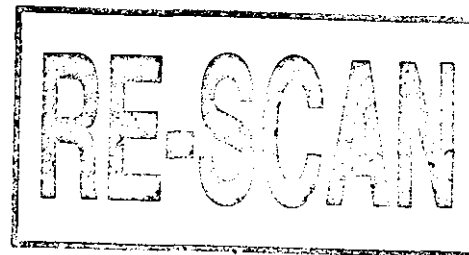


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PURELAKE NEW HOMES LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 30th SEPTEMBER 1998

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PURELAKE NEW HOMES LIMITED

Registered in England and Wales No.

2695040

Date of Incorporation

9th March 1992

Directors

BJ White
Mrs SA White
G A Dowd

Company Secretary

Mrs SA White

Registered Office

Springbank Business Centre
87/89 Springbank Road
London
SE13 6SS

Auditors

Burrells
Registered Auditors
Jubilee House
Jubilee Court
Dersingham
King's Lynn
Norfolk
PE31 6HH

Bankers

Barclays Bank PLC
PO Box 12545
Woolwich
SE18 6YE

National Westminster Bank PLC
Second Floor
143 High Street
Bromley
Kent
BR1 1JH

PURELAKE NEW HOMES LIMITED

REPORT OF THE DIRECTORS

YEAR ENDED 30th SEPTEMBER 1998

The directors have pleasure in presenting their report and the accounts for the year ended 30th September 1998.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the construction of new residential property.

REVIEW OF THE COMPANY'S BUSINESS

The company had a highly successful trading year which resulted in a profit of £1139445 before tax (1997 - £186925), a net amount of £791942 (1997 - £148638) being transferred to reserves.

DIVIDENDS

No dividends were paid during the year (1997 - Nil).

PARENT COMPANY

The Company is a subsidiary of Purelake Properties Limited which owns 80% of the ordinary shares (1997 - 80%).

DIRECTORS AND DIRECTORS INTERESTS

The directors who served the company during the year together with details of their shareholdings are as follows:-

Shares in Parent Company

Ordinary Shares of £1 each
1998 and 1997

BJ White)	
) Jointly	100
Mrs SA White)	

The above shares were held by Mr and Mrs White individually until 7th July 1998 and jointly thereafter.

Shares in Company

Ordinary Shares of £1 each
1998 and 1997

PURELAKE NEW HOMES LIMITED

REPORT OF THE DIRECTORS

YEAR ENDED 30th SEPTEMBER 1998

AUDITORS

In accordance with Section 384(1) of the Companies Act 1985 a resolution proposing the re-appointment of Burrells, Chartered Accountants, as auditors of the company will be presented at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE ACCOUNTS

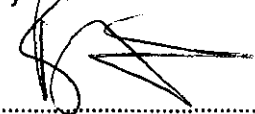
Company Law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the result for that period.

In preparing the accounts 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.
- Prepare the accounts on a 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 accounts comply with the Companies Act. They are also responsible for safe guarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



.....
B J White
Director

REPORT OF THE AUDITORS TO
PURELAKE NEW HOMES LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15 together with the full financial statements of the company for the year ended 30th September 1998 prepared under section 226 of the Companies Act 1985.

Respective Responsibilities of Directors and Auditors

The company's directors are responsible for the preparation of abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of Opinion

We have carried out the procedures we consider necessary to confirm by reference to the audited financial statements that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 5 to 15 are properly prepared in accordance with that provision.

Jubilee House
Jubilee Court
Dersingham
King's Lynn
Norfolk
PE31 6HH

Burrells

Burrells
Registered Auditors
R. J. J. J.

