

PURELAKE NEW HOMES LIMITED**REPORT AND ACCOUNTS****YEAR ENDED 31 DECEMBER 2006**

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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 N Convert Miss T A Fleming (Appointed 01 07 07)
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 2006

The directors have pleasure in presenting their report and the accounts for the year ended 31 December 2006

BUSINESS REVIEW

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

There have been no significant changes in the company's principal activities in the year under review and the directors are not aware at the date of this report of any likely changes in the foreseeable future

In addition to a few speculative sales, the company has completed a number of developments during the year, which were under contract to housing associations. It has started new building work during the year on large developments which has resulted in an increase in the work in progress at the year end

The housing association contracts yield lower profit levels than speculative build and, therefore, the company made a reduced profit after taxation for the year of £378115 (2005 - £689390) which was transferred to reserves

The Balance Sheet shows that the company's financial position at the end of the year is, in net asset terms, strengthening. Details of amounts owed to its parent and from its fellow subsidiary are shown in the notes to the financial statements

The directors are unaware of any significant events since the Balance Sheet date that should be noted in the financial statements

The company's key financial performance indicators are those that reflect the financial performance and strength of the company. These include turnover, gross profit percentage, profits after tax and work in progress. Turnover has decreased during the year as there have been few completions of sites but it is, however, expected to increase significantly next year as major developments are due to be completed. Gross profit has increased as a result of the housing association contracts which have been completed in the year, which have yielded better returns than expected. Profit after tax has fallen as a result of the lower level of turnover for the year. Work in progress has increased as a large level of development work has been undertaken for which the majority is due to be completed within the current year

PRINCIPAL RISKS AND UNCERTAINTIES

The company is financed by bank loans which is set at base rate plus. The company is, therefore, subject to interest rate uncertainties

The company is also subject to the uncertainty of the housing market. It has, however, previously been able to sell all developed properties, and a large speculative development in the process of being built has shown great interest with the majority of the units being reserved

PURELAKE NEW HOMES LIMITED

REPORT OF THE DIRECTORS

YEAR ENDED 31 DECEMBER 2006

DIVIDENDS

No interim dividends were paid in the year (2005 - £Nil) The directors do not recommend the payment of a final dividend

PARENT COMPANY

The company is a subsidiary of Purelake Properties Limited which owns 80% of the Ordinary Share Capital (2005 - 80%)

DIRECTORS

The directors who served the company during the year are as follows -

B J White
Mrs S A White
G A Dowd
N Convert (Appointed 01 06 06)

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PURELAKE NEW HOMES LIMITED
REPORT OF THE DIRECTORS
YEAR ENDED 31 DECEMBER 2006

CHARITABLE AND POLITICAL DONATIONS

The company contributed £1354 during the year (2005 - £5046) 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

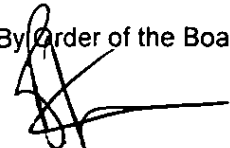
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, in determining how amounts are presented within items in the Profit and Loss Account and Balance Sheet, have regard to the substance of the reported transactions or arrangement in accordance with generally accepted accounting principles or practice.

DISCLOSURE TO AUDITORS

The following applies in respect of all directors -

- a) So far as the director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- b) Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By  Order of the Board

B J White
Director

REPORT OF THE AUDITORS TO
PURELAKE NEW HOMES LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 6 to 16 together with the full financial statements of the company for the year ended 31 December 2006 prepared under section 226 of the Companies Act 1985

Respective Responsibilities of Directors and Auditors

The company's directors are responsible for the preparation of abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of Opinion

We have carried out the procedures we consider necessary to confirm by reference to the full audited financial statements that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 6 to 16 are properly prepared in accordance with that provision.

