

Capitol Homes Limited
Directors' report and accounts
for the year ended 31 December 2001

Registered Number 2688127



Capitol Homes Limited

Financial statements

for the year ended 31 December 2001

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Capitol Homes Limited

Directors' report for the year ended 31 December 2001

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2001.

Principal activity and business review

The principal activity of the group is property development.

The directors consider the results for the year to be satisfactory.

Dividends

The directors do not recommend the payment of a dividend (2000: £nil).

Directors and their interests

The directors who served during the period are as follows:

M Croxen

CJ Dalzell (resigned 27 April 2001)

ML Armstrong (appointed 27 April 2001)

The directors' have no beneficial interest in the share capital of the company. The interests of Mr M Croxen in the shares of the ultimate holding company, Sterling Capitol plc are shown in the annual report of Sterling Capitol plc.

Statement of directors' responsibilities

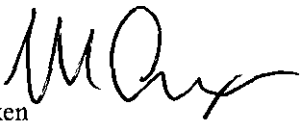
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board


M Croxen
Secretary

22 July 2002

Capitol Homes Limited

Independent auditors' report to the members of Capitol Homes Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual 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 issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
22 July 2002

Capitol Homes Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	-	150,449
Cost of sales		(22,002)	(219,555)
Gross loss		(22,002)	(69,106)
Administrative expenses		-	(460)
Operating loss		(22,002)	(69,566)
Interest payable	2	(189)	-
Loss on ordinary activities before taxation	3	(22,191)	(69,566)
Tax on profit on ordinary activities	4	-	-
Loss for the financial year	9	(22,191)	(69,566)

All of the company's activities are continuing.

There were no recognised gains or losses other than the loss for the financial year.


There is no difference between the loss on ordinary activities before taxation and the result for the year stated above, and their historical cost equivalents.

Capitol Homes Limited

Balance sheet as at 31 December 2001

	Note	2001 £	2000 £
Current assets			
Stocks	5	316,694	326,694
		316,694	326,694
Creditors: amounts falling due within one year	6	(826,889)	(814,698)
Net liabilities		(510,195)	(488,004)
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	9	(510,295)	(488,104)
Equity shareholders' deficit	8	(510,195)	(488,004)

The financial statements on pages 3 to 8 were approved by the board of directors on 22 July 2002 and were signed on its behalf by:


M Croxen
Director

Capitol Homes Limited

Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year is set out below:

Basis of accounting

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

As at the year end the company had net liabilities of £510,195 (2000: £488,004). 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.

Cash flow statement

As the company is wholly owned by an entity that has published a consolidated cash flow statement, the company has taken advantage of the exemption under Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement.

Turnover

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

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Stock

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

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable a liability or asset will crystallise.

Capitol Homes Limited

Notes to the financial statements for the year ended 31 December 2001

1 Segment information

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

2 Interest payable

	2001	2000
	£	£
Bank interest	189	-

3 Loss on ordinary activities before taxation

	2001	2000
	£	£
Staff costs	-	-
Auditors' remuneration	-	-

Auditor's remuneration and staff costs were borne by the company's ultimate parent undertaking Sterling Capitol PLC.

4 Tax on loss on ordinary activities

Tax on loss on ordinary activities comprises UK corporation tax of £Nil (2000: £Nil).

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

Capitol Homes Limited

5 Stocks

The net book value of stocks comprises:

	2001	2000
	£	£
Properties held for development	316,694	326,694

6 Creditors - Amounts falling due within one year

	2001	2000
	£	£
Amounts due to ultimate parent undertaking	826,888	814,697
Corporation tax	1	1
	826,889	814,698

7 Called up share capital

	2001	2000
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

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8 Reserves

	Profit and loss account £
At 1 January 2001	(488,104)
Loss for the year	(22,191)
At 31 December 2001	(510,295)

9 Movement in equity shareholders' deficit

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

	2001 £	2000 £
Loss for the year	(22,191)	(69,566)
Net reduction in equity shareholders' deficit	(22,191)	(69,566)
Opening equity shareholders' deficit	(488,004)	(418,438)
Closing equity shareholders' deficit	(510,195)	(488,004)

10 Related party transactions

Transactions with other companies within the Sterling Capitol Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures".

11 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.