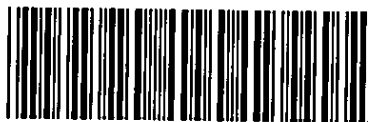


REGISTERED NUMBER. 2781237

ELITE HOMES GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2006

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ELITE HOMES GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006

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CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2006

The trading period to October 2006 produced a positive set of results. The Group achieved a pre-tax profit of £6.4m (2005: £7.6m). It is the Board's policy to declare modest levels of dividend, ensuring that the post tax growth on balance sheet is maximised.

As expected the Yorkshire region achieved its first legal completions and contributed to the Group profit for the year.

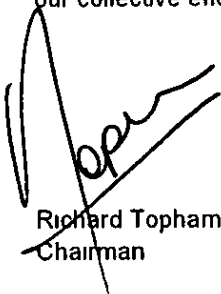
In spite of the more challenging environment in which the business operated during 2006, our average home sale price increased marginally to £158,688 (2005: £156,145), whilst average gross margin fell to 22.3% (2005: 26.5%) and overall activity grew to £58.4m (2005: £46.4m). This saw the number of homes built and sold rising to 368, an increase of 24% on the previous year. As the number of homes built and sold in the Yorkshire region increases in the current year we expect to see further growth in the level of turnover generated by the Company.

Once again our core region of the North West has produced a strong performance both in margins achieved and number of homes sold. All of this is set against an increasingly more challenging trading background. Whilst sales value growth is marginal, we face disproportionate upward costs of land and construction. Additionally to this, the increased costs of borrowing both to the Company and to our customers are having an adverse effect on margins.

Land values are being forced upward (with no proportionate increase in return) by the continuing moratoria on accepting planning approvals by the majority of the local authorities in our areas of operation. Inevitably, this has resulted in a market place where our gross margins are significantly reduced and I expect our results for the current year to be impacted by these ongoing trends.

We continue to invest in the future of our business. If we are to achieve our medium and long-term ambitions for the Group, the building in of capacity at an early stage is vital. This has a short-term effect on net margins, a trend that will be evident over the next few years.

The Board continues to acknowledge the dedication and commitment of all the management team at Elite in our collective effort to constantly improve and grow the business.



Richard Topham
Chairman

CHIEF EXECUTIVE REVIEW FOR THE YEAR ENDED 31 OCTOBER 2006

In a highly competitive housing market, Elite Homes Group has continued to prosper. This has been possible following an expansion of sales outlets in the North West and the development of the Yorkshire region. Internally we have made changes to the structure of the organisation, which has reaped significant results in our key areas of land purchase, product design, customer service and brand awareness.

Strategy

The Group's objective is to produce an overall long term return for our shareholders ahead of our peer group, which will be achieved by growing the business and continually improving its performance.

In our last strategic review we set ambitious growth targets to 2010, which included the geographical expansion of the Group into Yorkshire and the Midlands as well as in our traditional area of operation in North West England. We currently have six developments in Yorkshire with more in the pipeline and are currently negotiating for a number of sites in the Midlands.

Results

The completion of 65 homes in Yorkshire during 2006 marked the first major contribution from our division in that region. The completions achieved in Yorkshire were actually below our expectations, however, the performance of the Yorkshire operation has steadily improved recently and we expect this region to be back in line with its growth target in 2007. Despite this shortfall the Group achieved a 23.9% growth in home legal completions to 368 in 2006.

We achieved a gross margin of 22.3%, which was ahead of budget but inevitably below 2005 levels. The fall in gross margins is part of a trend, which we expect to continue for the foreseeable future. This is a result of more modest house price inflation combined with a very competitive land buying market. All our long-term targets are based on achieving a minimum, steady market condition, gross margin of 18%.

In order to deliver our strategic growth targets in a controlled manner we have restructured the Group organisation to split key functions between Group and regional business units and also invested in new software systems.

