

**Horncastle Group PLC**  
**Report and Financial Statements**  
**For the year ended 31 March 2008**

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**Company information**

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**Directors**

W A Horncastle - Chairman  
A N Horncastle - Chief Executive  
D C Watson  
I R Hodges

**Company secretary**

C D Horncastle

**Company number**

813569

**Registered office**

Beech Hill House  
Beech Hill Road  
Swanland  
East Yorkshire  
HU14 3QY

**Auditors**

Ernst & Young LLP  
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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## **Directors' Report**

### **For the year ended 31 March 2008**

The directors present their report and the financial statements for the year ended 31 March 2008.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual report and 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 the Group and of the profit or loss of the Group for that period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Principal activities**

The company and the group's principal activity is the development of property and land and the management of residential, commercial and industrial property.

The directors are satisfied with the result for the year and are confident that the continued efforts of the group and the company management will ensure further progress.

#### **Business review**

The board has assessed that the key performance indicators that are the most effective indicators of achieving the company and group's objectives include:

Operating income growth	- year on year increase in rental income
Operating profit margin	- operating profit as a percentage of operating income
Profit realised on sale of investment properties	
Net profit margin	- profit after taxation as a percentage of turnover
Balance sheet position	- net assets of the business

## Directors' Report For the year ended 31 March 2008

### Business review (continued)

The group's key performance indicators performance during the year were as follows:

	2008	2007	Change
	£	£	%
Group turnover and operating income	915,791	2,179,528	(58)%
Operating profit	154,760	676,371	(77)%
Profit realised on sale of investment properties	-	2,677,366	(100)%
Profit after taxation	714,770	3,310,107	(79)%
Net assets	22,602,984	22,054,767	2%

Turnover arising on the sale of development properties amounts to £nil (2007 - £918,715) realising a gross profit of £nil in the current year (2007 - £417,872). Operating income amounts to £915,791 a fall of 29% on the prior year, due to the decision to dispose of certain investment properties in the prior year to allow greater focus on property development operations.

The directors are following a medium/long term plan that has seen the disposal of assets and the acquisition of land for development. This medium to long term approach will result in a short term reduction in income which the directors believe is acceptable given the long term resultant balance sheet growth.

The directors believe that the income from rental and management fees and operating profit represent a reasonable return on the investment given the above strategy.

### Principal risks and uncertainties

The group has carried out a formal exercise to identify and assess the risks that impact on its business. The more significant risks and uncertainties faced by the group were identified as competitive risks such as occupancy rates margins, return on investment, proposed changes in legislation and financial risks that include credit risk, liquidity risk and interest rate risk, as set out below.

The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the group.

#### *Competitive risks*

The group has a quarterly review meeting with its property management agent to review occupancy rates, voids, letting rates and investment opportunities.

The board meets monthly to review the financial performance of the group's development activities and their joint venture projects.

#### *Legislative risks*

Compliance with relevant legislation is reviewed at each board meeting supported by reports from the group's advisers on construction, health and safety and property management as required.

#### *Credit risk*

The group has implemented policies that require appropriate credit checks on potential customers before rental agreements are entered into.

The group has a policy to check the credit risk in respect of joint venture parties.

#### *Liquidity risk*

The group retains sufficient cash to ensure it has sufficient available funds for operations. The group also has access to longer term funding through its available banking facilities, should it be necessary.

#### *Interest rate cash flow risk*

The group has interest bearing assets, which include only cash balances earning interest at a floating rate. The group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The

## **Directors' Report**

### **For the year ended 31 March 2008**

directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £714,770 (2007 - £3,310,107).

Final dividends of 5.40p per "A" ordinary share and 131.323p per ordinary share were proposed by the directors and approved by the shareholders prior to the year end, and were paid subsequent to the year end.

#### **Directors**

The directors who served during the year were:

W A Horncastle - Chairman  
A N Horncastle - Chief Executive (re-appointed 25/10/07)  
D C Watson (re-appointed 25/10/07)  
I R Hodges

Mr I R Hodges retires at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

#### **Political and charitable contributions**

During the year the group made no political contributions and made various charitable contributions totalling £5,445 (2007 - £8,525).

#### **Market value of land and buildings**

Investment properties, which are periodically revalued by independent property valuers, are carried at external valuations.