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

Burrells

Burrells Accountancy Limited
Registered Auditors

23 October 2007

PURELAKE NEW HOMES LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2006**

	<u>Notes</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
<u>TURNOVER</u>		7421335	12442839
<u>COST OF SALES</u>		5079243	9807512
<u>GROSS PROFIT</u>		<u>2342092</u>	<u>2635327</u>
<u>ADMINISTRATIVE EXPENSES</u>		1686312	1476100
		<u>655780</u>	<u>1159227</u>
<u>OTHER OPERATING INCOME</u>		162473	50040
<u>OPERATING PROFIT</u>	13	<u>818253</u>	<u>1209267</u>
<u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	17	254834	236066
<u>PROFIT ON ORDINARY ACTIVITIES</u>		<u>563419</u>	<u>973201</u>
<u>BEFORE TAXATION</u>		<u>563419</u>	<u>973201</u>

PURELAKE NEW HOMES LIMITED
PROFIT AND LOSS APPROPRIATION ACCOUNT
YEAR ENDED 31 DECEMBER 2006

	<u>Note</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
<u>PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u>		563419	973201
 <u>TAXATION</u>	16	185304	283811
		<hr/>	<hr/>
<u>RETAINED PROFIT</u> for year		378115	689390
 <u>RETAINED PROFIT</u> brought forward	8919505		
<u>LESS</u> Capitalisation of Reserves	(9400)		
	<hr/>	8910105	8230115
 <u>RETAINED PROFIT</u> carried forward		<hr/>	<hr/>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

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

PURELAKE NEW HOMES LIMITED**BALANCE SHEET - 31 DECEMBER 2006**

	<u>Notes</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible Assets	7	219655	280268
<u>CURRENT ASSETS</u>			
Stocks and Work in Progress	8	7012449	5661663
Debtors	9	8264733	7169813
Cash at Bank and in Hand		93024	952920
		<u>15370206</u>	<u>13784396</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	10	6122042	4903915
<u>NET CURRENT ASSETS</u>		9248164	8880481
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>9467819</u>	<u>9160749</u>
<u>CREDITORS</u>			
<u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	11	156699	224444
		<u>9311120</u>	<u>8936305</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	12	12900	16700
		<u>9298220</u>	<u>8919605</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	2	10000	100
Profit and Loss Account		9288220	8919505
		<u>9298220</u>	<u>8919605</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium companies



B J White

Director

17 October 2007
Date

PURELAKE NEW HOMES LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
<u>CASH (OUTFLOW)/INFLOW</u>			
<u>FROM OPERATING ACTIVITIES</u>	18	(1644558)	1101859
<u>RETURNS ON INVESTMENTS AND</u>			
<u>SERVICING OF FINANCE</u>			
Interest Received	162098		48478
Interest Paid	(254834)		(236066)
<u>Net Cash Outflow from Returns on</u>			
<u>Investments and Servicing of Finance</u>		(92736)	(187588)
<u>TAXATION</u>		(365215)	(411915)
<u>CAPITAL EXPENDITURE</u>			
Payments to Acquire Fixed Assets	(10957)		(127709)
Proceeds of Disposal of Fixed Assets	--		5000
<u>Net Cash Outflow from Capital Expenditure</u>		(10957)	(122709)
<u>FINANCING</u>			
Receipts from Issuing Share Capital	500		--
Repayment of Loans	(443387)		(1403953)
Receipts from New Loans	1454610		1295000
Capital Hire Purchase Repayments	(13050)		(2321)
New Finance Agreements	--		39150
<u>Net Cash Inflow/(Outflow) from Financing</u>		998673	(72124)
<u>(DECREASE)/INCREASE IN CASH</u>		(1114793)	307523
<u>RECONCILIATION OF NET CASH</u>			
<u>FLOW TO MOVEMENT IN NET DEBT</u>	19		
(Decrease)/Increase in Cash in the Year		(1114793)	307523
Capital Hire Purchase Repayments		13050	2321
Repayment of Loans		443387	1403953
Receipts from New Loans		(1454610)	(1295000)
New Finance Agreements		--	(39150)
<u>Net Debt as at 1 January 2006 / 2005</u>		(2112966) (1825443)	379647 (2205090)
<u>Net Debt as at 31 December 2006 / 2005</u>		(3938409)	(1825443)

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2006****1 PRINCIPAL ACCOUNTING POLICIES****a) Accounting Convention**

The accounts are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice

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) Work in Progress

Long-term contracts are valued at cost (including its attributable profit) net of income received. Attributable profit is calculated with reference to the contract value and its level of completion.