This, together with the continued growth of the Yorkshire regional team, has resulted in a 48% increase in the average number of administrative staff employed in 2006. As a result, there was a 27% increase in administrative expenses in 2006. The financial performance of the Group will see the benefit of this investment when the business delivers beyond 700 homes per year.

The last two year's Group results have benefited from land sale profits included in other income. The land sales, in the main, relate to part sales of our large Woolley Grange development in Yorkshire, which, before the part sales consisted of 375 homes on 26 acres. The land sales were strategically planned prior to the acquisition of this development and were necessary to bring it in line with our land buying criteria.

Despite the investment in overheads and the delivery issue in the Yorkshire region, the Group achieved a credible £6.4m profit before tax (2005: £7.6m).

Growing our Land Bank

Our future success is very much dependent on our ability to source and acquire developable land. We have invested heavily in building strong and experienced land teams in our regions and will continue to do so.

Our current consented land bank stands at 825 plots, which represents 2.24 years at 2006 production levels. As we intend to work through this land bank well within 2.24 years its continual expansion is essential and since the year-end we have already added 276 plots to our consented land bank.

ELITE HOMES GROUP LIMITED

CHIEF EXECUTIVE REVIEW FOR THE YEAR ENDED 31 OCTOBER 2006 - (continued)

Customer Experience and Quality Control

We aim to produce superbly designed homes offering quality and value for money with the best customer choice, backed by the best customer service

Our customer care and quality control achievements in 2006 have been significant. Customer satisfaction surveys, conducted by leading independent research company, In House Research, testify to our success.

When benchmarked nationally against other leading homebuilders during 2006 the Group climbed up the rankings and finished the year in the top quartile for all key customer satisfaction criteria. Overall, 90% of the customers who legally completed in 2006 said they would recommend Elite Homes to their best friend. This is a credit to the entire team at Elite.

We are committed to the continual investment of significant management time and resource in customer care. We now have a Group Customer Care Manager responsible for maintaining and improving customer service across the business. As we see this area as a fundamental part of the Group's growth strategy, our Group Customer Care Manager reports directly to me.

In 2006 we introduced a new home hand over procedure, which includes a pre-handover quality inspection by the Customer Care team. We believe the quality standard imposed by this inspection is the highest in the industry and as it is monitored by the Group Customer Care Team it is applied on a consistent basis across our regions.

The ultimate payback of the investment is an increase in sales from recommendations and we have now achieved the target we set in 2005, ahead of schedule. We are currently in the process of setting another ambitious target.

Achieving great design

At Elite Homes we recognise that the superior design and quality of every home we build is integral to our success and, in order to maintain our industry lead, we must excel at anticipating and satisfying customer trends and needs.

Our internal design team work closely with a number of carefully selected architects to create new homes and update existing homes in our range. This is an aspect of ongoing strategy to continually improve the design and specification of our product, ensuring each meets our customers' lifestyle needs.

Choice and Convenience

Our Individually Elite service continues to grow from strength to strength, meeting the ever-increasing consumer demand for choice and convenience.

Individually Elite offers purchasers a wide selection of finishes and extras, which are incorporated into their new home prior to completion. Customers benefit from the expert advice and guidance of an Individually Elite Consultant during a private appointment at one of our Option Centres where they can choose from a wide range of items to personalise their homes.

The list of products and finishes available through Individually Elite is extensive and includes a bespoke kitchen design service, a wide range of conservatories, an almost endless choice of well-known appliance brands such as AEG, Neff and Electrolux, Amtico floor coverings, light fittings, fitted wardrobes by Hammonds and even a full furniture pack that includes soft furnishings, kitchen accessories and even pictures for the wall – perfect for those starting out on the property ladder.

Individually Elite achieved a milestone turnover of £1million in 2006 proving the popularity of this added value service as part of our customer's positive experience of the Elite brand. This excludes items used as incentives in lieu of cash discounts.

