

REPORT OF THE AUDITORS TO THE DIRECTORS OF**PURELAKE NEW HOMES LIMITED**

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act, in respect of the period ended 30th September 1996 and the abbreviated accounts on pages 2 to 5 have been properly prepared in accordance with that Schedule. We are not required to express an audit opinion on these abbreviated accounts.

We reported as auditors of Purelake New Homes Limited to the members on 12th December 1996 on the company's financial statements prepared under Schedule 8 of the Companies Act 1985 for the period ended 30th September 1996 as follows:-

REPORT OF THE AUDITORS TO THE MEMBERS OF**PURELAKE NEW HOMES LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

The company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 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 September 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

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



Burrells
Registered Auditors
12th December 1996

PURELAKE NEW HOMES LIMITEDBALANCE SHEET - 30th SEPTEMBER 1996

	<u>Notes</u>	<u>30.9.96</u>	<u>31.12.95</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible Assets	6	141325	110790
<u>CURRENT ASSETS</u>			
Stocks	1286895		710828
Debtors	244100		32285
Balance at Bank	119752		-
		<u>1650747</u>	<u>743113</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Bank Overdraft	-		74236
Other Creditors	1497636		708258
		<u>1497636</u>	<u>782494</u>
<u>NET CURRENT ASSETS/(LIABILITIES)</u>		153111	(39381)
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>294436</u>	<u>71409</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>			
		55528	50119
		<u>238908</u>	<u>21290</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	2	100	100
Profit and Loss Account		238808	21190
		<u>238908</u>	<u>21290</u>

In preparing these accounts the directors have taken advantage of the exemptions conferred by Part I of Schedule 8 to the Companies Act 1995 on the basis that in their opinion the company qualifies as a small company.

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BJ White

) DIRECTOR

12/12/96

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****PERIOD 1st JANUARY TO 30th SEPTEMBER 1996****1. PRINCIPAL ACCOUNTING POLICIES****a) 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 over their expected useful lives. The annual rates used are as follows:-

	<u>%</u>	
Land	NIL	
Buildings	4	Straight Line
Motor Vehicles	25	Reducing Balance
Luxury Motor Vehicles	10	Straight Line
Equipment	25	Reducing Balance

c) Work in Progress

Work in Progress is 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) Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a Cash Flow Statement on the grounds that it is a small company.

g) Pension Costs

The company operates a defined contribution pension scheme. Contributions payable for the period are charged to the Profit and Loss Account.

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****PERIOD 1st JANUARY TO 30th SEPTEMBER 1996****2. SHARE CAPITAL 30.9.96 and 31.12.95**Authorised - Ordinary Shares of £1 each 100Issued and Fully Paid - Ordinary Shares 100**3. SECURED CREDITORS**

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

4. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Purelake Properties Limited, a company incorporated in England. At 30th September 1996 the company owed £445203 (31st December 1995 - £239814) to the holding company.

5. TRANSACTIONS WITH RELATED COMPANIES

The company paid interest on the loan from Purelake Properties Limited at a rate it would pay interest to its bankers. The interest for the period to 30th September 1996 amounted to £19,145 (1995 - Nil).

PURELAKE NEW HOMES LIMITEDNOTES TO THE ACCOUNTSPERIOD 1st JANUARY TO 30th SEPTEMBER 19966. TANGIBLE FIXED ASSETS

	<u>Freehold Property</u>	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£
<u>COST</u>				
At 31st December 1995	67110	27223	49000	143333
Additions	-	6498	38370	44868
Transferred from Parent Company	-	815	-	815
	<u>67110</u>	<u>34536</u>	<u>87370</u>	<u>189016</u>
Disposals	-	-	(3000)	(3000)
At 30th September 1996	<u>67110</u>	<u>34536</u>	<u>84370</u>	<u>186016</u>
 <u>DEPRECIATION</u>				
At 31st December 1995	3355	9011	20177	32543
Transferred from Parent Company	-	433	-	433
	<u>3355</u>	<u>9444</u>	<u>20177</u>	<u>32976</u>
Charge for Period	1007	4222	9316	14545
	<u>4362</u>	<u>13666</u>	<u>29493</u>	<u>47521</u>
Disposals	-	-	(2830)	(2830)
At 30th September 1996	<u>4362</u>	<u>13666</u>	<u>26663</u>	<u>44691</u>
 <u>NET BOOK VALUE</u>				
At 30th September 1996	<u>62748</u>	<u>20870</u>	<u>57707</u>	<u>141325</u>
At 31st December 1995	<u>63755</u>	<u>18212</u>	<u>28823</u>	<u>110790</u>