

ARTHUR ANDERSEN

Capitol Homes Limited

Accounts 31 December 1996
together with directors' and auditors' reports

Registered number: 2688127



Directors' report

For the 18 month period ended 31 December 1996

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the 18 month period ended 31 December 1996.

Principal activity and business review

The principal activity of the company is property development.

The directors expect the company's level of activity to increase during the coming year and are satisfied that the increased level of activity envisaged will eliminate the accumulated deficit and restore the company's asset base.

Results and dividends

The company's results are as follows:

	£
Accumulated deficit, beginning of period	(223,959)
Loss for the financial period	(76,968)
Accumulated deficit, end of period	<u>(300,927)</u>

The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the period are as follows:

R.S. Murray
M. Croxen

None of the directors have any interests required to be disclosed under Section 234 of the Companies Act 1985.

The interests of those directors who are directors of the company's parent undertaking, Sterling Capitol PLC, are disclosed in the accounts of that company.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors' responsibilities (continued)


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 accounts 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 directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

12 York Place
Leeds
LS1 2DS

By order of the Board



M. Croxen

Secretary

14 July 1997

Auditors' report

To the Shareholders of Capitol Homes Limited:

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1996 and of its loss for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

St. Paul's House
Park Square
Leeds LS1 2PJ

14 July 1997

Profit and loss account

For the 18 month period ended 31 December 1996

	Notes	1996 (18 months) £	1995 (12 months) £
Turnover	2	1,886,067	930,126
Cost of sales		(1,868,056)	(908,281)
Gross profit		18,011	21,845
Administrative expenses		161	(20,513)
Operating profit		18,172	1,332
Interest receivable		2,927	527
Interest payable	3	(98,065)	(108,150)
Loss on ordinary activities before and after taxation	4	(76,968)	(106,291)
Loss for the financial period		(76,968)	(106,291)
Accumulated deficit, beginning of period		(223,959)	(117,668)
Accumulated deficit, end of period		<u>(300,927)</u>	<u>(223,959)</u>

Turnover and operating profit are derived from continuing operations.

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

There were no recognised gains or losses apart from the loss recorded in the periods ended 24 June 1995 and 31 December 1996. Accordingly, no statement of recognised gains or losses is presented.

Balance sheet

31 December 1996

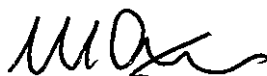
	Notes	31 December 1996 £	24 June 1995 £
Current assets			
Stocks	7	788,975	1,954,576
Debtors	8	14,763	1,055
Cash at bank and in hand		37,591	28,077
		<u>841,329</u>	<u>1,983,708</u>
Creditors: Amounts falling due within one year	9	(1,142,156)	(2,207,567)
Net current liabilities		<u>(300,827)</u>	<u>(223,859)</u>
Capital and reserves			
Called-up share capital	10	100	100
Profit and loss account	12	(300,927)	(223,959)
Shareholders' funds (equity interests)	11	<u>(300,827)</u>	<u>(223,859)</u>

Signed on behalf of the Board:

M. Croxen

Director

14 July 1997



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

Notes to accounts

31 December 1996

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the period and with the preceding year, is set out below.

a. Basis of accounting

The accounts are prepared under the historical cost convention, in accordance with applicable accounting standards.

The company has not prepared a cash flow statement, as permitted by Financial Reporting Standard Number 1, because its parent company, Sterling Capitol PLC, has produced a consolidated cash flow statement including the cash flows of the company.

The company had net liabilities of £300,827 at 31 December 1996. However, the directors have prepared the accounts on the going concern basis because an undertaking has been received from the company's parent undertaking, Sterling Capitol PLC, to continue to provide financial support to the company to enable it to meet its debts as they fall due for the foreseeable future.

b. Taxation

Corporation tax payable is provided on taxable profits at the current rate. The benefit of taxable losses are surrendered to fellow group undertakings at no charge.

Deferred taxation is calculated on the liability method and is provided to the extent that the directors believe it is likely to become payable in the foreseeable future.

c. Stocks

Stocks are valued at the lower of cost and net realisable value.

