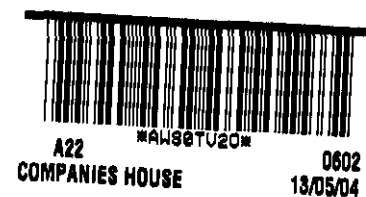


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PURELAKE NEW HOMES LIMITED**REPORT AND ACCOUNTS****YEAR ENDED 31 DECEMBER 2003****CONTENTS****PAGE**

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PURELAKE NEW HOMES LIMITED

Registered in England and Wales No.	2695040
Date of Incorporation	9 March 1992
Directors	B J White Mrs S A White G A Dowd
Company Secretary	Mrs S A White
Registered Office	Springbank Business Centre 87/89 Springbank Road London SE13 6SS
Auditors	Burrells Accountancy Limited Registered Auditors Jubilee House Jubilee Court Dersingham King's Lynn Norfolk PE31 6HH
Bankers	Barclays Bank plc Maidstone Corporate Banking Centre PO Box 427 Maidstone Kent ME14 1TW National Westminster Bank plc Second Floor 143 High Street Bromley Kent BR1 1JH

PURELAKE NEW HOMES LIMITED**REPORT OF THE DIRECTORS****YEAR ENDED 31 DECEMBER 2003**

The directors have pleasure in presenting their report and the accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company is the construction of new residential property.

REVIEW OF THE COMPANY'S BUSINESS

The company completed a number of developments during the year and continued to take advantage of the strength of the housing market.

The company made a profit after taxation for the year of £1710175 (period ended 31 December 2002 - £2093723) which was transferred to reserves.

DIVIDENDS

No interim dividends were paid in the year (period ended 31 December 2002 - £Nil). No final dividend is recommended.

PARENT COMPANY

The company is a subsidiary of Purelake Properties Limited which owns 80% of the Ordinary Share Capital (period ended 31 December 2002 - 80%).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served the company during the year together with details of their shareholdings are as follows: -

Shares in Parent Company**Ordinary Shares of £1 each
2003 and 2002**

B J White)	
) Jointly	
Mrs S A White)	

100

Shares in Company**Ordinary Shares of £1 each
2003 and 2002**

G A Dowd

20

PURELAKE NEW HOMES LIMITED**REPORT OF THE DIRECTORS****YEAR ENDED 31 DECEMBER 2003****CHARITABLE AND POLITICAL DONATIONS**

The company contributed £2991 during the year (period ended 31 December 2002 - £1723) to charities in the UK. No payments were made to political parties.

AUDITORS

In accordance with Section 384(1) of the Companies Act 1985 a resolution proposing the re-appointment of Burrells Accountancy Limited, Registered Auditors, will be presented at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE ACCOUNTS

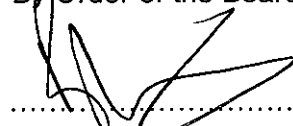
Company Law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the result for that period.

In preparing the accounts the directors are required to: -

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed.
- Prepare the accounts on a 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 accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



B. J. White
Director

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF
PURELAKE NEW HOMES LIMITED
YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements of Purelake New Homes Limited for the year ended 31 December 2003 on pages 5 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 9.

Responsibilities of Director and Auditors

As described on page 3 the company directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conduct our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Jubilee House
 Jubilee Court
 Dersingham
 King's Lynn
 Norfolk
PE31 6HH

Burrells

Burrells Accountancy Limited
 Registered Auditors

54 May 2004

PURELAKE NEW HOMES LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
<u>GROSS PROFIT</u>		3416580	4574538
 <u>ADMINISTRATIVE EXPENSES</u>		853835	1399373
		<hr/> 2562745	<hr/> 3175165
 <u>OTHER OPERATING INCOME</u>	17	161386	206654
<u>OPERATING PROFIT</u>	13	<hr/> 2724131	<hr/> 3381819
 <u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	18	270130	368365
 <u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		<hr/> 2454001	<hr/> 3013454