The directors are of the opinion the open market value of group properties exceed the amounts at which they are stated in the accounts.

#### **Policy for payment of creditors**

It is the group's policy to agree terms of payment in advance with suppliers and to pay within the time period specified, so long as the invoice is not disputed.

#### **Provision of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

#### **Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Horncastle Group PLC

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**Directors' Report**  
**For the year ended 31 March 2008**

This report was approved by the board on 12 September 2008 and signed on its behalf.

**C D Horncastle**  
Secretary

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## **Independent Auditors' report to the members of Horncastle Group PLC**

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We have audited the group and parent company financial statements (the "financial statements") of Horncastle Group PLC for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 25. 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 United Kingdom law and 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 group 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. 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 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 group's and 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.

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## **Independent Auditors' report to the members of Horncastle Group PLC**

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### **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 group's and the parent company's affairs as at 31 March 2008 and of the group's 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.

**Ernst & Young LLP**

Hull

12 September 2008

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**Consolidated profit and loss account  
for the year ended 31 March 2008**


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	<i>Note</i>	<i>2008</i> £	<i>2007</i> £
<b>Turnover</b>	<b>2</b>		
Group and share of joint venture turnover		1,651,896	4,729,200
Less: share of joint venture turnover		(1,651,896)	(3,810,485)
		<hr/>	<hr/>
Group turnover	1,2	-	918,715
Cost of sales		-	(500,843)
		<hr/>	<hr/>
<b>Gross profit</b>		-	417,872
Administrative expenses		(541,161)	(737,203)
Other operating income	3	915,791	1,281,237
Other operating charges		(219,870)	(285,535)
		<hr/>	<hr/>
<b>Operating profit</b>	<b>4</b>	154,760	676,371
Share of operating profit in joint venture		533,108	1,099,832
		<hr/>	<hr/>
<b>Exceptional items</b>	<b>9</b>		
Net profit on sale of tangible fixed assets	9	-	2,677,366
		<hr/>	<hr/>
<b>Profit on ordinary activities before interest</b>		687,868	4,453,569
Interest receivable	7	381,811	264,439
Interest payable	8	(309,029)	(384,471)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		760,650	4,333,537
Tax on profit on ordinary activities	10	(45,880)	(1,023,430)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		714,770	3,310,107
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

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**Statement of total recognised gains and losses  
for the year ended 31 March 2008**


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	<i>Note</i>	2008 £	2007 £
<b><i>Profit for the financial year</i></b>		714,770	3,310,107
Unrealised surplus on revaluation of tangible fixed assets		-	2,346,187
		<hr/>	<hr/>
<b><i>Total recognised gains and losses relating to the year</i></b>		<u>714,770</u>	<u>5,656,294</u>

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**Note of historical cost profits and losses  
for the year ended 31 March 2008**


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	2008 £	2007 £
<b><i>Reported profit on ordinary activities before taxation</i></b>	760,650	4,333,537
Realisation of valuation gains of previous periods	-	2,575,493
	<hr/>	<hr/>
<b><i>Historical cost profit on ordinary activities before taxation</i></b>	<u>760,650</u>	<u>6,909,030</u>
	<hr/>	<hr/>
<b><i>Historical profit for the year after taxation</i></b>	<u>714,770</u>	<u>5,885,600</u>

The notes on pages 12 to 26 form part of these financial statements.

**Consolidated balance sheet  
as at 31 March 2008**

	<i>Note</i>	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible fixed assets	11		13,183,575		10,741,188
Fixed asset investments	12		5,799		5,799
Investments in joint ventures					
-Share of gross assets		3,826,034		3,834,418	
-Share of gross liabilities		(3,877,435)		(2,977,111)	
Share of net assets	12		(51,401)		857,307
			<u>13,137,973</u>		<u>11,604,294</u>
<b>Current assets</b>					
Development land and buildings		7,516,498		8,579,763	
Debtors	14	1,793,101		2,202,695	
Cash at bank and in hand		5,090,872		5,786,537	
			<u>14,400,471</u>		<u>16,568,995</u>
<b>Creditors: amounts falling due within one year</b>	15	(4,302,163)		(2,796,098)	
<b>Net current assets</b>			<u>10,098,308</u>		<u>13,772,897</u>
<b>Total assets less current liabilities</b>			<u>23,236,281</u>		<u>25,377,191</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(619,403)		(3,119,403)
<b>Provisions for liabilities</b>					
Deferred tax	18		-		(187,927)
<b>Accruals and deferred income</b>	19		(13,894)		(15,094)
<b>Net assets</b>			<u><u>22,602,984</u></u>		<u><u>22,054,767</u></u>
<b>Capital and Reserves</b>					
Called up share capital	20		126,827		126,827
Revaluation reserve	21		4,695,173		4,695,173
Capital redemption reserve	21		588,128		588,128
Profit and loss account	21		17,192,856		16,644,639
<b>Shareholders' funds</b>	22		<u><u>22,602,984</u></u>		<u><u>22,054,767</u></u>

