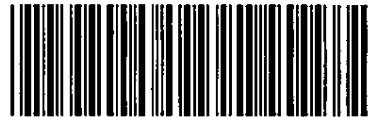


**BUSINESS HOMES MIDLANDS  
LIMITED**

**Report and Financial Statements**

**30 September 2007**

WEDNESDAY



\*AIRDBZIO\*

A58

07/05/2008

15

COMPANIES HOUSE

**REPORT AND FINANCIAL STATEMENTS 2007**

<b>CONTENTS</b>	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Statement of directors' responsibilities</b>	<b>2</b>
<b>Independent auditors' report</b>	<b>3</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Cashflow statement</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8</b>

# **BUSINESS HOMES MIDLANDS LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 2007.

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

### **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. A dividend of £140 per share (2006: nil) was paid to the holders of both the "A" and "B" shares on 19 December 2006.

### **DIRECTORS**

The directors during the year were as follows:

R E Blyth

N Foster - Resigned 11<sup>th</sup> July 2007

A W Hall - Appointed 11<sup>th</sup> July 2007

J S H Houlston

S L H Houlston

### **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

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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow Statement 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 within it.

### **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 judgments 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**

### **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 2007 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

*9 April 2008*

# BUSINESS HOMES MIDLANDS LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 September 2007

		2007 £	2006 £
	Note		
<b>TURNOVER</b>		1,734,327	3,724,570
Cost of sales		<u>(1,355,530)</u>	<u>(3,281,926)</u>
<b>GROSS PROFIT</b>		378,797	442,644
Administrative expenses		<u>(84,501)</u>	<u>(89,273)</u>
<b>OPERATING PROFIT</b>	3	294,296	353,371
Interest payable – net	4	<u>(187,085)</u>	<u>(76,436)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		107,211	276,935
Tax on profit on ordinary activities	5	<u>(27,104)</u>	<u>(31,525)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	10	<u>80,107</u>	<u>245,410</u>

All activities derive from continuing operations.

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

# BUSINESS HOMES MIDLANDS LIMITED

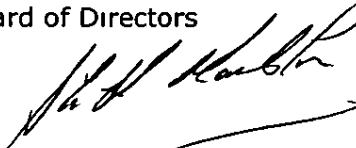
## BALANCE SHEET 30 September 2007

	Note	2007 £	2006 £
<b>FIXED ASSETS</b>			
Investments	6	2	2
<b>CURRENT ASSETS</b>			
Work in progress		6,193,086	883,696
Debtors	7	1,135,511	6,112
Cash at bank and in hand		204,985	782,946
		<u>7,533,582</u>	<u>1,672,754</u>
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(7,315,129)</u>	<u>(1,394,408)</u>
<b>NET CURRENT ASSETS</b>		<u>218,453</u>	<u>278,346</u>
<b>NET ASSETS</b>		<u>218,455</u>	<u>278,348</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1,000	1,000
Profit and loss account	10	<u>217,455</u>	<u>277,348</u>
<b>SHAREHOLDERS' FUNDS</b>	11	<u>218,455</u>	<u>278,348</u>

These financial statements were approved by the Board of Directors on 12<sup>th</sup> December 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 2007

	Note	2007 £	2006 £
<b>Net cash (outflow) / inflow from operating activities</b>	12	(6,371,794)	2,985,822
<b>Returns on investments and servicing of finance</b>	13	(81,075)	(125,057)
<b>Taxation</b>		(32,017)	(10,178)
<b>Equity Dividend Paid</b>		(140,000)	-
<b>Financing</b>	13	<u>6,046,925</u>	<u>(2,169,013)</u>
<b>(Decrease) / Increase in cash in the year</b>		<u>(577,961)</u>	<u>681,574</u>

---

<b>Reconciliation of net cash flow to movement in net debt</b>	Note	2007 £	2006 £
<b>(Decrease) / Increase in cash in the year</b>		(577,961)	681,575
Cash outflow from debt financing		<u>(6,046,925)</u>	<u>2,169,013</u>
<b>Movement in net debt in the year</b>		(6,624,886)	2,850,588
<b>Net debt at 30 September 2006</b>		<u>(20,654)</u>	<u>(2,871,242)</u>
<b>Net debt at 30 September 2007</b>	14	<u>(6,645,540)</u>	<u>(20,654)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 September 2007**

**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 or prior year. The directors are remunerated by the joint venture parties and it is considered that an insignificant proportion of their time is spent in dealing with the affairs of the company and it is impracticable to allocate their salary to this company.

**3. OPERATING PROFIT**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is after charging:</b>		
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	3,200	3,000
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 September 2007**

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	(16,830)	(14,401)
Interest payable on shareholder loan	<u>203,915</u>	<u>90,837</u>
	<u>187,085</u>	<u>76,436</u>

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
United Kingdom corporation tax payable at 30 % (2006 - 30%)	27,104	32,016
Adjustment in respect of prior years	<u>-</u>	<u>(491)</u>
Total current tax charge	<u>27,104</u>	<u>31,525</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006. 30%). The current year corporation tax charge of £27,104 (2006 £31,525) for the current year differs from the standard rate for the reasons set out in the following reconciliation.

