

Lanson Developments Limited

Financial statements

For the year ended 30 September 2005

Grant Thornton 



Company No. 3248750

Officers and professional advisers

Company registration number	3248750
Registered office	Waverley Edgerton Road Huddersfield West Yorkshire HD3 3AR
Directors	J R Cookson P V Carolan M H R I Wilson M Dulieu S Schofield
Secretary	GM Berryman-Smart
Bankers	Yorkshire Bank plc 4 Victoria Place Manor Road Leeds West Yorkshire LS11 5RE
Solicitors	Shulmans 120 Wellington Street Leeds LS11 5AE
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors St Johns Centre 110 Albion Street Leeds LS2 8LA

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 September 2005.

Principal activities and business review

The principal activity of the company during the year was the construction of residential property.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 September 2005	At 1 October 2004 or later date of appointment
J R Cookson	1	1
P V Carolan	1	1
J Kynaston	-	-
M H R I Wilson	-	-
M Dulieu	-	-

P V Carolan was appointed as a director on 5 January 2005.

M H R I Wilson was appointed as a director on 5 January 2005.

M Dulieu was appointed as a director on 12 August 2005.

J Kynaston resigned on 31 March 2006.

S Schofield was appointed as a director on 1 January 2006.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent

- prepare the financial statements on the 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

During the year the company made the following contributions:

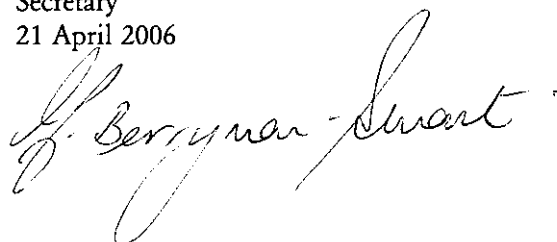
	2005	2004
	£	£
Charitable	<u>4,917</u>	<u>-</u>

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

GM Berryman-Smart
Secretary
21 April 2006



Report of the independent auditors to the members of Lanson Developments Limited

We have audited the financial statements of Lanson Developments Limited for the year ended 30 September 2005 which comprise the accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 18. These financial statements have been prepared under 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' responsibilities for preparing the report of the directors and the financial statements in accordance with 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.

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 report of the directors 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 other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

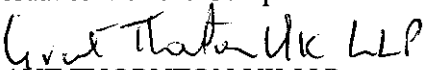
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Report of the independent auditors to the members of Lanson Developments Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LEEDS

21 April 2006

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents the sales of residential dwellings in respect of which legal completion has taken place. Turnover is exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2% on cost
Equipment	- 25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress. Interest on loans taken out to finance developments is included in work in progress to the date of practical completion.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more tax in future, or a right to pay less tax in future. 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 based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	10,856,222	12,559,435
Cost of sales		8,805,024	11,130,837
Gross profit		2,051,198	1,428,598
Other operating charges	2	878,921	516,621
Operating profit	3	1,172,277	911,977
Interest receivable		3,012	4,165
Interest payable and similar charges	6	(571,616)	(456,407)
Profit on ordinary activities before taxation		603,673	459,735
Tax on profit on ordinary activities	7	169,600	143,201
Retained profit for the financial year		434,073	316,534

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	<u>432,544</u>	<u>-</u>
Current assets			
Stocks	9	15,954,629	8,915,141
Debtors	10	<u>1,867,947</u>	<u>1,183,525</u>
		17,822,576	10,098,666
Creditors: amounts falling due within one year	11	<u>16,010,943</u>	<u>8,604,006</u>
Net current assets		<u>1,811,633</u>	<u>1,494,660</u>
Total assets less current liabilities		<u>2,244,177</u>	<u>1,494,660</u>
Creditors: amounts falling due after more than one year	12	<u>1,013,177</u>	<u>697,733</u>
		<u>1,231,000</u>	<u>796,927</u>
Capital and reserves			
Called-up equity share capital	15	2	2
Profit and loss account	16	<u>1,230,998</u>	<u>796,925</u>
Shareholders' funds	17	<u>1,231,000</u>	<u>796,927</u>

These financial statements were approved by the directors on 21 April 2006 and are signed on their behalf by:

