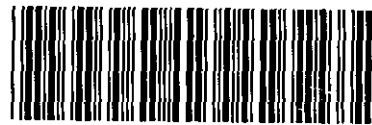


BUSINESS HOMES MIDLANDS LIMITED

Report and Financial Statements

30 September 2006

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REPORT AND FINANCIAL STATEMENTS 2006

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2006.

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 and the acquisition of further sites in the forthcoming year.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. No dividend is proposed (2005: 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. The interest of R E Blyth in the share capital of Hortons' Estate Limited which owns 50% of the share capital of the company is disclosed in the Directors' Report of that company.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

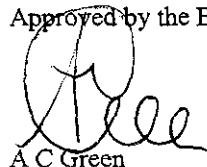
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

The above report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

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



A C Green

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice 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 and comply with United Kingdom Generally Accepted Accounting Practice and the Companies Act 1985. 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. The directors are also responsible for the system of internal control, 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 2006 which comprise profit and loss account, the balance sheet, the cashflow statement and reconciliation of net cashflow 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BUSINESS HOMES MIDLANDS LIMITED (CONTINUED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

19 February 2007

BUSINESS HOMES MIDLANDS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 September 2006

		2006 £	2005 £
	Note		
TURNOVER		3,724,570	3,682,198
Cost of sales		(3,281,926)	(3,134,523)
GROSS PROFIT		442,644	547,675
Administrative expenses		(89,273)	(86,900)
OPERATING PROFIT	3	353,371	460,775
Interest payable, net	4	(76,436)	(216,870)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		276,935	243,905
Tax on profit on ordinary activities	5	(31,525)	(10,670)
PROFIT FOR THE FINANCIAL YEAR	10	245,411	233,235

All activities derive from continuing operations.

There were no recognised gains and losses in either period other than the loss for the year therefore no statement of recognised gains and losses has been prepared.

BUSINESS HOMES MIDLANDS LIMITED

BALANCE SHEET 30 September 2006

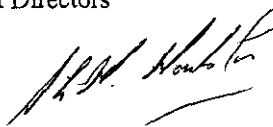
	Note	2006 £	2005 £
FIXED ASSETS			
Investments		2	2
CURRENT ASSETS			
Work in progress		883,696	3,320,589
Debtors	7	6,112	15,191
Cash at bank and in hand		782,946	101,371
		<u>1,672,754</u>	<u>3,437,151</u>
CREDITORS: amounts falling due within one year	8	<u>(1,394,408)</u>	<u>(3,404,216)</u>
NET CURRENT ASSETS		<u>278,346</u>	<u>32,935</u>
TOTAL ASSETS		<u><u>278,348</u></u>	<u><u>32,937</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	1,000	1,000
Profit and loss account	10	<u>277,348</u>	<u>31,937</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u><u>278,348</u></u>	<u><u>32,937</u></u>

These financial statements were approved by the Board of Directors 12 February 2007.

Signed on behalf of the Board of Directors



R E Blyth
Director



S L H Houlston
Director

BUSINESS HOMES MIDLANDS LIMITED

CASH FLOW STATEMENT Year ended 30 September 2006

		2006 £	2005 £
	Note		
Net cash inflow from operating activities	12	2,985,823	1,475,230
Returns on investments and servicing of finance	13	(125,057)	(209,957)
Taxation		(10,178)	-
Investment in subsidiaries		-	(2)
Financing	13	(2,169,013)	(818,237)
Increase in cash in the year		<u>681,575</u>	<u>447,034</u>

Reconciliation of net cash flow to movement in net debt		2006 £	2005 £
	Note		
Increase in cash in the year		681,575	447,034
Cash outflow from debt financing		<u>2,169,013</u>	<u>818,237</u>
Movement in net debt in the year		2,850,588	1,265,271
Net debt at 30 September 2005		<u>(2,871,242)</u>	<u>(4,136,513)</u>
Net debt at 30 September 2006	14	<u>(20,654)</u>	<u>(2,871,242)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and 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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 current and prior period. Director's emoluments are borne by parties to the joint venture.