PURELAKE NEW HOMES LIMITEDPROFIT AND LOSS ACCOUNTYEAR ENDED 30th SEPTEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<u>GROSS PROFIT</u>		2050896	605907
 <u>ADMINISTRATIVE EXPENSES</u>		758166	322253
		-----	-----
		1292730	283654
 <u>OTHER OPERATING INCOME</u>	16	28661	29665
		-----	-----
<u>OPERATING PROFIT</u>		1321391	313319
 <u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	17	181946	126394
 <u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	12	----- 1139445	----- 186925

PURELAKE NEW HOMES LIMITEDPROFIT AND LOSS APPROPRIATION ACCOUNTYEAR ENDED 30th SEPTEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		1139445	186925
<u>TAXATION</u>	15	347503	38287
		-----	-----
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		791942	148638
<u>RETAINED PROFIT</u> brought forward		387446	238808
<u>RETAINED PROFIT</u> carried forward		----- 1179388	----- 387446

CONTINUING OPERATIONS

None of the activities of the company were commenced or were discontinued during the current or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous year.

PURELAKE NEW HOMES LIMITEDBALANCE SHEET - 30th SEPTEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	7	117089	63449
<u>CURRENT ASSETS</u>			
Stocks	8	2987335	2760317
Debtors	9	438129	236301
Cash at Bank and in Hand		75122	106276
		<u>3500586</u>	<u>3102894</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	10	2212576	2638097
<u>NET CURRENT ASSETS</u>		1288010	464797
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>1405099</u>	<u>528246</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	11	225611	140700
		<u>1179488</u>	<u>387546</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	2	100	100
Profit and Loss Account		1179388	387446
		<u>1179488</u>	<u>387546</u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

.....) DIRECTOR
BJ White

23/6/98
Date

8
PURELAKE NEW HOMES LIMITED
CASH FLOW STATEMENT
YEAR ENDED 30th SEPTEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<u>CASH INFLOW/(OUTFLOW)</u>			
<u>FROM OPERATING ACTIVITIES</u>	18	693908	(1026465)
<u>RETURNS ON INVESTMENTS AND</u>			
<u>SERVICING OF FINANCE</u>			
Interest Received	22605		5183
Interest Paid	(181946)		(126394)
<u>Net Cash Outflow from Returns on</u>			
<u>Investments and Servicing of Finance</u>		(159341)	(121211)
<u>TAXATION</u>		(44761)	(53185)
<u>CAPITAL EXPENDITURE</u>			
Payments to Acquire Fixed Assets	(66004)		(11785)
Receipts from Sales of Fixed Assets	18300		114500
<u>Net Cash (Outflow)/Inflow from</u>			
<u>Capital Expenditure</u>		(47704)	102715
<u>FINANCING</u>			
Repayment of Bank Loans	(976452)		(767320)
Receipts from New Bank Loans	533000		1876515
Capital Hire Purchase Repayments	(29804)		(24525)
<u>Net Cash (Outflow)/Inflow from Financing</u>		(473256)	1084670
<u>DECREASE IN CASH</u>		(31154)	(13476)
<u>RECONCILIATION OF NET CASH</u>			
<u>FLOW TO MOVEMENT IN NET DEBT</u>	19		
Decrease in Cash in the Year		(31154)	(13476)
New Hire Purchase Agreements		(31271)	(11155)
Capital Hire Purchase Repayments		29804	24525
Repayment of Bank Loans		976452	767320
Receipts from New Bank Loans		(533000)	(1876515)
Change in Net Debt		410831	(1109301)
Net Debt as at 1st October 1997		(1562543)	(453242)
Net Debt as at 30th September 1998		(1151712)	(1562543)

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 19981. PRINCIPAL ACCOUNTING POLICIESa) Accounting Convention

The accounts are prepared under the historical cost convention.

b) Depreciation

Depreciation is calculated so as to write off the cost of the fixed assets on a reducing balance basis over their expected useful lives. The annual rates used are as follows:-

	<u>%</u>
Motor Vehicles	25
Equipment	25

c) Stocks and Work in Progress

Stocks and Work in Progress are valued at the lower of cost or net realisable value.

d) Deferred Taxation

No provision has been made for deferred taxation in respect of timing differences which are not expected to reverse in the future.

e) Hire Purchase Commitments

Assets obtained under Hire Purchase Contracts are capitalised in the Balance Sheet and depreciated over their useful lives. Interest is charged to the Profit and Loss Account over the period of the agreement.

f) Pension Costs

The company operates a money purchase pension scheme. Contributions for the year are charged to the Profit and Loss Account as paid.

