

Horncastle Homes Limited

Report and Financial Statements

31 March 2006

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

ERNST & YOUNG

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2006.

Results and dividends

The profit for the year attributable to shareholders amounts to £11,140 (2005 - £3,737) 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 2006 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. Mrs C D Horncastle retires at the forthcoming Annual General Meeting and, being eligible, offers herself 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 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

Directors' statements as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquires of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

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

C D Horncastle
Secretary

28 September 2006

Independent auditors' report

to the members of Horncastle Homes Limited

We have audited the company's financial statements for the year ended 31 March 2006 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 and whether the information in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

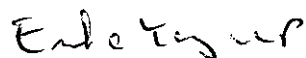
Independent auditors' report

to the members of Horncastle Homes Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
Hull

28 September 2006

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	2	429	50
Operating costs	3	33,323	32,977
Operating loss	4	(32,894)	(32,927)
Interest receivable	6	38,828	38,261
Profit on ordinary activities before taxation		5,934	5,334
Taxation (credit)/charge	7	(5,206)	1,597
Retained profit for the financial year		11,140	3,737

Movements on retained profits are set out in note 13.

Statement of total recognised gains and losses

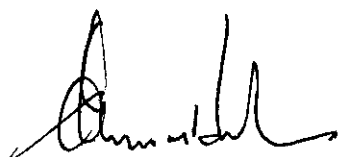
for the year ended 31 March 2006

There are no recognised gains and losses other than the profit for the financial year of £11,140 (2005 – profit of £3,737).

Balance sheet

at 31 March 2006

	Notes	2006 £	2005 £
Current assets			
Land held for resale		189,860	181,071
Debtors	8	87,033	79,818
Cash at bank and in hand	9	710,097	700,485
		<u>986,990</u>	<u>961,374</u>
Creditors: amounts falling due within one year			
Trade and other creditors	10	57,873	41,806
Corporation tax		7,425	9,016
		<u>65,298</u>	<u>50,822</u>
Total assets less current liabilities		<u>921,692</u>	<u>910,552</u>
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account	13	821,692	810,552
Equity shareholders' funds	14	<u>921,692</u>	<u>910,552</u>



A N Horncastle - Director

28 September 2006

Notes to the financial statements

at 31 March 2006

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 2006

3. Operating costs

	2006	2005
	£	£
Increase in land held for resale	(8,789)	-
Raw materials and consumables	8,789	-
Other external charges	2,123	1,777
Other operating charges	31,200	31,200
	<u>33,323</u>	<u>32,977</u>

4. Operating loss

This is stated after charging:

	2006	2005
	£	£
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:

	2006	2005
	No.	No.
Management	<u>3</u>	<u>3</u>

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

6. Interest receivable

	2006	2005
	£	£
Interest on tax	192	-
Bank interest	39,078	38,697
Other interest	(442)	(436)
	<u>38,828</u>	<u>38,261</u>

Notes to the financial statements

at 31 March 2006

7. Taxation

a) Analysis of tax (credit)/charge for the year

The (credit)/charge based on the profit for the year comprises:

	2006 £	2005 £
UK corporation tax	7,425	871
Adjustments in respect of previous years	(2,688)	726
Group relief receivable	(9,943)	-
Total current tax (note 7 (b))	(5,206)	1,597

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:

	2006 £	2005 £
Profit on ordinary activities before tax	5,934	5,334
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	1,780	1,600
Rate differences	(4,298)	(729)
(Over)/under provision in previous period	(2,688)	726
Total current tax (note 7 (a))	(5,206)	1,597

8. Debtors

	2006 £	2005 £
Due within one year:		
Trade debtors	66,619	66,619
Prepayments and accrued income	536	821
Other debtors	-	-
Amounts owed by group undertakings	19,878	12,378
	87,033	79,818

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 £710,097 is the company's proportion of the group bank balance (2005 - bank balance £700,485).

Notes to the financial statements

at 31 March 2006

10. Trade and other creditors

	2006	2005
	£	£
Accruals and deferred income	46,047	40,201
Other taxes and social security	3,431	1,605
Amounts owed to group undertakings	8,395	-
	<u>57,873</u>	<u>41,806</u>

11. Deferred taxation

There are no provided or unprovided liabilities to deferred taxation.

12. Share capital

	<i>Authorised 2006 and 2005 No.</i>	<i>Allotted, called up and fully paid 2006 and 2005 £</i>
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

13. Profit and loss account

	£
At 1 April 2005	810,552
Profit for the financial year	11,140
At 31 March 2006	<u>821,692</u>

14. Reconciliation of movements in equity shareholders' funds

	2006	2005
	£	£
Profit for the financial year	11,140	3,737
Opening shareholders' funds	910,552	906,815
Closing shareholders' funds	<u>921,692</u>	<u>910,552</u>

Notes to the financial statements

at 31 March 2006

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 2006 the indebtedness due by the company under the guarantee was £nil (2005 - £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.