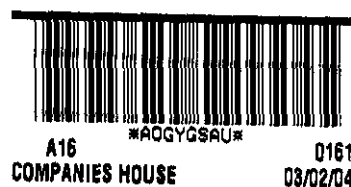


ELITE HOMES GROUP LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2003



ELITE HOMES GROUP LIMITED

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for the Year Ended 31 July 2003**

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ELITE HOMES GROUP LIMITED

COMPANY INFORMATION

Directors

C R Topham, Chairman
K J Marren, Managing Director
A Dingley, Development Director
D J Topham, Director

Secretary

K J Marren

Registered office

Cedar House
Woodlands Business Park
Ashton Road
Newton-Le-Willows
Merseyside
WA12 0HR

Registered Number

2781237 (England and Wales)

Auditors

Moss & Williamson
Chartered Accountants
Registered Auditors
Booth Street Chambers
Ashton-under-Lyne
Lancashire
OL6 7LQ

Bankers

Co-operative Bank plc
PO Box 101
1 Balloon Street
Manchester
M60 4EP

ELITE HOMES GROUP LIMITED

CHAIRMANS STATEMENT

In 2003, the Elite Homes Group broke all records with a pre-tax profit of £3.6m. This represents a significant rise in profits over the preceding year. Such a degree of success could not have been achieved without the foresight and collective efforts of the entire group.

I am pleased to confirm that the Group has made strong economic progress in the last year. The Group built 156 homes, an increase of 28% over the previous year. A rise in the average sales price of each home has contributed to a remarkable 56% rise in turnover.

The Group has started the current year with a healthy forward sales position. The time is now right for growth: the housing market is stable, demand for new homes outstrips supply and the Group has a strong, dynamic team in place. In short, I'm confident that we'll be able to comfortably meet our targets and maintain favourable margins in the year ahead.

Richard Topham

Chairman

ELITE HOMES GROUP LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31 July 2003

The directors present their report with the financial statements of the group for the year ended 31 July 2003.

Principal activities

The principal activity of the group in the year under review was that of residential property development.

Review of business

The results for the year and financial position of the group are as shown on page 5 of the financial statements.

The group has made a profit before taxation of £3,616,115 (2002:£1,122,213) from a turnover of £18,378,271 (2002: £11,775,329).

Dividends

No interim dividend was paid during the year. The directors recommend a final dividend payable to the 'A' ordinary shareholders and the 'B' ordinary shareholders of £23.18 per share.

The total distribution of dividends for the year ended 31 July 2003 will be £260,270.

Directors

The directors during the year under review were:

C R Topham
K J Marren
A Dingley (appointed 04/02/03)
G Buchanan (resigned 31/12/2002)
D J Topham

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	7,700	7,700
		'B' Ordinary	700	-
		Preferred Ordinary	118,988	118,988
K J Marren	Elite Homes Group Limited	'B' Ordinary	530	530
D J Topham	Elite Homes Group Limited	Preferred Ordinary	118,988	118,988

Share Options

		Number of Options			Exercise Price	Date from which exercisable
	01.08.02	Granted	Exercised	31.07.03		
K J Marren	625	-	-	625	£0.01	*
K J Marren	720	-	-	720	£0.01	01/08/2005
A Dingley	-	125	-	125	£0.01	*

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

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

Charitable Donations

The Group supports Childline by donating £30 to the charity for each new home sold and other ad hoc fund raising events involving its staff and business associates. During the year the Group donated £5,295 to Childline North West.

ELITE HOMES GROUP LIMITED

**REPORT OF THE DIRECTORS
for the Year Ended 31 July 2003**

Company's policy on payment of creditors

It is the company's policy in respect of its suppliers to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment and to pay in accordance with the group's contractual and other legal obligations. Trade creditor days, based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors, excluding retentions was 36 days.

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 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 judgments 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;
- 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.