ELITE HOMES GROUP LIMITED

CHIEF EXECUTIVE REVIEW FOR THE YEAR ENDED 31 OCTOBER 2006 - (continued)

Outlook

The home market since the turn of the calendar year is proving competitive but robust. Despite the January 2007 interest rate rise we are achieving good sales rates at prices above budget.

Through the growth of our land bank, refinement of our product quality and a continued focus on customer care we expect to see further growth in volumes in 2007, however, with lower gross margin and a further investment in overheads, we expect a lower level of Profit before Tax.

We aim to increase volumes in 2008 to a level which will begin to reap the benefit of the investment we have made and result in a return to an upward trend in profitability.

A handwritten signature in black ink, appearing to read 'K. Marren', with a stylized flourish at the end.

Kevin Marren
Chief Executive

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2006

The directors present their report and the audited financial statements of the group for the year ended 31 October 2006

DIRECTORS

The Directors during the year under review were

C R Topham	
K J Marren	
A Dingley	
D J Topham	
P H Fieldsend	Resigned 23/3/2006
J O'Sullivan	Appointed 6/10/2006

COMPANY SECRETARY

J O'Sullivan

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 2006 are shown on page 12

The total distribution of dividends for the year ended 31 October 2006 was £558,119 (2005 £562,000), leaving £3,914,767 to be transferred to reserves (2005 £5,019,191)

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

DIRECTORS

The directors who served during the year and those who are currently directors are shown on page 5

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 2006	Shares at 1 November 2005
C R Topham	"A" Ordinary	7,700	7,700
	"B" Ordinary	700	700
K J Marren	"B" Ordinary	530	530
	"C" Ordinary	1,476	1,476
A Dingley	"C" Ordinary	125	125
	"D" Ordinary	544	544

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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

OPERATING RISK MANAGEMENT

The management of operational risk is recognised as a key component of the business and fundamental to the long term success of the company. The Board recognises this and has systems in place both at Group and in its Regions to manage and reduce the exposure to risk. The key business risks include but are not limited to the following areas:

Land

The ability to acquire sufficient land at acceptable margins across the Regions is fundamental to the long term sustainability of the company. The risk is addressed by having experienced land teams at Group and Regions acquiring sites in accordance with the company's strategy. The company's land buying policy and procedures ensure the appropriate product is provided to the markets at the right price in the right location.

ELITE HOMES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

OPERATING RISK MANAGEMENT (CONTINUED)

Planning

The increasing delays and complexity of the planning system slows the growth of the Group. The progress through the planning system of all developments is closely monitored at both Regional and Group Board levels.

Finance

The continued availability of adequate levels of finance is important to sustain the growth of the business. The cash flow is closely monitored through weekly reporting which is provided to the Group Board. From a longer term perspective the cash requirements of the business are reviewed to ensure they meet the requirements of the long term strategy.

Housing Market

The sensitivity of the housing market in respect of its stability and sustainability is monitored. It is a highly competitive market requiring a dynamic and innovative approach to marketing and selling.

Construction

The availability of skilled labour continues to be a challenge. The Group has a trainee scheme in place to develop site managers.

Health & Safety

The Group continually reviews its operations to ensure adequate systems are in place to minimise the high risk inherent in the construction process.

Personnel

The quality, development, retention and attraction of key personnel are fundamental to long term growth. The Group has put in place a number of measures including annual formal appraisals and regular training to assist in retaining its best people. The Group also has a trainee scheme in place to develop skilled personnel for all the key disciplines directly employed in the business.

AUDITORS

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board



J O'Sullivan
Secretary
15th May 2007

ELITE HOMES GROUP LIMITED

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ELITE HOMES GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Elite Homes Group Limited for the year ended 31 October 2006 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, and notes 1 to 24. These financial statements have been prepared under 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 auditor's 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 Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report, Chairman's Statement and Chief Executive Review is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the directors report, Chairman's statement and Chief Executive Review, 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 International Standards on Auditing (UK and Ireland) 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 group's and 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.

