

Company Registration No. 02575047 (England and Wales)

RECTORY HOMES LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2010

MONDAY



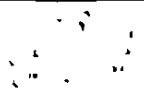
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COMPANIES HOUSE



RECTORY HOMES LIMITED

DIRECTORS AND ADVISERS

Directors

S P Vickers
S Vickers
D Ullathorne
J G Hake

Secretary

D Ullathorne

Company number

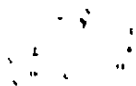
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Registered office

Rectory House
Thame Road
Haddenham
Aylesbury
Buckinghamshire
HP17 8DA

Registered auditors

Lewis Golden & Co
40 Queen Anne Street
London
W1G 9EL



RECTORY HOMES LIMITED

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RECTORY HOMES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2010

The directors present their report and financial statements for the year ended 31 May 2010

Principal activities and review of the business

The principal activity of the company continued to be that of property building and development

In difficult times we are pleased with the debt reduction that we have achieved and with the sales positioning of the business for the future

Results and dividends

The consolidated profit and loss account for the year is set out on page 5

An interim ordinary dividend was paid amounting to £110,000. The directors do not recommend payment of a final dividend

Directors

The following directors have held office since 1 June 2009

S P Vickers	
S Vickers	(Appointed 5 June 2009)
D Ullathorne	
J G Hake	(Appointed 30 July 2010)
N Peeroozee	(Resigned 5 June 2009)

Charitable donations

During the year the group made donations of £12,500 (2009 £25,000) to local community based charities

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of 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 judgements and accounting 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

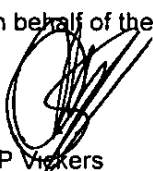
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the company and group and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

RECTORY HOMES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



S P Vickers

Director

Date 28.1.11

RECTORY HOMES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RECTORY HOMES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Rectory Homes Limited for the year ended 31 May 2010 which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

RECTORY HOMES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF RECTORY HOMES LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Edwards (Senior Statutory Auditor)
for and on behalf of Lewis Golden & Co

Chartered Accountants and Statutory Auditors
40 Queen Anne Street
London
W1G 9EL

Date 26 January 2011

RECTORY HOMES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2010

		2010	2009
	Notes	£	as restated £
Turnover	2	35,457,361	28,678,599
Cost of sales		(29,395,551)	(23,984,127)
Gross profit		6,061,810	4,694,472
Administrative expenses		(1,332,211)	(2,584,684)
Operating profit	3	4,729,599	2,109,788
Other interest receivable and similar income		27,305	82,095
Exceptional costs	4	(1,000,000)	(1,370,716)
Interest payable and similar charges	5	(1,495,671)	(1,842,320)
Profit/(loss) on ordinary activities before taxation		2,261,233	(1,021,153)
Tax on profit/(loss) on ordinary activities	6	(69,979)	613,406
Profit/(loss) on ordinary activities after taxation		2,191,254	(407,747)

The profit and loss account has been prepared on the basis that all operations are continuing operations

RECTORY HOMES LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MAY 2010

	2010 £	2009 as restated £
Profit/(loss) for the financial year	2,191,254	(407,747)
Prior year adjustment (note 16)	(2,062,979)	-
Total gains and losses recognised since last financial statements	<u>128,275</u>	<u>(407,747)</u>

RECTORY HOMES LIMITED

BALANCE SHEETS AS AT 31 MAY 2010

		Group	2009	Company	2009
		2010	as restated	2010	as restated
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8	2,759,886	2,908,277	749,617	793,141
Investments	9	-	-	105,204	105,204
		<u>2,759,886</u>	<u>2,908,277</u>	<u>854,821</u>	<u>898,345</u>
Current assets					
Stocks	10	18,143,123	38,947,702	17,332,787	38,947,702
Debtors	11	441,337	723,368	1,793,400	1,190,397
Cash at bank and in hand		2,308,187	1,518,953	2,308,076	1,518,342
		<u>20,892,647</u>	<u>41,190,023</u>	<u>21,434,263</u>	<u>41,656,441</u>
Creditors' amounts falling due within one year	12	(16,904,480)	(39,098,681)	(16,721,793)	(38,930,197)
Net current assets		<u>3,988,167</u>	<u>2,091,342</u>	<u>4,712,470</u>	<u>2,726,244</u>
Total assets less current liabilities		<u>6,748,053</u>	<u>4,999,619</u>	<u>5,567,291</u>	<u>3,624,589</u>
Creditors' amounts falling due after more than one year	13	(1,404,507)	(1,737,326)	(71,685)	(249,478)
		<u>5,343,546</u>	<u>3,262,293</u>	<u>5,495,606</u>	<u>3,375,111</u>
Capital and reserves					
Called up share capital	15	100	100	100	100
Profit and loss account	16	5,343,446	3,262,193	5,495,506	3,375,011
Shareholders' funds	17	<u>5,343,546</u>	<u>3,262,293</u>	<u>5,495,606</u>	<u>3,375,111</u>