3. OPERATING PROFIT

	2006 £	2005 £
Operating profit is after charging:		
Management charge from shareholder companies	78,000	78,000
Auditors' remuneration – fees payable to the company's auditor for the audit of the company's annual accounts	3,000	2,700
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest receivable	(14,401)	(19,338)
Interest payable on shareholder loan	90,837	236,208
	<hr/>	<hr/>
	76,436	216,870
	<hr/>	<hr/>

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% (2005: 30%). The current year corporation tax charge of £31,525 (2005: £10,670) for the current period differs from the standard rate for the reasons set out in the following reconciliation.

	2006	2005
	£	£
Profit on ordinary activities before tax	276,935	243,905
	<hr/>	<hr/>
Tax on loss on ordinary activities at standard rate of 30%	(83,081)	(73,172)
<i>Factors affecting the tax charge for the period:</i>		
Expenses not deductible for tax purposes	-	(258)
Land remediation relief	14,867	14,631
Marginal relief	18,536	5,402
Utilisation of tax losses	17,662	42,727
Prior period adjustment	491	-
	<hr/>	<hr/>
Current tax charge for the period	(31,525)	(10,670)
	<hr/>	<hr/>

Deferred Tax

A deferred tax asset was not recognised at 30 September 2005 in respect of timing differences relating to losses carried forward as there was insufficient evidence that the asset would be recovered. The amount has been recovered in the year and therefore there is no unrecognised deferred tax at 30 September 2006 (2005: £17,662).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2006

6. FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings	£
Cost	
At 1 October 2005 and 30 September 2006	<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

	2006 £	2005 £
Trade Debtors	83	193
Amounts due from subsidiaries	6,029	14,998
	<u>6,112</u>	<u>15,191</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	64,306	110,201
Amount owed to shareholder company - loan	803,600	2,972,613
Corporation Tax	32,017	10,670
Other Taxes & Social Security	40,780	21,918
Interest payable	10,237	58,858
Accruals and deferred income	443,468	229,956
	<u>1,394,408</u>	<u>3,404,216</u>

The shareholders loan is unsecured and bears interest at 1.5% above LIBOR and is repayable on demand

9. CALLED UP SHARE CAPITAL

	2006 £	2005 £
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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2006

10. MOVEMENT ON RESERVES

	Profit and loss account £
At 30 September 2005	31,937
Profit for the year	<u>245,411</u>
At 30 September 2006	<u><u>277,348</u></u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Retained profit for the period	<u>245,411</u>	<u>233,235</u>
Net increase to shareholders' funds	245,411	233,235
Opening shareholders' fund/(deficit)	<u>32,937</u>	<u>(200,298)</u>
Closing shareholders' funds	<u><u>278,348</u></u>	<u><u>32,937</u></u>

12. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2006 £	2005 £
Operating profit	353,372	460,775
Decrease in work in progress	2,436,893	535,515
Decrease in debtors	9,079	205,780
Increase in creditors	<u>186,479</u>	<u>273,160</u>
Net cash inflow from operating activities	<u><u>2,985,823</u></u>	<u><u>1,475,230</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

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

	2006	2005
	£	£
Returns on investment and servicing of finance		
Interest received	14,401	19,338
Interest paid	(139,458)	(229,295)
Net cash outflow from returns on investment and servicing of finance	<u>(125,057)</u>	<u>(209,957)</u>
 Financing		
Repayment of loans from shareholder companies	(2,169,013)	(818,237)
Net cash outflow from financing	<u>(2,169,013)</u>	<u>(818,237)</u>

14. ANALYSIS OF NET DEBT

	2005	Cash flow	2006
	£	£	£
Cash at bank and in hand	101,371	681,575	782,946
Debt due within one year	(2,972,613)	2,169,013	(803,600)
	<u>(2,871,242)</u>	<u>2,850,588</u>	<u>(20,654)</u>

15. RELATED PARTY TRANSACTIONS

During the period the company repaid £2,169,013 of loan from a shareholder company, Hortons' Estate Limited (2005: repayment of £818,237) and was charged interest of £90,836 (2005: £235,875) on this loan. The balance outstanding as at 30 September 2006 in relation to both the loan and interest was £813,837 (2005: £3,031,470). Also during the period, the company was charged a management charge of £30,000 (2005: £30,000) by Hortons' Estate Limited. The balance outstanding as at 30 September 2006 in relation to this transaction was £nil (2005: nil). During the period Business Homes Limited, a company wholly owned by one of the shareholder companies charged a management fee of £48,000 (2005: £48,000), the balance outstanding in respect of these transactions at 30 September 2006 was £nil (2005: £nil).

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.