

REGISTERED NUMBER: 2781237

ELITE HOMES GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2005



ELITE HOMES GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005

	PAGES
Chairman's Report	1
Directors' report	2 - 3
Independent Auditors' report	4
<i>Consolidated Profit and Loss Account</i>	5
<i>Consolidated Balance Sheet</i>	6
<i>Company Balance Sheet</i>	7
Notes to the Financial Statements	8 - 20

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2005

In the 12 months trading period to the 31 October 2005, the Group recorded a pre-tax profit of £7.5m (2004: £6.5m ¹), an increase in earnings of 16%. The reported profit includes a significant land sale profit in the year which is included in other income.

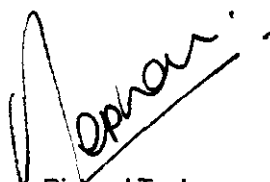
The profit for the year comes after the Group has supported, without return in the year, the overhead and interest costs of the new Yorkshire region. The loss sustained by the Group from the region was less than had been budgeted. The region achieved their first legally completed sales post year end and is expected to make a contribution to Group profits in 2006.

During the year the Group achieved a significant increase in activity, with 297 legally completed homes, an increase of 46% ² over the previous year. As the new Yorkshire region only achieved its first legally completed sales after the year end, all the growth was attributable to the North West region.

The strong performance in the North West, despite the well publicised introduction of planning moratoria by many of the local authorities within the region coupled with the general slowdown in the housing market during the period, makes this result a marvellous achievement. The average sales price increased to £156,145 (2004: £133,223) resulting in an increase in turnover of 71% ³ to £46.4m

The more challenging market conditions experienced in 2005 resulted in downward pressure on gross margins. The gross margin for 2005 was 26.5% (2004: 37.2%). Although the Group experienced a steady improvement in house market demand in the early months of the current year, we expect there to be further downward pressure on gross margins in 2006.

Elite is fortunate to have an excellent team committed to continual improvement in business performance. The Board acknowledges their collective abilities and effort in achieving these excellent results.



Richard Topham
Chairman

Notes:

- 1 This is the pre-tax profit for the 15 month period ended 31st October 2004 (£8.1m) adjusted to 12 months on a pro-rata basis.*
- 2 This increase is in comparison to 204 homes, which is the legally completed sales for the 15 month period ended 31st October 2005 (255 homes) adjusted to 12 months on a pro-rata basis.*
- 3 This increase is in comparison to £27.2m, which is the turnover for the 15 months to 31 October 2004 (£34m) adjusted to 12 months on a pro rata basis.*

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2005

The directors present their report and the audited financial statements of the company for the year ended 31 October 2005.

DIRECTORS

The Directors during the year under review were:

C R Topham	
K J Marren	
A Dingley	
D J Topham	
P H Fieldsend	Appointed 01/12/2004

COMPANY SECRETARY

K J Marren	Resigned 09/05/2005
P H Fieldsend	Appointed 09/05/2005

REGISTERED OFFICE

Redwood House
Woodlands Business Park
Ashton Road
Newton-Le-Willows
Merseyside
WA12 0HT

Registered in England and Wales No: 2781237

PRINCIPAL ACTIVITY OF THE GROUP

The principal activity of the group is that of residential property development.

RESULTS AND DIVIDEND

The trading results for the year ended 31 October 2005 are shown on page 5.

The directors recommend payment of a final dividend per share of:

	2005	2004
	£	£
"A" Ordinary £0.01 shares	49.699	50.014
"B" Ordinary £0.01 shares	49.699	50.014
"C" Ordinary £0.01 shares	-	-
"D" Ordinary £0.01 shares	-	-

The total distribution of dividends for the year ended 31 October 2005 will be £558,119 (2004: £561,656), leaving £5,023,876 to be transferred to reserves (2004: £5,054,906).

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

DIRECTORS

The directors who served during the year and those who are currently directors are shown on page 2.