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**Consolidated balance sheet (continued)**  
**as at 31 March 2008**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2008.

**A N Horncastle**  
Director

The notes on pages 12 to 26 form part of these financial statements.

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**Company balance sheet  
as at 31 March 2008**


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	<i>Note</i>	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible fixed assets	11		11,067		26,187
Fixed asset investments	12		706,999		706,999
			<u>718,066</u>		<u>733,186</u>
<b>Current assets</b>					
Debtors	14	3,714,605		2,368,039	
Cash at bank and in hand		4,318,297		4,002,688	
		<u>8,032,902</u>		<u>6,370,727</u>	
<b>Creditors: amounts falling due within one year</b>	15	(400,320)		(3,634,732)	
			<u>7,632,582</u>		<u>2,735,995</u>
<b>Net current assets</b>			<u>7,632,582</u>		<u>2,735,995</u>
<b>Total assets less current liabilities</b>			<u>8,350,648</u>		<u>3,469,181</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(619,403)		(619,403)
<b>Net assets</b>			<u>7,731,245</u>		<u>2,849,778</u>
<b>Capital and Reserves</b>					
Called up share capital	20		126,827		126,827
Capital redemption reserve	21		588,128		588,128
Profit and loss account	21		7,016,290		2,134,823
<b>Shareholders' funds</b>	22		<u>7,731,245</u>		<u>2,849,778</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2008.

**A N Horncastle**  
Director

The notes on pages 12 to 26 form part of these financial statements.

## Notes to the financial statements

### For the year ended 31 March 2008

#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and in accordance with applicable accounting standards.

##### 1.2 Basis of consolidation

The financial statements consolidate the accounts of Horncastle Group PLC and all of its subsidiary undertakings ('subsidiaries').

##### 1.3 Investments

- (i) **Subsidiary undertakings**  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Joint venture undertakings**  
Investments in joint ventures are stated at the company's share of net assets. The company's share of the profits or losses of the joint ventures is included in the Profit and Loss Account using the equity accounting basis.
- (iii) **Other investments**  
Investments held as fixed assets are shown at cost less provisions for their impairment.

##### 1.4 Turnover

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

##### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	4 to 5 years
Furniture, fittings and equipment	-	3 to 7 years

##### 1.6 Investment properties

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 1985 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company and the group.

## Notes to the financial statements

### For the year ended 31 March 2008

#### 1. Accounting policies (continued)

##### 1.7 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.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

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.

##### 1.8 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

##### 1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

#### 2. Turnover

The whole of the turnover is attributable to the sale of development land and buildings and sundry sales and is wholly attributable to the company's continuing activities

All turnover arose within the United Kingdom.

#### 3. Other operating income

	<i>2008</i>	<i>2007</i>
	£	£
Net rents receivable	903,048	1,250,686
Sundry income	12,743	30,551
	<u>915,791</u>	<u>1,281,237</u>

Operating income comprises rents receivable and sundry income. All operating income and the profit before tax are wholly attributable to the company's continuing activities in the United Kingdom.

