ARTHUR ANDERSEN

Goldcrest Homes plc

Financial statements 31 March 2001
together with directors' and auditors' reports

Registered number: 1660121



LD6 0601
COMPANIES HOUSE 27/07/01

Company information

Directors	Sir Peter Thompson (Chairman)* † M Collins (Chief Executive)* † T L Carvall (Construction Director) D J Hodgson (Marketing Director) S E Leach ACA (Finance Director)* † M D Sierens (Planning & Design Director) Dr K Mourad FRCR (Non-Executive) Miss O M Collins (Non-Executive) Miss S A Collins (Non-Executive) * indicates member of audit committee † indicates member of remuneration committee
Secretary	M Collins
Registered office	Goldcrest House 7 Hurlingham Business Park Sulivan Road London SW6 3DU
Auditors	Arthur Andersen 20 Old Bailey London EC4M 7AN
Bankers	Barclays Bank plc PO Box 544 54 Lombard Street London EC3V 9EX
Solicitors	Nabarro Nathanson Lacon House Theobald's Road London WC1X 8RW

Chairman's statement

Dear Shareholder,

Your directors are pleased to report that the company has achieved another year of record profits and another year of success for our established strategy for growth in profit before tax.

Results

Group profit before taxation at £3.3 million was 23% higher than the comparable figure of £2.7 million in 2000. Basic earnings per share rose by 18% to £14.88 (2000: £12.64) having grown at a compound rate of 26% over the last 5 years.

Dividend

The Company paid an interim dividend of £3.12 per share and it is proposed that a final dividend of £3.88 per share will be paid in June for those shareholders on the register on 29 March 2001.

Property Review

The London property market remains healthy. The expectation is that there will be sustainable increases in sales values in the forthcoming 12 months due to demand created as a result of the low supply of new housing in Central London and the lower interest rates.

Pressure is increasing on the acquisition of new sites at acceptable margins.

Financing

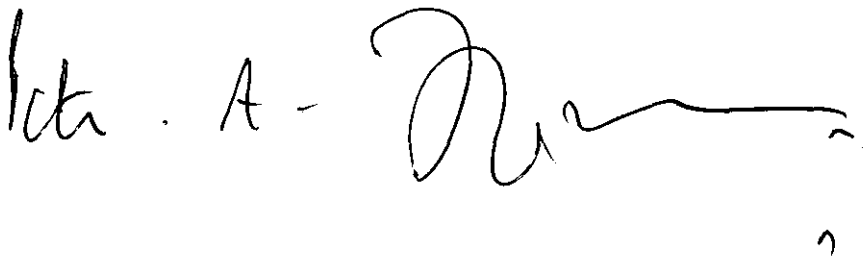
Our financing position remains solid. Shareholders' funds increased to £7.1 million, which included a part conversion of the £1.1 million of Convertible Loan Stock raised during the year.

Prospects

The Company has enjoyed growth in net profit and Shareholders' funds over the past nine years. It is expected that despite a more difficult market for land acquisition and trading, progress will still continue.

I would also like to express my appreciation to our Stakeholders who have supported and contributed to our success over the past year – our Shareholders, our customers, our suppliers, our subcontractors and professional advisors. In particular, I thank all of the enthusiastic team at Goldcrest, led by Michael Collins, in delivering another successful year.