Directors holding shares or rights to shares in the company at any time during the year are shown below

Director	Class of Share	Shares at 31 October 2005	Shares at 1 November 2004
C R Topham	"A" Ordinary	7,700	7,700
	"B" Ordinary	700	700
	Preferred Ordinary	-	118,988
K J Marren	"B" Ordinary	530	530
	"C" Ordinary	1,476	-
A Dingley	"C" Ordinary	125	-
	"D" Ordinary	544	-
D J Topham	Preferred Ordinary	-	118,988

All share options have been cancelled in the year. This was part of a capital restructuring performed by the Company in the year, as detailed in note 18.

At no time during the year has any director had a material interest in a contract with the company, being a contract of significance in relation to the business of the company.

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 period. 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;
- 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.

PURCHASE OF OWN SHARES

357,000 £1.00 preference shares, 99.9% of the Company's called up share capital, were acquired during the year for a total consideration of £357,000. This was part of a capital restructuring performed by the Company in the year, as detailed in note 18.

AUDITORS

Grant Thornton UK LLP, who were appointed on 28 November 2005, offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board

P H Fieldsend
Secretary
3 February 2006



ELITE HOMES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELITE HOMES GROUP LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

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

The directors' responsibilities for preparing the directors report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 directors' report 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 other information contained in the directors report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with UK 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 affairs of the company and the group as at 31 October 2005 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Liverpool
3 February 2006

ELITE HOMES GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 OCTOBER 2005**

	Notes	Year ended 31 October 2005 £'000	Period 1 August - 31 October 2004 £'000
TURNOVER		46,375	33,972
Cost of sales		(34,070)	(21,322)
GROSS PROFIT		12,305	12,650
Administrative expenses		(5,716)	(4,110)
Other Operating Income		2,803	226
OPERATING PROFIT	2	9,392	8,766
Interest receivable and similar income	4	17	16
Interest payable and similar charges	3	(1,854)	(678)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,555	8,104
Tax on profit on ordinary activities	7	(1,974)	(2,487)
PROFIT FOR THE FINANCIAL YEAR		5,581	5,617
Equity Dividends	8	(558)	(562)
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	5,023	5,055

There were no gains and losses other than those recognised in the profit and loss account.

The attached accounting policies and notes form a part of these financial statements.

The profit for the year is in respect of continuing activities.

In accordance with the exemption granted under S230 Companies Act 1985, the company's profit and loss account is not separately presented. The company's profit for the period was £915,687 (2004 : £561,656).

ELITE HOMES GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2005

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	9	502	387
CURRENT ASSETS			
Stock and work in progress	11	50,599	35,541
Debtors	12	3,919	1,642
Cash at bank and in hand		10	7
		54,529	37,190
CREDITORS: Amounts falling due within one year	13	(39,068)	(26,869)
NET CURRENT ASSETS		15,461	10,321
TOTAL ASSETS LESS CURRENT LIABILITIES		15,963	10,708
CREDITORS: Amounts falling due after more than one year	14	(90)	(198)
PROVISIONS FOR LIABILITIES AND CHARGES		-	-
		15,873	10,510
CAPITAL AND RESERVES			
Called up share capital	18	-	357
Share premium	19	697	
Other reserves	19	237	237
Capital redemption reserve	19	357	-
Profit and loss account	19	14,582	9,916
SHAREHOLDERS' FUNDS: Equity interest		15,873	10,510



R Topham
Director


The financial statements were approved by the Board of Directors on 3 February 2006.

The attached accounting policies and notes form part of these financial statements.

ELITE HOMES GROUP LIMITED

COMPANY BALANCE SHEET AS AT 31 OCTOBER 2005

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Investments	10	10	10
CURRENT ASSETS			
Debtors	12	2,609	917
CREDITORS: Amounts falling due within one year	13	(1,557)	(562)
NET CURRENT ASSETS		1,052	355
TOTAL ASSETS LESS CURRENT LIABILITIES		1,062	365
CAPITAL AND RESERVES			
Called up share capital	18	-	357
Share premium	19	697	-
Capital redemption reserve	19	357	-
Profit and loss account	19	8	8
SHAREHOLDERS' FUNDS: Equity interest		1,062	365


C B Topham
Director

The financial statements were approved by the Board of Directors on 3 February 2006.

