

Lanson Developments Limited
Financial statements
For the year ended 30 September 2004

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 J Kynaston M H R I Wilson
Secretary	J D Sheffield
Bankers	Yorkshire Bank plc 4 Victoria Place Manor Road Leeds West Yorkshire LS11 5RE
Solicitors	Robert Muckle Norham House New Bridge Street West Newcastle Upon Tyne NE1 8AS Ludgate Morrell 39 Market Street Huddersfield West Yorkshire HD1 2HL
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 2004.

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 2004	At 1 October 2003 or later date of appointment
J R Cookson	1	1
K N Hardman (died 9 June 2004)	—	—
P V Carolan (see below)	—	—
J Kynaston (appointed 25 August 2004)	—	—

P V Carolan was appointed as a director on 28 November 2003, resigned on 30 August 2004, and was reappointed on 5 January 2005.

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

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.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

J R Cookson
Director
21 February 2005



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 2004 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 2004 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

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LEEDS

23 February 2005

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.

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.

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 operated a defined contribution pension scheme for employees which ceased in 2003. The assets of the scheme were 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	2004 £	2003 £
Turnover	1	12,559,435	2,751,236
Cost of sales		11,130,837	2,408,594
Gross profit		1,428,598	342,642
Other operating charges	2	516,621	371,622
Operating profit/(loss)	3	911,977	(28,980)
Interest receivable		4,165	—
Interest payable and similar charges	6	(456,407)	(198,091)
Profit/(loss) on ordinary activities before taxation		459,735	(227,071)
Tax on profit/(loss) on ordinary activities	7	143,201	(30,000)
Retained profit/(loss) for the financial year		316,534	(197,071)
Balance brought forward		480,391	677,462
Balance carried forward		796,925	480,391

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	2004 £	2003 £
Fixed assets			
Investments	8	—	1
Current assets			
Stocks	9	8,915,141	7,343,425
Debtors	10	1,183,525	356,127
		<u>10,098,666</u>	<u>7,699,552</u>
Creditors: amounts falling due within one year	11	<u>8,604,006</u>	<u>6,614,664</u>
Net current assets		<u>1,494,660</u>	<u>1,084,888</u>
Total assets less current liabilities		<u>1,494,660</u>	<u>1,084,889</u>
Creditors: amounts falling due after more than one year	12	<u>697,733</u>	<u>604,496</u>
		<u>796,927</u>	<u>480,393</u>
Capital and reserves			
Called-up equity share capital	15	2	2
Profit and loss account		<u>796,925</u>	<u>480,391</u>
Shareholders' funds	17	<u>796,927</u>	<u>480,393</u>

These financial statements were approved by the directors on 21 February 2005 and are signed on their behalf by:



J R Cookson
Director

Cash flow statement

	Note	2004 £	2003 £
Net cash outflow from operating activities	18	(1,292,684)	(4,970,297)
Returns on investments and servicing of finance	18	(452,242)	(198,091)
Taxation	18	13,504	30,000
Capital expenditure and financial investment	18	1	25,000
Cash outflow before financing		<u>(1,731,421)</u>	<u>(5,113,388)</u>
Financing	18	1,462,300	4,460,925
Decrease in cash	18	<u>(269,121)</u>	<u>(652,463)</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:

	2004 £	2003 £
United Kingdom	<u>12,559,435</u>	<u>2,751,236</u>

2 Other operating income and charges

	2004 £	2003 £
Administrative expenses	<u>516,621</u>	<u>371,622</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2004 £	2003 £
Auditors' remuneration:		
Audit fees	7,500	6,500
Operating lease costs:		
Land and buildings	<u>50,740</u>	<u>—</u>

4 Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 4 (2003 - 3).

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	230,338	106,230
Social security costs	17,464	10,647
Other pension costs	—	1,500
	<u>247,802</u>	<u>118,377</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	43,141	6,865
Compensation for loss of directorship	30,000	—
	<u>73,141</u>	<u>6,865</u>

6 Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	326,520	89,251
Other similar charges payable	129,887	108,840
	<u>456,407</u>	<u>198,091</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2003 - 20%)	156,727	(30,000)
Over/under provision in prior year	(13,526)	—
Total current tax	<u>143,201</u>	<u>(30,000)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 20%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>459,735</u>	<u>(227,071)</u>
Profit/(loss) on ordinary activities by rate of tax	137,921	(45,414)
Expenses not deductible for tax purposes	2,699	3,000
Utilisation of tax losses	(33)	—
Unrelieved tax losses	—	12,414
Adjustments to tax charge in respect of previous periods	(1,252)	—
Other timing difference	3,866	—
Total current tax (note 7(a))	<u>143,201</u>	<u>(30,000)</u>

8 Investments

	Investment in joint venture
	£
Cost	
At 1 October 2003	1
Disposals	(1)
At 30 September 2004	<u>—</u>
Net book value	
At 30 September 2004	<u>—</u>
At 30 September 2003	<u>1</u>

