house builders.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The directors are satisfied with the results for the year.

DIVIDENDS

No dividends will be declared for the year ended 31 January 2006.

FIXED ASSETS

Changes in fixed assets are set out in note 9 to the accounts.

DIRECTORS

The directors during the year under review were:

Alan G. Macdonald
Ian Mahon
Martin R. Egan
Stewart H. Rough

The directors holding office at 31 January 2006 did not hold any beneficial interest in the issued share capital of the company at 1 February 2005 or 31 January 2006.

In accordance with the Articles of Association, Martin R. Egan will retire at the forthcoming Annual General Meeting, and being eligible, will stand for re-election.

OFFICERS' INSURANCE

The company has purchased and maintained insurance to cover its officers against liabilities in relation to their duties to the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

DAWN HOMES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2006

AUDITORS

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

ON BEHALF OF THE BOARD:

STEWART H. ROUGH
Secretary

Eldo House
Monkton Road
Prestwick
KA9 2PB

11 May 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF DAWN HOMES LIMITED

We have audited the financial statements of Dawn Homes Limited for the year ended 31 January 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 two 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 other transactions 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 the company's affairs as at 31 January 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

McLAY, McALISTER & McGIBBON
Chartered Accountants
Registered Auditors
53 Bothwell Street
Glasgow
G2 6TS

11 May 2006

DAWN HOMES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2006**

		2006	2005
	Notes	£	as restated £
TURNOVER	2	28,237,801	14,654,655
Cost of sales		<u>19,206,671</u>	<u>9,311,182</u>
GROSS PROFIT		9,031,130	5,343,473
Administrative expenses		<u>1,913,714</u>	<u>1,689,673</u>
		7,117,416	3,653,800
Other operating income		<u>7,800</u>	<u>7,200</u>
OPERATING PROFIT	4	7,125,216	3,661,000
Interest receivable and similar income	5	<u>44,126</u>	<u>67,201</u>
		7,169,342	3,728,201
Interest payable and similar charges	6	<u>562,465</u>	<u>577,112</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,606,877	3,151,089
Tax on profit on ordinary activities	7	<u>1,985,152</u>	<u>925,659</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>4,621,725</u>	<u>2,225,430</u>
RETAINED PROFIT FOR THE YEAR		<u>4,621,725</u>	<u>2,225,430</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

DAWN HOMES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2006**

	2006 £	2005 as restated £
PROFIT FOR THE FINANCIAL YEAR	4,621,725	2,225,430
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	4,621,725	2,225,430
Prior year adjustment	1,005,000	300,000
	Note 8	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>5,626,725</u>	<u>2,525,430</u>

The notes form part of these financial statements

DAWN HOMES LIMITED

**BALANCE SHEET
31 JANUARY 2006**

		2006		2005 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	9		3,362		9,071
Investments	10		212,150		-
			215,512		9,071
CURRENT ASSETS					
Stocks	11	17,849,589		15,173,360	
Debtors	12	221,026		2,776,351	
Cash at bank		796,679		4,573,473	
		18,867,294		22,523,184	
CREDITORS					
Amounts falling due within one year	13	9,871,000		16,937,174	
NET CURRENT ASSETS			8,996,294		5,586,010
TOTAL ASSETS LESS CURRENT LIABILITIES			9,211,806		5,595,081
CAPITAL AND RESERVES					
Called up share capital	16		1,500,000		1,500,000
Profit and loss account	17		7,711,806		4,095,081
SHAREHOLDERS' FUNDS	21		9,211,806		5,595,081

The financial statements on pages 5 to 14 were approved by the board of directors on 11 May 2006.

ALAN G. MACDONALD
Director

STEWART H. ROUGH
Director

DAWN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006

1. ACCOUNTING POLICIES

Basis of accounting

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

The company has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No. 1 (Revised 1996) on the grounds that it is a subsidiary undertaking the cash flows of which are included in the consolidated financial statements of the immediate holding company, outlined at note 18.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities stated net of value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- over five years
Fixtures and fittings	- between four and ten years
Motor vehicles	- over four years

Stocks and work in progress

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

Taxation

The charge for taxation is based on the profit for the year as adjusted for tax purposes.