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 1998

2.	<u>SHARE CAPITAL</u>	<u>1998 and 1997</u>
	Authorised - Ordinary Shares of £1 each	<u>100</u>
	Issued and Fully Paid - Ordinary Shares	<u>100</u>

3. SECURED CREDITORS

All bank borrowings are from Barclays Bank PLC and are secured by a charge over developments in progress and a floating charge over other assets.

4. CONTROLLING PARTY

Mr and Mrs White, sole shareholders of Purelake Properties Limited, the parent company, are the ultimate controlling parties.

5. HOLDING COMPANY

The Company is a subsidiary of Purelake Properties Limited, a company incorporated in England. At 30th September 1998 the company owed £237395 (1997 - £472065) to the holding company in respect of loan advances.

The company paid interest on the loan at the rate it would pay interest to its bankers. The interest for the year ended 30th September 1998 amounted to £27379 (1997 - £16529).

Consolidated financial statements are not prepared as the group is entitled to exemption on the grounds that the group is medium sized.

6. TRANSACTIONS WITH RELATED COMPANIES

Purelake Investments Limited, a company incorporated in England, is a fellow subsidiary of Purelake Properties Limited. At 30th September 1998, the company was owed £228297 by Purelake Investments Limited (1997 - Nil) in respect of loan advances.

The company charged interest at a commercial rate and for the year ended 30th September 1998 this amounted to £7153 (1997 - Nil).

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 19987. TANGIBLE FIXED ASSETS

	<u>Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
<u>COST</u>			
At 30th September 1997	35165	60681	95846
Additions	75184	22091	97275
	<u>110349</u>	<u>82772</u>	<u>193121</u>
Disposals	10000	11155	21155
At 30th September 1998	<u>100349</u>	<u>71617</u>	<u>171966</u>
 <u>DEPRECIATION</u>			
At 30th September 1997	18987	13410	32397
Charge for Year	12374	12961	25335
	<u>31361</u>	<u>26371</u>	<u>57732</u>
Disposals	2000	855	2855
At 30th September 1998	<u>29361</u>	<u>25516</u>	<u>54877</u>
 <u>NET BOOK VALUE</u>			
At 30th September 1998	<u>70988</u>	<u>46101</u>	<u>117089</u>
At 30th September 1997	<u>16178</u>	<u>47271</u>	<u>63449</u>

ASSETS ACQUIRED UNDER HIRE PURCHASE AGREEMENTS

The total net book value of fixed assets includes £50041 (1997 - £37394) in respect of assets acquired under hire purchase agreements after charging depreciation for the year of £13508 (1997 - £1122).

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 1998

8.	<u>STOCKS</u>	<u>1998</u>	<u>1997</u>
		£	£
	Stock and Developments in Progress	2987335	2760317
		<hr/>	<hr/>
9.	<u>DEBTORS</u>	<u>1998</u>	<u>1997</u>
		£	£
	Trade Debtors	172362	205752
	Taxation	27570	25336
	Prepayments	9900	5213
	Related Company (Note 6)	228297	-
		<hr/>	<hr/>
		438129	236301
		<hr/>	<hr/>
10.	<u>CREDITORS</u>		
	<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1998</u>	<u>1997</u>
		£	£
	Bank Loan Instalments	981439	1513855
	Hire Purchase Instalments	19784	14264
	Trade Creditors	412087	551461
	Holding Company (Note 5)	237395	472065
	Corporation Tax	347503	44761
	Other Taxes and Social Security Costs	172497	11623
	Accruals	22331	12394
	Directors Current Account	19540	17674
		<hr/>	<hr/>
		2212576	2638097
		<hr/>	<hr/>
11.	<u>CREDITORS</u>		
	<u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	<u>1998</u>	<u>1997</u>
		£	£
	Bank Loan Instalments	215130	126166
	Hire Purchase Instalments	10481	14534
		<hr/>	<hr/>
		225611	140700
		<hr/>	<hr/>