ELITE HOMES GROUP LIMITED

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ELITE HOMES GROUP LIMITED -
continued**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 October 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Liverpool
15th May 2007

ELITE HOMES GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared on the going concern basis, under the historical cost convention 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 2006.

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	25%
Fixtures, Fittings and Equipment	straight line	20%
Computer Hardware and Software	straight line	33.3%
Motor Vehicles	straight line	25%

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.

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.

ELITE HOMES GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 OCTOBER 2006**

	Notes	Year ended 31 October 2006 £'000	Year ended 31 October 2005 as restated £'000
TURNOVER	1	58,397	46,375
Cost of sales		<u>(45,391)</u>	<u>(34,070)</u>
GROSS PROFIT		13,006	12,305
Administrative expenses		(7,272)	(5,716)
Other Operating Income		<u>2,372</u>	<u>2,803</u>
OPERATING PROFIT	2	8,106	9,392
Interest receivable and similar income	4	15	17
Interest payable and similar charges	3	<u>(1,727)</u>	<u>(1,854)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,394	7,555
Tax on profit on ordinary activities	7	<u>(1,921)</u>	<u>(1,974)</u>
PROFIT FOR THE FINANCIAL YEAR	20	<u><u>4,473</u></u>	<u><u>5,581</u></u>

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

The attached accounting policies and notes form 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 £223,636, (2005 restated loss £182,313)

ELITE HOMES GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2006

	Notes	2006 £'000	2005 as restated £'000
FIXED ASSETS			
Tangible assets	10	484	502
CURRENT ASSETS			
Stock and work in progress	12	51,158	50,599
Debtors	13	3,405	3,919
Cash at bank and in hand		3	11
		54,565	54,529
CREDITORS: Amounts falling due within one year	14	(34,682)	(38,510)
NET CURRENT ASSETS		19,883	16,019
TOTAL ASSETS LESS CURRENT LIABILITIES		20,367	16,521
CREDITORS: Amounts falling due after more than one year	15	0	(90)
		20,367	16,431
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium	19	718	697
Other reserves	19	237	237
Capital redemption reserve	19	357	357
Profit and loss account	19	19,055	15,140
SHAREHOLDERS' FUNDS. Equity interest	20	20,367	16,431


K J Maizen
Group Chief Executive


J O'Sullivan
Group Finance Director

The financial statements were approved by the Board of Directors on 15th May 2007

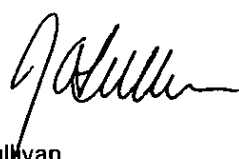
The attached accounting policies and notes form part of these financial statements

ELITE HOMES GROUP LIMITED

COMPANY BALANCE SHEET AS AT 31 OCTOBER 2006

	Notes	2006 £'000	2005 as restated £'000
FIXED ASSETS			
Tangible Assets	10	65	-
Investments	11	10	10
		<u>75</u>	<u>10</u>
CURRENT ASSETS			
Debtors	13	1,169	1,511
CREDITORS · Amounts falling due within one year	14	<u>(1,035)</u>	<u>(999)</u>
NET CURRENT ASSETS		<u>134</u>	<u>512</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>209</u>	<u>522</u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Share premium	19	718	697
Capital redemption reserve	19	357	357
Profit and loss account	19	<u>(866)</u>	<u>(532)</u>
SHAREHOLDERS' FUNDS · Equity interest	20	<u>209</u>	<u>522</u>


K J Marren
Group Chief Executive


J O'Sullivan
Group Finance Director

The financial statements were approved by the Board of Directors on 15th May 2007

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 2006

	Notes	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Net cash inflow / (outflow) from operating activities	1	10,985	(8,024)
Returns on investments and servicing of finance	2	(1,712)	(1,837)
Taxation		(1,981)	(2,033)
Capital Expenditure	2	(194)	(292)
Equity Dividends Paid		(558)	(562)
		6,540	(12,748)
Financing	2	(177)	(611)
Increase / (Decrease) in cash in the period		6,363	(13,359)
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase / (Decrease) in cash in the period		6,363	(13,359)
Cash outflow from decrease in debt and lease financing		199	254
Change in net debt resulting from cash flows		6,562	(13,105)
Movement in net debt in the period		6,562	(13,105)
Net debt 1st November 2005		(31,660)	(18,555)
Net Debt 31st October 2006		(25,098)	(31,660)