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>107,211</u>	<u>276,935</u>
Tax on loss on ordinary activities at standard rate of 30%	<u>(32,164)</u>	<u>(83,081)</u>
<i>Factors affecting the tax charge for the year.</i>		
Land remediation relief	-	14,867
Marginal relief	5,060	18,536
Utilisation of tax losses	-	17,662
Prior year adjustment	<u>-</u>	<u>491</u>
Current tax charge for the period	<u>(27,104)</u>	<u>(31,525)</u>

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax to 28% with effect from 1 April 2008. This legislation was substantively enacted in June 2007. The effective tax rate for the year to 30 September 2008 is expected to reduce accordingly.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 September 2007**

**6. FIXED ASSET INVESTMENTS**

<b>Shares in subsidiary undertakings</b>	<b>£</b>
<b>Cost</b>	
At 1 October 2006 and 30 September 2007	<u>2</u>

**Interests in subsidiaries**

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

<b>Company</b>	<b>Business</b>	<b>Holding</b>
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**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade debtors	795,640	83
Other Taxes & Social Security	333,561	-
Amounts due from subsidiaries	6,310	6,029
	<u>1,135,511</u>	<u>6,112</u>

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade creditors	125,290	64,306
Amount owed to shareholder company	6,850,525	803,600
Corporation Tax	27,104	32,017
Other Taxes & Social Security	-	40,780
Interest payable	116,247	10,237
Accruals and deferred income	195,963	443,468
	<u>7,315,129</u>	<u>1,394,408</u>

The shareholders loan is unsecured and bears interest at rates between 1.5% and 2.0% above base rate and is repayable on demand

# BUSINESS HOMES MIDLANDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2007

### 9. CALLED UP SHARE CAPITAL

	2007 £	2006 £
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

	Profit and loss account £
At 30 September 2006	277,348
Profit for the year	80,107
Dividend paid	<u>(140,000)</u>
At 30 September 2007	<u>217,455</u>

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Retained profit for the year	80,107	245,410
Dividend paid	<u>(140,000)</u>	<u>-</u>
Net (decrease)/ increase to shareholders' funds	(59,893)	245,410
Opening shareholders' funds	<u>278,348</u>	<u>32,938</u>
Closing shareholders' funds	<u>218,455</u>	<u>278,348</u>

### 12. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2007 £	2006 £
Operating profit	294,296	353,371
(Increase)/decrease in work in progress	(5,309,390)	2,436,893
(Increase)/decrease in debtors	(1,129,399)	9,079
(Decrease)/increase in creditors	<u>(227,301)</u>	<u>186,479</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u><b>(6,371,794)</b></u>	<u><b>2,985,822</b></u>

# BUSINESS HOMES MIDLANDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

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

	2007 £	2006 £
<b>Returns on investment and servicing of finance</b>		
Interest received	16,830	14,401
Interest paid	<u>(97,905)</u>	<u>(139,458)</u>
<b>Net cash outflow from returns on investment and servicing of finance</b>	<u><u>(81,075)</u></u>	<u><u>(125,057)</u></u>
<b>Financing</b>		
Drawdown/(repayment) of loans from shareholder companies	<u>6,046,925</u>	<u>(2,169,013)</u>
<b>Net cash inflow/(outflow) from financing</b>	<u><u>6,046,925</u></u>	<u><u>(2,169,013)</u></u>

### 14. ANALYSIS OF NET DEBT

	2006 £	Cash flow £	2007 £
Cash at bank and in hand	782,946	(577,961)	204,985
Debt due within one year	<u>(803,600)</u>	<u>(6,046,925)</u>	<u>(6,850,525)</u>
	<u><u>(20,654)</u></u>	<u><u>(6,624,886)</u></u>	<u><u>(6,645,540)</u></u>

### 15. RELATED PARTY TRANSACTIONS

During the period the company received £6,046,925 of loan finance from a shareholder company, Hortons' Estate Limited (2006 repayment of £2,169,013) and was charged interest of £203,915 (2006: £90,836) on this loan. The balance outstanding as at 30 September 2007 in relation to both the loan and interest was £6,966,772 (2006: £813,837). Also during the period, the company was charged a management charge of £30,000 (2006: £30,000) by Hortons' Estate Limited. The balance outstanding as at 30 September 2007 in relation to this transaction was £nil (2006: £nil). During the period Business Homes Limited, a company wholly owned by one of the shareholder companies charged a management fee of £48,000 (2006: £48,000), the balance outstanding in respect of these transactions at 30 September 2007 was £nil (2006: £nil).

### 16. ULTIMATE CONTROLLING PARTY

The directors regard the joint venture partners Hortons' Estate Limited and Houlston Holdings Limited, companies incorporated in the United Kingdom, as the ultimate parent undertakings and the ultimate controlling parties.