PURELAKE NEW HOMES LIMITED**PROFIT AND LOSS APPROPRIATION ACCOUNT****YEAR ENDED 31 DECEMBER 2003**

	<u>Note</u>	<u>Year Ended 31.12.03 £</u>	<u>Period 01.10.01 to 31.12.02 £</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		2454001	3013454
<u>TAXATION</u>	16	743826	919731
<u>RETAINED PROFIT</u> for year/period		1710175	2093723
<u>RETAINED PROFIT</u> brought forward		5040490	2946767
<u>RETAINED PROFIT</u> carried forward		6750665	5040490

CONTINUING OPERATIONS

None of the activities of the company were commenced or were discontinued during the current year or previous period.

TOTAL RECOGNISED GAINS AND LOSSES

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

PURELAKE NEW HOMES LIMITED**BALANCE SHEET - 31 DECEMBER 2003**

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	7	277820	213916
<u>CURRENT ASSETS</u>			
Stocks and Work in Progress	8	6875721	7586277
Debtors	9	4192941	2998649
Cash at Bank and in Hand		135524	386
		<u>11204186</u>	<u>10585312</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	10	4708028	5541241
<u>NET CURRENT ASSETS</u>		6496158	5044071
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>6773978</u>	<u>5257987</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	11	1233	195547
		<u>6772745</u>	<u>5062440</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	12	21980	21850
		<u>6750765</u>	<u>5040590</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	2	100	100
Profit and Loss Account		6750665	5040490
		<u>6750765</u>	<u>5040590</u>

B J White

Director

5 May 2004

Date

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PURELAKE NEW HOMES LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2003

	<u>Notes</u>	<u>Year Ended 31.12.03 £</u>	<u>Period 01.10.01 to 31.12.02 £</u>
<u>CASH INFLOW</u>			
<u>FROM OPERATING ACTIVITIES</u>	19	2403430	3495828
<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>			
Interest Received	159260		174131
Interest Paid	(270130)		(368365)
<u>Net Cash Outflow from Returns on Investments and Servicing of Finance</u>		(110870)	(194234)
<u>TAXATION</u>		(1155123)	65420
<u>CAPITAL EXPENDITURE</u>			
Payments to Acquire Fixed Assets	(131460)		(9710)
Receipts from Sales of Fixed Assets	--		1500
<u>Net Cash Outflow from Capital Expenditure</u>		(131460)	(8210)
<u>FINANCING</u>			
Repayment of Loans	(4500062)		(5956105)
Receipts from New Loans	3804739		2979852
Capital Hire Purchase Repayments	(63641)		(86875)
<u>Net Cash Outflow from Financing</u>		(758964)	(3063128)
<u>INCREASE IN CASH</u>		247013	295676
<u>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</u>	20		
Increase in Cash in the Year/Period		247013	295676
Capital Hire Purchase Repayments		63641	86875
Repayment of Loans		4500062	5956105
Receipts from New Loans		(3804739)	(2979852)
New Hire Purchase Agreement		--	(32606)
<u>Net Debt as at 31 December 2002/30 September 2001</u>		(2807308)	(6133506)
<u>Net Debt as at 31 December 2003/2002</u>		(1801331)	(2807308)

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2003****1. PRINCIPAL ACCOUNTING POLICIES****a) Accounting Convention**

The accounts are prepared under the historical cost convention.

b) Depreciation

Depreciation is calculated so as to write off the cost of the fixed assets on a reducing balance basis over their expected useful lives. The annual rates used are as follows: -

	<u>%</u>
Motor Vehicles	25
Equipment	25

c) Stocks and Work in Progress

Stocks and Work in Progress are valued at the lower of cost or net realisable value.

d) Deferred Taxation

Provision is made for deferred taxation in respect of timing differences that have originated but not reversed by the Balance Sheet date.

e) Hire Purchase Commitments

Assets obtained under Hire Purchase Contracts are capitalised in the Balance Sheet and depreciated over their useful lives. Interest is charged to the Profit and Loss Account over the period of the agreement.

f) Pension Costs

The company operates a money purchase pension scheme. Contributions for the period are charged to the Profit and Loss Account as paid.