All other work in progress is for direct sale and is costed at the lower of cost and 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 2006**

2	<u>SHARE CAPITAL</u>	<u>2006</u>	<u>2005</u>
	Authorised - Ordinary Shares of £1 each	9500	100
		<hr/>	<hr/>
	Authorised - Ordinary A Shares of £1 each	500	--
		<hr/>	<hr/>
	Issued and Fully Paid - Ordinary Shares	9500	100
		<hr/>	<hr/>
	Issued and Fully Paid - Ordinary A Shares	500	--
		<hr/>	<hr/>

During the year the company increased the authorised share capital by special resolution, and allotted a further 9400 Ordinary £1 Shares by a bonus issue 500 Ordinary A £1 Shares were issued at par

3 **SECURED CREDITORS**

Bank borrowings totalling £3540998 (2005 - £2320000) are from Barclays Bank plc and are secured by a fixed charge over specific developments in progress and a floating charge over all other assets. In addition there are cross guarantees in respect of all group companies, in favour of Barclays Bank plc

The bank borrowings from National Westminster Bank plc were repaid during the year. At 31 December 2005 borrowings totalling £170301 were secured by a fixed charge over one development in progress

There are hire purchase instalments totalling £25012 (2005 - £38062) secured on the fixed assets to which they relate

4 **CONTROLLING PARTY**

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

5 **HOLDING COMPANY**

The company is a subsidiary of Purelake Properties Limited, a company incorporated in England. At 31 December 2006 the company owed £381147 (2005 - £283267) 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 2006 amounted to £23848 (2005 - £23786)

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 £551200 (2005 - £395000), which are based on open market valuations. At 31 December 2006 the company was owed £7470649 by Purelake Investments Limited (2005 - £6517447) 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 2006 this amounted to £156019 (2005 - £35351)

The company has a loan from its pension scheme for which the balance at 31 December 2006 is £210526 (2005 - £250000), which is repayable within four years. It attracts interest at a commercial rate and the amount charged for the year ended 31 December 2006 was £16543 (2005 - £5270)

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2006****7 TANGIBLE FIXED ASSETS**

	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>COST</u>			
At 31 December 2005	524636	126331	650967
Additions	10957	--	10957
At 31 December 2006	<u>535593</u>	<u>126331</u>	<u>661924</u>
<u>DEPRECIATION</u>			
At 31 December 2005	303023	67676	370699
Charge for Year	56906	14664	71570
At 31 December 2006	<u>359929</u>	<u>82340</u>	<u>442269</u>
<u>NET BOOK VALUE</u>			
At 31 December 2006	<u>175664</u>	<u>43991</u>	<u>219655</u>
At 31 December 2005	<u>221613</u>	<u>58655</u>	<u>280268</u>

ASSETS ACQUIRED UNDER HIRE PURCHASE AGREEMENTS

The total net book value of fixed assets includes £31606 (2005 - £42141) in respect of assets acquired under hire purchase agreements after charging depreciation for the year of £10535 (2005 - £1359)

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PURELAKE NEW HOMES LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2006