Defined contribution schemes

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Long Term Contracts

Amounts recoverable on contracts are stated at cost plus attributable profit taken 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. Profit on house sales is recognised on completion of the sale of individual houses.

Grants

Contributions received towards site development costs are credited to project costs charged against project revenues arising.

Prior year adjustment

During the year the company adopted FRS 21 Events after the balance sheet date. In previous years proposed dividends were recorded in the financial statements and accrued as liabilities at the balance sheet date. This policy has been changed and dividends proposed are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Dividends paid are dealt with as a movement on retained profits. The change in accounting policy has been dealt with by way of a prior year adjustment and comparatives have been restated.

2. TURNOVER

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

DAWN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

3. STAFF COSTS

	2006	2005
	£	£
Wages and salaries	391,328	327,081
Social security costs	<u>33,375</u>	<u>28,440</u>
	<u><u>424,703</u></u>	<u><u>355,521</u></u>

The average monthly number of employees during the year was as follows:

	2006	2005
Weekly production staff	14	13
Executive directors	<u>4</u>	<u>4</u>
	<u><u>18</u></u>	<u><u>17</u></u>

The directors and monthly paid personnel are all remunerated by the parent company.

All directors are accruing pension benefits under group money purchase schemes.

4. OPERATING PROFIT

The operating profit is stated after charging:

	2006	2005
	£	£
Depreciation - owned assets	5,709	5,871
Auditors' remuneration	<u>5,950</u>	<u>4,000</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£	£
Deposit account interest	27,935	60,596
Group interest receivable	9,854	5,978
Other interest received	<u>6,337</u>	<u>627</u>
	<u><u>44,126</u></u>	<u><u>67,201</u></u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest	518,376	547,731
Group interest payable	<u>44,089</u>	<u>29,381</u>
	<u><u>562,465</u></u>	<u><u>577,112</u></u>

DAWN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2006	2005
Current tax:	£	£
UK corporation tax	1,984,000	946,000
Under/(over) provision in earlier years	<u>1,152</u>	<u>(20,341)</u>
Tax on profit on ordinary activities	<u><u>1,985,152</u></u>	<u><u>925,659</u></u>

Factors affecting the tax charge

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

	2006	2005
Profit on ordinary activities before tax	<u>£ 6,606,877</u>	<u>£ 3,151,089</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	1,982,063	945,327
Effects of:		
Expenses not deductible for tax purposes	2,515	425
Capital allowances for period in excess of depreciation	(578)	248
Adjustments to tax charge in respect of prior period	1,152	(20,341)
Group relief payment	1,744,000	-
Group relief claim	<u>(1,744,000)</u>	<u>-</u>
Current tax charge	<u><u>1,985,152</u></u>	<u><u>925,659</u></u>

8. PRIOR YEAR ADJUSTMENT

Dividend proposed now treated on a paid basis.

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 February 2005 and 31 January 2006	<u>25,817</u>	<u>18,150</u>	<u>9,900</u>	<u>53,867</u>
DEPRECIATION				
At 1 February 2005	24,563	15,283	4,950	44,796
Charge for year	<u>1,254</u>	<u>1,980</u>	<u>2,475</u>	<u>5,709</u>
At 31 January 2006	<u>25,817</u>	<u>17,263</u>	<u>7,425</u>	<u>50,505</u>
NET BOOK VALUE				
At 31 January 2006	<u><u>-</u></u>	<u><u>887</u></u>	<u><u>2,475</u></u>	<u><u>3,362</u></u>
At 31 January 2005	<u>1,254</u>	<u>2,867</u>	<u>4,950</u>	<u>9,071</u>

DAWN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

10. FIXED ASSET INVESTMENTS

	2006	2005
	£	£
Cost of shares in group undertakings	99	-
Cost of equity in joint venture	50	-
Loans to joint venture	212,001	-
	<u>212,150</u>	<u>-</u>

Additional information is as follows:

	Shares in group undertakings £	Interest in joint venture £	Totals £
COST			
Additions	<u>99</u>	<u>50</u>	<u>149</u>
At 31 January 2006	<u>99</u>	<u>50</u>	<u>149</u>
NET BOOK VALUE			
At 31 January 2006	<u>99</u>	<u>50</u>	<u>149</u>
			Loan to joint venture £
Additions in year			<u>212,001</u>
At 31 January 2006			<u>212,001</u>

