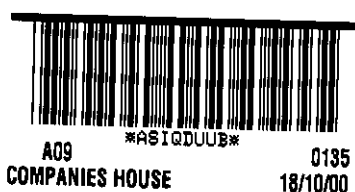


Horncastle Homes Limited

Report and Accounts

31 March 2000



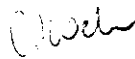
Horncastle Homes Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Horncastle Homes Limited will be held at the registered office of the company at 9.20am on 12 October 2000 to transact the following business:

- 1 To receive and adopt the directors' report and the audited accounts for the year ended 31 March 2000.
- 2 To re-appoint A N Horncastle as a director.
- 3 To re-appoint the auditors.
- 4 To authorise the directors to fix the remuneration of the auditors.

By order of the Board



C J L Newton
Secretary

Unicorn House
Broad Lane
Gilberdyke
East Yorkshire

27 July 2000

NOTE:

Any member of the company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

Horncastle Homes Limited

Registered No. 2221425

DIRECTORS

A N Horncastle

C R Ferris

(resigned 30 September 1999)

N White

(resigned 22 October 1999)

C J L Newton

SECRETARY

C J L Newton

AUDITORS

Ernst & Young

PO Box 3

Lowgate House

Lowgate

Hull HU1 1JJ

BANKERS

Barclays Bank PLC

Barclays House

10 Market Place

Hull HU1 1RN

REGISTERED OFFICE

Unicorn House

Broad Lane

Gilberdyke

East Yorkshire

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 March 2000.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £51,426 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 house building.

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 2000 were those listed on page 2.

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.

Messrs A N Horncastle and C J L Newton are directors of the ultimate holding company, Horncastle Group plc, in whose accounts their 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.

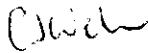
The directors confirm that the accounts comply with the above requirements.

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.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors, and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



C J L Newton
Secretary

27 July 2000

REPORT OF THE AUDITORS
to the members of Horncastle Homes Limited

We have audited the accounts on pages 6 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

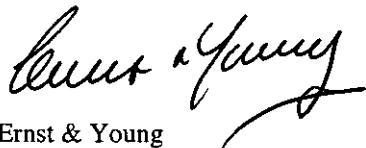
Basis of opinion

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 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 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 state of affairs of the company as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Ernst & Young', written in dark ink.

Ernst & Young
Registered Auditor
Hull

27 July 2000

Horncastle Homes Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2000

	<i>Notes</i>	<i>2000</i> £	<i>1999</i> £
TURNOVER	2	1,397,045	2,621,418
Operating costs	3	1,399,195	2,667,678
OPERATING LOSS	4	(2,150)	(46,260)
(Loss)/profit on disposal of fixed assets		-	(284)
Interest receivable	8	61,076	81,202
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,926	34,658
Taxation charge	9	7,500	5,327
RETAINED PROFIT FOR THE FINANCIAL YEAR		51,426	29,331

Movements on retained profits are set out in note 15.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2000

There are no recognised gains and losses other than the profit for the financial year of £51,426 (1999 - £29,331).

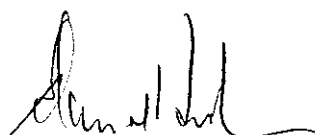
Horncastle Homes Limited

BALANCE SHEET

at 31 March 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	-	-
CURRENT ASSETS			
Stocks	9	136,337	567,625
Debtors	10	222,496	139,720
Cash at bank and in hand	11	946,492	636,702
		<u>1,305,325</u>	<u>1,344,047</u>
CREDITORS: amounts falling due within one year			
Trade and other creditors	12	639,118	725,335
Corporation tax		3,500	7,431
		<u>642,618</u>	<u>732,766</u>
NET CURRENT ASSETS		<u>662,707</u>	<u>611,281</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>662,707</u>	<u>611,281</u>
CAPITAL AND RESERVES			
Called up share capital	14	100,000	100,000
Profit and loss account	15	562,707	511,281
EQUITY SHAREHOLDERS' FUNDS	16	<u>662,707</u>	<u>611,281</u>

ERNST & YOUNG



A N Horncastle - Director

27 July 2000

NOTES TO THE ACCOUNTS

at 31 March 2000

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.

