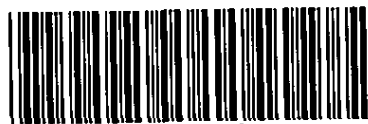


Horncastle Properties Limited

Report and Financial Statements

For the year ended 31 March 2007

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Company information

Director	A N Horncastle
Secretary	C D Horncastle
Company number	2027226
Registered office	Beech Hill House Beech Hill Road Swanland East Yorkshire HU14 3QY
Auditors	Ernst & Young LLP Registered auditor PO Box 3 Lowgate House Lowgate Hull HU1 1JJ
Bankers	HSBC Bank Plc Merit House Priory Park West Saxon Way Hessle HU13 9PB

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Director's Report

For the year ended 31 March 2007

The director presents his report and the financial statements for the year ended 31 March 2007

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 period. In preparing these financial statements, the director is 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

So far as the director is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Principal activities

The principal activity of the company during the year was the purchase and sale of land.

Business review and future developments

The director believes that the operating profit represents a reasonable return on the investment. As at 31 March 2007, the company transferred its trade and assets to a fellow subsidiary undertaking, Cavermill Estates Limited.

The director expects the company to be non trading from that date.

Results and dividends

The profit for the year, after taxation, amounted to £133,045 (2006 - £87,585).

The directors propose a dividend of £2,414,831 for 2007 to be paid in 2008.

Director

The director who served during the year was

A N Horncastle

Director's Report
For the year ended 31 March 2007

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 5 October 2007 and signed on its behalf

C D Horncastle

C D Horncastle
Secretary

Independent auditors' report

to the members of Horncastle Properties Limited

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of 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 applicable to small companies. 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 director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Director's Responsibilities.

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

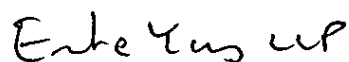
Independent auditors' report

to the members of Horncastle Properties 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 31 March 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 Director's Report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
Hull

5 October 2007

Profit and loss account
For the year ended 31 March 2007

	<i>Note</i>	<i>2007</i> £	<i>2006</i> £
Turnover	1,2	75,000	-
Other operating charges		(4,699)	(6,099)
Operating profit/(loss)	3	70,301	(6,099)
Interest receivable	5	119,763	124,026
Profit on ordinary activities before taxation		190,064	117,927
Tax on profit on ordinary activities	6	(57,019)	(30,342)
Profit on ordinary activities after taxation	11	133,045	87,585

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 7 to 11 form part of these financial statements

Balance Sheet
As at 31 March 2007

	Note	£	2007 £	£	2006 £
Current assets					
Land held for resale	7	-		47,413	
Debtors	8	2,414,833		-	
Cash at bank		-		2,287,058	
		<u>2,414,833</u>		<u>2,334,471</u>	
Creditors: amounts falling due within one year					
	9	-		(52,683)	
Net current assets			<u>2,414,833</u>		<u>2,281,788</u>
Total assets less current liabilities			<u>2,414,833</u>		<u>2,281,788</u>
Capital and Reserves					
Called up share capital	10		2		2
Profit and loss account	11		2,414,831		2,281,786
Shareholders' funds - All equity	12		<u>2,414,833</u>		<u>2,281,788</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 October 2007


A N Horncastle
Director

The notes on pages 7 to 11 form part of these financial statements

Notes to the financial statements
For the year ended 31 March 2007

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.3 Land held for resale

Land held for resale is valued at the lower of cost and net realisable value

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

2. Turnover

Turnover comprises the invoice value of land sold by the company. Both turnover and profit before tax are attributable to the principal activity of the company. As at 31 March 2007, the company transferred its trade and assets to a fellow subsidiary undertaking, Cavermill Estates Limited

All turnover arose within the United Kingdom

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging

	2007 £	2006 £
Auditors' remuneration	1,000	1,000

During the year, no director received any emoluments (2006 - £NIL)

Notes to the financial statements
For the year ended 31 March 2007

4. Staff costs

The average monthly number of employees, including the director, during the year was as follows

	2007 No	2006 No
Management	<u>2</u>	<u>2</u>

All staff costs are borne by the ultimate holding company and no recharge is made to this company

5. Interest receivable

	2007 £	2006 £
Bank interest receivable	<u>119,763</u>	<u>124,026</u>

6. Taxation

	2007 £	2006 £
<i>Analysis of tax charge in the year</i>		
UK corporation tax charge on profits for the year	13,913	9,500
Adjustments in respect of prior periods	-	(1,064)
	<u>13,913</u>	<u>8,436</u>
Group taxation relief	43,106	21,906
	<u>57,019</u>	<u>30,342</u>
<i>Total current tax</i>	<u>57,019</u>	<u>30,342</u>
<i>Tax on profit on ordinary activities</i>	<u>57,019</u>	<u>30,342</u>

Notes to the financial statements
For the year ended 31 March 2007

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	190,064	117,927
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	57,019	35,378
<i>Effects of.</i>		
Expenses not deductible for tax purposes	5,500	1,528
Marginal relief and other rate differences	(5,500)	(5,500)
Adjustments to tax charge in respect of prior periods	-	(1,064)
<i>Current tax charge for the year (see note above)</i>	57,019	30,342

Factors that may affect future tax charges

The Finance Act 2007 received Royal Assent on 19 July 2007. Consequently the standard rate of corporation tax will decrease from 30% to 28% as of 1 April 2008. The decrease in the tax rate is not considered to have a material effect on the deferred tax provided at 31 March 2007.

7. Land held for resale

	2007 £	2006 £
Land held for resale	-	47,413

8. Debtors

	2007 £	2006 £
Amounts owed by group undertakings	2,414,833	-

Notes to the financial statements
For the year ended 31 March 2007

9. Creditors:
Amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	-	42,154
Corporation tax	-	9,500
Accruals and deferred income	-	1,029
	<u>-</u>	<u>52,683</u>

10. Share capital

	2007 £	2006 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

The directors propose a dividend of £2,414,831 for 2007 to be paid in 2008

11 Reserves

	<i>Profit and loss account</i> £
At 1 April 2006	2,281,786
Profit retained for the year	133,045
At 31 March 2007	<u>2,414,831</u>

12. Reconciliation of movement in shareholders' funds

	2007 £	2006 £
Opening shareholders' funds	2,281,788	2,194,203
Profit for the year	<u>133,045</u>	<u>87,585</u>
Closing shareholders' funds	<u>2,414,833</u>	<u>2,281,788</u>

Notes to the financial statements
For the year ended 31 March 2007

13. Other financial commitments

The company, together with Horncastle Group PLC and certain fellow subsidiary undertakings, has entered into an unlimited guarantee in respect of the net indebtedness of all parties to the guarantee with HSBC Bank Plc. At 31 March 2007 the indebtedness due by the company under the guarantee was £nil (2006: £nil).

14. Related party transactions

The company is a wholly owned subsidiary of Horncastle Group PLC, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption within FRS8 from disclosing any transactions with members of Horncastle Group PLC.

15. Ultimate parent undertaking and controlling party

The parent undertaking and controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is Horncastle Group PLC, registered in England and Wales. Horncastle Group PLC is the company's ultimate parent undertaking. Copies of that company's accounts can be obtained from Companies House, Cardiff.