The attached accounting policies and notes form part of these financial statements.

ELITE HOMES GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2005

	Notes	Year ended 31 October 2005 £'000	Period 1 August - 31 October 2004 £'000
Net cash outflow from operating activities	1	(6,930)	(12,968)
Returns on investments and servicing of finance	2	(1,837)	(662)
Taxation		(3,120)	(2,291)
Capital Expenditure	2	(292)	(262)
Equity Dividends Paid		(562)	(260)
		(12,741)	(16,443)
Financing	2	(611)	(604)
Increase / (Decrease) in cash in the period		(13,352)	(17,047)
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase / (Decrease) in cash in the period		(13,360)	(17,047)
Cash outflow from decrease in debt and lease financing		254	604
Change in net debt resulting from cash flows		(13,106)	(16,443)
New finance leases		0	0
Movement in net debt in the period		(13,106)	(16,443)
Net debt 1st November 2004		(18,555)	(2,112)
Net Debt 31st October 2005		(31,661)	(18,555)

ELITE HOMES GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2005

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 October 2005 £'000	Period 1 August - 31 October 2004 £'000
Operating profit	9,392	8,766
Depreciation	203	186
(Profit) on disposal of fixed assets	(26)	(4)
(Increase) in Stocks	(15,081)	(25,905)
(Increase) / Decrease in Debtors	(494)	614
(Decrease) / Increase in creditors	(924)	3,375
Net cash (outflow) from operating activities	(6,930)	(12,968)

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 October 2005 £'000	Period 1 August - 31 October 2004 £'000
Returns on investments and servicing of finance		
Interest Received	17	16
Interest Paid	(1,853)	(674)
Interest on Hire Purchase	(1)	(4)
Net cash (outflow) for returns on investments and servicing of finance	(1,837)	(662)
Capital Expenditure		
Purchase of Tangible Fixed Assets	(342)	(282)
Sale of Tangible Fixed Assets	50	20
Net cash (outflow) for returns on investments and servicing of finance	(292)	(262)
Financing		
Loan Repayments in Year	(247)	(585)
Capital Repayments in Year	(7)	(19)
Purchase of Non-Equity Preference Shares	(357)	-
Net cash (outflow) from financing	(611)	(604)

ELITE HOMES GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2005

3 ANALYSIS OF CHANGES IN NET DEBT

	01/11/2004 £'000	Cash Flow £'000	31/10/2005 £'000
Net Cash:			
Cash at Bank and in Hand	6	4	10
Bank Overdrafts	(18,108)	(13,364)	(31,472)
	<u>(18,102)</u>	<u>(13,360)</u>	<u>(31,462)</u>
Debt:			
Hire Purchase	(7)	7	-
Debts falling due within 1 year	(248)	139	(109)
Debts falling due after 1 year	(198)	108	(90)
	<u>(453)</u>	<u>254</u>	<u>(199)</u>
Total	<u>(18,555)</u>	<u>(13,106)</u>	<u>(31,661)</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005

1 ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared on the going concern basis, under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable UK accounting standards. The principal accounting policies are set out below; and remain unchanged from the previous year.

Consolidation

The group accounts consolidate the accounts of Elite Homes Group Limited and all its subsidiary undertakings. These accounts are made up to 31 October 2005

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of all subsidiary 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, investment 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.

Turnover

Turnover represents amounts receivable from clients exclusive of value added tax, in respect of sales of residential property legally completed in the United Kingdom.

Pension scheme arrangements

The company provides pension benefits for the majority of full time employees through a number of defined contribution schemes. For these schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the scheme are held separately from those of the company in independently administered funds.

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation.