Sir Peter Thompson
Chairman



Ten Year Record

31 March 2001

Summary consolidated results £000	1992	1993	1994	1995	1997 (18 mths)	1998	1999	2000	2001
Turnover	2,771	3,691	5,586	5,880	9,758	9,812	14,958	11,397	21,276
Operating profit	578	594	883	1,250	1,857	2,056	2,696	3,115	4,480
Other Income	-	53	28	39	83	136	58	45	15
Interest (net)	(104)	(124)	(155)	(164)	(438)	(383)	(505)	(453)	(1,162)
Profit before taxation	474	523	756	1,125	1,502	1,809	2,249	2,707	3,333
Taxation	(163)	(167)	(261)	(415)	(518)	(575)	(730)	(781)	(1,019)
Profit after taxation	311	356	495	710	984	1,234	1,519	1,926	2,314
Dividend	(213)	(300)	(317)	(217)	(258)	(596)	(707)	(902)	(1,088)
Retained profit for the year	98	56	178	493	726	638	812	1,024	1,226
Net assets									
Stock and debtors	1,300	3,557	3,668	3,765	7,850	7,486	14,103	9,747	30,569
Net debt	(338)	(1,354)	(1,024)	(1,010)	(3,219)	(2,730)	(7,066)	(3,017)	(19,026)
Other assets/liabilities	43	(1,142)	(1,405)	(1,023)	(2,173)	(1,660)	(3,032)	(1,401)	(4,488)
	1,005	1,061	1,239	1,732	2,458	3,096	4,005	5,329	7,055
Ratios									
Earnings per share	£2.10	£2.40	£3.34	£4.78	£6.63	£8.31	£10.05	£12.64	£14.88
Dividend per share	£1.64	£2.02	£2.14	£1.46	£1.74	£4.02	£4.68	£5.88	£7.00
Dividend cover	1.5	1.2	1.6	3.3	3.8	2.1	2.1	2.1	2.1
Net asset value per share	£6.77	£7.15	£8.35	£11.67	£16.56	£20.86	£26.49	£34.28	£45.38

Directors' Report

31 March 2001

Financial statements

The directors present their annual report and Group financial statements together with the auditors' report for the year ended 31 March 2001.

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 the group and of the profit or loss of the group for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 activities and review of the business

The Group's principal activities for the year under review were that of residential house building, land development and sales.

A summary of the results of the year's trading is shown on page 7 of the financial statements. A review of the Group's business and future developments is included within the Chairman's statement.

Results and dividends

The profit for the year after taxation amounted to £2,314,000 (2000: £1,926,000).

The directors recommend that the profit for the year be dealt with as follows:

	£'000
Ordinary dividends	
- Interim dividend paid of £ 3.12 (2000 - £2.68) per share	485
- Final dividend proposed of £3.88 (2000 - £3.20) per share	603
Transfer to reserves	1,226
	2,314

Directors and their interests

The directors who held office during the year and their interests in the issued share capital at the beginning and end of the year were as follows:

		£1 Ordinary shares Fully paid	
		2001	2000
M Collins		126,256	124,356
Sir Peter Thompson	- Beneficial interests	8,490	4,918
	- Non-beneficial interests	1,786	-
M D Sierens		5,654	5,654
Dr K Mourad FRCR		2,054	2,168
Miss O M Collins		1,686	1,686
Miss S A Collins		1,686	1,686
T L Carvall		-	-
D J Hodgson		-	-
S E Leach		-	-

Sir Peter Thompson's non-beneficial interests arise through two discretionary trusts in favour of his children and grandchildren.

Dr K Mourad transferred 114 shares to M Collins in the year.

Sir Peter Thompson and Mr D Hodgson retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Charitable donations

During the period the Group contributed £3,438 (2000 - £1,353) to charitable organisations. The Group made no political donations.

Auditors

Binder Hamlyn resigned as auditors during the year. Arthur Andersen were appointed and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that Arthur Andersen be reappointed as auditors of the company will be put to the Annual General Meeting.

Goldcrest House
7 Hurlingham Business Park
Sulivan Road
London SW6 3DU

By order of the Board,

M Collins

Secretary

22 May 2001

Auditors' report

ARTHUR ANDERSEN

To the Shareholders of Goldcrest Homes plc

We have audited the financial statements on pages 7 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 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 circumstances of the company and the Group, 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 affairs of the company and Group as at 31 March 2001 and of the Group's profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

20 Old Bailey
London
EC4M 7AN

22 May 2001

Consolidated profit and loss account

For the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	21,276	11,397
Cost of sales		(13,982)	(6,903)
Gross profit		7,294	4,494
Administrative expenses		(2,814)	(1,379)
Operating profit		4,480	3,115
Interest receivable		15	45
Interest payable	4	(1,162)	(453)
Profit on ordinary activities before taxation	2	3,333	2,707
Tax on profit on ordinary activities	5	(1,019)	(781)
Profit on ordinary activities after taxation		2,314	1,926
Dividends	6	(1,088)	(902)
Retained profit for the year	19	1,226	1,024
Earnings per share - Basic	7	£14.88	£12.64
- Fully diluted	7	£12.47	£11.10