Name of Company	Nature of business	Class of shares	% Shareholding
Dawn Homes Johnstone Ltd	Housebuilders	Ordinary 'A'	100
Dawn Highfield Ltd	Housebuilders	Ordinary	50

The directors consider that the company is exempt from the obligation to prepare and deliver group accounts in accordance with s228(2) Companies Act 1985 as the company is itself a subsidiary undertaking. Accordingly the financial statements present information about the company as an individual undertaking and not as a group. Details of the parent undertakings which draw up the group financial statements are shown at note 18.

11. STOCKS

	2006	2005
	£	£
Work-in-progress	17,884,360	15,242,360
Progress payments received	<u>(34,771)</u>	<u>(69,000)</u>
	<u>17,849,589</u>	<u>15,173,360</u>

DAWN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

12.	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005
		£	£
	Trade debtors	32,355	2,070,937
	Other debtors	148,146	255,922
	Amounts owed by group undertakings	9,330	220,448
	Prepayments and accrued income	<u>31,195</u>	<u>229,044</u>
		<u>221,026</u>	<u>2,776,351</u>

13.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006	2005 as restated
		£	£
	Bank loans and overdrafts (see note 14)	5,748,211	12,983,584
	Trade creditors	1,202,643	2,118,449
	Tax	213,022	946,000
	Social security and other taxes	15,353	19,416
	Other creditors	1,982	2,845
	Amounts owed to group undertakings	2,126,822	498,948
	Accrued expenses	<u>562,967</u>	<u>367,932</u>
		<u>9,871,000</u>	<u>16,937,174</u>

14. **LOANS**

An analysis of the maturity of loans is given below:

	2006	2005
	£	£
Amounts falling due within one year or on demand:		
Bank loans and overdrafts	<u>5,748,211</u>	<u>12,983,584</u>

15. **SECURED DEBTS**

The following secured debts are included within creditors:

	2006	2005
	£	£
Bank development loan	<u>5,748,211</u>	<u>12,983,584</u>

The bank borrowings are secured by a floating charge over the company's assets and cross guarantees without limit granted by the company's parent, ultimate parent and fellow subsidiaries.

DAWN HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006**

16. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	2006	2005
Number:	Class:		£	£
2,000,000	Ordinary	£1	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, issued and fully paid:		Nominal value:	2006	2005
Number:	Class:		£	£
1,500,000	Ordinary	£1	<u>1,500,000</u>	<u>1,500,000</u>

17. RESERVES

	Profit and loss account £
At 1 February 2005	3,090,081
Prior year adjustment	<u>1,005,000</u>
	4,095,081
Retained profit for the year	4,621,725
Dividend paid	<u>(1,005,000)</u>
At 31 January 2006	<u>7,711,806</u>

18. ULTIMATE PARENT COMPANY

The directors consider Pacific Shelf (1117) Ltd, 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.

19. CONTINGENT LIABILITIES

(i) The Company has granted guarantees without limit to the Bank of Scotland in respect of advances by way of overdrafts to the company's parent and fellow subsidiaries. The total sums advanced at 31 January 2006 were £10,916,476 (2005: £17,938,836). However at that date there were group funds in hand of £15,252,676 (2005 - £7,679,301).

(ii) The company has provided a guarantee for £300,000 to Bank of Scotland in respect of a loan advanced to Dawn Highfield Limited, a joint venture company, together with an interest shortfall guarantee in respect of borrowings by that company.

(iii) In the normal course of business the company provides performance bonds in respect of its contractual obligations.

DAWN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2006

20. RELATED PARTY DISCLOSURES

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

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	as restated £
Profit for the financial year	4,621,725	2,225,430
Dividend paid	<u>(1,005,000)</u>	<u>(300,000)</u>
Net addition to shareholders' funds	3,616,725	1,925,430
Opening shareholders' funds (originally £4,590,081 before prior year adjustment of £1,005,000)	<u>5,595,081</u>	<u>3,669,651</u>
Closing shareholders' funds	<u>9,211,806</u>	<u>5,595,081</u>
Equity interests	<u>9,211,806</u>	<u>5,595,081</u>