

Capitol Homes Limited

Directors' report and accounts

for the year ended 31 December 2002

Registered Number 2688127



# Capitol Homes Limited

## Financial statements

for the year ended 31 December 2002

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# Capitol Homes Limited

## Directors' report for the year ended 31 December 2002

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2002.

### Principal activity and business review

The principal activity of the group is property development. The directors consider the results for the year to be satisfactory.

### Dividends

The directors do not recommend the payment of a dividend (2001: £nil).

### Directors and their interests

The directors who served during the period are as follows:

M Croxen

ML Armstrong (resigned 30 June 2003)

The directors' have no beneficial interest in the share capital of the company. The interests of Mr M Croxen in the shares of the ultimate holding company, Sterling Capitol Group Limited are shown in the annual report of Sterling Capitol Group Limited.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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.

### Independent auditors

Following the conversion of our auditors, PricewaterhouseCoopers, into a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 24 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A special resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board



M Croxen  
Secretary

28 July 2003

# Capitol Homes Limited

## Independent auditors' report to the members of Capitol Homes Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### Basis of audit 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 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne  
28 July 2003

## Capitol Homes Limited

### Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover	1	125,000	-
Cost of sales		(295,359)	(22,002)
Gross loss		(170,359)	(22,002)
Administrative expenses		-	-
Operating loss		(170,359)	(22,002)
Interest payable	2	(190)	(189)
Loss on ordinary activities before taxation	3	(170,549)	(22,191)
Tax on profit on ordinary activities	4	-	-
Loss for the financial year	9	(170,549)	(22,191)

All of the company's activities are continuing.

There were no recognised gains or losses other than the loss for the financial year.

There is no difference between the loss on ordinary activities before taxation and the result for the year stated above, and their historical cost equivalents.

# Capitol Homes Limited

## Balance sheet as at 31 December 2002

	Note	2002 £	2001 £
<b>Current assets</b>			
Stocks	5	34,165	316,694
Debtors	6	258	-
		34,423	316,694
<b>Creditors: amounts falling due within one year</b>	7	(715,167)	(826,889)
<b>Net liabilities</b>		(680,744)	(510,195)
<b>Capital and reserves</b>			
Called up share capital	8	100	100
Profit and loss account	9	(680,844)	(510,295)
<b>Equity shareholders' deficit</b>	8	(680,744)	(510,195)

The financial statements on pages 3 to 9 were approved by the board of directors on 28 July 2003 and were signed on its behalf by:



M Croxen  
Director

# Capitol Homes Limited

## Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year, other than as noted below, is set out below:

### **Basis of accounting**

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

The company has adopted FRS 19 "Deferred Tax" during the year. This is a change in accounting policy but in the opinion of the directors this has not had a material effect on the results of the prior year or current year.

As at the year end the company had net liabilities of £680,744 (2001: £510,195). However, the directors have prepared the accounts on the going concern basis because an undertaking has been received from the company's parent undertaking, Sterling Capitol PLC, to continue to provide financial support to the company to enable it to meet its debts as they fall due for the foreseeable future.

### **Cash flow statement**

As the company is wholly owned by an entity that has published a consolidated cash flow statement, the company has taken advantage of the exemption under Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement.

### **Turnover**

Turnover represents the value of legally completed property sales net of related taxes.

### **Taxation**

Corporation tax payable is provided on taxable profits at the current rates.

With effect from 1 January 2001, the company changed its accounting policy on "deferred tax" in line with FRS 19. FRS 19 introduces a form of full provision for accounting for deferred tax, called the incremental liability approach, which replaces the partial provision approach previously followed under SSAP 15.

Deferred tax is now provided on timing differences where the company has an obligation to pay more tax in the future as a result of the reversal of those timing differences. Previously deferred tax was provided on timing differences to the extent that they were expressed to reverse in the foreseeable future.

### **Stock**

Stocks are valued at the lower of cost and net realisable value.

Where the directors consider developments to be substantial with practical completion expected after more than one year from commencement and have been financed by specific identifiable borrowings, the cost of those developments includes interest attributable to those borrowings up to the point of practical completion.

# Capitol Homes Limited

## Notes to the financial statements for the year ended 31 December 2002

### 1 Segment information

All of the company's turnover and operating profit before interest are derived from its principal activity in the United Kingdom.

### 2 Interest payable

	2002	2001
	£	£
Bank interest	190	189

### 3 Loss on ordinary activities before taxation

	2002	2001
	£	£
Staff costs	-	-
Auditors' remuneration	-	-

Auditor's remuneration and staff costs were borne by the company's intermediate parent undertaking Sterling Capitol PLC.

### 4 Taxation

#### (a) Analysis of charge in the year

	2002	2001
	£	£
<b>Current tax</b>		
UK corporation tax on losses of the year	-	-
<b>Total current tax (note 4(b))</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on loss on ordinary activities</b>	-	-

# Capitol Homes Limited

## 4 Taxation (continued)

### (b) Factors affecting tax charge for the year

	2002	2001
	£	£
Loss on ordinary activities before tax	170,549	22,191
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(51,165)	(6,657)
Effects of:		
Other timing differences	6,842	-
Group relief surrendered not paid	44,323	6,657
<b>Current tax charge for the year (note 4(a))</b>	-	-

### (c) Factors that may affect future tax charges

No provision has been made for deferred tax on losses, as they are not expected to crystallise. The total amount of unprovided deferred tax is £6,842.

## 5 Stocks

The net book value of stocks comprises:

	2002	2001
	£	£
Properties held for development	34,165	316,694

## 6 Debtors

	2002	2001
	£	£
Other debtors	258	-

# Capitol Homes Limited

## 7 Creditors - Amounts falling due within one year

	2002	2001
	£	£
Amounts due to ultimate parent undertaking	715,167	826,888
Corporation tax	-	1
	715,167	826,889

## 8 Called up equity share capital

	2002	2001
	£	£
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	100	100

## 9 Reserves

	Profit and loss account £
At 1 January 2002	(510,295)
Loss for the year	(170,549)
At 31 December 2002	(680,844)

# Capitol Homes Limited

## 10 Movement in equity shareholders' deficit

The movement in equity shareholders' deficit during the year may be summarised as follows:

	2002 £	2001 £
Loss for the year	(170,549)	(22,191)
Net reduction in equity shareholders' deficit	(170,549)	(22,191)
Opening equity shareholders' deficit	(510,195)	(488,004)
Closing equity shareholders' deficit	(680,744)	(510,195)

## 11 Related party transactions

The company has taken advantage of the exemptions under Financial Reporting Standard No 8 as a wholly owned subsidiary and has not disclosed transactions with companies that are part of the Sterling Capitol Group Limited group.

## 12 Ultimate parent company

The company's immediate parent undertaking is Sterling Capitol PLC, a company registered in England and Wales. Group accounts have been prepared by this company and are available from Companies House.

The ultimate parent undertaking and controlling party is Sterling Capitol Group Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.