Approved by the Board and authorised for issue on 25.1.11


S. P. Wickers

Director

Rectory Homes Limited (registered number 02575047)

RECTORY HOMES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2010

		2010		2009
	Notes	£	£	as restated £
Net cash inflow from operating activities	23	23,677,645		8,500,175
Returns on investments and servicing of finance				
Interest received		27,305	82,095	
Interest paid		(1,495,671)	(1,842,320)	
Net cash outflow for returns on investments and servicing of finance		(1,468,366)		(1,760,225)
Taxation		156		(40,558)
Capital expenditure				
Payments to acquire tangible assets		(140,894)	(88,405)	
Receipts from sales of tangible assets		29,500	59,742	
Net cash outflow for capital expenditure		(111,394)		(28,663)
Equity dividends paid		(110,000)		(730,879)
Net cash inflow before management of liquid resources and financing		21,988,041		5,939,850
Financing				
Decrease in bank loans		(21,508,654)	(8,507,908)	
Repayment of other short term loans		-	(200,000)	
Capital element of hire purchase contracts		(77,526)	(168,112)	
Net cash outflow from financing		(21,586,180)		(8,876,020)
Increase/(decrease) in cash	24, 25	401,861		(2,936,170)

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The group meets its property development cash flows requirements through various bank loans secured on the group's developments. The banks have indicated that they will support the group and the directors have no reason to believe that these facilities will not be maintained or renewed, however, there is no certainty that this will be the case. The directors have prepared projected cash flow information and forecasts for the period to December 2011. These cash flow forecasts indicate the expected sales income from the existing developments and the renewal of the existing loan agreement.

On the basis of these cash flow forecasts and current discussions with the banks, the directors consider that the company can operate within the existing facilities in place.

The financial statements do not include any adjustments that would result from the forecasts not being met.

1.2 Changes in accounting policies

The group has previously capitalised interest costs as part of work in progress. The directors are now of the opinion that interest is an ongoing cost of the group's financing structure and that the financial statements will give a more true and fair view if interest is instead expensed. Additionally, the group had previously classed freehold reversionary interests as investment properties. These interests are not held with a view to long-term gains and so the directors have determined that they would be more appropriately classified as stocks. Details of the financial impact of these adjustments are included in note 16.

1.3 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.4 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 2010. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.5 Turnover

Housing turnover comprises the value of new houses and land sales legally completed during the year.

The purchase of part exchange houses is regarded as an incentive for the sale of new houses. Subsequent sale of part exchange houses is therefore excluded from turnover and the profit or loss arising is included in cost of sales.

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

1 Accounting policies

(Continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	50 years straight line
Plant and machinery	10 years straight line
Computer equipment	4 years straight line
Fixtures, fittings & equipment	10, 12 or 25 years straight line
Motor vehicles	4 years straight line

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of direct costs, attributable overheads and finance charges, based on normal levels of activity. No element of profit is included in the valuation of work in progress.

1.10 Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

1.11 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

3	Operating profit	2010	2009
		£	£
	Operating profit is stated after charging		
	Amortisation of intangible assets	-	(45,879)
	Depreciation of tangible assets	269,801	231,814
	Loss on disposal of tangible assets	-	19,314
	Operating lease rentals		
	- Plant and machinery	16,894	88,886
	- Other assets	97,984	125,730
	Fees payable to the group's auditor for the audit of the group's annual accounts (company £8,500, 2009 £25,000)	10,000	25,000
	and after crediting		
	Profit on disposal of tangible assets	(10,016)	-

4 Exceptional costs

Exceptional costs consist of £1,000,000 (2009 £1,000,000) write down of a development within work in progress and in the prior year £370,716 of redundancy costs