ELITE HOMES GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2006

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Operating profit	8,106	9,392
Depreciation	198	203
Loss / (Profit) on disposal of fixed assets	14	(26)
(Increase) in Stocks	(559)	(15,058)
Increase / (Decrease) in Debtors	530	(1,581)
Decrease / (Increase) in creditors	2,696	(954)
Net cash inflow/ (outflow) from operating activities	10,985	(8,024)

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

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Returns on investments and servicing of finance		
Interest Received	15	17
Interest Paid	(1,727)	(1,853)
Interest on Hire Purchase	-	(1)
Net cash (outflow) for returns on investments and servicing of finance	(1,712)	(1,837)
Capital Expenditure		
Purchase of Tangible Fixed Assets	(211)	(342)
Sale of Tangible Fixed Assets	17	50
Net cash (outflow) for returns on investments and servicing of finance	(194)	(292)
Financing		
Loan Repayments in Year	(199)	(247)
Capital Repayments in Year	-	(7)
Issue of Share Capital	22	-
Purchase of Non-Equity Preference Shares	-	(357)
Net cash (outflow) from financing	(177)	(611)

ELITE HOMES GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2006 - continued

3 ANALYSIS OF CHANGES IN NET DEBT

	01/11/2005 £'000	Cash Flow £'000	31/10/2006 £'000
Net Cash:			
Cash at Bank and in Hand	11	(8)	3
Bank Overdrafts	(31,472)	6,371	(25,101)
	<u>(31,461)</u>	<u>6,363</u>	<u>(25,098)</u>
Debt:			
Debts falling due within 1 year	(109)	109	-
Debts falling due after 1 year	(90)	90	-
	<u>(199)</u>	<u>199</u>	<u>0</u>
Total	<u>(31,660)</u>	<u>6,562</u>	<u>(25,098)</u>

ELITE HOMES GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006****1 TURNOVER**

The turnover is attributable to the one principal activity of the group

An analysis of turnover is given below

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Sales of new residential property legally completed in the United Kingdom	58,397	46,375

2 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating profit is stated after charging/(crediting)

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Auditors' remuneration		
Audit	25	30
Non-audit - tax	11	-
Depreciation on owned assets	198	203
Loss / (Profit) on sale of fixed assets	14	(26)
Operating Lease Costs	120	120
Land & Buildings		
Other	104	33

3 INTEREST PAYABLE

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Bank loans & overdrafts	1,702	1,848
Other Loans	25	5
Hire Purchase	-	1
	1,727	1,854

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

4 INTEREST RECEIVABLE

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Interest receivable and similar income	15	17

5 STAFF COSTS

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Wages and salaries	5,608	3,360
Social security costs	638	332
Other pension costs	122	58
	<u>6,368</u>	<u>3,750</u>
The average number of employees during the financial period was	2006 Number	2005 Number
Office	77	52
Site	46	31
	<u>123</u>	<u>83</u>

6 DIRECTORS EMOLUMENTS

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Emoluments	987	1,038
Pension contributions to money purchase schemes	26	36
Compensation for loss of Office	64	-
	<u>1,077</u>	<u>1,074</u>

The group has made contributions to money purchase pension plans in respect of 5 directors (2005 4) during the year

Information regarding the highest paid director is as follows

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Emoluments	498	549
Pension contributions to money purchase schemes	11	11

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 30% (2005 - 30%) is based on the results for the year and comprised

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Current Tax		
UK corporation tax - current year	1,954	2,281
- prior year	(17)	(307)
Total current tax	1,937	1,974
Deferred tax		
Origination & reversal on timing differences - CY	(16)	-
Total deferred tax	(16)	-
Tax on profit on ordinary activities	1,921	1,974