Auditors

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

ON BEHALF OF THE BOARD:


K J Marren - SECRETARY

Dated: 22nd January 2004

ELITE HOMES GROUP LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ELITE HOMES GROUP LIMITED**

We have audited the financial statements of Elite Homes Group Limited for the year ended 31 July 2003 on pages five to twenty. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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.

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 Chairman's statement and 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 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 judgments 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 and group's affairs as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moss & Williamson

Moss & Williamson
Chartered Accountants
Registered Auditors
Booth Street Chambers
Ashton-under-Lyne
Lancashire
OL6 7LQ

Dated: *22 January 2004*

ELITE HOMES GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 July 2003

		<u>2003</u>	<u>2002</u>
	Notes	£	£
TURNOVER		18,378,271	11,775,329
Cost of sales		<u>(12,536,156)</u>	<u>(9,637,859)</u>
GROSS PROFIT		5,842,115	2,137,470
Administrative expenses		<u>(2,128,164)</u>	<u>(1,229,288)</u>
Other operating income		<u>56,045</u>	<u>485,014</u>
OPERATING PROFIT	3	3,769,996	1,393,196
Interest receivable and similar income		4,627	5,362
Interest payable and similar charges	4	<u>(158,508)</u>	<u>(276,345)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,616,115	1,122,213
Tax on profit on ordinary activities	5	<u>(1,013,409)</u>	<u>(116,630)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		2,602,706	1,005,583
Dividends	6	<u>(260,270)</u>	<u>(50,000)</u>
RETAINED PROFIT FOR THE YEAR		2,342,436	955,583
Retained profit brought forward		<u>2,457,044</u>	<u>1,500,598</u>
		4,799,480	2,456,181
Transfer from revaluation reserve		<u>61,374</u>	<u>863</u>
RETAINED PROFIT CARRIED FORWARD		<u>4,860,854</u>	<u>2,457,044</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

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

ELITE HOMES GROUP LIMITED

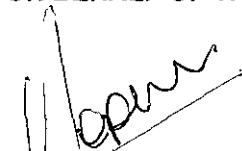
**NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
for the Year Ended 31 July 2003**

	<u>2003</u>	<u>2002</u>
	£	£
REPORTED PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	3,616,115	1,122,213
Difference between historical cost depreciation and the actual depreciation charge for the year	492	863
Difference between historical cost profit on sale of land and buildings and the actual profit	<u>60,882</u>	<u>-</u>
HISTORICAL COST PROFIT		
ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>3,677,489</u>	<u>1,123,076</u>
HISTORICAL COST PROFIT		
FOR THE YEAR RETAINED AFTER TAXATION		
AND DIVIDENDS	<u>2,403,810</u>	<u>956,446</u>

ELITE HOMES GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 July 2003

		<u>2003</u>		<u>2002</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		306,080		369,285
CURRENT ASSETS:					
Stocks	9	9,636,669		6,650,496	
Debtors	10	2,248,152		649,963	
Cash in hand		<u>205,068</u>		<u>109,490</u>	
		12,089,889		7,409,949	
CREDITORS: Amounts falling due within one year	11	<u>(6,338,978)</u>		<u>(3,475,193)</u>	
NET CURRENT ASSETS:			<u>5,750,911</u>		<u>3,934,756</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			6,056,991		4,304,041
CREDITORS: Amounts falling due after more than one year	12		(596,764)		(1,181,257)
PROVISIONS FOR LIABILITIES AND CHARGES:	15		<u>(5,534)</u>		<u>(10,527)</u>
			<u>5,454,693</u>		<u>3,112,257</u>
CAPITAL AND RESERVES:					
Called up share capital	16		357,112		357,112
Revaluation reserve	17		-		61,374
Consolidation reserve			236,727		236,727
Profit and loss account			<u>4,860,854</u>		<u>2,457,044</u>
SHAREHOLDERS' FUNDS:	21		<u>5,454,693</u>		<u>3,112,257</u>
Attributable to:					
Equity shareholders			5,097,693		2,755,257
Non-equity shareholders			<u>357,000</u>		<u>357,000</u>
			<u>5,454,693</u>		<u>3,112,257</u>