5	Interest payable	2010	2009
		£	as restated £
	On bank loans and overdrafts	1,479,298	1,816,203
	Hire purchase interest	16,373	26,117
		<u>1,495,671</u>	<u>1,842,320</u>

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

6	Taxation	2010 £	2009 £
	Current year tax		
	U K corporation tax	14,607	(418,560)
	Adjustment for prior years	-	24,584
	Current tax charge	14,607	(393,976)
	Deferred tax		
	Effects of changes in tax rates and laws	-	1,292
	Deferred tax charge/(credit)	55,372	(220,782)
	Deferred tax adjustment	-	60
		69,979	(613,406)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	2,261,233	(1,021,153)
	Profit/(loss) on ordinary activities before taxation multiplied by small companies' of UK corporation tax of 21.00% (2009 21.00%)	474,859	(214,442)
	Effects of		
	Non deductible expenses	1,398	11,952
	Depreciation in excess of capital allowances	20,147	9,749
	Prior year adjustment	(433,226)	(283,065)
	Tax losses utilised	(48,571)	159,416
	Adjustments to previous periods	-	(77,586)
		(460,252)	(179,534)
	Current tax charge	14,607	(393,976)

The company has estimated losses of £500,000 (2009 £759,121) available for carry forward against future trading profits

7	Dividends	2010 £	2009 £
	Ordinary interim paid	110,000	730,879

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

8 Tangible fixed assets - as restated

Group

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 June 2009	1,728,250	409,264	1,114,229	359,887	3,611,630
Additions	-	540	-	140,354	140,894
Disposals	-	-	-	(104,488)	(104,488)
At 31 May 2010	1,728,250	409,804	1,114,229	395,753	3,648,036
Depreciation					
At 1 June 2009	58,063	312,628	193,306	139,356	703,353
On disposals	-	-	-	(85,004)	(85,004)
Charge for the year	(1,397)	29,415	178,037	63,746	269,801
At 31 May 2010	56,666	342,043	371,343	118,098	888,150
Net book value					
At 31 May 2010	1,671,584	67,761	742,886	277,655	2,759,886
At 31 May 2009	1,670,187	96,636	920,923	220,531	2,908,277

Included above are assets held under finance leases or hire purchase contracts as follows

	Total £
Net book values	
At 31 May 2010	595,251
At 31 May 2009	609,891
Depreciation charge for the year	
31 May 2010	103,071
31 May 2009	112,577

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

Tangible fixed assets (continued)

Company

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 June 2009	409,444	630,394	359,887	1,399,725
Additions	360	-	140,354	140,714
Disposals	-	-	(104,488)	(104,488)
At 31 May 2010	409,804	630,394	395,753	1,435,951
Depreciation				
At 1 June 2009	312,628	154,600	139,356	606,584
On disposals	-	-	(85,004)	(85,004)
Charge for the year	29,415	71,593	63,746	164,754
At 31 May 2010	342,043	226,193	118,098	686,334
Net book value				
At 31 May 2010	67,761	404,201	277,655	749,617
At 31 May 2009	96,816	475,794	220,531	793,141

Included above are assets held under finance leases or hire purchase contracts as follows

	Total £
Net book values	
At 31 May 2010	595,251
At 31 May 2009	609,891
Depreciation charge for the year	
31 May 2010	103,071
31 May 2009	112,577

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

9 Fixed asset investments

Company

Shares in
group
undertakings
£

Cost and net book value

At 1 June 2009 and at 31 May 2010

105,204

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

10 Stocks and work in progress

	Group		Company	
	2010	2009	2010	2009
		as restated		as restated
	£	£	£	£
Work in progress	17,923,588	38,559,711	17,113,252	38,559,711
Part exchange properties	219,535	387,991	219,535	387,991
	<u>18,143,123</u>	<u>38,947,702</u>	<u>17,332,787</u>	<u>38,947,702</u>

In the previous year, stocks and work in progress included interest capitalised, the directors have decided to change this accounting policy as described in note 16

11 Debtors

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	3,000	-	3,000	-
Amounts owed by group undertakings	-	-	1,352,063	457,708
Corporation tax	15,000	15,156	15,000	15,000
Other debtors	235,135	474,456	235,135	474,456
Prepayments and accrued income	40,410	30,592	40,410	30,592
Deferred tax asset (see note 14)	147,792	203,164	147,792	212,641
	<u>441,337</u>	<u>723,368</u>	<u>1,793,400</u>	<u>1,190,397</u>