## Notes to the financial statements

### For the year ended 31 March 2008

#### 4. Operating profit

The operating profit is stated after charging:

	2008	2007
	£	£
Depreciation of tangible fixed assets:		
- owned by the group	17,852	20,324
Exceptional administrative expenses	(1,200)	(1,200)
(Profit)/loss on sale of tangible assets	103	-
Auditors' remuneration - fees payable for the audit of the company's annual accounts	9,000	8,000
	<u>9,000</u>	<u>8,000</u>

#### 5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2008	2007
	£	£
Wages and salaries	480,200	653,994
Social security costs	59,153	81,441
Other pension costs	1,808	1,768
	<u>541,161</u>	<u>737,203</u>

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

	2008	2007
	No.	No.
Management	3	3
Administration	7	7
	<u>10</u>	<u>10</u>

#### 6. Directors' remuneration

	2008	2007
	£	£
Emoluments	390,052	540,700
	<u>390,052</u>	<u>540,700</u>

During the year retirement benefits were accruing to 2 directors (2007 - 2) in respect of money purchase pension schemes.

## Notes to the financial statements

### For the year ended 31 March 2008

The highest paid director received remuneration of £225,102 (2007 - £277,883).

Mr A N Horncastle participates in a non-contributory defined contribution pension scheme. During the year, the company did not make any contributions to the scheme on Mr A N Horncastle's behalf.

#### 7. Interest receivable

	2008	2007
	£	£
Other interest receivable	381,811	264,439
	<u>381,811</u>	<u>264,439</u>

#### 8. Interest payable

	2008	2007
	£	£
On bank loans and overdrafts	65,109	101,324
On other loans	50,325	41,321
Share of joint ventures' interest payable	(11,285)	102,474
Other interest payable	171,432	105,904
Dividends paid on shares classed as debt	33,448	33,448
	<u>309,029</u>	<u>384,471</u>

#### 9. Exceptional items

	2008	2007
	£	£
Net profit on sale of tangible fixed assets	-	2,677,366
	<u>-</u>	<u>2,677,366</u>

## Notes to the financial statements

### For the year ended 31 March 2008

#### 10. Taxation

	2008 £	2007 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax (see note below)</b>		
UK corporation tax charge on profit for the year	47,502	816,683
Adjustments in respect of prior periods	22,495	(3,807)
	<u>69,997</u>	<u>812,876</u>
Share of joint ventures' current tax	168,013	297,021
	<u>238,010</u>	<u>1,109,897</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(83,250)	(87,833)
Adjustments in respect of prior periods	(108,966)	598
	<u>(192,216)</u>	<u>(87,235)</u>
Share of joint ventures' deferred tax	86	768
	<u>(192,130)</u>	<u>(86,467)</u>
<b>Tax on profit on ordinary activities</b>	<u>45,880</u>	<u>1,023,430</u>
<b>Factors affecting tax charge for the year</b>		
The tax assessed for the year is higher than (2007 - lower than) the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	2008 £	2007 £
Profit on ordinary activities before tax	760,650	4,333,537
	<u>760,650</u>	<u>4,333,537</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 - 30%)	226,287	1,300,061
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,949	13,315
Capital allowances for year in excess of depreciation	(3,055)	87,833
Marginal relief and other rate differences	(24,129)	(18,271)
Adjustments to tax charge in respect of prior periods	14,165	(3,807)
Difference between accounting profits and chargeable gains	-	(283,778)
Movement in unprovided deferred tax	22,793	4,510
Dividends paid on shares classed as debt	-	10,034
	<u>226,287</u>	<u>1,300,061</u>
<b>Current tax charge for the year (see note above)</b>	<u>238,010</u>	<u>1,109,897</u>

## Notes to the financial statements

### For the year ended 31 March 2008

#### 10. Taxation (continued)

##### **Factors that may affect future tax charges**

The group will benefit from the reduction in the main UK Corporation tax rate from 30% to 28% from 1 April 2008.

#### 11. Tangible fixed assets

<b>Group</b>	<i>Land and buildings</i> £	<i>Assets under construction</i> £	<i>Motor vehicles</i> £	<i>Furniture, fittings and equipment</i> £	<i>Total</i> £
<b>Cost or valuation</b>					
At 1 April 2007	10,715,001	-	6,799	143,976	10,865,776
Additions	-	812,756	-	11,924	824,680
Disposals	-	-	-	(1,250)	(1,250)
Transfer between classes	-	1,635,925	-	-	1,635,925
At 31 March 2008	<u>10,715,001</u>	<u>2,448,681</u>	<u>6,799</u>	<u>154,650</u>	<u>13,325,131</u>
<b>Depreciation</b>					
At 1 April 2007	-	-	6,799	117,789	124,588
Charge for the year	-	-	-	17,852	17,852
On disposals	-	-	-	(884)	(884)
At 31 March 2008	<u>-</u>	<u>-</u>	<u>6,799</u>	<u>134,757</u>	<u>141,556</u>
<b>Net book value</b>					
At 31 March 2008	<u>10,715,001</u>	<u>2,448,681</u>	<u>-</u>	<u>19,893</u>	<u>13,183,575</u>
At 31 March 2007	<u>10,715,001</u>	<u>-</u>	<u>-</u>	<u>26,187</u>	<u>10,741,188</u>