Depreciation is provided at such rates as will write off the cost of tangible fixed assets over their expected useful lives. The annual depreciation rates are:

Plant & Machinery	straight line	20% - 25%
Fixtures, Fittings and Equipment	straight line	20%
Computer Hardware and Software	straight line	33.3%
Motor Vehicles	reducing balance	30%

Stock and work in progress

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

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Finance leases

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss accounts over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Operating leases

Operating lease rentals, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss accounts in the year in which they fall due.

Taxation

Corporation tax is provided on the assessable profits of the company at the appropriate rates in force. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating profit is stated after charging/(crediting):

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Auditors' remuneration : Audit & non-audit	30	9
Depreciation on owned assets	203	186
Depreciation under Hire Purchase contracts	-	17
Profit on sale of fixed assets	(26)	(4)
Operating Lease Costs : Land & Buildings	120	75
Other	33	47

3 INTEREST PAYABLE

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Bank loans & overdrafts	1,848	664
Other Loans	5	10
Hire Purchase	1	4
	1,854	678

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

4 INTEREST RECEIVABLE

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Interest receivable and similar income	17	16

5 STAFF COSTS

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Wages and salaries	3,360	3,201
Social security costs	332	411
Other pension costs	58	37
	<u>3,750</u>	<u>3,649</u>

The average number of employees during the financial period was:

	2005 Number	2004 Number
Office	52	31
Site	31	26
	<u>83</u>	<u>57</u>

6 DIRECTORS EMOLUMENTS

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Emoluments	1,380	1,005
Pension contributions to money purchase schemes	54	14
Compensation for loss of Office	78	-
	<u>1,512</u>	<u>1,019</u>

The group has made contributions to money purchase pension plans in respect of 7 directors (2004 : 3) during the year.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

6 DIRECTORS EMOLUMENTS - cont

Information regarding the highest paid director is as follows:

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Emoluments	549	557
Pension contributions to money purchase schemes	11	9

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 30% (2004 - 30%) is based on the results for the year and comprised:

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
<u>Current Tax</u>		
UK corporation tax	2281	2500
- current year		
- prior year	(306)	-
Total current tax	1975	2500
<u>Deferred tax</u>		
Origination & reversal on timing differences - CY	(1)	(13)
Total deferred tax	(1)	(13)
 Tax on profit on ordinary activities	 1974	 2487

Factors affecting the tax charge

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK 30% (2004 : 30%). The differences are explained below:

	Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Profit on ordinary activities before tax	7,555	8,104
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 : 30%)	2,267	2,431
Effects of:		
Disallowed expenses	13	82
Capital allowances	-	(13)
Adjustment in respect of Prior Periods	(306)	-
Current year tax charge	1,974	2,500

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

8 DIVIDENDS

		Year ended 31 October 2005 £'000	Period ended 31 October 2004 £'000
Final dividend - proposed	"A" Ordinary shares of £0.01	497	500
	"B" Ordinary shares of £0.01	61	62
		<u>558</u>	<u>562</u>

9 TANGIBLE ASSETS

GROUP	Plant & machinery £'000	Fixtures, fittings & Equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
COST					
At 1 November 2004	398	98	24	337	857
Additions	238	80	-	24	342
Disposals	(151)	(98)	-	(2)	(251)
Transfers	-	143	-	(143)	-
At 31 October 2005	<u>485</u>	<u>223</u>	<u>24</u>	<u>216</u>	<u>948</u>
DEPRECIATION					
At 1 November 2004	219	39	13	199	470
Charge for the year	90	41	3	69	203
Disposals	(130)	(97)	-	-	(227)
Transfers	-	124	-	(124)	-
At 31 October 2005	<u>179</u>	<u>107</u>	<u>16</u>	<u>144</u>	<u>446</u>
NET BOOK AMOUNT					
At 31 October 2005	<u>306</u>	<u>116</u>	<u>8</u>	<u>72</u>	<u>502</u>
At 1 November 2004	<u>179</u>	<u>59</u>	<u>11</u>	<u>138</u>	<u>387</u>