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented. The results for both years derive from the continuing activities of the Group.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	8	206	189
Current Assets			
Stocks	10	11,533	6,318
Debtors	11	19,036	3,429
Cash at bank and in hand		84	1,160
		30,653	10,907
Creditors: Amounts falling due within one year			
Bank loans and overdraft	12	(19,585)	(4,073)
Other creditors	12	(3,596)	(1,611)
		(23,181)	(5,684)
Net current assets		7,472	5,223
Creditors: Amounts falling due after more than one year			
Convertible Loan Stock	13	(560)	-
Other creditors	13	(63)	(83)
		(623)	(83)
Net assets		7,055	5,329
Capital and reserves			
Called-up share capital	17	162	155
Share premium account	19	1,203	710
Profit and loss account	19	5,690	4,464
Shareholders' funds - all equity	20	7,055	5,329

The accompanying notes are an integral part of this consolidated balance sheet.

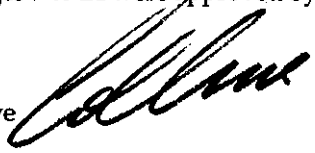
Company balance sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	8	206	188
Investments	9	-	-
		206	188
Current Assets			
Stocks	10	7,291	6,300
Debtors	11	22,902	8,762
Cash at bank and in hand		83	1,159
		30,276	16,221
Creditors: Amounts falling due within one year			
Bank loans and overdraft	12	(14,513)	(4,072)
Other creditors	12	(8,566)	(7,166)
		(23,079)	(11,238)
Net current assets		7,197	4,983
Total assets less current liabilities		7,403	5,171
Creditors: Amounts falling due after more than one year			
Convertible Loan Stock	13	(560)	-
Other creditors	13	(63)	(83)
		(623)	(83)
Net assets		6,780	5,088
Capital and reserves			
Called-up share capital	17	162	155
Share premium account	19	1,203	710
Profit and loss account	19	5,415	4,223
Shareholders' funds - all equity		6,780	5,088

The financial statements on pages 7 to 24 were approved by the Board on 22 May 2001.

M Collins Chief Executive



The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Net cash (outflow)/inflow from operating activities	23	(15,031)	5,852
Returns on investments and servicing of finance	24	(722)	(471)
Taxation		(812)	(634)
Capital expenditure	25	(82)	(54)
Equity dividends paid		(982)	(840)
Cash (outflow)/inflow before financing		(17,629)	3,853
Financing	26	16,552	(2,357)
(Decrease)/increase in cash in the year		(1,077)	1,496

The accompanying notes are an integral part of this consolidated cash flow statement.

1 Accounting policies

A summary of the principal accounting policies is set out below. They have all been applied consistently throughout the year and preceding year.

a) Basis of accounting

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

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Goldcrest Homes plc and all its subsidiary undertakings. No profit and loss account for Goldcrest Homes plc has been presented as permitted by Section 230 of the Companies Act 1985.

c) Turnover

Turnover comprises amounts receivable for properties sold and services provided in the normal course of business excluding value added tax.

d) Profit recognition

Properties are treated as sold and profits are recognised when contracts are exchanged and the building work is substantially complete.

e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	-	over term of lease
Fixtures, fittings and equipment	-	over 5 years
Computer equipment	-	over 4 years
Motor vehicles	-	over 4 years

f) Leasing and hire purchase

Assets obtained under finance leases and hire purchase contracts which result in the transfer of substantially all the risks and rewards of ownership are capitalised as tangible fixed assets at the estimated present value of underlying minimum lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

1 Accounting policies (continued)

g) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes cost of acquisition plus all attributable direct expenditure but excludes interest.