ON BEHALF OF THE BOARD:



.....
C R TOPHAM - DIRECTOR

Approved by the Board on 22 January 2004

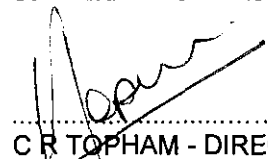
ELITE HOMES GROUP LIMITED

COMPANY BALANCE SHEET

as at 31 July 2003

	Note	2003 £	2002 £
Fixed assets			
Investments	8	357,000	357,000
Current assets			
Debtors	10	430,863	170,593
Creditors: amounts falling due within one year	11	(423,040)	(162,770)
Net current assets		7,823	7,823
Net assets		364,823	364,823
Capital and reserves			
Called up share capital	16	357,112	357,112
Profit and loss	18	7,711	7,711
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

ON BEHALF OF THE BOARD:


C R TOPHAM - DIRECTOR

Approved by the Board on 22 January 2004

ELITE HOMES GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2003

	2003		2002
	£	£	£
Net cash (outflow)/inflow from operating activities	(396,651)		2,348,725
Returns on investment and servicing of finance			
Interest received	4,627		5,362
Interest paid	(141,411)		(256,839)
Net cash (outflow) from returns on investments and servicing of finance	(136,784)		(251,477)
Taxation			-
Corporation tax recovered (including advance corporation tax)	(57,684)		-
	(591,119)		2,097,248
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(208,201)		(62,276)
Receipts from sale of tangible fixed assets	226,016		25,511
Net cash inflow/(outflow) from investing activities	17,815		(36,765)
Equity dividends paid	(50,000)		-
	(623,304)		2,060,483
Financing			
Loan repaid in year	(501,000)		(985,889)
Capital element of finance lease payments	(39,950)		(42,799)
Net cash (outflow) from financing	(540,950)		(1,028,688)
(Decrease) / Increase in cash	(1,164,254)		1,031,795

Further details are given in note 22.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 July 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards.

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 2003.

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 are credited 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 18 to these accounts.

Turnover

Turnover represents the amounts excluding VAT derived from the sale of residential property legally completed in the United Kingdom.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold land and buildings	- 2% on cost
Computers	- 50% straight line
Plant and machinery	- 14% - 30% straight line
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 30% on reducing balance
Office equipment	- 22% - 50% on reducing balance & straight line over 2 years

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003**

1. ACCOUNTING POLICIES (continued)

Hire purchase and leasing commitments

Where the company 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.

Pensions

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

2. STAFF COSTS

	2003	2002
	£	£
Wages and salaries	1,926,820	1,052,485
Social security costs	204,948	109,775
Other pension costs	29,919	61,851
	<u>2,161,687</u>	<u>1,224,111</u>

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

	2003	2002
Office	24	18
Site	<u>20</u>	<u>16</u>
	<u>44</u>	<u>34</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Hire of plant and machinery	62,813	36,219
Depreciation - owned assets	84,526	27,288
Depreciation - assets on hire purchase contracts or finance leases	10,194	24,192
(Profit)/loss on disposal of fixed assets	(25,282)	7,480
Auditors' remuneration	7,500	5,207
Loss/(profit) on sale of land	<u>12,278</u>	<u>(400,142)</u>
Directors' emoluments	549,729	291,565
Directors' pension contributions to money purchase schemes	14,483	22,225
Compensation to directors for loss of office	<u>154,147</u>	<u>-</u>

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003**

3. OPERATING PROFIT (continued)

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>4</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2003	2002
	£	£
Emoluments etc	268,151	123,747
Pension contributions to money purchase schemes	<u>10,725</u>	<u>8,516</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Bank loans, overdrafts and other loans wholly repayable within five years	152,089	266,666
Hire purchase	<u>6,419</u>	<u>9,679</u>
	<u>158,508</u>	<u>276,345</u>

