

**BUSINESS HOMES MIDLANDS LIMITED**

**Report and Financial Statements**

**30 September 2005**



**REPORT AND FINANCIAL STATEMENTS 2005**

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## **DIRECTORS' REPORT**

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

### **PRINCIPAL ACTIVITY**

The company's principal activity is property investment and development.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The directors consider the results of the company to be satisfactory and look forward to the sale of further buildings in the forthcoming year.

### **RESULTS AND DIVIDENDS**

The results for the year are set out in the profit and loss account on page 4. No dividend is proposed (2004: nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

R E Blyth  
N Foster  
J S H Houlston  
S L H Houlston

No director had any interests in the shares of the company during the year.

### **AUDITORS**

Deloitte and Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'A C Green', written over a circular stamp or seal.

A C Green  
Secretary

## STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company for that period. 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
- state whether applicable accounting standards have been followed
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the company's system of internal financial control, 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' REPORT TO THE MEMBERS OF BUSINESS HOMES MIDLANDS LIMITED**

We have audited the financial statements of Business Homes Midlands Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net debt and the related notes 1 to 16. 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit 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.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs 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.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Birmingham

*4 January 2006*

# BUSINESS HOMES MIDLANDS LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 September 2005

		Year ended 30 September 2005 £	Year ended 30 September 2004 £
	Note		
<b>TURNOVER</b>		3,682,198	-
Cost of sales		(3,134,523)	-
<b>GROSS PROFIT</b>		547,675	-
Administrative expenses		(86,900)	(71,693)
<b>OPERATING PROFIT/(LOSS)</b>	3	460,775	(71,693)
Interest payable, net	4	(216,870)	(110,210)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		243,905	(181,903)
Tax on profit on ordinary activities	5	(10,670)	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	10	233,235	(181,903)

All activities derive from continuing operations.

There were no recognised gains and losses in either period other than the loss for the year.

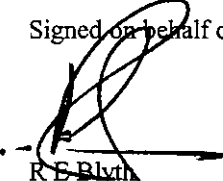
**BUSINESS HOMES MIDLANDS LIMITED**

**BALANCE SHEET**  
**30 September 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments		2	-
<b>CURRENT ASSETS</b>			
Work in progress		3,320,589	3,856,104
Debtors	7	15,191	220,971
Cash at bank and in hand		101,371	-
		<u>3,437,151</u>	<u>4,077,075</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(3,404,216)</u>	<u>(4,277,373)</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>32,935</u>	<u>(200,298)</u>
<b>TOTAL ASSETS</b>		<u><u>32,937</u></u>	<u><u>(200,298)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1,000	1,000
Profit and loss account	10	31,937	(201,298)
<b>EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>	11	<u><u>32,937</u></u>	<u><u>(200,298)</u></u>

These financial statements were approved by the Board of Directors on 14<sup>th</sup> December 2005

Signed on behalf of the Board of Directors

  
R E Blyth

Director

  
S L H Houlston

Director

**CASH FLOW STATEMENT**  
**Year ended 30 September 2005**

		<b>Year ended 30 September 2005 £</b>	<b>Year ended 30 September 2004 £</b>
	<b>Note</b>		
<b>Net cash inflow / (outflow) from operating activities</b>	12	1,475,230	(3,991,612)
<b>Returns on investments and servicing of finance</b>	13	(209,957)	(59,842)
<b>Investment in subsidiaries</b>		(2)	
<b>Financing</b>	13	<u>(818,237)</u>	<u>3,702,350</u>
<b>Increase / (decrease) in cash in the period</b>		<u><u>447,034</u></u>	<u><u>(349,104)</u></u>

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**Reconciliation of net cash flow to movement in net debt**

		<b>Year ended 30 September 2005 £</b>	<b>Year ended 30 September 2004 £</b>
	<b>Note</b>		
<b>Increase/(Decrease) in cash in the period</b>		447,034	(349,104)
<b>Cash outflow / (inflow) from debt financing</b>		<u>818,237</u>	<u>(3,702,350)</u>
<b>Movement in net debt in the period</b>		1,265,271	(4,051,454)
<b>Net debt at 30 September 2004</b>		<u>(4,136,513)</u>	<u>(85,059)</u>
<b>Net debt at 30 September 2005</b>	14	<u><u>(2,871,242)</u></u>	<u><u>(4,136,513)</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2005

## 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Consolidation**

The company and its subsidiaries comprise a small group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group financial statements.

**Turnover**

Development turnover represents sales of development properties with profit on development activities recognised on legal completion of sale and gross rents from investment properties are accounted for in the period in which they accrue.

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Stocks and work in progress**

Cumulative costs incurred in relation to development contracts net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts are included as work in progress.

## 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No persons were employed directly by the company during the period. Director's emoluments are borne by parties to the joint venture.

## 3. OPERATING LOSS

	Year ended 30 September 2005 £	Year ended 30 September 2004 £
Operating loss is after charging:		
Management charge from shareholder companies	78,000	62,000
Auditors' remuneration - audit fees	2,700	2,500
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2005

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2005 £	Year ended 30 September 2004 £
Bank interest receivable	(19,338)	(4,070)
Interest payable on shareholder loan	236,208	114,280
	<u>216,870</u>	<u>110,210</u>

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (2004: 30%). The current year corporation tax charge of £10,670 (2004: £nil) for the current period differs from the standard rate for the reasons set out in the following reconciliation.