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% (2005 30%) The differences are explained below

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Profit on ordinary activities before tax	6,394	7,555
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	1,918	2,267
Effects of		
Disallowed expenses	36	13
Adjustment in respect of Prior Periods	(17)	(306)
Current year tax charge	1,937	1,974

8 DIVIDENDS

	Year ended 31 October 2006 £'000	Year ended 31 October 2005 £'000
Dividend - paid		
"A" Ordinary shares of £0.01	497	500
"B" Ordinary shares of £0.01	61	62
	558	562

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

9 PRIOR YEAR ADJUSTMENTS

A prior year adjustment is necessary following the company adopting Financial Reporting Standard (FRS) 21. The impact of the standard has been to recognise dividends declared at the balance sheet date.

At 31 October 2005, the company had not declared a dividend for 2005, neither had it received a final dividend from subsidiary companies. The dividend paid amounted to £558,119 and was declared in 2006, the dividend received amounted to £1,098,000 and was declared by the subsidiary in 2006. They have therefore been accounted for in the financial year ending 31 October 2006 with an appropriate restatement of the comparatives.

10 TANGIBLE ASSETS

GROUP	Plant & machinery	Fixtures, fittings & Equipment	Motor vehicles	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 November 2005	485	223	24	216	948
Additions	104	5	-	102	211
Disposals	(32)	(51)	(24)	(63)	(170)
At 31 October 2006	557	177	-	255	989
DEPRECIATION					
At 1 November 2005	179	107	16	144	446
Charge for the year	110	24	-	64	198
Disposals	(26)	(39)	(16)	(58)	(139)
At 31 October 2006	263	92	-	150	505
NET BOOK AMOUNT					
At 31 October 2006	294	85	-	105	484
At 1 November 2005	306	116	8	72	502

COMPANY	Computer equipment	Total
	£'000	£'000
COST		
At 1 November 2005	-	-
Additions	83	83
At 31 October 2006	83	83
DEPRECIATION		
At 1 November 2005	-	-
Charge for the year	18	18
At 31 October 2006	18	18
NET BOOK AMOUNT		
At 31 October 2006	65	65
At 1 November 2005	-	-

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

11 INVESTMENT IN SUBSIDIARIES

	Shares in Group Undertakings £
COST	
At 1 November 2005 and at 31st October 2006	<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

12 STOCKS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Work in Progress - House Build	45,460	46,415	-	-
Work in Progress - Part Exchange Properties	5,690	4,184	-	-
Stock of Uniform	8	-	-	-
	<u>51,158</u>	<u>50,599</u>	<u>-</u>	<u>-</u>

13 DEBTORS

Amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	508	1,978	-	-
Amounts owed by group undertakings	-	-	382	813
Other debtors	2,401	763	718	698
Amounts owed by related parties	-	29	-	-
VAT	372	1,092	-	-
Deferred tax asset	24	8	-	-
Prepayments and accrued income	100	49	69	-
	<u>3,405</u>	<u>3,919</u>	<u>1,169</u>	<u>1,511</u>

Included within other debtors is £718,554 relating to unpaid share capital of "C" Ordinary and "D" Ordinary shares

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

14 CREDITORS Amounts falling due within one year:

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	25,101	31,472	32	24
Other Loans	-	109	-	-
Trade creditors	3,006	2,659	84	33
Corporation tax	1,172	1,216	-	-
Other taxation and social security	203	175	47	33
Other creditors	462	112	1	-
Accruals and deferred income	4,738	2,767	871	909
	<u>34,682</u>	<u>38,510</u>	<u>1,035</u>	<u>999</u>