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

h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

i) Investments

In the company balance sheet, investments in subsidiaries are stated at cost less provision for diminution in value.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Depreciation: owned fixed assets	31	21
Depreciation: assets under finance leases	34	25
Profit on sale of fixed assets	-	12
Operating lease rentals	52	42
Directors' emoluments		
- Fees	15	15
- Remuneration	492	208
Auditors' remuneration		
- Audit services	18	15
- Non-audit services	9	5

3 Employees

Number of employees

The average weekly number of persons (including directors) employed by the company during the year was:

	2001 Number	2000 Number
Office and management	22	22
Construction	1	2
	23	24

Employment costs (including directors)

	2001 £'000	2000 £'000
Wages and salaries	1,076	710
Social security costs	111	77
	1,187	787

The amounts in respect of the highest paid director are as follows:

	2001 £'000	2000 £'000
Emoluments	200	69
Company contributions paid to money purchase pension schemes	-	7

In the year ended 31 March 2000 the Company paid contributions to a money purchase pension scheme in respect of one director.

4 Interest payable

	2001 £'000	2000 £'000
On loans and overdrafts repayable:		
Within five years not by instalments	1,084	337
Other interest payable	78	116
	1,162	453

5 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
Corporation tax at 31% (2000 - 30%)	1,044	808
Adjustment in respect of prior years	(25)	(27)
Tax on profit on ordinary activities	1,019	781

6 Dividends

	2001 £'000	2000 £'000
Ordinary shares:		
- Interim dividend paid of £ 3.12 (2000 - £2.68) per share	485	405
- Final dividend proposed of £ 3.88 (2000 - £2.88) per share	603	497
	1,088	902

7 Earnings per share

Basic earnings per share has been calculated by dividing the attributable profit of £2,314,000 by 155,514 being the weighted average number of ordinary shares in issue during the year (2000 - £1,926,000 - 152,386 being the weighted average number of ordinary shares in issue during the year).

The diluted earnings per share has been calculated using the attributable profit of £2,314,000 (2000 - £1,926,000) by 185,587 (2000 - 173,553) calculated as follows:

	2001	2000
Basic weighted average number of shares	155,514	152,386
Dilutive potential ordinary shares:		
Employee share options	21,842	21,170
Convertible loan stock	8,231	-
	185,587	173,553

8 Tangible fixed assets

Group	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2000	-	68	123	134	325
Additions	27	20	35	-	82
At 31 March 2001	27	88	158	134	407
Depreciation					
At 1 April 2000	-	46	78	12	136
Charge for the year	-	10	22	33	65
At 31 March 2001	-	56	100	45	201
Net book value					
Owned assets	27	32	58	-	117
Leased assets	-	-	-	89	89
At 31 March 2001	27	32	58	89	206
Owned assets	-	22	45	-	67
Leased assets	-	-	-	122	122
At 31 March 2000	-	22	45	122	189

8 Tangible fixed assets (continued)

Company	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2000	-	52	108	134	294
Additions	27	20	35	-	82
At 31 March 2001	27	72	143	134	376
Depreciation					
At 1 April 2000	-	31	63	12	106
Charge for the year	-	9	22	33	64
At 31 March 2001	-	40	85	45	170
Net book value					
Owned assets	27	32	58	-	117
Leased assets	-	-	-	89	89
At 31 March 2001	27	32	58	89	206
Owned assets	-	21	45	-	66
Leased assets	-	-	-	122	122
At 31 March 2000	-	21	45	122	188

9 Fixed asset investments

Investment in subsidiary undertakings

	2001 £'000	2000 £'000
Shares at cost	250	250
Provision for diminution in value	(250)	(250)
Shares in subsidiary undertaking	-	-

9 Fixed asset investments (continued)

The principal subsidiaries are:

	Percentage holding	Issued ordinary share capital
Goldcrest Homes (London) Limited	100	£100
Goldcrest Homes (North) Limited	100	£2
Goldcrest Advertising and Design Limited	100	£2
Goldcrest Homes (Northeast) Limited	100	£2
Goldcrest Homes (Construction) Limited (i)	100	£2

(i) Wholly owned subsidiary of Goldcrest Homes (London) Limited.

(ii) All the above companies are incorporated in England and Wales and operate in the United Kingdom. All companies are involved in housebuilding and property development.