	Year ended 30 September 2005 £	Year ended 30 September 2004 £
Profit / (Loss) on ordinary activities before tax	243,905	(181,903)
Tax on loss on ordinary activities at standard rate of 30%	(73,172)	54,571
<i>Factors affecting the tax charge for the period:</i>		
Expenses not deductible for tax purposes	(258)	-
Land remediation relief	14,631	-
Marginal relief	5,402	-
Utilisation of tax losses	42,727	-
Tax losses not provided arising in the year		(54,571)
Current tax charge for the period	<u>10,670</u>	<u>-</u>

**Deferred Tax**

A deferred tax asset has not been recognised in respect of timing differences relating to losses carried forward at 30 September 2005 as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £17,662 (2004: £54,939). The asset would be recognised if sufficient suitable taxable profits arose in the future.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2005**

**6. FIXED ASSET INVESTMENTS**

	Company £
Shares in subsidiary undertakings	
Cost	
At 1 October 2004 and 30 September 2005	<u>2</u>

**Interests in subsidiaries**

The company owned the issued ordinary shares of its subsidiaries as follows:

Company	Business	Holding
Villiers Court Management Services Limited	Estate Management	100%
Stanton Court Management Services Limited	Estate Management	100%

All of the company's subsidiary undertakings operate wholly within the United Kingdom

**7. DEBTORS**

	2005 £	2004 £
Trade Debtors	193	-
Amounts due from subsidiaries	14,998	-
VAT recoverable	-	220,971
	<u>15,191</u>	<u>220,971</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005 £	2004 £
Trade creditors	110,201	74,142
Amount owed to shareholder company - loan	2,972,613	3,790,850
Amounts owed to shareholder company - trading	-	4,700
Bank Overdraft	-	345,663
Corporation Tax	10,670	-
Other Taxes & Social Security	21,918	-
Interest payable	58,858	51,595
Accruals and deferred income	229,956	10,423
	<u>3,404,216</u>	<u>4,277,373</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2005**

**9. CALLED UP SHARE CAPITAL**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid		
500 "A" ordinary shares of £1 each	500	500
500 "B" ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>

A & B shares rank pari passu in all respects.

**10. MOVEMENT ON RESERVES**

	<b>Profit and loss account £</b>
At 30 September 2004	(201,298)
Profit for the period	233,235
	<u>31,937</u>
At 30 September 2005	

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/ (DEFICIT)**

	<b>Year ended 30 September 2005 £</b>	<b>Year ended 30 September 2004 £</b>
Retained profit / (loss) for the period	233,235	(181,903)
Net increase to shareholders' funds / (deficit)	233,235	(181,903)
Opening shareholders' deficit	(200,298)	(18,395)
Closing shareholders' funds/(deficit)	<u>32,937</u>	<u>(200,298)</u>

**12. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS**

	<b>Year ended 30 September 2005 £</b>	<b>Year ended 30 September 2004 £</b>
Operating profit / (loss)	460,775	(71,693)
Decrease / (increase) in work in progress	535,515	(3,777,132)
Decrease / (increase) in debtors	205,780	(215,630)
Increase in creditors	273,160	72,843
Net cash outflow from operating activities	<u>1,475,230</u>	<u>(3,991,612)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2005**

**13. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	Year ended 30 September 2005 £	Year ended 30 September 2004 £
<b>Returns on investment and servicing of finance</b>		
Interest received	19,338	4,070
Interest paid	(229,295)	(63,912)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<u>(209,957)</u>	<u>(59,842)</u>
<b>Financing</b>		
(Repayment) / drawdown of loans from shareholder companies	(818,237)	3,702,350
<b>Net cash inflow from financing</b>	<u>(818,237)</u>	<u>3,702,350</u>

**14. ANALYSIS OF NET DEBT**

	At 30 September 2005 £	Cash flow £	At 30 September 2004 £
Cash at bank and in hand	-	101,371	101,371
Debt due within one year	(4,136,513)	1,163,900	(2,972,613)
	<u>(4,136,513)</u>	<u>1,265,271</u>	<u>(2,871,242)</u>

**15. RELATED PARTY TRANSACTIONS**

During the period the company repaid £818,237 of loan from a shareholder company, Hortons' Estate Limited (2004: drawdown of £3,702,350) and was charged interest of £235,875 (2004: £114,280) on this loan. The balance outstanding as at 30 September 2005 in relation to both the loan and interest was £3,031,470 (2004: £3,842,445). Also during the period, the company was charged a management charge of £30,000 (2004: £30,000) by Hortons' Estate Limited. The balance outstanding as at 30 September 2005 in relation to this transaction was £nil (2004: nil). During the period Business Homes Limited, a company wholly owned by one of the shareholder companies charged a management fee of £48,000 (2004: £32,000), the balance outstanding in respect of these transactions at 30 September 2005 was £nil (2004: £4,700).

**16. ULTIMATE CONTROLLING PARTY**

The directors regard the joint venture partners Hortons' Estate Limited, a company incorporated in the United Kingdom, and The Simon Houlston Family Partnership as the ultimate parent undertakings and the ultimate controlling parties.