Cost or valuation at 31 March 2008 is as follows:

<b>Group</b>	<i>Land and buildings</i> £
<b>At cost</b>	8,368,814
<b>At valuation:</b>	
31 March 2007 on an open market value existing use basis	2,346,187
	<u>10,715,001</u>

The land and buildings were revalued on 31 March 2007 by GVA Grimley LLP on an open market existing use basis. The directors consider that the valuation remains appropriate at 31 March 2008.

## Notes to the financial statements

### For the year ended 31 March 2008

#### 11. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

<b>Group</b>	2008 £	2007 £
Cost	8,368,814	6,037,466
Accumulated depreciation	(17,639)	(17,639)
Net book value	<u>8,351,175</u>	<u>6,019,827</u>

  

<b>Company</b>	<i>Motor vehicles</i> £	<i>Furniture, fittings and equipment</i> £	<i>Total</i> £
<b>Cost or valuation</b>			
At 1 April 2007	6,799	109,201	116,000
Additions	-	1,109	1,109
Disposals	-	(1,250)	(1,250)
At 31 March 2008	<u>6,799</u>	<u>109,060</u>	<u>115,859</u>
<b>Depreciation</b>			
At 1 April 2007	6,799	83,014	89,813
Charge for the year	-	15,863	15,863
On disposals	-	(884)	(884)
At 31 March 2008	<u>6,799</u>	<u>97,993</u>	<u>104,792</u>
<b>Net book value</b>			
At 31 March 2008	<u>-</u>	<u>11,067</u>	<u>11,067</u>
At 31 March 2007	<u>-</u>	<u>26,187</u>	<u>26,187</u>

## Notes to the financial statements

### For the year ended 31 March 2008

#### 12. Fixed asset investments

##### Group

	<i>Joint ventures and associates</i> £	<i>Unlisted investments</i> £	<i>Total</i> £
<b>Cost or valuation</b>			
At 1 April 2007 and 31 March 2008	157,738	5,799	163,537

The unlisted investment represents a 5.5% holding of 'A' ordinary shares in GB Industries Limited. In addition the company holds an investment in the 'B' ordinary shares of GB Industries Limited, that have a nominal cost of £375,000 but whose value, in the opinion of the directors, has been permanently impaired. The investment is therefore held at net book value of £nil.

##### Company

	<i>Shares in group undertakings</i> £	<i>Joint ventures and associates</i> £	<i>Unlisted investments</i> £	<i>Total</i> £
<b>Cost or valuation</b>				
At 1 April 2007 and 31 March 2008	700,100	1,100	5,799	706,999

Details of the principal subsidiaries and joint ventures can be found under note number 13.

#### 13. Principal subsidiaries and joint ventures

##### a. Principal subsidiaries

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Cavermill Estates Limited	United Kingdom	100	Property development, management and investment
Horncastle Homes Limited	United Kingdom	100	Builders
Horncastle Properties Limited	United Kingdom	100	Land trading
Clarpoint Limited	United Kingdom	100	Property investment

##### b. Principal joint ventures

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Pure Urban Limited	United Kingdom	33	Property Development
Centre Renewals Limited	United Kingdom	50	Residential builders
Boundary Business Park Limited	United Kingdom	25	Property and land development

Transactions with the joint venture and associate companies have been disclosed in the related parties note, (note 25).