10 Stocks

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Stock - land	10,434	5,805	6,234	5,805
Work in progress	1,099	513	1,057	495
	11,533	6,318	7,291	6,300

There is no material difference between the balance sheet value of stocks and their replacement costs.

11 Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	18,898	3,237	12,875	3,214
Amounts owed by Group undertakings	-	-	9,971	5,449
Other debtors	113	120	31	27
Prepayments	25	72	25	72
	19,036	3,429	22,902	8,762

12 Creditors: Amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Obligations under finance leases	22	21	22	21
Bank loans (secured)	19,577	4,066	14,513	4,066
Bank overdraft (secured)	8	7	-	6
Trade creditors	842	-	825	-
Other creditors	3	29	3	19
Accruals	819	96	642	96
Amounts owed to Group undertakings	-	-	5,577	5,591
Corporation tax	1,045	837	632	811
Other taxes and social security costs	262	131	262	131
Dividend proposed	603	497	603	497
	23,181	5,684	23,079	11,238

13 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Obligations under finance leases	63	83	63	83
Other loans (secured)	560	-	560	-
	623	83	623	83

14 Loans

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank loans				
Wholly repayable within one year	19,577	4,066	14,513	4,066
	19,577	4,066	14,513	4,066
Other loans				
Wholly repayable within five years	560	-	560	-
	560	-	560	-
Aggregate amounts repayable:				
Within one year	-	-	-	-
Between one and two years	560	-	560	-
Between two and five years	-	-	-	-
	-	-	-	-

Security

Bank loans and overdrafts are secured by a legal charge on the Group's stock of land for development and a floating charge on all other assets.

Convertible Loan

During the year Convertible Loan Stock of £1,060,000 was issued with interest paid quarterly at a rate of 10% per annum. On 30 March 2001 the company exercised the option to convert £500,080 to share capital. The outstanding balance at 31 March 2001 is £559,920. £1,000,000 of the Convertible Loan Stock was issued to directors or their spouses and dependants. At 31 March 2001 £499,920 was outstanding with them. The rights to convert the Loan Stock to shares expire in September 2002

15 Obligations under finance leases

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Obligations under finance lease contracts				
Amounts payable:				
Within one year	22	21	22	21
Between one and two years	22	23	22	23
Between two and five years	41	60	41	60
	85	104	85	104

16 Commitments under operating leases

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Motor vehicle leases which expire:				
Within one year	37	9	37	9
Between one and two years	20	37	20	37
Between two and five years	5	9	5	9
	62	55	62	55

17 Called up equity share capital

	2001	2000 £
Authorised		
1,000,000 (2000 - 1,000,000) £1 Ordinary shares	1,000,000	1,000,000
Allotted and fully paid		
162,619 (2000 - 155,475) £1 Ordinary shares	162,619	155,475

During the year the company allotted 7,144 ordinary shares with a nominal value of £7,144 and at a premium of £492,936 in order to finance acquisition of land in the normal course of business, of which the following were allotted to directors or their spouses and dependants:-

Sir Peter Thompson	5,358
M Collins	1,786

18 Share options

Options have been granted under an Approved Executive Share Option Scheme and an Unapproved Executive Share Option Scheme to subscribe for Ordinary Shares of Goldcrest Homes plc as follows:

Scheme	No. of options	Grant Date	Subscription price per share	Exercise period
Approved scheme	3,332	Apr 1997	£18	Not earlier than 3 or later than
	857	Oct 1998	£35	10 years after grant of option,
	285	Oct 1999	£70	which was subject to the pre-
	387	Apr 2000	£70	tax profit for the year ended 31
	250	Aug 2000	£70	March preceding the date of exercise exceeding a specified
Unapproved scheme	9,653	Apr 1997	£18	amount.
	5,550	Mar 1998	£35	
	1,643	Oct 1998	£35	

19 Reserves

Group	Share premium Account £'000	Profit and loss Account £'000
At 1 April 2000	710	4,464
On issue of shares	493	-
Retained profit for the year	-	1,226
At 31 March 2001	1,203	5,690

Company	Share premium Account £'000	Profit and loss Account £'000
At 1 April 2000	710	4,223
On issue of shares	493	-
Retained profit for the year	-	1,192
At 31 March 2001	1,203	5,415