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

12 Creditors . amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	14,216,684	35,182,940	14,054,116	35,023,249
Net obligations under finance lease and hire purchase contracts	223,004	122,732	223,004	122,732
Trade creditors	1,035,023	2,004,413	1,035,023	2,004,413
Corporation tax	14,607	-	3,109	-
Other taxes and social security costs	52,116	129,945	52,116	129,944
Directors' current accounts	332,754	-	332,754	-
Other creditors	30,565	198,338	30,569	197,871
Accruals and deferred income	999,727	1,460,313	991,102	1,451,988
	<u>16,904,480</u>	<u>39,098,681</u>	<u>16,721,793</u>	<u>38,930,197</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

13 Creditors amounts falling due after more than one year

	Group 2010 £	2009 £	Company 2010 £	2009 £
Bank loans	1,332,822	1,487,848	-	-
Net obligations under finance leases and hire purchase agreements	71,685	249,478	71,685	249,478
	<u>1,404,507</u>	<u>1,737,326</u>	<u>71,685</u>	<u>249,478</u>
Analysis of loans				
Wholly repayable within five years	15,162,133	36,670,788	13,666,743	35,023,249
Included in current liabilities	(13,829,311)	(35,182,940)	(13,666,743)	(35,023,249)
	<u>1,332,822</u>	<u>1,487,848</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than one year but not more than two years	164,792	162,568	-	-
In more than two years but not more than five years	508,033	501,174	-	-
In more than five years	659,997	824,106	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company

Net obligations under finance leases and hire purchase contracts

Repayable within one year	223,004	122,732	223,004	122,732
Repayable between one and five years	71,685	249,478	71,685	249,478
	<u>294,689</u>	<u>372,210</u>	<u>294,689</u>	<u>372,210</u>
Included in liabilities falling due within one year	(223,004)	(122,732)	(223,004)	(122,732)
	<u>71,685</u>	<u>249,478</u>	<u>71,685</u>	<u>249,478</u>

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

14 Provisions for liabilities

The deferred tax asset (included in debtors, note 11) is made up as follows:

	Group 2010 £	Company 2010 £
Balance at 1 June 2009	(203,164)	(212,641)
Profit and loss account	55,372	64,849
Balance at 31 May 2010	<u>(147,792)</u>	<u>(147,792)</u>

	Group 2010 £	2009 £	Company 2010 £	2009 £
Decelerated capital allowances	-	9,390	-	(87)
Tax losses available	(147,792)	(212,554)	(147,792)	(212,554)
	<u>(147,792)</u>	<u>(203,164)</u>	<u>(147,792)</u>	<u>(212,641)</u>

15 Share capital

	2010 £	2009 £
Allotted, called up and fully paid 10,000 ordinary shares of 1p each	<u>100</u>	<u>100</u>

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

16 Statement of movements on profit and loss account

Group

	Profit and loss account £
Balance at 1 June 2009	5,325,171
Prior year adjustment	(2,062,979)
Balance at 1 June 2009 as restated	3,262,192
Profit for the year	2,191,254
Dividends paid	(110,000)
Balance at 31 May 2010	5,343,446

Company

	Profit and loss account £
Balance at 1 June 2009	5,437,990
Prior year adjustment	(2,062,979)
Balance at 1 June 2009 as restated	3,375,011
Profit for the year	2,230,495
Dividends paid	(110,000)
Balance at 31 May 2010	5,495,506

The company previously had an accounting policy of capitalising interest into stock. The directors are now of the opinion that interest is an ongoing cost of the company's financing structure and that the financial statements will give a more true and fair view if interest is instead expensed. The interest capitalised in stock and not subsequently expensed at 31 May 2009 was £2,526,182, accordingly this is the total effect of the change in accounting policy on retained profit brought forward. During the year ended 31 May 2009 the interest payable was overstated by £1,035,611.

Additionally, the company had a policy of treating freehold reversionary interests as fixed asset investments by revaluing from a notional cost of £nil. The directors are of the opinion that the company does not hold freehold reversionary interests as long-term investments and that they are available for sale, accordingly they should be classified as stock. Furthermore, the directors are of the opinion that an element of the costs incurred in acquiring and developing a property relate to the freehold reversionary interests and that they should not be held at £nil cost and therefore cost of sales have previously been overstated. This change in policy has resulted in the removal of the value of investment properties brought forward and the revaluation reserve brought forward, both £575,250, and an increase in stock brought forward of £463,203. Cost of sales in the year ended 31 May 2009 have been reduced by £312,360.