J R Cookson
Director



Cash flow statement

	Note	2005 £	2004 £
Net cash outflow from operating activities	18	(4,366,983)	(1,292,684)
Returns on investments and servicing of finance	18	(568,604)	(452,242)
Taxation	18	(140,772)	13,504
Capital expenditure and financial investment	18	(441,465)	1
Cash outflow before financing		<u>(5,517,824)</u>	<u>(1,731,421)</u>
Financing	18	5,524,467	1,462,300
Increase/(decrease) in cash	18	<u>6,643</u>	<u>(269,121)</u>

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	<u>10,856,222</u>	<u>12,559,435</u>

2 Other operating income and charges

	2005 £	2004 £
Administrative expenses	<u>878,921</u>	<u>516,621</u>

3 Operating profit

Operating profit is stated after charging:

	2005 £	2004 £
Depreciation of owned fixed assets	8,921	-
Auditors' remuneration:		
Audit fees	8,500	7,500
Operating lease costs:		
Land and buildings	<u>50,985</u>	<u>50,740</u>

4 Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 12 (2004: 4).

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	365,604	230,338
Social security costs	48,155	17,464
	<u>413,759</u>	<u>247,802</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	92,750	43,141
Compensation for loss of office	-	30,000
	<u>92,750</u>	<u>73,141</u>

6 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowing	432,897	326,520
Other similar charges payable	138,719	129,887
	<u>571,616</u>	<u>456,407</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK corporation tax based on the results for the year at 30% (2004 - 30%)	185,533	156,727
Over/under provision in prior year	(15,933)	(13,526)
Total current tax	<u>169,600</u>	<u>143,201</u>

(b) Factors affecting current tax charge

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>603,673</u>	<u>459,735</u>
Profit on ordinary activities by rate of tax (30%)	181,102	137,921
Expenses not deductible for tax purposes	1,931	2,699
Depreciation in excess of capital allowances	2,500	-
Utilisation of tax losses	-	(33)
Adjustments to tax charge in respect of prior periods	(15,933)	(1,252)
Other timing difference	-	3,866
Total current tax (note 7(a))	<u>169,600</u>	<u>143,201</u>

8 Tangible fixed assets

	Freehold Property £	Equipment £	Total £
Cost			
Additions	440,000	1,465	441,465
At 30 September 2005	<u>440,000</u>	<u>1,465</u>	<u>441,465</u>
Depreciation			
Charge for the year	8,800	121	8,921
At 30 September 2005	<u>8,800</u>	<u>121</u>	<u>8,921</u>
Net book value			
At 30 September 2005	<u>431,200</u>	<u>1,344</u>	<u>432,544</u>
At 30 September 2004	<u>-</u>	<u>-</u>	<u>-</u>

9 Stocks

	2005 £	2004 £
Raw materials	3,671,292	2,397,506
Work in progress	<u>12,283,337</u>	<u>6,517,635</u>
	<u>15,954,629</u>	<u>8,915,141</u>

Interest on capital borrowed to finance production is included in short term work in progress to the extent of £560,460 (2004: £,197,333)

10 Debtors

	2005 £	2004 £
Trade debtors	3,379	354
Amounts owed by related parties	1,841,772	1,106,953
Other debtors	<u>22,796</u>	<u>76,218</u>
	<u>1,867,947</u>	<u>1,183,525</u>

11 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	10,696,993	5,494,613
Trade creditors	459,717	289,180
Amounts owed to related parties	876,771	1,517,986
Corporation tax	185,533	156,705
Other taxation and social security	109,474	16,982
Other creditors	12,912	159,833
Accruals and deferred income	3,669,543	968,707
	<u>16,010,943</u>	<u>8,604,006</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company.