PURELAKE NEW HOMES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2003

2. SHARE CAPITAL

2003 and 2002

Authorised - Ordinary Shares of £1 each	100
	=====
Issued and Fully Paid - Ordinary Shares	100
	=====

3. SECURED CREDITORS

Bank borrowings totalling £1053696 (period ended 31 December 2002 - £2548506) are from Barclays Bank plc and are secured by a charge over various developments in progress and a floating charge over all other assets.

Bank borrowings totalling £850612 (period ended 31 December 2002 - £Nil) are from National Westminster Bank plc and are secured by a charge over the one development in progress.

4. CONTROLLING PARTY

Mr and Mrs White, directors of the company, are the ultimate controlling parties.

5. HOLDING COMPANY

The company is a subsidiary of Purelake Properties Limited, a company incorporated in England. At 31 December 2003 the company owed £765696 (period ended 31 December 2002 - £771428) to the holding company in respect of loan advances which are repayable on demand.

The company paid interest on the loan at the rate it would pay interest to its bankers. The interest for the year ended 31 December 2003 amounted to £43969 (period ended 31 December 2002 - £75043).

6. TRANSACTIONS WITH RELATED PARTIES/COMPANIES

Purelake Investments Limited, a company incorporated in England, is a fellow subsidiary of Purelake Properties Limited. The company sold properties to Purelake Investments Limited totalling £476000 (period ended 31 December 2002 - £2294000), which are based on open market valuations. The company also undertook major building and refurbishment work for Purelake Investments Limited during the year, which totalled £3188000. At 31 December 2003 the company was owed £3566343 by Purelake Investments Limited (period ended 31 December 2002 - £2433384) in respect of loan advances which are repayable on demand.

The company charged interest at a commercial rate and for the year ended 31 December 2003 this amounted to £147499 (period ended 31 December 2002 - £168429).

The company operates a Self Administered Pension Scheme. The scheme had loaned £163000 to the company, which was repaid by the end of the year and attracted interest at the commercial rate.

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2003****7. TANGIBLE FIXED ASSETS**

	<u>Equipment</u>	<u>Motor</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>COST</u>			
At 31 December 2002	326901	93806	420707
Additions	107623	23837	131460
	<u>434524</u>	<u>117643</u>	<u>552167</u>
Disposals	--	8986	8986
At 31 December 2003	<u>434524</u>	<u>108657</u>	<u>543181</u>
<u>DEPRECIATION</u>			
At 31 December 2002	146683	60108	206791
Charge for Year	54692	12864	67556
	<u>201375</u>	<u>72972</u>	<u>274347</u>
Eliminated on Disposals	--	8986	8986
At 31 December 2003	<u>201375</u>	<u>63986</u>	<u>265361</u>
<u>NET BOOK VALUE</u>			
At 31 December 2003	<u>233149</u>	<u>44671</u>	<u>277820</u>
At 31 December 2002	<u>180218</u>	<u>33698</u>	<u>213916</u>

ASSETS ACQUIRED UNDER HIRE PURCHASE AGREEMENTS

The total net book value of fixed assets includes £106564 (period ended 31 December 2002 - £142088) in respect of assets acquired under hire purchase agreements after charging depreciation for the year of £35524 (period ended 31 December 2002 - £61222).

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PURELAKE NEW HOMES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2003

8.	<u>STOCKS AND WORK IN PROGRESS</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Stocks and Developments in Progress	6875721	7586277
9.	<u>DEBTORS</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Trade Debtors	443206	403074
	Taxation and Social Security Costs	112333	57397
	Prepayments	71059	104794
	Amounts Owed by Group Undertaking (Note 6)	3566343	2433384
		4192941	2998649
10.	<u>CREDITORS</u> <u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Bank Overdraft	--	111875
	Bank Loan Instalments	1904308	2436631
	Hire Purchase Instalments	31314	63641
	Trade Creditors	1406028	778372
	Amounts Owed to Group Undertaking (Note 5)	765696	771428
	Corporation Tax	525000	936427
	Other Taxes and Social Security Costs	42486	247811
	Accruals	29330	40420
	Directors Current Account	3866	154636
		4708028	5541241
11.	<u>CREDITORS</u> <u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Hire Purchase Instalments	1233	32547
	Other Loans (Note 6)	--	163000
		1233	195547
12.	<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Provision for Deferred Taxation	21980	21850