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 199812. OPERATING PROFIT

Operating profit is stated after charging :-	<u>1998</u>	<u>1997</u>
	£	£
Auditors Remuneration	28225	18500
Depreciation	25335	9568

13. STAFF COSTS

	<u>1998</u>	<u>1997</u>
	£	£
Directors Salaries	449075	116416
Directors Pension Costs	57911	54285
Other Salaries	177688	103683
Social Security Costs	68599	23637
	<u>753273</u>	<u>298021</u>

The average weekly number of employees during the period was made up as follows:-

	<u>1998</u>	<u>1997</u>
	No.	No.
Directors	3	3
Site Managers and Labourers	9	3
Office	4	2
	<u>16</u>	<u>8</u>

14. DIRECTORS EMOLUMENTS

	<u>1998</u>	<u>1997</u>
	£	£
Aggregate Emoluments	454348	132841
Pension Contributions	57911	54285
	<u>512259</u>	<u>187126</u>

The emoluments of the highest paid director are £297944 (1997 - £111657).

There are 2 directors benefitting from the Money Purchase Pension Scheme (1997 - 2).

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 199815. TAXATION

Corporation Tax has been charged on the profits for the year at a rate of 31% (1997 - 24.6%) and amounts to £347503 (1997 - £44761).

The charge in the Profit and Loss Account is made up as follows :-

	<u>1998</u> £	<u>1997</u> £
Corporation Tax Payable 1st July 1999	347503	44761
Overprovision for Previous Year	-	(21877)
Payment to Parent for Surrender of Losses and Group Relief	-	15403
	<u>347503</u>	<u>38287</u>

If provision had been made for the potential amount of deferred taxation the tax charge for the year would have been £357203 (1997 - £40687).

The potential deferred taxation not provided is made up as follows :-

	<u>1998</u> £	<u>1997</u> £
Capital Allowances in Advance of Depreciation	12700	3000

16. OTHER OPERATING INCOME

	<u>1998</u> £	<u>1997</u> £
Rent Received	6056	1230
Bank Interest Received	14789	5183
Profit on the Sale of Freehold Property	-	23252
Interest on the Late Completion of Sales	663	-
Interest on Inter Company Loan (Note 6)	7153	-
	<u>28661</u>	<u>29665</u>

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30th SEPTEMBER 1998

17.	<u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	<u>1998</u> £	<u>1997</u> £		
	Bank Charges	15615	19246		
	Bank Overdraft and Loan Interest	134276	82624		
	Interest on Inter Company Loan (Note 5)	27379	16529		
	Hire Purchase Interest	4676	5243		
	Interest on Completion of Property Purchases	-	2642		
	Other Interest	-	110		
		181946	126394		
18.	<u>RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</u>	<u>1998</u> £	<u>1997</u> £		
	Operating Profit	1321391	313319		
	Depreciation	25335	9568		
	Profit on Sale of Freehold Property	-	(23252)		
	Interest Received	(22605)	(5183)		
	Increase in Stocks and Work in Progress	(227018)	(1473422)		
	(Increase)/Decrease in Debtors	(201828)	7799		
	(Decrease)/Increase in Creditors	(201367)	144706		
		693908	(1026465)		
19.	<u>ANALYSIS OF CHANGES IN NET DEBT</u>				
		<u>As at</u> <u>30.09.97</u> £	<u>Cash</u> <u>Flow</u> £	<u>Other</u> <u>Movement</u> £	<u>As at</u> <u>30.09.98</u> £
	Bank and Cash Balances	106276	(31154)	-	75122
	Debt Due Within One Year	(1528119)	320459	206437	(1001223)
	Debt Due After More Than One Year	(140700)	152797	(237708)	(225611)
	Total	(1562543)	442102	(31271)	(1151712)