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ELITE HOMES GROUP LIMITED

Directors' report and consolidated financial statements
Year ended 31 July 2001

Registered number 2781237



MOSS & WILLIAMSON
CHARTERED ACCOUNTANTS
ASHTON-UNDER-LYNE

ELITE HOMES GROUP LIMITED

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ELITE HOMES GROUP LIMITED**COMPANY INFORMATION****Directors**

K J Marren, Managing Director
C R Topham, Non-executive Chairman
F Knox, Construction Director
G Buchanan, Sales & Marketing Director
D J Topham, Non-executive Director

Secretary

K J Marren

Registered office

Monton Lodge
3 Parrin Lane
Monton
Eccles
Manchester
M30 8AN

Registered auditors

Moss & Williamson
Booth Street Chambers
Booth Street
Ashton-under-Lyne
Lancashire
OL6 7LQ

Bankers

Co-operative Bank
1 Balloon Street
Manchester
M60 4EP

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT

for the year ended 31 July 2001

The directors present their annual report and the audited financial statements for the year ended 31 July 2001.

Principal activities

The group's principal activity is residential property development.

Business review

The results for the year are shown in the profit and loss account on page 5 of these financial statements

The group has made a loss before taxation of £370,561 (2000: Loss £784,392) from a turnover of £7,896,948 (2000: £9,912,547).

Proposed dividend and transfer to reserves

The directors do not recommend payment of a dividend.

Fixed assets

Movements in fixed assets during the year are set out in note 9.

Directors and directors' interests

The directors who held office during the year were as follows:

C R Topham	
J M Holt	(Directorship ceased 26 January 2001)
K J Marren	
J E Wraeg	(Resigned 8 November 2000)
C W Topham	(Resigned 17 August 2000)
F Knox	(Appointed 26 January 2001)
G Buchanan	(Appointed 26 January 2001)
D J Topham	(Appointed 26 January 2001)

The directors who held office at the end of the year had the following interests in the ordinary shares of group companies as recorded in the register of directors' share interests.

	Company	Class of share	Interest at end of year	Interest at beginning of year
C R Topham	Elite Homes Group Limited	'A' Ordinary Preferred Ordinary	7,700 118,988	770 118,988
K J Marren	Elite Homes Group Limited	'B' Ordinary	530	53

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT
(continued)

for the year ended 31 July 2001

Share Options

	Number of Options				Exercise Price	Date from which exercisable
	01.08.00	Granted	Exercised	31.07.01		
K J Marren	-	1,345	-	1,345	£0.01	*
G Buchanan	-	312	-	312	£0.01	*
F Knox	-	188	-	188	£0.01	*
A Dingley	-	125	-	125	£0.01	*

* The options are exercisable when the group's net asset value exceeds £6,000,000.

K J Marren can exercise options totalling 720 at any time after 1 August 2005.

The options all apply to 'B' ordinary shares of £0.01.

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 these accounts we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures;
- prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business;

We are also responsible for:

- keeping proper accounting records;
- safeguarding the group's assets;
- taking reasonable steps for the prevention and detection of fraud.

Auditors

A resolution to re-appoint Moss & Williamson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985.

By order of the board


K J Marren
Secretary

Monton Lodge
3 Parrin Lane
Monton
Eccles
Manchester

24th October 2001

ELITE HOMES GROUP LIMITED**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF****ELITE HOMES GROUP LIMITED****for the year ended 31 July 2001**

We have audited the financial statements of Elite Homes (North) Limited for the year ended 31 July 2001 on pages 5 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and the auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

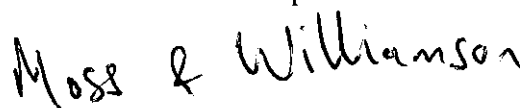
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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 31 July 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Moss & Williamson
Chartered Accountants
& Registered Auditors

Booth Street Chambers
Booth Street
Ashton-under-Lyne
Lancashire
OL6 7LQ

24th October 2001

ELITE HOMES GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2001

	Note	2001 £	2000 £
Turnover	1	7,996,948	9,912,547
Cost of sales		(7,312,396)	(9,522,880)
Gross profit		584,552	389,667
Other operating expenses	2	(790,893)	(1,017,596)
Operating profit		(206,341)	(627,929)
Other interest receivable		48,369	48,303
Interest payable and similar charges	7	(212,589)	(204,766)
(Loss) on ordinary activities before taxation		(370,561)	(784,392)
Tax on profit on ordinary activities	8	9,621	(180,581)
(Loss) for the financial year		(380,182)	(603,811)
Dividend paid		-	-
Retained (loss) for the year	17	(380,182)	(603,811)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2001

