

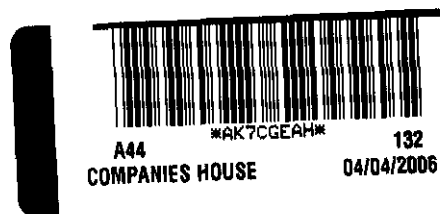
Registered

**Hazelton Homes (East Midlands) Limited (formerly
Hazel Homes Limited)**

Financial statements

For the year ended 31 August 2005

Grant Thornton 



Company No. 04804367

Company information

Company registration number	04804367
Registered office	The Stables Hallaton Hall North End Hallaton Market Harborough Leicestershire LE16 8UJ
Directors	S R Hazelton T R Hazelton B J Gibson
Secretary	S R Hazelton
Bankers	Bank of Scotland 14 Friar Lane Leicester LE1 5RA
Solicitors	Spearing Waite 41 Friar Lane Leicester LE1 5RB
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 8 West Walk Leicester LE1 7NH

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 August 2005.

Principal activities and business review

The principal activity of the company during the year was the development of residential property.

On 30 September 2005 the company changed its name from Hazel Homes Limited to Hazelton Homes (East Midlands) Limited.

The directors are satisfied with the progress of the development to date and the position at the balance sheet date. It is the directors' general intention to develop the existing activities of the company as opportunities arise.

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 31 August 2005	At 1 September 2004
S R Hazelton	37	37
T R Hazelton	63	63
B J Gibson	-	-
	<hr/>	<hr/>

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 and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

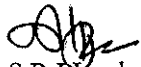
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



S R Hazelton

Secretary

20 March 2006

Report of the independent auditors to the members of Hazelton Homes (East Midlands) Limited (formerly Hazel Homes Limited) (continued)

We have audited the financial statements of Hazelton Homes (East Midlands) Limited (formerly Hazel Homes Limited) for the year ended 31 August 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and 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

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
Hazelton Homes (East Midlands) Limited (formerly Hazel
Homes 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 31 August 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Grant Thornton UK LLP

LEICESTER
20 March 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The directors consider the going concern basis to be appropriate as support from HI Limited, a connected company, has been confirmed for the foreseeable future.

Consolidation

In the opinion of the directors, the company and its subsidiary undertaking 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 accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Investments

Investments are included at cost.

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. Work in progress includes bank interest on site specific funding.

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, or a right to pay less or to receive more, tax, with the following exceptions: available evidence at the balance sheet date, it is more likely than not that the taxable charged

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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents amounts receivable for goods and services provided, exclusive of Value Added Tax. Turnover in respect of houses and flats is recognised on legal completion.

Profit and loss account

	Note	Year to 31 Aug 05 £	Period from 19 Jun 03 to 31 Aug 04 £
Turnover		-	-
Other operating charges	1	<u>6,012</u>	<u>4,493</u>
Operating loss	2	<u>(6,012)</u>	<u>(4,493)</u>
Interest receivable		-	57
Loss on ordinary activities before taxation		<u>(6,012)</u>	<u>(4,436)</u>
Tax on loss on ordinary activities		-	-
Loss for the financial year	12	<u><u>(6,012)</u></u>	<u><u>(4,436)</u></u>

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	2005 £	2004 £
Fixed assets			
Investments	6	<u>2</u>	<u>2</u>
Current assets			
Stocks	7	3,163,339	2,069,808
Debtors	8	24,379	5,417
Cash at bank		-	12,829
		<u>3,187,718</u>	<u>2,088,054</u>
Creditors: amounts falling due within one year	9	<u>3,198,068</u>	<u>2,092,392</u>
Net current liabilities		<u>(10,350)</u>	<u>(4,338)</u>
Total assets less current liabilities		<u>(10,348)</u>	<u>(4,336)</u>
Capital and reserves			
Called-up equity share capital	11	100	100
Profit and loss account	12	<u>(10,448)</u>	<u>(4,436)</u>
Deficit	13	<u>(10,348)</u>	<u>(4,336)</u>

