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BUSINESS HOMES MIDLANDS LIMITED
(formerly Business Homes West Midlands
Limited)

Report and Financial Statements

30 September 2003



REPORT AND FINANCIAL STATEMENTS 2003

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from incorporation to 30 September 2003.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company was incorporated on 31 July 2002 as Business Homes West Midlands Limited by the issue of 1 ordinary share of £1 at nominal value. The company subsequently changed its name to Business Homes Midlands Limited and commenced trading on 12 September 2002.

On 9 October 2002, the ordinary share in issue was redesignated as a 'B' ordinary share and a further 499 'B' ordinary shares were issued for cash at nominal value. Also, on 9 October 2002, 500 'A' ordinary shares of £1 each were issued for cash at nominal value.

The directors consider the results of the company to be satisfactory and look forward to completing land acquisition in the forthcoming year.

RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 4. No dividend is proposed.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

York Place Company Nominees Limited	(appointed 31 July 2002, resigned 14 August 2002)
R E Blyth	(appointed 9 October 2002)
N Foster	(appointed 9 October 2002)
J S H Houlston	(appointed 9 October 2002)
S L H Houlston	(appointed 14 August 2002)

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

AUDITORS

On 9 October 2002 Deloitte and Touche were appointed as auditors. On 1 August 2003 Deloitte and Touche transferred their business to Deloitte and Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company has given its consent to treating the appointment of Deloitte and Touche as extending to Deloitte and Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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 E 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
- 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 Limited for the period ended 30 September 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 14. 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 period 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 2003 and of its loss for the period 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

9 February 2004

PROFIT AND LOSS ACCOUNT
Period ended 30 September 2003

	Note	2003 £
Administrative expenses		(18,168)
OPERATING LOSS	3	(18,168)
Interest payable and similar charges	4	(1,227)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(19,395)
Tax on loss on ordinary activities	5	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED LOSS FOR THE FINANCIAL PERIOD		<u>(19,395)</u>

All activities derive from continuing operations.

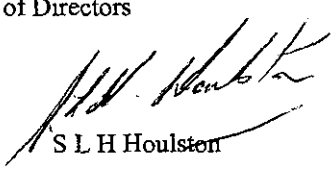
There were no recognised gains and losses other than the loss for the period.

BALANCE SHEET
30 SEPTEMBER 2003

	Note	2003 £
CURRENT ASSETS		
Work in progress		78,972
Debtors	6	5,341
Cash at bank and in hand		3,441
		<u>87,754</u>
CREDITORS: amounts falling due within one year	7	(106,149)
		<u>(18,395)</u>
NET CURRENT LIABILITIES		<u>(18,395)</u>
CAPITAL AND RESERVES		
Called up share capital	8	1,000
Profit and loss account	9	(19,395)
		<u>(18,395)</u>
EQUITY SHAREHOLDERS' DEFICIT	10	<u>(18,395)</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors


R E Blyth
Director


S L H Houlston
Director

CASH FLOW STATEMENT
Period ended 30 September 2003

	Note	2003 £
Net cash outflow from operating activities	11	(86,059)
Financing	12	89,500
Increase in cash in the period		<u>3,441</u>

Reconciliation of net cash flow to movement in net debt	Note	2003 £
Increase in cash in the period	13	3,441
Cash inflow from increase in debt financing		<u>(88,500)</u>
Movement in net debt in the period		<u>(85,059)</u>
Net debt at 31 July 2002		<u>-</u>
Net debt at 30 September 2003		<u>(85,059)</u>

NOTES TO THE FINANCIAL STATEMENTS**Period ended 30 September 2003****1. ACCOUNTING POLICIES**

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

Basis of preparation of accounts

Hortons' Estate Limited has agreed that it will not seek repayment of its loan to the company until the company has sufficient net assets to repay the loan. Accordingly the accounts have been prepared on a going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention.

Rents receivable

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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to remit these earnings. 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.

NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 September 2003

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No persons were employed directly by the company during the period.

3. OPERATING LOSS

Operating loss is after charging:

	2003
	£
Management charge from shareholder company	15,000
Auditors' remuneration - audit fees	1,000
	<u>16,000</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003
	£
Interest payable on shareholder loan	1,227
	<u>1,227</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

There was no current or deferred tax charge or credit in the period.

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30%. The actual tax charge of £nil for the current period differs from the standard rate for the reasons set out in the following reconciliation.

	2003
	£
Loss on ordinary activities before tax	(19,395)
Tax on loss on ordinary activities at standard rate of 30%	5,819
<i>Factors affecting the tax charge for the period:</i>	
Tax losses not provided arising in the year	(5,819)
Current tax charge for the period	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS**Period ended 30 September 2003****5. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)****Deferred Tax**

A deferred tax asset has not been recognised in respect of timing differences relating to losses carried forward at 30 September 2003 as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £5,819. The asset would be recognised if sufficient suitable taxable profits arose in the future.

6. DEBTORS

	2003 £
VAT recoverable	5,341

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £
Trade creditors	3,586
Amount owed to shareholder company - loan	88,500
Interest payable	1,227
Accruals and deferred income	12,836
	<u>106,149</u>

8. CALLED UP SHARE CAPITAL

	2003 £
Authorised, allotted, called up and fully paid	
500 "A" ordinary shares of £1 each	500
500 "B" ordinary shares of £1 each	500
	<u>1,000</u>

The company was incorporated on 31 July 2002 by the issue of 1 ordinary share of £1 at nominal value. On 9 October 2002, the ordinary share in issue was redesignated as a 'B' ordinary share and a further 499 'B' ordinary shares were issued for cash at nominal value. Also on 9 October 2002, 500 'A' ordinary shares of £1 each were issued for cash at nominal value.

9. MOVEMENT ON RESERVES

	Profit and loss account £
At 31 July 2002	-
Loss for the period	(19,395)
At 30 September 2003	<u>(19,395)</u>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 September 2003

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2003
	£
Retained loss for the period	(19,395)
New share capital issued	1,000
	<hr/>
Net increase to shareholders' deficit	(18,395)
Opening shareholders' deficit	-
	<hr/>
Closing shareholders' deficit	<u>(18,395)</u>

11. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2003
	£
Operating loss	(18,168)
Increase in work in progress	(78,972)
Increase in debtors	(5,341)
Increase in creditors	16,422
	<hr/>
Net cash outflow from operating activities	<u>(86,059)</u>

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

	2003
	£
Financing	
Issue of ordinary share capital	1,000
Drawdown of loans from shareholder companies	88,500
	<hr/>
Net cash inflow from financing	<u>89,500</u>

13. ANALYSIS OF NET DEBT

	At 31 July 2002	Cash flow	At 30 September 2003
	£	£	£
Cash at bank and in hand	-	3,441	3,441
Debt due within one year	-	(88,500)	(88,500)
	<hr/>	<hr/>	<hr/>
	-	(85,059)	(85,059)
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**Period ended 30 September 2003****14. RELATED PARTY TRANSACTIONS**

During the period the company received a loan of £88,500 from a shareholder company, Hortons' Estate Limited, and was charged interest of £1,227 on this loan. The balance outstanding as at 30 September 2003 in relation to both the loan and interest was £89,727. Also during the period, the company was charged a management charge of £15,000 by Hortons' Estate Limited. The balance outstanding as at 30 September 2003 in relation to this transaction was £nil.