	2001 £	2000 £
(Loss) for the financial year	(380,182)	(603,811)
Unrealised surplus arising on revaluation of land and buildings	-	28,400
Total recognised (loss) for the year	(380,182)	(575,411)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 July 2001

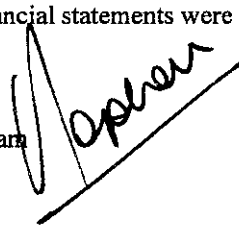
	2001 £	2000 £
Reported (loss) on ordinary activities before taxation	(370,561)	(784,392)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	863	863
Historical cost (loss) on ordinary activities before taxation	(369,698)	(783,529)
Historical cost (loss) for the year retained after taxation and dividends	(379,319)	(602,948)

ELITE HOMES GROUP LIMITED
CONSOLIDATED BALANCE SHEET
as at 31 July 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	9	391,480	521,930
Current assets			
Stocks	11	5,710,945	4,690,889
Debtors	12	938,703	1,721,941
Cash at bank and in hand		5,231	6,296
		<u>6,654,879</u>	<u>6,419,126</u>
Creditors: amounts falling due within one year	13	<u>(4,119,504)</u>	<u>(3,599,983)</u>
Net current assets		2,535,375	2,819,143
Total assets less current liabilities		<u>2,926,855</u>	<u>3,341,073</u>
Creditors: amounts falling due after more than one year	14	<u>(770,181)</u>	<u>(804,217)</u>
Net assets		<u><u>2,156,674</u></u>	<u><u>2,536,856</u></u>
Capital and reserves			
Called up share capital	16	357,112	357,011
Revaluation reserve	17	62,237	63,100
Consolidation reserve	17	236,727	236,727
Profit and loss	17	1,500,598	1,880,018
Shareholders' funds	20	<u><u>2,156,674</u></u>	<u><u>2,536,856</u></u>
Attributable to:			
Equity shareholders		1,799,674	2,179,856
Non-equity shareholders		357,000	357,000
		<u><u>2,156,674</u></u>	<u><u>2,536,856</u></u>

These financial statements were approved by the board of directors on 24th October 2001 and were signed on its behalf by:

C R Topham
Director



ELITE HOMES GROUP LIMITED
PARENT COMPANY BALANCE SHEET

as at 31 July 2001

	Note	£	2001 £	£	2000 £	£
Fixed assets						
Investments	10		357,000			357,000
Current assets						
Debtors	12	120,593			138,000	
Creditors: amounts falling due within one year	13	(112,770)			(130,177)	
Net current assets			7,823			7,823
Net assets			364,823			364,823
Capital and reserves						
Called up share capital	16		357,112			357,011
Profit and loss	17		7,771			7,812
Shareholders' funds			364,823			364,823
Attributable to:						
Equity shareholders			7,823			7,823
Non-equity shareholders			357,000			357,000
			364,823			364,823

These financial statements were approved by the board of directors on 24th October 2001 and were signed on its behalf by:

C R Topham
Director



ELITE HOMES GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT****for the year ended 31 July 2001**

	2001	2000
	£	£
Net cash (outflow)/inflow from operating activities	(816,604)	32,947
Returns on investment and servicing of finance		
Interest received	48,369	48,303
Interest paid	(212,589)	(204,766)
Net cash (outflow) from returns on investments and servicing of finance	(164,220)	(156,463)
Taxation		
Corporation tax paid (including advance corporation tax)	222,142	(157,514)
	(758,682)	(281,030)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(17,423)	(211,963)
Receipts from sale of tangible fixed assets	91,894	70,000
Net cash inflow/(outflow) from investing activities	74,471	(141,963)
Equity dividends paid	-	-
	(684,211)	(422,993)
Financing		
Loan repaid in year	-	(313,000)
Increase in loans in year	1,088,146	108,449
Capital element of finance lease payments	(61,717)	(38,208)
Net cash inflow/(outflow) from financing	1,026,429	(242,759)
Increase/(decrease) in cash	342,218	(665,752)

Further details are given in note 21.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2001