5. TAXATION

Analysis of the tax charge

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

	2003	2002
	£	£
Current tax:		
UK corporation tax	1,066,821	106,103
Over provision in earlier years	<u>(48,419)</u>	<u>-</u>
Total current tax	<u>1,018,402</u>	<u>106,103</u>
Deferred tax:		
Deferred taxation	(4,993)	10,527
Tax on profit on ordinary activities	<u>1,013,409</u>	<u>116,630</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

The difference is explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	<u>3,616,115</u>	<u>1,122,213</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%)	1,084,835	336,664
Effects of:		
Expenses not deductible for tax purposes	6,746	2,928
Capital allowances in excess of depreciation	4,993	(1,760)
Losses brought forward	-	(204,461)
Permanent differences	(29,753)	-
Over provision in prior year	(48,419)	-
Marginal relief	<u>-</u>	<u>(27,268)</u>
Current tax charge	<u>1,018,402</u>	<u>106,103</u>

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003**

6. DIVIDENDS

	2003 £	2002 £
Equity shares: Final dividend		
'A' Ordinary shares	231,763	44,643
'B' Ordinary shares	<u>28,507</u>	<u>5,357</u>
	<u>260,270</u>	<u>50,000</u>

7. TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>
COST:	£	£	£
At 1 August 2002	200,000	215,987	27,655
Additions	-	38,040	75,751
Disposals	<u>(200,000)</u>	<u>(21,578)</u>	<u>(21,500)</u>
At 31 July 2003	<u>-</u>	<u>232,449</u>	<u>81,906</u>
DEPRECIATION:			
At 1 August 2002	8,041	110,582	22,363
Charge for year	1,494	43,689	8,617
Eliminated on disposals	<u>(9,535)</u>	<u>(18,486)</u>	<u>(17,530)</u>
At 31 July 2003	<u>-</u>	<u>135,785</u>	<u>13,450</u>
NET BOOK VALUE:			
At 31 July 2003	<u>-</u>	<u>96,664</u>	<u>68,456</u>
At 31 July 2002	<u>191,959</u>	<u>105,405</u>	<u>5,292</u>
	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Totals</u>
COST:	£	£	£
At 1 August 2002	42,500	184,426	670,568
Additions	39,250	94,410	247,451
Disposals	<u>(20,000)</u>	<u>(42,234)</u>	<u>(305,312)</u>
At 31 July 2003	<u>61,750</u>	<u>236,602</u>	<u>612,707</u>
DEPRECIATION:			
At 1 August 2002	18,002	142,293	301,281
Charge for year	15,980	24,940	94,720
Eliminated on disposals	<u>(11,745)</u>	<u>(32,078)</u>	<u>(89,374)</u>
At 31 July 2003	<u>22,237</u>	<u>135,155</u>	<u>306,627</u>
NET BOOK VALUE:			
At 31 July 2003	<u>39,513</u>	<u>101,447</u>	<u>306,080</u>
At 31 July 2002	<u>24,498</u>	<u>42,131</u>	<u>369,285</u>

The net book value of tangible fixed assets includes £29,056 (2002 - £86,848) in respect of assets held under hire purchase contracts or finance leases.

ELITE HOMES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 August 2002	
and 31 July 2003	<u>357,000</u>
NET BOOK VALUE:	
At 31 July 2003	<u>357,000</u>
At 31 July 2002	<u>357,000</u>
	2003
	£
Unlisted investments	<u>357,000</u>
	2002
	£
	<u>357,000</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Elite Homes (NW) Limited
Nature of business: Dormant

Class of shares:	%
Ordinary	holding
Owned by Elite Homes (North) Ltd	100.00

Coreplus Limited
Nature of business: Dormant

Class of shares:	%
Ordinary	holding
Owned by Elite Homes (North) Ltd	100.00

Gigg Lane Limited (formerly Elite Homes (Ettiley Heath) Limited)
Nature of business: Dormant