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PURELAKE NEW HOMES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2003

13. **OPERATING PROFIT**

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Operating profit is stated after charging: -		
Auditors Remuneration	35800	43686
Depreciation	67556	92967
	<hr/>	<hr/>

14. **STAFF COSTS**

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Directors Salaries	237000	657500
Directors Pension Costs	51242	61726
Other Salaries	570076	587130
Social Security Costs	93530	134825
Employees Pension Scheme	9537	8423
	<hr/>	<hr/>
	961385	1449604
	<hr/>	<hr/>

The average weekly number of employees during the year/period was made up as follows: -

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Directors	3	3
Site Managers and Labourers	13	11
Office	7	6
	<hr/>	<hr/>
	23	20
	<hr/>	<hr/>

15. **DIRECTORS EMOLUMENTS**

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Aggregate Emoluments	263754	697275
Pension Contributions	51242	61726
	<hr/>	<hr/>
	314996	759001
	<hr/>	<hr/>

The emoluments of the highest paid director for the year are £141776 (period ended 31 December 2002 - £508758).

There are 2 directors benefiting from the Money Purchase Pension Scheme (period ended 31 December 2002 - 2). Contributions for the year relating to the highest paid director amounted to £31014 (period ended 31 December 2002 - £31014).

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PURELAKE NEW HOMES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2003

16. TAXATION

Corporation Tax has been charged on the profits for the year at a rate of 30% (period ended 31 December 2002 - 30%) and amounts to £600000 (period ended 31 December 2002 - £936427).

The charge in the Profit and Loss Account is made up as follows: -

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Mainstream Corporation Tax Payable	600000	936427
Receipt from Parent Company for Surrender of Losses for the Year/Period	--	(31849)
Payment/(Receipt) to/(from) Fellow Subsidiary for Surrender of Losses for the Year/Period	143696	(6697)
Transfer to Deferred Taxation Provision	130	21850
	<u>743826</u>	<u>919731</u>

The deferred taxation charge provided for in the accounts is made up as follows: -

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Capital Allowances in Advance of Depreciation	<u>21980</u>	<u>21850</u>

17. OTHER OPERATING INCOME

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Rent Received	2126	32523
Bank Interest Received	4562	5702
Interest on Inter Company Loan (Note 6)	147499	168429
Interest on Late Payment of Property Sales	7199	--
	<u>161386</u>	<u>206654</u>

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2003****18. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Bank Charges	28988	15890
Bank Overdraft and Loan Interest	188647	268309
Interest on Inter Company Loan (Note 5)	43969	75043
Hire Purchase Interest	7438	9041
Other Interest Payable	1088	82
	<u>270130</u>	<u>368365</u>

**19. RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	Year Ended <u>31.12.03</u> £	Period 01.10.01 to <u>31.12.02</u> £
Operating Profit	2724131	3381819
Depreciation	67556	92967
Interest Received	(159260)	(174131)
Decrease in Stocks and Work in Progress	710556	1372319
Increase in Debtors	(1194292)	(1343906)
Increase in Creditors	254739	166760
	<u>2403430</u>	<u>3495828</u>
Net Cash Inflow from Operating Activities		

20. ANALYSIS OF CHANGES IN NET DEBT

	As at <u>31.12.02</u> £	Cash Flow £	Other Movement £	As at <u>31.12.03</u> £
Bank and Cash Balances	(111489)	247013	--	135524
Debt Due Within One Year	(2500272)	595964	(31314)	(1935622)
Debt Due After More Than One Year	(195547)	163000	31314	(1233)
	<u>(2807308)</u>	<u>1005977</u>	<u>--</u>	<u>(1801331)</u>
Total				