8	<u>WORK IN PROGRESS</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
	Developments in Progress	7012449	5661663
		<hr/>	<hr/>
9	<u>DEBTORS</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
	Trade Debtors	620738	484416
	Taxation and Social Security Costs	88815	82398
	Corporation Tax	4500	--
	Prepayments	80031	85552
	Amounts Owed by Group Undertaking (Note 6)	7470649	6517447
		<hr/>	<hr/>
		8264733	7169813
		<hr/>	<hr/>
10	<u>CREDITORS</u> <u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
	Bank Overdraft	254897	--
	Bank Loan Instalments	3540998	2490301
	Other Loans (Note 6)	65789	50568
	Hire Purchase Instalments	13050	13050
	Trade Creditors	1417507	1558831
	Amounts Owed to Group Undertaking (Note 5)	381147	283267
	Corporation Tax	--	171611
	Other Taxes and Social Security Costs	298266	253673
	Accruals	69099	25993
	Directors Current Account	81289	56621
		<hr/>	<hr/>
		6122042	4903915
		<hr/>	<hr/>
11	<u>CREDITORS</u> <u>AMOUNTS FALLING DUE AFTER ONE YEAR</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
	Hire Purchase Instalments	11962	25012
	Other Loans (Note 6)	144737	199432
		<hr/>	<hr/>
		156699	224444
		<hr/>	<hr/>
12	<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
	Provision for Deferred Taxation	12900	16700
		<hr/>	<hr/>

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2006****13 OPERATING PROFIT**

Operating profit is stated after charging -	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Depreciation	71570	71217
Auditors Remuneration		
- Audit Fee	8400	7500
- Other Services	25150	27750

14 STAFF COSTS

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Directors Salaries	781181	618667
Directors Pension Costs	73360	71440
Other Salaries	753045	719594
Social Security Costs	181873	147568
Employees Pension Scheme	12405	11355
	<u>1801864</u>	<u>1568624</u>

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

	<u>2006</u> <u>No.</u>	<u>2005</u> <u>No.</u>
Directors	4	3
Site Managers and Labourers	16	15
Office	7	8
	<u>27</u>	<u>26</u>

15 DIRECTORS EMOLUMENTS

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Aggregate Emoluments	802316	657171
Pension Contributions	73360	71440
	<u>875676</u>	<u>728611</u>

The emoluments of the highest paid director for the year are £352719 (2005 - £397053)

There are 3 directors benefiting from the Money Purchase Pension Scheme (2005 - 2) Contributions for the year relating to the highest paid director amounted to £48300 (2005 - £48300)

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2006**16 **TAXATION**

Corporation Tax has been charged on the profits for the year at a rate of 19% (2005 - 30%) and amounts to £14250 (2005 - £284111)

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

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Mainstream Corporation Tax Payable	14250	284111
Payment to Fellow Subsidiary for Surrender of Losses for the Year	174854	--
Transfer from Deferred Taxation Provision	(3800)	(300)
	<u>185304</u>	<u>283811</u>

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

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Capital Allowances in Advance of Depreciation	12900	16700
	<u>12900</u>	<u>16700</u>

17 **INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Bank Charges	17330	7324
Bank Overdraft and Loan Interest	191669	195692
Interest on Inter Company Loan (Note 5)	23848	23786
Hire Purchase Interest	1650	405
Other Interest Payable	20337	8859
	<u>254834</u>	<u>236066</u>

PURELAKE NEW HOMES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2006**18 **RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Operating Profit	818253	1209267
Depreciation	71570	71217
Interest Received	(162098)	(48478)
(Increase)/Decrease in Work in Progress	(1350786)	458583
Increase in Debtors	(1090420)	(687564)
Increase in Creditors	68923	98834
Net Cash (Outflow)/Inflow from Operating Activities	<u>(1644558)</u>	<u>1101859</u>

19 **ANALYSIS OF CHANGES IN NET DEBT**

	<u>As at</u>	<u>Cash</u>	<u>Other</u>	<u>As at</u>
	<u>31.12.05</u>	<u>Flow</u>	<u>Movement</u>	<u>31.12.06</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Bank Overdraft	--	(254897)	--	(254897)
Bank and Cash Balances	952920	(859896)	--	93024
Debt Due Within One Year	(2553919)	(998173)	(67745)	(3619837)
Debt Due After More Than One Year	(224444)	--	67745	(156699)
Total	<u>(1825443)</u>	<u>(2112966)</u>	<u>--</u>	<u>(3938409)</u>