Class of shares:	%
Ordinary	holding
Owned by Elite Homes (North) Ltd	100.00

Monton Lodge Limited
Nature of business: Dormant

Class of shares:	%
Ordinary	holding
	100.00

Elite Homes (North) Limited
Nature of business: Residential property developer

Class of shares:	%
Ordinary	holding
Owned by Monton Lodge Ltd	100.00

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003**

9. STOCKS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Work in progress	<u>9,636,669</u>	<u>6,650,496</u>	<u>-</u>	<u>-</u>

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	1,543,579	301,890	-	-
Other debtors	112,438	115,159	-	-
Prepayments and accrued income	533,060	137,857	-	-
Amounts owed by group undertakings	-	-	430,863	170,593
Amounts owed by related parties	<u>59,075</u>	<u>95,057</u>	<u>-</u>	<u>-</u>
	<u>2,248,152</u>	<u>649,963</u>	<u>430,863</u>	<u>170,593</u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts (see note 13)	1,259,832	-	-	-
Unsecured loan notes (see note 13)	148,000	151,000	-	-
Unsecured loan (see note 13)	300,000	200,000	-	-
Trade creditors	2,561,923	2,222,520	-	-
Amounts owed to group undertakings	-	-	162,770	112,770
Hire purchase	11,916	26,123	-	-
Other creditors	52,696	57,129	-	-
Dividend proposed	260,270	50,000	260,270	50,000
V.A.T.	-	339,578	-	-
Social security and other taxes	41,313	27,951	-	-
Taxation	1,066,821	106,103	-	-
Accrued expenses	<u>636,207</u>	<u>294,789</u>	<u>-</u>	<u>-</u>
	<u>6,338,978</u>	<u>3,475,193</u>	<u>423,040</u>	<u>162,770</u>

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

The bank has a right of set off against all accounts held by group companies.

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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**12. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Unsecured loan notes (see note 13)	443,257	591,257	-	-
Unsecured loan (see note 13)	140,000	590,000	-	-
Hire purchase	13,507	-	-	-
	<u>596,764</u>	<u>1,181,257</u>	<u>-</u>	<u>-</u>

The unsecured loan notes of £443,257 are being 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, which commenced on 1 November 2002. Interest is charged at a rate of 3% per annum.

The unsecured loan of £440,000 is being repaid at £25,000 per quarter with additional lump sum repayments at the group's discretion.

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	Group	
	2003	2002
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	1,259,832	-
Unsecured loan notes	148,000	151,000
Unsecured loan	300,000	200,000
	<u>1,707,832</u>	<u>351,000</u>
Amounts falling due between two and five years:		
Unsecured loan notes	443,257	591,257
Unsecured loan	140,000	590,000
	<u>583,257</u>	<u>1,181,257</u>

ELITE HOMES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	Land and buildings		Operating leases		Other	
	2003	2002	2003	2002	2003	2002
	£	£	£	£	£	£
Expiring:						
Within one year	-	-	1,978	9,017		
Between one and five years	74,660	-	78,324	25,682		
In more than five years	-	-	-	-		
	<u>74,660</u>	<u>-</u>	<u>80,302</u>	<u>34,699</u>		

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Group	
	2003	2002
	£	£
Deferred tax	<u>5,534</u>	<u>10,527</u>

	Deferred tax
	£
Balance at 1 August 2002	10,527
Charge for the year	(4,993)
Balance at 31 July 2003	<u>5,534</u>

	Group	
	2003	2002
	£	£
Deferred tax provision		
Capital allowances in excess of depreciation	<u>5,534</u>	<u>10,527</u>
	<u>5,534</u>	<u>10,527</u>

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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16. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
'A' Ordinary shares of 1p each	103	103
'B' Ordinary shares of 1p each	41	41
Preferred Ordinary shares of £1 each	357,000	357,000
	<u>357,144</u>	<u>357,144</u>
Allotted, called up and fully paid		
'A' Ordinary shares of 1p each	100	100
'B' Ordinary shares of 1p each	12	12
Preferred Ordinary shares of £1 each	357,000	357,000
	<u>357,112</u>	<u>357,112</u>

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.