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

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

	Group	
	2006	2005
	£'000	£'000
Other Loans	-	90

16 LOANS

An analysis of the maturity of loans is given below

	Group	
	2006	2005
	£'000	£'000
Amounts falling due within one year or on demand		
Bank overdrafts	25,101	31,472
Unsecured loan notes	-	9
Unsecured loan	-	100
	<u>25,101</u>	<u>31,581</u>
Amounts falling due between two and five years		
Unsecured loan	-	90
	<u>-</u>	<u>90</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

17 LEASE OBLIGATIONS

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

	Group 2006		2005	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Within one year	-	33	-	9
Between one and five years	120	88	120	43
	<u>120</u>	<u>121</u>	<u>120</u>	<u>52</u>

	Company 2006		2005	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Between one and five years	-	22	-	-
	<u>-</u>	<u>22</u>	<u>-</u>	<u>-</u>

18 SHARE CAPITAL

Authorised share capital:

		2006	2005
	£	£	£
10,300 "A" Ordinary	0 01	103	103
1,955 "B" Ordinary	0 01	20	20
1,601 "C" Ordinary	0 01	16	16
544 "D" Ordinary	0 01	5	5
		<u>144</u>	<u>144</u>

Allotted, called up and fully paid

		2006	2005
	£	£	£
10,000 "A" Ordinary	0 01	100	100
1,230 "B" Ordinary	0 01	12	12
		<u>112</u>	<u>112</u>

Allotted, called up and part paid:

		2006	2005
	£	£	£
1,601 "C" Ordinary	0 01	16	16
544 "D" Ordinary	0 01	5	5
		<u>21</u>	<u>21</u>

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

19 RESERVES

Group	Profit & Loss Account £'000	Capital Redemption Reserve £'000	Share Premium £'000	Other reserves £'000	Totals £'000
Balance at 1 November 2005	14,582	357	697	237	15,873
Prior year adjustment - restated b/fwd	558	-	-	-	558
	15,140	357	697	237	16,431
Profit for the financial period	4,473	-	-	-	4,473
Dividends	(558)	-	-	-	(558)
Issue of shares in year	-	-	21	-	21
Balance at 31 October 2006	19,055	357	718	237	20,367

Company	Profit & Loss Account £'000	Capital Redemption Reserve £'000	Share Premium £'000	Totals £'000
Balance at 1 November 2005	8	357	697	1,062
Prior year adjustment - restated b/fwd	(540)	-	-	(540)
	(532)	357	697	522
Profit for the financial period	224	-	-	224
Dividends	(558)	-	-	(558)
Issue of shares in year	-	-	21	21
Balance at 31 October 2006	(866)	357	718	209

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2006 £'000	2005 £'000
Profit for the financial period	4,473	5,581
Dividends	(558)	(562)
Issue of "C" & "D" Shares	21	697
Purchase of Preference Shares	-	(357)
Net addition to shareholders' funds	3,936	5,359
Equity Shareholders' funds at 1 November 2005	16,431	11,072
Equity Shareholders' funds at 31 October 2006	20,367	16,431
Company	2006 £'000	2005 £'000
Profit for the financial period	224	(183)
Dividends Paid	(558)	(562)
Issue of "C" & "D" Shares	21	697
Purchase of Preference Shares	-	(357)
Net decrease to shareholders' funds	(313)	(405)
Equity Shareholders' funds at 1 November 2005	522	927
Equity Shareholders' funds at 31 October 2006	209	522

ELITE HOMES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2006 (CONTINUED)

21 CAPITAL COMMITMENTS

There are no capital commitments at 31 October 2006 (2005 - £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 2006 the total bank facilities in other group companies were £25,068,364. 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

The following amounts, outstanding at 1 November 2005 with Charles Topham & Sons Limited, a company which is subject to common control, have been repaid in the year:

	Balance at 1/11/05 £	Repaid in the Year £	Balance at 31/10/06 £	Interest in the Year £
Unsecured Loan Notes	(9,000)	9,000	-	-
Unsecured Loan	(190,000)	190,000	-	-
Trade Debtor	29,075	(29,075)	-	-

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% (2005 63%) of the equity share capital.