Where the directors consider developments to be substantial with completion expected after more than one year and these developments have been financed from commencement by specific identifiable borrowings, the cost of these developments includes interest attributable to those borrowings up to the point of completion.

d. Turnover

Turnover represents the value of legally completed property sales net of related taxes.

2 Segment information

All of the company's turnover and operating profit before interest are derived from its principal activity in the United Kingdom.

Notes to accounts (continued)

3 Interest payable

Interest payable comprises:

	1996 (18 months) £	1995 (12 months) £
Interest payable to other group undertakings	135,532	108,150
Bank interest	38	-
Interest capitalised	(37,505)	-
	<u>98,065</u>	<u>108,150</u>

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1996 (18 months) £	1995 (12 months) £
Staff costs (Note 6)	-	16,125
Auditors' remuneration	-	625
	<u>-</u>	<u>16,750</u>

In the year ended 24 June 1995 the company's employee and other administrative costs were paid by the company's parent, Sterling Capitol PLC, and recharged to the company. Included in the total management charge of £20,000 for the year ended 24 June 1995 were the amounts of £625 in respect of auditors' remuneration and £16,125 in respect of directors' remuneration.

The auditors received remuneration other than for audit services of £706.

No recharge was made by Sterling Capitol PLC for the 18 month period ended 31 December 1996.

5 Tax on loss on ordinary activities

The company has surrendered the benefit of its tax losses to other group companies at nil charge.

In the directors' opinion no provision is required for deferred taxation.

Notes to accounts (continued)

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1996 (18 months) £	1995 (12 months) £
Wages and salaries	-	13,500
Social security costs	-	1,315
Other pension costs	-	1,310
	<u>-</u>	<u>16,125</u>

The average monthly number of persons employed by the company during the period was:

	1996 (18 months) Number	1995 (12 months) Number
Administration	<u>1</u>	<u>1</u>

Directors' remuneration:

Remuneration in respect of directors of the company was as follows:

	1996 (18 months) £	1995 (12 months) £
Emoluments as directors (including pension contributions)	<u>-</u>	<u>16,735</u>
Fees paid to third parties in respect of directors' services	<u>-</u>	<u>1,077</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	1996 (18 months) £	1995 (12 months) £
Highest paid director	<u>-</u>	<u>14,815</u>

Notes to accounts (continued)

6 Staff costs (continued)

The directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1996 (18 months) Number	1995 (12 months) Number
£ 0 - £ 5,000	2	1
£ 10,001 - £ 15,000	-	1

7 Stocks

The net book value of stocks comprises:

	31 December 1996 £	24 June 1995 £
Properties held for development	788,975	1,954,576

Stocks include capitalised interest (gross of taxation) of £37,505 (1995 - £nil).

8 Debtors

Amounts falling due within one year:

	31 December 1996 £	24 June 1995 £
Other debtors		
- VAT	763	1,055
- Other	14,000	-
	14,763	1,055

9 Creditors: Amounts falling due within one year

	31 December 1996 £	24 June 1995 £
Amounts owed to other group undertakings	1,140,307	2,190,594
Accruals and deferred income	1,849	16,973
	1,142,156	2,207,567

Notes to accounts (continued)

10 Called-up share capital

	31 December 1996 £	24 June 1995 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 Movement in equity shareholders' funds

The overall movement in equity shareholders' funds during the period may be summarised as follows:

	31 December 1996 £	24 June 1995 £
Loss for the financial year	<u>(76,968)</u>	<u>(106,291)</u>
Net reduction in equity shareholders' funds	<u>(76,968)</u>	<u>(106,291)</u>
Opening equity shareholders' funds	<u>(223,859)</u>	<u>(117,568)</u>
Closing equity shareholders' funds	<u>(300,827)</u>	<u>(223,859)</u>

12 Reserves

The company's reserves comprises its profit and loss account which cannot be distributed.

13 Guarantees and financial commitments

At 31 December 1996 the company had outstanding commitments under normal trading contracts amounting to £659,000 (30 June 1995 - £255,122).

14 Ultimate parent company

The company's ultimate parent company is Sterling Capitol PLC, a company registered in England and Wales. Group accounts have been prepared by this company and are not normally available to the public.