17. REVALUATION RESERVE

	2003 £	Group 2002 £
Brought forward	61,374	62,237
Transfer profit and loss account	<u>(61,374)</u>	<u>(863)</u>
	<u>-</u>	<u>61,374</u>

18. COMPANY RESERVE

	Profit and loss Account £
Company	
At 1 August 2002	7,711
Profit for year	-
At 31 July 2003	<u>7,711</u>

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. CONTINGENT LIABILITIES

The company has guaranteed the bank loans of its subsidiaries; the amount outstanding at the year-end was £1,059,832 (2002: nil). It has guaranteed unsecured loan notes of £591,257 held within the subsidiaries.

20. RELATED PARTY DISCLOSURES

At the balance sheet date, K J Marren, a director, owed to the company £8,099 (2002:£8,189), £8,189 was the maximum outstanding during the year.

Included within creditors is an amount of £591,257 (2002:£742,257) relating to unsecured loan notes due to Charles Topham & Sons Limited, a company which is subject to common control. Interest charged for the year amounted to £18,141 (2002: £25,133).

Included within creditors is an unsecured loan of £440,000 owed to Charles Topham & Son Limited (2002: £790,000).

At the balance sheet date, C R Topham, a director, owed to the company £30,000 (2002: £30,000), the maximum amount outstanding during the year was £30,000.

Included within debtors in note 10 is an amount of £29,075 owed by Charles Topham & Sons Limited. (2002: £19,975)

The group sold a motor vehicle to G Buchanan, an ex director, for £8,255

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	2,602,706	1,005,583
Dividends	(260,270)	(50,000)
Net addition to shareholders' funds	2,342,436	955,583
Opening shareholders' funds	3,112,257	2,156,674
Closing shareholders' funds	5,454,693	3,112,257

ELITE HOMES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 July 2003**

22. CASH FLOW STATEMENT

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

	2003 £	2002 £
Operating profit	3,769,996	1,393,196
Depreciation charge	94,720	51,480
(Profit)/Loss on sale of tangible fixed assets	(10,078)	7,480
(Increase) in stocks	(2,986,173)	(939,551)
(Increase)/decrease in debtors	(1,598,188)	288,740
Increase in creditors	333,072	1,547,380
Net cash (outflow)/inflow from operating activities	<u>(396,651)</u>	<u>2,348,725</u>

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

	2003 £	2002 £
(Decrease)/increase in cash in the year	(1,164,254)	1,031,795
Cash outflow from increase in debt and lease financing	540,950	1,028,688
Change in net debt resulting from cash flows	<u>(623,304)</u>	<u>2,060,483</u>
New finance leases	<u>(39,250)</u>	-
Movement in net debt in the year	<u>(662,554)</u>	<u>2,060,483</u>
Net debt at 1 August 2002	<u>(1,448,890)</u>	<u>(3,509,373)</u>
Net debt at 31 July 2003	<u>(2,111,444)</u>	<u>(1,448,890)</u>

23. ANALYSIS OF NET DEBT

	At 1 August 2002 £	Cash flow £	Other changes £	At 31 July 2003 £
Cash at bank and in hand	109,490	95,578	-	205,068
Overdrafts	-	(1,259,832)	-	(1,259,832)
Debt due after 1 year	(1,181,257)	-	598,000	(583,257)
Debt due within 1 year	(351,000)	501,000	(598,000)	(448,000)
Finance leases	(26,123)	39,950	(39,250)	(25,423)
	<u>(1,448,890)</u>	<u>(623,304)</u>	<u>(39,250)</u>	<u>(2,111,444)</u>

24. CONTROLLING PARTY

The company is controlled by C R Topham, who owns 75% (2002: 69%) of the equity share capital.