20 Reconciliation of movements in group shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	2,314	1,926
Dividend paid on equity shares	(485)	(405)
Dividend payable on equity shares	(603)	(497)
New shares issued	500	300
Net addition to shareholders' funds	1,726	1,324
Opening equity shareholders' funds	5,329	4,005
Closing equity shareholders' funds	7,055	5,329

21 Related party transactions

On 30 March 2001 unconditional contracts were exchanged for the sale of a site to Michael Collins, the Chief Executive of the Company. Completion is scheduled for November 2001 or earlier. The sale was made on an arm's length basis for £1,360,000 approved in a meeting of the Board of Directors with Michael Collins not taking part in the meeting. This amount is included within trade debtors.

On 26 July 2000 unconditional contracts were exchanged for the sale of a building with planning permission, to The Arcade (Newport Pagnell) Ltd. Sir Peter Thompson, the Chairman of the Company, is also a director of The Arcade (Newport Pagnell) Ltd. The sale was made on an arm's length basis for £350,000 and completion took place on 5 March 2001.

On 11 December 2000 unconditional contracts were exchanged for the sale of an apartment to David Hodgson, Marketing Director of the Company. Completion is scheduled for 31 May 2001. The sale was made on an arm's length basis for £178,000. £177,000 is included within trade debtors.

The aggregate gross profit arising on the three transactions above represents 12% of the consolidated gross profit for the year.

Michael Sierens, a director of the Company is a practising architect under the name of MD Sierens Building and Design Services and also a director/shareholder of Michael Sierens Associates Limited; both these companies act as one of the company's architects and as such receive fees for their services. The total paid during the year was £209,917 with £1,200 outstanding at 31 March 2001 and included within trade creditors.

22 Commitments

At 31 March 2001, the company had exchanged contracts on a property and was committed to pay the balance of the purchase price of £2.79 million. This transaction is scheduled for completion on 1 June 2001.

23 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2001 £'000	2000 £'000
Operating profit	4,480	3,115
Depreciation	65	46
(Increase) in stock	(5,215)	(2,980)
(Increase)/decrease in debtors	(15,607)	7,268
Increase/(decrease) in creditors	1,246	(1,585)
Profit on sale of fixed assets	-	(12)
Net cash (outflow)/inflow from operating activities	(15,031)	5,852

24 Returns on investment and servicing of finance

	2001 £'000	2000 £'000
Interest received	15	45
Loan interest paid	(726)	(511)
Finance lease interest paid	(11)	(5)
	(722)	(471)

25 Capital expenditure

	2001 £'000	2000 £'000
Purchase of tangible fixed assets	(82)	(85)
Sale of tangible fixed assets	-	31
	(82)	(54)

26 Financing

	2001 £'000	2000 £'000
Issue of ordinary share capital	500	300
(Decrease)/increase in short term borrowings	15,511	(2,611)
(Decrease)/increase in convertible loans	560	-
Capital element of finance lease rental payments	(19)	(46)
	16,552	(2,357)

27 Analysis and reconciliation of net debt

	1 April 2000 £'000	Movements: Cashflow £'000	Movements: Other Non-Cash Changes £'000	31 March 2001 £'000
Cash at bank and in hand	1,160	(1,076)	-	84
Overdrafts	(7)	(1)	-	(8)
	1,153	(1,077)	-	76
Debt due after 1 year	-	560	-	560
Debt due within 1 year	(4,066)	(15,511)	-	(19,577)
Finance leases	(104)	19	-	(85)
	(4,170)	(14,932)	-	(19,102)
	(3,017)	(16,009)	-	(19,026)

	2001 £'000	2000 £'000
(Decrease) /increase in cash in the year	(1,077)	1,496
Cash (outflow)/inflow from debt and lease financing	(14,932)	2,657
Change in net debt resulting from cash flows	(16,009)	4,153
New finance leases	-	(104)
Movement in net debt in the year	(16,009)	4,049
Net debt at 1 April 2000	(3,017)	(7,066)
Net debt at 31 March 2001	(19,026)	(3,017)