## Notes to the financial statements

### For the year ended 31 March 2008

#### 14. Debtors

	<b>Group</b>		<b>Company</b>	
	2008 £	2007 £	2008 £	2007 £
Trade debtors	348,124	370,664	79,789	60,999
Amounts owed by group undertakings	-	-	2,321,409	548,367
Amounts owed by undertakings in which the company has a participating interest	1,254,900	1,309,400	1,254,900	1,309,400
Other debtors	84,494	9,823	-	-
Prepayments and accrued income	101,294	99,646	54,255	34,138
Tax recoverable	-	413,162	-	413,162
Deferred tax asset (see note 18)	4,289	-	4,252	1,973
	<u>1,793,101</u>	<u>2,202,695</u>	<u>3,714,605</u>	<u>2,368,039</u>

#### 15. Creditors: Amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	2008 £	2007 £	2008 £	2007 £
Bank loans and overdrafts	750,000	750,000	-	-
Trade creditors	382,284	363,936	20,642	5,024
Amounts owed to group undertakings	-	-	103,312	3,176,033
Corporation tax	47,502	807,285	20,000	-
Social security and other taxes	53,149	62,994	35,905	14,714
Proposed dividend	200,001	200,001	200,001	200,001
Other creditors	2,500,000	-	-	-
Accruals and deferred income	369,227	611,882	20,460	238,960
	<u>4,302,163</u>	<u>2,796,098</u>	<u>400,320</u>	<u>3,634,732</u>

A group bank facility is maintained with HSBC Bank plc for Horncastle Group PLC and its subsidiary undertakings. The indebtedness is secured by a fixed charge on certain specified items of freehold land and buildings of the group and by parent and subsidiary undertaking cross guarantees.

#### 16. Bank loans and overdraft - Group

	2008 £	2007 £
Medium term loans - repayable on demand	(750,000)	(750,000)

The bank overdraft and loans are secured on certain of the freehold properties together with a guarantee from Horncastle Group PLC and certain of the subsidiary undertakings.

## Notes to the financial statements

### For the year ended 31 March 2008

	2008 £	2007 £
Loan at 1.3% over bank's base rate. Repayable on demand or by payments of £200,000 commencing upon completion of certain development properties' sales	(750,000)	(750,000)

#### 17. Creditors: Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2008 £	2007 £	2008 £	2007 £
Director loan - due within 2-5 years	-	2,500,000	-	-
Share capital treated as debt (Note 20)	619,403	619,403	619,403	619,403
	<u>619,403</u>	<u>3,119,403</u>	<u>619,403</u>	<u>619,403</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 20.

Creditors include amounts not wholly repayable within 5 years as follows:

	<u>Group</u>		<u>Company</u>	
	2008 £	2007 £	2008 £	2007 £
Share capital treated as debt	619,403	619,403	619,403	619,403

The director loan, from Mr A N Horncastle, is secured on certain freehold properties. The loan was repaid by Horncastle Group plc on 3 April 2008. Interest is charged at 1.2% above the bank base rate, payable quarterly in arrears.

The above transactions have been entered into on an arms length basis in the ordinary course of business and has been approved by the board of directors.

#### 18. Deferred taxation

	<u>Group</u>		<u>Company</u>	
	2008 £	2007 £	2008 £	2007 £
At 1 April 2007	(187,927)	(275,162)	1,973	600
Released during the year	83,250	87,833	2,279	1,373
Other movement	108,966	(598)	-	-
At 31 March 2008	<u>4,289</u>	<u>(187,927)</u>	<u>4,252</u>	<u>1,973</u>

## Notes to the financial statements

### For the year ended 31 March 2008

#### 18. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	<b>Group</b>		<b>Company</b>	
	2008 £	2007 £	2008 £	2007 £
Accelerated capital allowances	4,289	(187,927)	4,252	1,973

#### 19. Accruals and deferred income

	<b>Group</b>		<b>Company</b>	
	2008 £	2007 £	2008 £	2007 £
Grants	13,894	15,094	-	-

#### 20. Share capital

	2008 £	2007 £
<b>Shares classified as capital</b>		
<b>Authorised</b>		
198,000 Ordinary shares of £1 each	198,000	198,000
<b>Allotted, called up and fully paid</b>		
126,827 Ordinary shares of £1 each	126,827	126,827
<b>Shares classified as debt</b>		
<b>Authorised</b>		
1,179,000 "A" ordinary shares of £1 each	1,179,000	1,179,000
<b>Allotted, called up and fully paid</b>		
619,403 "A" ordinary shares of £1 each	619,403	619,403

## Notes to the financial statements

### For the year ended 31 March 2008

#### 20. Share capital (continued)

The “A” ordinary shares carry an annual gross preferential dividend of 6 pence each. The dividend rights are cumulative.