12 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Other creditors	-	501,490
Loans from directors	1,013,177	196,243
	<u>1,013,177</u>	<u>697,733</u>

13 Commitments under operating leases

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2005 £	2004 £
Operating leases which expire:		
Within 1 year	-	50,000
	<u>-</u>	<u>50,000</u>

14 Related party transactions

At the year end there was debt due from JR Cookson of £1,171 (2004: £nil), debt due to PV Carolan of £713,177 (2004: £501,490), debt due to M Delieu of £200,000 (2004: £nil) and debt due to J Kynaston £100,000 (2004: £nil). The amounts outstanding at the year end were also the maximum amounts outstanding during the year. The company also made sales to the directors of:

PV Carolan	£287,240
J R Cookson	£697,250
J Kynaston	£259,770

Purchases from other related parties, by virtue of common directorship, were as follows:

J R Cookson (Contracting) Limited £10,174,074 (2004: £9,060,410)
J R Cookson (Developments) Limited £nil (2004: £64,862)
Lanson Securities £nil (2004: £50,678)
The company also paid management charges of £nil (2004: £15,000)

Balances with related parties, by virtue of common directorships, were as follows:

	2005	2004
	£	£
Lanson Estates Limited	1,536,545	854,646
Lounge 68 Limited	27,046	2,035
MIL Developments Limited	171,864	118,085
J R Cookson Developments Limited	-	(39,323)
J R Cookson (Contracting) Limited	(876,771)	(1,478,663)
Lanson Securities Limited	24,744	67,938
Lanson Life Limited	65,297	60,250
Life Homes Limited	15,106	-
	<u>963,831</u>	<u>(415,032)</u>

The directors consider that there is no ultimate controlling related party of this company

15 Share capital

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

16 Profit and loss account

	2005 £	2004 £
Balance brought forward	796,925	480,391
Retained profit for the financial year	434,073	316,534
Balance carried forward	<u>1,230,998</u>	<u>796,925</u>

17 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	434,073	316,534
Opening shareholders' equity funds	796,927	480,393
Closing shareholders' equity funds	<u>1,231,000</u>	<u>796,927</u>

18 Notes to the statement of cash flows

Reconciliation of operating profit to net cash outflow from operating activities

	2005 £	2004 £
Operating profit	1,172,277	911,977
Depreciation	8,921	-
Increase in stocks	(7,039,488)	(1,571,716)
Increase in debtors	(684,422)	(827,398)
Increase in creditors	2,175,729	194,453
Net cash outflow from operating activities	<u>(4,366,983)</u>	<u>(1,292,684)</u>

Returns on investments and servicing of finance

	2005 £	2004 £
Interest received	3,012	4,165
Interest paid	(571,616)	(456,407)
Net cash outflow from returns on investments and servicing of finance	<u>(568,604)</u>	<u>(452,242)</u>

Taxation

	2005 £	2004 £
Taxation	<u>(140,772)</u>	<u>13,504</u>

18 Notes to the statement of cash flows (continued)

Capital expenditure and financial investment

	2005 £	2004 £
Payments to acquire tangible fixed assets	(441,465)	-
Disposal of investments	-	1
Net cash (outflow)/inflow for capital expenditure and financial investment	<u>(441,465)</u>	<u>1</u>

Financing

	2005 £	2004 £
Increase in bank loans	5,209,023	1,364,031
Net inflow from other long-term creditors	315,444	98,269
Net cash inflow from financing	<u>5,524,467</u>	<u>1,462,300</u>

Reconciliation of net cash flow to movement in net debt

	2005 £	2004 £
Increase/(decrease) in cash in the period	6,643	(269,121)
Net cash (inflow) from bank loans	(5,209,023)	(1,364,031)
Net cash (inflow) from other long-term creditors	(315,444)	(98,269)
	<u>(5,517,824)</u>	<u>(1,731,421)</u>
Change in net debt	<u>(5,517,824)</u>	<u>(1,731,421)</u>
Net debt at 1 October 2004	<u>(6,192,346)</u>	<u>(4,460,925)</u>
Net debt at 30 September 2005	<u>(11,710,170)</u>	<u>(6,192,346)</u>

18 Notes to the statement of cash flows (continued)

Analysis of changes in net debt

	At 1 Oct 2004 £	Cash flows £	At 30 Sep 2005 £
Net cash:			
Overdrafts	(269,121)	6,643	(262,478)
Debt:			
Debt due within 1 year	(5,225,492)	(5,209,023)	(10,434,515)
Debt due after 1 year	(697,733)	(315,444)	(1,013,177)
	<u>(5,923,225)</u>	<u>(5,524,467)</u>	<u>(11,447,692)</u>
Net debt	<u>(6,192,346)</u>	<u>(5,517,824)</u>	<u>(11,710,170)</u>

19 Guarantees

The company has entered into guarantees amounting to £452,000.