Stocks

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of overheads.

Deferred taxation

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

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.

3. OPERATING COSTS

	2000 £	1999 £
Decrease in stocks of finished goods and work in progress	431,288	99,983
Raw materials and consumables	888,840	557,426
Other external charges	37,067	1,874,720
Depreciation	-	400
Other operating charges	42,000	135,149
	<u>1,399,195</u>	<u>2,667,678</u>

Horncastle Homes Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

4. OPERATING PROFIT

This is stated after charging:

	2000 £	1999 £
Directors' emoluments	-	-
Auditors' remuneration	1,200	1,200

Certain fees for non-audit services provided by Ernst & Young to the company have been borne by the ultimate holding company. It is not practicable to ascertain what proportion of such fees relates to the company.

5. STAFF NUMBERS

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

	2000 No.	1999 No.
Management	2	2
Production, sales and other activities	1	1
	3	3

6. INTEREST RECEIVABLE

	2000 £	1999 £
Bank interest	44,306	38,452
Other interest	17,417	42,750
	61,723	81,202

7. TAXATION

The charge based on the profit for the year comprises:

	2000 £	1999 £
UK corporation tax	7,500	7,431
Adjustment in respect of prior years	-	(2,104)
	7,500	5,327

Horncastle Homes Limited

NOTES TO THE ACCOUNTS

at 31 March 2000

8. TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 31 March 1999 and 31 March 2000	8,960	6,936	15,896
Depreciation:			
At 31 March 1999 and 31 March 2000	8,960	6,936	15,896
Net book amounts:			
At 31 March 1999 and 31 March 2000	-	-	-

9. STOCKS

	<i>2000</i> £	<i>1999</i> £
Work in progress	136,337	567,625

The replacement cost of stocks is not materially different from the balance sheet value.

10. DEBTORS

Due within one year:

	<i>2000</i> £	<i>1999</i> £
Prepayments and accrued income	3,163	10,058
Other debtors	94,431	3,012
	97,594	13,070
Due after more than one year:		
Trade debtors	124,902	126,650
	222,496	139,720

11. 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 £946,492 disclosed on page 7 is the company's proportion of the group bank balance (1999 - bank balance £636,702).

12. TRADE AND OTHER CREDITORS

	<i>2000</i> £	<i>1999</i> £
Due to group undertakings	464,879	522,379
Accruals and deferred income	157,220	188,916
Other creditors	17,019	14,040
	639,118	725,335

NOTES TO THE ACCOUNTS

at 31 March 2000

13. DEFERRED TAXATION

There are no provided or unprovided liabilities to deferred taxation.

14. CALLED UP SHARE CAPITAL

*Authorised, allotted
and fully paid
2000 and 1999
£*

Ordinary shares of £1 each 100,000

15. PROFIT AND LOSS ACCOUNT

	2000 £	1999 £
At 31 March 1999	511,281	481,950
Profit for the financial year	51,426	29,331
At 31 March 2000	562,707	511,281

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	51,426	29,331
Opening shareholders' funds	611,281	581,950
Closing shareholders' funds	662,707	611,281

17. 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 2000 the indebtedness due by the company under the guarantee was £Nil (1999 - £3,801,469).

18. RELATED PARTY AND DIRECTOR'S INTEREST TRANSACTIONS

On 1 May 1996 Horncastle Homes Limited entered into an agreement with its fellow subsidiary Horncastle Properties Limited and Centurion Homes Limited, a company of which Mr C R Ferris is a director and a major shareholder. The agreement entails Centurion Homes building homes on behalf of Horncastle Homes and specifies the level of sale proceeds which are receivable by Horncastle Homes and Horncastle Properties for the sale of the houses and land respectively. Included in turnover is an amount of £1,302,400 in relation to sales under this agreement. The agreement was terminated on 30 September 1999 and no amounts are due to Centurion at 31 March 2000.

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

NOTES TO THE ACCOUNTS

at 31 March 2000

19. GROUP ACCOUNTS

The parent undertaking 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.