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

Basis of consolidation

The group accounts consolidate the accounts of Elite Homes Group Limited and all its subsidiary undertakings. These accounts are made up to 31 July 2001.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost. Dividends received and receivable to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230 (4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

The result for the year dealt within the financial statements of the company is disclosed in note 17 to these accounts.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets as follows:

Buildings	-	2% pa straight line
Plant and machinery	-	14% - 22% pa straight line
Motor vehicles	-	30% pa reducing balance
Office equipment	-	22% - 50% pa reducing balance
Fixtures and fittings	-	25% pa reducing balance

Freehold land and buildings are not depreciated.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2001

1 Accounting policies**Stocks**

Residential development work-in-progress is stated at the lower of cost and net realisable value. All expenditure relating to forward land, including options, fees etc is written off when incurred.

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of residential property legally contracted and completed in the United Kingdom.

2 Other operating expenses

	2001 £	2000 £
Administrative expenses	932,334	1,147,989
Other operating income (note 6)	(141,441)	(130,393)
	<u>790,893</u>	<u>1,017,596</u>

3 Operating (loss)

	2001 £	2000 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration – audit	6,000	7,000
Depreciation of tangible fixed assets - owned	38,845	79,932
- leased	30,725	29,553
Hire of other assets – operating leases	44,575	48,019
Profit/(Loss) on disposal of assets	(6,408)	8,021

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	277,178	262,073
Pension contributions	19,775	19,686
	<u>296,953</u>	<u>281,759</u>

The emoluments of the highest paid director were £85,450 (2000: £73,688) and company pension contributions of £8,929 (2000: £4,898) were made to a money purchase scheme on his behalf.

The aggregate value of pension contributions to money purchase schemes made by the company to seven directors (2000: four) during the year was £ 19,775 (2000: £19,686).

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year analysed by category, was as follows:

	2001 Number	2000 Number
Office	17	23
Site	15	23
	<u>32</u>	<u>46</u>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	705,983	1,013,449
Social security costs	68,747	122,021
Other pension costs	37,503	31,172
	<u>812,233</u>	<u>1,166,642</u>

Pension scheme

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the fund and amounted to £37,503 (2000: £31,172).

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

6 Other operating income

	2001 £	2000 £
Rent receivable	56,092	103,125
Profit on sundry sales	36,034	27,950
Settlement discounts	1,409	1,431
Other income	47,906	(2,113)
	<u>141,441</u>	<u>130,393</u>

7 Interest payable and similar charges

	2001 £	2000 £
On bank loans, overdrafts and other loans wholly repayable within five years	205,108	201,105
Finance lease charges	7,481	3,673
Other	-	(12)
	<u>212,589</u>	<u>204,766</u>

8 Taxation

	2001 £	2000 £
UK corporation tax at 30% (2000: 30%) on the (loss) for the period of ordinary activities	-	(180,581)
Adjustments to prior years	9,621	-
	<u>9,621</u>	<u>(180,581)</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

9 Tangible fixed assets

Group Cost or valuation	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Office equipment £	Fixtures and fittings £	Total £
1 August 2000	200,000	213,131	225,064	149,764	26,437	814,396
Additions	-	-	22,500	14,754	169	37,423
Disposals	-	-	(185,069)	(7,850)	-	(192,919)
At 31 July 2001	200,000	213,131	62,495	156,668	26,606	658,900
Depreciation						
At 1 August 2000	2,700	63,598	82,241	124,495	19,432	292,466
Charge for year	2,699	29,113	23,141	12,863	1,755	69,571
Disposals	-	-	(88,806)	(5,811)	-	(94,617)
At 31 July 2001	5,399	92,711	16,576	131,547	21,187	267,420
Net book value						
At 31 July 2001	194,601	120,420	45,919	25,121	5,420	391,480
At 31 July 2000	197,300	149,533	142,823	25,269	7,005	521,930

The net book value of fixed assets includes an amount of £146,531 (2000: £212,412) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £30,725 (2000: £29,553).

Freehold land and buildings were valued at open market value in February 2001 by Lambert Smith Hampton, Chartered Surveyors. The historic cost of the revalued assets is £ 136,037 (2000: £136,037).