9 Stocks

	2004	2003
	£	£
Raw materials	2,397,506	1,599,022
Work in progress	6,517,635	5,744,403
	<u>8,915,141</u>	<u>7,343,425</u>

Interest on capital borrowed to finance production is included in short term work in progress to the extent of £197,333 (2003: £67,431)

10 Debtors

	2004	2003
	£	£
Trade debtors	354	—
Amounts owed by related undertakings	1,106,953	278,972
Other debtors	76,218	77,155
	<u>1,183,525</u>	<u>356,127</u>

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	5,494,613	3,856,429
Trade creditors	289,180	216,604
Amounts owed to related undertakings	1,517,986	634,136
Corporation tax	156,705	—
Other taxation and social security	16,982	3,783
Other creditors	159,833	284,221
Accruals and deferred income	968,707	1,619,491
	<u>8,604,006</u>	<u>6,614,664</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

	2004 £	2003 £
Bank loans and overdrafts	—	5,032
Other creditors	501,490	—
Loans from directors	196,243	599,464
	<u>697,733</u>	<u>604,496</u>

13 Commitments under operating leases

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2004 £	2003 £
Operating leases which expire:		
Within 1 year	<u>50,000</u>	<u>—</u>

14 Related party transactions

At the year end there was a debt due to J R Cookson of £Nil (2003: £4,774) and a debt due to P V Carolan of £501,490 (2003: £599,463). The company also made sales to directors of:

J R Cookson	£195,000
K Hardman	£ 84,950
P V Carolan	£195,000

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

JR Cookson (Contracting) Limited £9,060,410 (2003: £4,441,274)
JR Cookson (Developments) Limited £64,862 (2003: £666,445)
Lanson Securities Limited £50,678 ((2003: £Nil)
The company also paid management charges of £15,000 (2003: £60,253) to JR Cookson (Contracting) Limited.

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

	2004 £	2003 £
Lanson Estates Limited (creditor)	854,646	(161,277)
Lounge 68 Limited	2,035	3,854
Lanson Life Limited	60,250	—
Lanson Securities Limited	67,938	—
MIL Developments Limited	118,085	113,567
J R Cookson Developments Limited	(39,323)	—
J R Cookson (Contracting) Limited	(1,478,663)	(311,493)

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

15 Share capital

Authorised share capital:

	2004 £	2003 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

16 Profit and loss account

	2004 £	2003 £
Balance brought forward	480,391	677,462
Retained profit/(accumulated loss) for the financial year	316,534	(197,071)
Balance carried forward	<u>796,925</u>	<u>480,391</u>

17 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit/(Loss) for the financial year	316,534	(197,071)
Opening shareholders' equity funds	480,393	677,464
Closing shareholders' equity funds	<u>796,927</u>	<u>480,393</u>

18 Notes to the statement of cash flows

Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2004 £	2003 £
Operating profit/(loss)	911,977	(28,980)
Increase in stocks	(1,571,716)	(7,343,425)
Increase in debtors	(827,398)	(356,127)
Increase in creditors	194,453	2,758,235
Net cash outflow from operating activities	<u>(1,292,684)</u>	<u>(4,970,297)</u>

Returns on investments and servicing of finance

	2004 £	2003 £
Interest received	4,165	—
Interest paid	(456,407)	(198,091)
Net cash outflow from returns on investments and servicing of finance	<u>(452,242)</u>	<u>(198,091)</u>

Taxation

	2004 £	2003 £
Taxation	<u>13,504</u>	<u>30,000</u>

Capital expenditure and financial investment

	2004 £	2003 £
Disposal of investments	1	25,000
Net cash inflow for capital expenditure and financial investment	<u>1</u>	<u>25,000</u>

18 Notes to the statement of cash flows (continued)

Financing

	2004 £	2003 £
Increase in bank loans	1,364,031	3,861,461
Net inflow from other long-term creditors	98,269	599,464
Net cash inflow from financing	<u>1,462,300</u>	<u>4,460,925</u>

Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Decrease in cash in the period	(269,121)	(652,463)
Net cash (inflow) from bank loans	(1,364,031)	(3,861,461)
Net cash (inflow) from other long-term creditors	(98,269)	(599,464)
	<u>(1,731,421)</u>	<u>(5,113,388)</u>
Change in net debt	<u>(1,731,421)</u>	<u>(5,113,388)</u>
Net debt at 1 October 2003	<u>(4,460,925)</u>	652,463
Net debt at 30 September 2004	<u>(6,192,346)</u>	<u>(4,460,925)</u>

Analysis of changes in net debt

	At 1 Oct 2003 £	Cash flows £	At 30 Sep 2004 £
Net cash:			
Overdrafts	—	(269,121)	(269,121)
Debt:			
Debt due within 1 year	(3,856,429)	(1,369,063)	(5,225,492)
Debt due after 1 year	(604,496)	(93,237)	(697,733)
	<u>(4,460,925)</u>	<u>(1,462,300)</u>	<u>(5,923,225)</u>
Net debt	<u>(4,460,925)</u>	<u>(1,731,421)</u>	<u>(6,192,346)</u>