10 INVESTMENT IN SUBSIDIARIES

	Shares in Group Undertakings £
COST	
At 1 November 2004 and at 31st October 2005	<u>10,002</u>

Investment in subsidiaries at cost less provision for impairment represents:

Name	Holding	Activity in Year	Incorporated
Elite Homes (North West) Limited	100% Ordinary shares	Residential Property Development	England & Wales
Elite Homes (Yorkshire) Limited	100% Ordinary shares	Residential Property Development	England & Wales
Gigg Lane Limited	100% Ordinary shares	Dormant	England & Wales

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

11 STOCKS

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Work in Progress - House Build	46,415	35,125	-	-
Work in Progress - Part Exchange Properties	4,184	416	-	-
	50,599	35,541	-	-

12 DEBTORS

Amounts falling due within one year:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	1,978	502	-	-
Amounts owed by group undertakings	-	-	813	916
Other debtors	763	288	698	-
Amounts owed by related parties	29	59	-	-
VAT	1,092	7	-	-
Prepayments and accrued income	49	778	1,098	-
Deferred tax asset	8	8	-	-
	3,919	1,642	2,609	916

Included within other debtors is £697,125 relating to unpaid share capital of "C" Ordinary and "D" Ordinary shares.

13 CREDITORS: Amounts falling due within one year:

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	31,472	18,108	24	-
Other Loans	109	248	-	-
Hire Purchase Contracts	-	7	-	-
Trade creditors	2,659	5,273	33	-
Amounts owed to group undertakings	-	-	-	-
Corporation tax	1,216	1,276	-	-
Other taxation and social security	175	75	33	-
Other creditors	112	99	-	-
Accruals and deferred income	2,767	1,220	909	-
Proposed dividend	558	562	558	562
	39,068	26,868	1,557	562

Bank loans and overdrafts are secured by way of a fixed and floating 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 the company.

14 CREDITORS: Amounts falling due after more than one year:

Group	
2005	2004
£'000	£'000

Other Loans

90

198

ELITE HOMES GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)****15 LOANS**

An analysis of the maturity of loans is given below:

	Group	
	2005	2004
	£'000	£'000
Amounts falling due within one year or on demand:		
Bank overdrafts	31,472	18,108
Unsecured loan notes	9	148
Unsecured loan	100	100
	<u>31,581</u>	<u>18,356</u>
Amounts falling due between two and five years		
Unsecured loan notes	-	8
Unsecured loan	90	190
	<u>90</u>	<u>198</u>

The unsecured loan notes of £9,000 are expected to be repaid within the year. Interest is charged at a rate of 3% per annum.

The unsecured loan of £190,000 is to be repaid by equal payments of £25,000 on a quarterly basis, with additional lump sum repayments at the company's discretion.

16 LEASE OBLIGATIONS

	Group	
	2005	2004
	£'000	£'000
Hire Purchase Contracts		
Net Obligations repayable		
Within one year	-	7

At the end of the year the group had annual commitments under non-cancellable operating leases expiring as follows:

	Group	2004	
	2005	Buildings	Other
	£'000	£'000	£'000
Within one year	-	9	1
Between one and five years	120	43	40
Over 5 years	-	75	-
	<u>120</u>	<u>52</u>	<u>41</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred tax provided in the accounts comprises:

	2005 £'000	2004 £'000
Provision brought forward	(8)	5
	(1)	(13)
Provision/(asset) carried forward	(9)	(8)
Provision for deferred taxation		
Asset on permanent timing differences	(9)	(8)

18 SHARE CAPITAL

Authorised share capital:

		2005 £	2004 £
10,300 "A" Ordinary	0.01	103	103
1,955 "B" Ordinary	0.01	20	41
1,601 "C" Ordinary	0.01	16	-
544 "D" Ordinary	0.01	5	-
0 Preferred Ordinary	1.00	-	357,000
		144	357,144

Allotted, called up and fully paid:

		2005 £	2004 £
10,000 "A" Ordinary	0.01	100	100
1,230 "B" Ordinary	0.01	12	12
0 Preferred Ordinary	1.00	-	357,000
		112	357,112

Allotted, called up and part paid:

		2005 £	2004 £
1,601 "C" Ordinary	0.01	16	-
544 "D" Ordinary	0.01	5	-
		21	0

During the year a resolution to cancel the preference share capital of the company was passed, in order for capital restructuring to take place. This resolution also stated that 1,601 B ordinary shares of 1 penny each be redesignated as 1,601 C ordinary shares of 1 penny each. The shares were allotted at £325 per share. Further, 544 B ordinary shares of 1 penny each were redesignated as 544 D ordinary shares of 1 penny each. The shares were allotted at £325 per share.

All shares rank *pari passu* in all respects, except that for as long as the registered holder of C and/or D ordinary shares is an employee of a member of the Group no dividend shall accrue in respect of or be paid on such shares.

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

19 RESERVES

Group	Profit & Loss	Capital	Share	Other	Totals
	Account	Redemption	Premium	reserves	
	£'000	Reserve		£'000	£'000
Balance at 1 November 2004	9,916	-	-	237	10,153
Retained profit for the year	5,023	-	-	-	5,023
Issue of "C" & "D" Shares	-	-	697	-	697
Purchase of Own Shares	(357)	357	-	-	-
Balance at 31 October 2005	14,582	357	697	237	15,873

Company	Profit & Loss	Capital	Share	Totals
	Account	Redemption	Premium	
	£'000	Reserve	£'000	£'000
Balance at 1 November 2004	8	-	-	8
Retained profit for the year	357	-	-	357
Issue of "C" & "D" Shares	-	-	697	697
Purchase of Own Shares	(357)	357	-	-
Balance at 31 October 2005	8	357	697	1,062

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2005	2004
	£'000	£'000
Profit for the financial period	5,581	5,617
Dividends	(558)	(562)
Issue of "C" & "D" Shares	697	-
Purchase of Preference Shares	(357)	-
Net addition to shareholders' funds	5,363	5,055
Equity Shareholders' funds at 1 November 2004	10,510	5,455
Equity Shareholders' funds at 31 October 2005	15,873	10,510

Company	2005	2004
	£'000	£'000
Profit for the financial period	916	562
Dividends	(558)	(562)
Issue of "C" & "D" Shares	697	-
Purchase of Preference Shares	(357)	-
Net increase to shareholders' funds	697	0
Equity Shareholders' funds at 1 November 2004	365	365
Equity Shareholders' funds at 31 October 2005	1,062	365

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2005 (CONTINUED)

21 CAPITAL COMMITMENTS

There are no capital commitments at 31 October 2005 (2004 - £Nil).

22 CONTINGENT LIABILITIES

The company is party to a cross guarantee for all bank loans and overdrafts advanced to all group companies. At 31 October 2005 the total bank facilities in other group companies were £31,447,566. These facilities are secured by a charge on the group's assets including the property comprising the company's work in progress.

23 RELATED PARTY TRANSACTIONS

Included within creditors is an amount of £9,000 (2004:£156,257) relating to unsecured loan notes due to Charles Topham & Sons Limited, a company which is subject to common control. Interest charged for the period amounted to £4,800 (2004:£10,056)

Included within creditors is an unsecured loan of £190,000 (2004:£290,000) owed to Charles Topham & Sons Limited.

At the balance sheet date, C R Topham, a director, owed to the company £nil (2004:£30,000) which was also the maximum amount outstanding during the period.

Included within debtors is an amount of £29,075 (2004:£29,075) owed by Charles Topham & Sons Limited.

The company is exempt under the terms of FRS8 from disclosing related party transactions with other group companies as it is a wholly owned subsidiary of the ultimate parent company.

24 ULTIMATE CONTROLLING PARTY

The company's ultimate controlling party is C R Topham who owns 63% (2004:75%) of the equity share capital.