Historical cost information	2001 £	2000 £
Historical cost of revalued land and buildings	136,037	136,037
Depreciation based on historical cost	(3,674)	(1,837)
Net book value	132,363	134,200

10 Fixed asset investments

	2001 £	Company 2000 £
Shares in subsidiary undertakings	357,000	357,000

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

10 Fixed asset investments (continued)

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			Group
Monton Lodge Limited	UK	Holding company	100 Ordinary
Elite Homes (North) Limited	UK	Residential development	100 Ordinary *
Elite Homes (NW) Limited	UK	Residential development	100 Ordinary **
Coreplus Limited	UK	Mortgage broker	100 Ordinary **
Elite Homes (Ettiley Heath) Limited	UK	Residential development	100 Ordinary **

* owned by Monton Lodge Limited

** owned by Elite Homes (North) Limited

11 Stocks

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Work in progress	5,710,945	4,690,889	-	-

12 Debtors

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts falling due within one year				
Trade debtors	86,527	29,869	-	-
Amounts owed by subsidiary undertakings	-	-	120,593	138,000
Amounts due from related parties (note 23)	279,675	715,656	-	-
Other debtors	215,043	300,555	-	-
Prepayments and accrued income	357,458	444,098	-	-
Corporation tax	-	231,763	-	-
	938,703	1,721,941	120,593	138,000
Amounts falling due after one year				
Amounts due from related parties (note 23)	-	-	-	-
	938,703	1,721,941	120,593	138,000

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

13 Creditors: amounts falling due within one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Bank loans and overdrafts	1,913,425	1,957,819	-	-
Obligations under finance leases and hire purchase contracts	40,926	49,423	-	-
Trade creditors	647,906	954,151	-	-
Amounts owed to subsidiary undertakings	-	-	112,770	130,177
Amounts due to related parties	-	-	-	-
Social security and other taxes	33,516	55,866	-	-
Other creditors	130,725	63,096	-	-
Accruals and deferred income	563,006	519,628	-	-
Unsecured loan	790,000	-	-	-
	<u>4,119,504</u>	<u>3,599,983</u>	<u>112,770</u>	<u>130,177</u>

Bank loans and overdrafts are secured by way of a fixed charge over the book debts and property owned by the group and a floating charge over all other assets of the group.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Unsecured loan notes (note 23)	742,257	743,000	-	-
Obligations under finance leases and hire purchase contracts	27,999	61,217	-	-
	<u>770,256</u>	<u>804,217</u>	<u>-</u>	<u>-</u>

The loan of £742,257 is expected to be repaid by a first instalment of £40,000 on 1 August 2002 and thereafter by 19 equal payments of £37,000, on a quarterly basis, commencing on 1 August 2003. Interest is charged at a rate of 3% per annum.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group	
	2001 £	2000 £
Within one year	45,717	55,077
In the second to fifth years	31,805	69,657
	<u>77,522</u>	<u>124,734</u>
Less future finance charges	(8,672)	(14,095)
	<u>68,850</u>	<u>110,639</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

15 Deferred taxation

No provision has been made in the accounts and the amounts unprovided at the end of the period are as follows:

	2001 £	2000 £
Excess of taxation allowances over depreciation of assets	9,036	(3,533)
Revaluation reserve	18,671	18,930
Tax losses available	(204,780)	(83,545)
Potential (asset)	<u>(177,073)</u>	<u>(68,148)</u>

The potential liability and asset are based on a corporation tax rate of 30% (2000: 30%).

16 Called up share capital

	2001 £	2000 £
Authorised		
'A' Ordinary shares of 1p each	103	13
'B' Ordinary shares of 1p each	41	10
Preferred Ordinary shares of £1 each	357,000	357,000
	<u>357,144</u>	<u>357,023</u>
Allotted, called up and fully paid		
'A' Ordinary shares of 1p each	100	10
'B' Ordinary shares of 1p each	12	1
Preferred Ordinary shares of £1 each	357,000	357,000
	<u>357,112</u>	<u>357,011</u>

During the year, 9,000 'A' ordinary shares of 1p each and 1,107 'B' ordinary shares of 1p each were issued out of profit and loss account at a rate of 9 for every 1 share already issued.

