

Horncastle Homes Limited

Report and Financial Statements

31 March 2005

 **ERNST & YOUNG**



Horncastle Homes Limited

Registered No: 2221425

Directors

A N Horncastle
C D Horncastle

Secretary

C D Horncastle

Auditors

Ernst & Young LLP
PO Box 3
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

Barclays Bank PLC
Barclays House
10 Market Place
Hull
HU1 1RN

Registered Office

Beech Hill House
Beech Hill Road
Swanland
East Yorkshire
HU14 3QY

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year attributable to shareholders amounts to £3,737 (2004 - £40,825) and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

Principal activities and review of business developments

The principal activity of the company consists of residential development.

The directors are satisfied with the results for the year. Management will make every effort to maintain the progress of the company.

Directors

The directors of the company during the year ended 31 March 2005 were those listed below:

A N Horncastle

C D Horncastle

Directors' interests

According to the register maintained as required under the Companies Act 1985, none of the directors had any interest in the share capital of the company. Mr A N Horncastle retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr A N Horncastle is also a director of the ultimate holding company, Horncastle Group PLC, in whose accounts his interests in that company's share capital are shown.

Statement of directors' responsibilities 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 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.

The directors confirm that the accounts comply with the above requirements.


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.

Directors' report

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



C D Horncastle
Secretary

30 September 2005

Independent auditors' report

to the members of Horncastle Homes Limited

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 audit opinion

We conducted 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 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.

Independent auditors' report

to the members of Horncastle Homes Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Hull

30 September 2005

Profit and loss account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	50	64,751
Operating costs	3	32,977	34,542
Operating (loss)/profit	4	(32,927)	30,209
Interest receivable	6	38,261	20,816
Profit on ordinary activities before taxation		5,334	51,025
Taxation charge	7	1,597	10,200
Retained profit for the financial year		3,737	40,825

Movements on retained profits are set out in note 13.

Statement of total recognised gains and losses

for the year ended 31 March 2005

There are no recognised gains and losses other than the profit for the financial year of £3,737 (2004 – profit of £40,825).

Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Current assets			
Land held for resale		181,071	181,071
Debtors	8	79,818	111,347
Cash at bank and in hand	9	700,485	663,308
		<u>961,374</u>	<u>955,726</u>
Creditors: amounts falling due within one year			
Trade and other creditors	10	41,806	48,911
Corporation tax		9,016	-
		<u>50,822</u>	<u>48,911</u>
Total assets less current liabilities		<u>910,552</u>	<u>906,815</u>
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account	13	810,552	806,815
Equity shareholders' funds	14	<u>910,552</u>	<u>906,815</u>



A N Horncastle - Director

30 September 2005

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Accounting convention

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

Depreciation

The cost of fixed assets is written off by equal annual instalments over their expected useful lives as follows:

- Plant and machinery - over 2 to 7 years
- Motor vehicles - over 4 years.

Land held for resale

Land held for resale is valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

Turnover comprises the invoice value of sales exclusive of VAT. Both operating income and profit before tax are attributable to the principal continuing activity of the company in the United Kingdom.

Notes to the financial statements

at 31 March 2005

3. Operating costs

	2005	2004
	£	£
Increase in land held for resale	-	(4,116)
Raw materials and consumables	-	4,116
Other external charges	1,777	3,342
Other operating charges	31,200	31,200
	<u>32,977</u>	<u>34,542</u>

4. Operating profit

This is stated after charging:

	2005	2004
	£	£
Directors' emoluments	-	-
Auditors' remuneration – audit services	1,200	1,200
	<u>1,200</u>	<u>1,200</u>

5. Staff numbers

The monthly average number of employees including directors, during the year was as follows:

	2005	2004
	No.	No.
Management	<u>3</u>	<u>2</u>

All staff costs are borne by the ultimate holding company and no recharge is made to this company.

6. Interest receivable

	2005	2004
	£	£
Bank interest	38,697	21,638
Other interest	(436)	(822)
	<u>38,261</u>	<u>20,816</u>

Notes to the financial statements

at 31 March 2005

7. Taxation

a) Analysis of tax charge for the year

The charge based on the profit for the year comprises:

	2005 £	2004 £
UK corporation tax	871	-
Adjustments in respect of previous years	726	-
Group relief payable	-	10,200
Total current tax (note 7 (b))	1,597	10,200

b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	5,334	51,025
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	1,600	15,307
Expenses not deductible	-	334
Rate differences	(729)	(5,441)
Under/(over) provision in previous period	726	-
Total current tax (note 7 (a))	1,597	10,200

8. Debtors

	2005 £	2004 £
Due within one year:		
Trade debtors	66,619	66,619
Prepayments and accrued income	821	634
Other debtors	-	749
Amounts owed by group undertakings	12,378	43,345
	79,818	111,347

9. Bank balance

The ultimate holding company, Horncastle Group PLC, operates a group account with Barclays Bank PLC for all of its subsidiary undertakings. The bank balance of £700,485 is the company's proportion of the group bank balance (2004 - bank balance £663,308).

Notes to the financial statements

at 31 March 2005

10. Trade and other creditors

	2005	2004
	£	£
Accruals and deferred income	40,201	48,425
Other taxes and social security	1,605	486
	<u>41,806</u>	<u>48,911</u>

11. Deferred taxation

There are no provided or unprovided liabilities to deferred taxation.

12. Share capital

	Authorised 2005 and 2004 No.	Allotted, called up and fully paid 2005 and 2004 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

13. Profit and loss account

	£
At 1 April 2004	806,815
Profit for the financial year	3,737
At 31 March 2005	<u>810,552</u>

14. Reconciliation of movements in equity shareholders' funds

	2005	2004
	£	£
Profit for the financial year	3,737	40,825
Opening shareholders' funds	906,815	865,990
Closing shareholders' funds	<u>910,552</u>	<u>906,815</u>

Notes to the financial statements

at 31 March 2005

15. Guarantees and other financial commitments

The company, together with Horncastle Group PLC and certain fellow subsidiary undertakings, has entered into an unlimited guarantee in respect of the net indebtedness of all parties to the guarantee with Barclays Bank PLC. At 31 March 2005 the indebtedness due by the company under the guarantee was £nil (2004 - £nil).

The company granted a legal charge over certain land held for resale to Hawker Siddeley Properties Limited.

16. Related party transactions

The company has taken advantage of the exemption within FRS8 from disclosing details of transactions with other members of Horncastle Group PLC.

17. Parent undertaking and controlling party

The parent undertaking and controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is Horncastle Group PLC, registered in England and Wales. Horncastle Group PLC is the company's ultimate parent company. Copies of that company's accounts can be obtained from Companies House, Cardiff.