These financial statements were approved by the directors on 20 March 2006 and are signed on their behalf by:

T R Hazelton
 Director



Notes to the financial statements

1 Other operating charges

	Year to 31 Aug 05 £	Period from 19 Jun 03 to 31 Aug 04 £
Administrative expenses	<u>6,012</u>	<u>4,493</u>

2 Operating loss

Operating loss is stated after charging:

	Year to 31 Aug 05 £	Period from 19 Jun 03 to 31 Aug 04 £
Auditors' remuneration: Audit fees	<u>1,500</u>	<u>1,250</u>

3 Directors and employees

The company had no employees during the period other than its directors who received no remuneration.

4 Interest

Included within cost of sales and work in progress is £147,644 (2004: £65,223) interest on bank loans specifically for sites under development.

5 Taxation

No tax credit arises on the loss for the period. Tax losses of approximately £10,000 (2004 : £4,400) are carried forward to offset future taxable trading profits.

The deferred tax asset of £3,000 (2004 : £1,300) in respect of carried forward losses is not regarded as recoverable with certainty in the foreseeable future and has accordingly not been recognised.

6 Investments

	Investment in group undertakings £
Cost	
At 1 September 2004 and 31 August 2005	<u>2</u>
Net book value	
At 31 August 2005	<u>2</u>
At 31 August 2004	<u>2</u>

The company owns 100% of the issued share capital of the companies listed below.

	Profit / (loss) for the year	Capital and reserves	Nature of business
Hazelton Homes Limited	£(12,727)	£(12,725)	Property development
LG &GN Wilson (Foxton) Limited	£nil	£690,000	Dormant

The result for Hazelton Homes Limited is for the period from 15 March 2004 to 31 August 2005.

The cost of investment for L G & G N Wilson (Foxton) Limited was £690,000. An amount owed by the subsidiary of £690,000 is offset against the cost of investment as at 31 August 2004 and 31 August 2005.

Under the provisions of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

7 Stocks

	2005 £	2004 £
Work in progress	<u>3,163,339</u>	<u>2,069,808</u>

8 Debtors

	2005 £	2004 £
Other debtors	24,379	4,767
Prepayments and accrued income	-	650
	<u>24,379</u>	<u>5,417</u>

9 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	1,894,945	1,467,202
Trade creditors	280,550	22,053
Other creditors	990,808	580,161
Accruals and deferred income	31,765	22,976
	<u>3,198,068</u>	<u>2,092,392</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company.

10 Related party transactions

HI Limited and Urban Rhythm Limited are related parties by virtue of common control. During the year these companies have made payments on behalf of the company and provided funds resulting in year end creditors totalling £984,208 (2004 : £578,984).

At the year end £690,000 was owed to L G & G N Wilson (Foxton) Limited, a subsidiary company, which arose from a land transfer in the previous year.

11 Share capital

Authorised share capital:

	2005 £	2004 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

12 Profit and loss account

	Year to 31 Aug 05 £	Period from 19 Jun 03 to 31 Aug 04 £
Balance brought forward	(4,436)	-
Accumulated loss for the financial year	(6,012)	(4,436)
Balance carried forward	<u>(10,448)</u>	<u>(4,436)</u>

13 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Loss for the financial year	(6,012)	(4,436)
New equity share capital subscribed	-	100
	<u>(6,012)</u>	<u>(4,336)</u>
Net reduction to shareholders' equity deficit	(6,012)	(4,336)
Opening shareholders' equity deficit	(4,336)	-
Closing shareholders' equity deficit	<u>(10,348)</u>	<u>(4,336)</u>

14 Controlling related party

For the purposes of Financial Reporting Standard 8, T R Hazelton is the company's controlling related party by virtue of his majority shareholding.