The order of capital repayments in the event of a distribution or capital reduction is as follows:

- a) The nominal value of the preferred ordinary shares.
- b) The balance of the net assets would be distributed to the 'A' and 'B' ordinary shareholders.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

17 Reserves

Group	Profit and loss reserve £	Revaluation reserve £	Consolidation reserve £
At 1 August 2000	1,880,018	63,100	236,727
(Loss) for year	(380,182)	-	-
Bonus issue (see note 16)	(101)	-	-
Transfer from/to reserves	863	(863)	-
At 31 July 2001	<u>1,500,598</u>	<u>62,237</u>	<u>236,727</u>
			Profit and loss account £
Company			
At 1 August 2000			7,812
Profit for year			-
Bonus issue (see note 16)			(101)
At 31 July 2001			<u>7,711</u>

18 Contingent liabilities

The company has guaranteed the bank loans of its subsidiaries; the amount outstanding at the year-end was £1,930,726 (2000: £1,957,819). It has guaranteed unsecured loan notes of £742,257 held within the subsidiaries. There is also a cross-guarantee with Moorfield Properties Limited for bank loans and the amount outstanding at the year-end was £1,142,000 (2000: £835,000).

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 £ Other	2000 £ Other
Group		
Operating leases which expire:		
Within one year	4,083	21,998
In the second to fifth years inclusive	44,922	69,175
	<u>49,005</u>	<u>91,173</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

for the year ended 31 July 2001

20 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
(Loss) for the financial year	(380,182)	(603,811)
Other net recognised gains and losses	-	28,400
Net addition to shareholders' fund	(380,182)	(575,411)
Opening shareholders' funds	2,536,856	3,112,267
Closing shareholders' funds	2,156,674	2,536,856

21 Cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 £	2000 £
Operating (loss)	(206,341)	(627,929)
Depreciation charge	69,570	109,485
Loss/(profit) on sale of tangible fixed assets	6,408	(8,021)
(Increase)/decrease in stocks	(1,020,056)	44,921
Decrease in debtors	551,475	327,805
(Decrease)/increase in creditors	(217,660)	186,686
Net cash (outflow)/inflow from operating activities	(816,604)	32,947

b) Reconciliation of net cash flow to movement in net debt

	2001 £	2000 £
Increase/(Decrease) in cash in the year	342,218	(665,752)
Cash (inflow)/outflow from increase in debt and lease financing	(236,429)	204,551
Change in net debt resulting from cash flows	105,789	(461,201)
New finance leases	20,000	38,208
Other	790,000	-
Movement in net debt in the year	(704,211)	(422,993)
Net debt at 1 August 2000	(2,805,162)	(2,382,169)
Net debt at 31 July 2001	(3,509,373)	(2,805,162)

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2001

22 Analysis of net debt

	At 1 August 2000	Cash flow	Other changes	At 31 July 2001
	£	£	£	£
Cash at bank and in hand	6,296	(1,065)		5,231
Overdrafts	(1,270,819)	343,283		(927,536)
		<u>342,218</u>		
Debt due after 1 year	(743,000)	743	-	(742,257)
Debt due within 1 year	(687,000)	(298,889)	(790,000)	(1,775,889)
Finance leases	(110,639)	61,717	(20,000)	(68,922)
	<u>(2,805,162)</u>	<u>105,789</u>	<u>(810,000)</u>	<u>(3,509,373)</u>

23 Related party transactions

Included in related party debtors in note 12 is an amount of £ 202,293 (2000: £551,587) due from Moorfields Properties Limited, a company controlled by the shareholders of Elite Homes Group Limited. Interest is being charged at 7¼% to 8½% representing 2½% above the Co-operative Bank base rate

Included in related party debtors in note 12 is an amount of £119,787 (2000: £93,525) due from Monton Land Company Limited, a company controlled by the shareholders of Elite Homes Group Limited and with common directors, of which £72,787 (2000: £50,247) has been provided for.

At the year-end date, K J Marren, director, owed the group £8,096 (2000: £Nil) which was also the maximum amount outstanding during the year.

Included in creditors falling due after one year in note 14 are unsecured loan note of £742,257 (2000: £743,000) held by Charles Topham & Sons Limited, a company which is subject to common control. Interest charged for the year amounted to £22,396 (2000: £18,575).

Included in creditors falling due within one year is an unsecured loan of £790,000 owed to Charles Topham & Sons Limited. This relates to land purchased from Charles Topham & Sons Limited for £1,390,000.

At the balance sheet date, C R Topham, a director of the company, owed the company £30,381.

24 Controlling party

The company is controlled by C R Topham, who owns 69% of the equity share capital.