The “A” ordinary shares carry voting rights which rank pari passu with the ordinary shares on a show of hands but carry only one vote for every 100,000 shares held in a poll vote. On a winding up of the company the “A” ordinary shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share.

#### 21. Reserves

<b>Group</b>	<i>Capital redemption reserve</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £
At 1 April 2007	588,128	4,695,173	16,644,639
Profit for the year	-	-	714,770
Dividends: Equity capital	-	-	(166,553)
	<hr/>	<hr/>	<hr/>
At 31 March 2008	<u>588,128</u>	<u>4,695,173</u>	<u>17,192,856</u>
		<i>Capital redemption reserve</i> £	<i>Profit and loss account</i> £
<b>Company</b>			
At 1 April 2007		588,128	2,134,823
Profit for the year		-	5,048,020
Dividends: Equity capital		-	(166,553)
		<hr/>	<hr/>
At 31 March 2008		<u>588,128</u>	<u>7,016,290</u>

## Notes to the financial statements

### For the year ended 31 March 2008

#### 22. Reconciliation of movement in shareholders' funds

	2008	2007
	£	£
<b>Group</b>		
Opening shareholders' funds	22,054,767	16,565,026
Profit for the year	714,770	3,310,107
Dividends (Note 23)	(166,553)	(166,553)
Other recognised gains and losses during the year	-	2,346,187
	<u>22,602,984</u>	<u>22,054,767</u>
	2008	2007
	£	£
<b>Company</b>		
Opening shareholders' funds	2,849,778	3,547,670
Profit/(Loss) for the year	5,048,020	(531,339)
Dividends (Note 23)	(166,553)	(166,553)
	<u>7,731,245</u>	<u>2,849,778</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own Profit and Loss Account.

The profit for the year dealt with in the accounts of the company was £5,048,020 (2007 - £531,339).

## Notes to the financial statements

### For the year ended 31 March 2008

#### 23. Dividends

	2008 £	2007 £
<b>Dividends paid on equity capital</b>		
<b>Ordinary</b>		
131.323p per ordinary share	166,553	166,553
Total dividends paid on equity capital	<u>166,553</u>	<u>166,553</u>
<b>Dividends paid on shares classed as debt</b>		
<b>"A" ordinary</b>		
5.40p per "A" ordinary share	33,448	33,448
Total dividends paid on shares classed as debt	<u>33,448</u>	<u>33,448</u>
<b>Total dividends paid</b>	<u>200,001</u>	<u>200,001</u>

Final dividends of 5.40p per "A" ordinary share and 131.323p per ordinary share were proposed by the directors and approved by the shareholders prior to the year end, and were paid subsequent to the year end.

#### 24. Pension commitments

The group operates a defined contribution pension scheme for senior employees. The scheme is a funded scheme whose assets are held separately from those of the company in separately administered funds. The unpaid contributions outstanding at the year end included in other creditors are £nil (2007 - £nil).

#### 25. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at 31 March, are as follows:

	<i>Sales to related party</i> £	<i>Purchases from related party</i> £	<i>Amounts owed from related party</i> £	<i>Amounts owed to related party</i> £
Centre Renewals Limited - 2008	-	-	-	-
- 2007	-	-	309,500	-
Pure Urban Limited - 2008	-	-	1,024,500	-
- 2007	-	-	824,500	-
Boundary Business Park Limited - 2008	-	-	230,400	-
- 2007	-	-	175,400	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The amounts have no fixed repayment terms and are non-interest bearing.

In addition, Mr I Hodges is also the owner of Ian Hodges & Co. who act as a property agent for the group's

**Notes to the financial statements**  
**For the year ended 31 March 2008**

**25. Related party transactions (continued)**

investment property portfolio. For these services Ian Hodges & Co. earned fees of £61,977 (2007 - £62,512). The amount owed to the company at the year end from Ian Hodges & Co. was £nil (2007 - £40,789).

In addition, Ian Hodges & Co. act as agent for the Centre Renewals Limited's forward sales and resale functions. For these services Ian Hodges & Co. earned fees of £3,583 (2007 - £58,000).

All the above transactions have been entered into on an arms length basis in the ordinary course of business and have been approved by the board of directors.