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

17 Reconciliation of movements in shareholders' funds		2010	2009
			as restated
Group	£	£	£
Profit/(loss) for the financial year	2,191,254	(407,747)	
Dividends	(110,000)	(730,879)	
Net addition to/(depletion in) shareholders' funds	2,081,254	(1,138,626)	
Opening shareholders' funds	3,262,293	4,400,919	
Closing shareholders' funds	5,343,546	3,262,293	
		2010	2009
Company	£	£	£
Profit/(loss) for the financial year	2,230,495	(447,476)	
Dividends	(110,000)	(730,879)	
Net addition to/(depletion in) shareholders' funds	2,120,495	(1,178,355)	
Opening shareholders' funds	3,375,111	4,553,466	
Closing shareholders' funds	5,495,606	3,375,111	

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

18 Financial commitments

At 31 May 2010 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Expiry date		
Between two and five years	95,000	95,000

At 31 May 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£	£
Expiry date		
Between two and five years	95,000	95,000
In over five years	100,000	100,000
	195,000	195,000

19 Directors' emoluments

	2010	2009
	£	£
Emoluments for qualifying services	306,151	443,430
Company pension contributions to money purchase schemes	11,749	13,333
	317,900	456,763

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	136,281	248,899
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RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

2010 Number	2009 Number
25	57

Employment costs

	2010 £	2009 £
Wages and salaries	888,547	2,153,765
Social security costs	106,909	284,568
Other pension costs	21,193	42,767
	<u>1,016,649</u>	<u>2,481,100</u>

21 Control

Throughout the current and prior year, S P Vickers was the ultimate controlling party by virtue of his shareholding

22 Related party transactions

Group

The group leases a building from the Rectory Homes Limited Retirement Benefit Scheme £95,000 (2009 £95,000) was paid in rent during the year with no balances outstanding at the year end (2009 £nil) The retirement benefit scheme is a related party as S P Vickers, a shareholder and director of the company, is a Trustee of the scheme

At the end of the previous year, S P Vickers' loan account balance due to the group was £98,822 This balance was repaid during the current year The maximum amount due to the group on this director's loan account during the year was £210,949

Company

The company leases a building from the Rectory Homes Limited Retirement Benefit Scheme £95,000 (2009 £95,000) was paid in rent during the year with no balances at the year end (2009 £nil) The retirement benefit scheme is a related party as S P Vickers, a shareholder and director of the company, is a Trustee of the scheme

During the year the company made payments on behalf of both Cardinal Homes Limited and Rectory Homes (South) Limited, at the year end the balances due from these companies were £541,827 and £810,336 (2009 £457,708 and £nil) respectively

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

23 Reconciliation of operating profit to net cash outflow from operating activities

	2010 £	2009 as restated £
Operating profit	4,729,599	2,109,788
Depreciation of tangible assets	269,801	231,814
Amortisation of intangible assets	-	(45,879)
(Profit)/loss on disposal of tangible assets	(10,016)	19,314
Decrease in stocks	19,804,579	7,571,200
Decrease in debtors	226,506	764,932
Decrease in creditors within one year	(1,342,824)	(1,780,278)
Exceptional cost	-	(370,716)
Net cash outflow from operating activities	23,677,645	8,500,175

24 Analysis of net debt

	1 June 2009 £	Cash flow £	Other non- cash changes £	31 May 2010 £
Net cash				
Cash at bank and in hand	1,518,953	789,234	-	2,308,187
Bank overdrafts	-	(387,373)	-	(387,373)
	<u>1,518,953</u>	<u>401,861</u>	<u>-</u>	<u>1,920,814</u>
Finance leases	(372,210)	201,561	(124,040)	(294,689)
Debts falling due within one year	(35,182,940)	21,353,629	-	(13,829,311)
Debts falling due after one year	(1,487,848)	155,026	-	(1,332,822)
	<u>(37,042,998)</u>	<u>21,710,216</u>	<u>(124,040)</u>	<u>(15,456,822)</u>
Net debt	(35,524,045)	22,112,077	(124,040)	(13,536,008)

RECTORY HOMES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

25 Reconciliation of net cash flow to movement in net debt	2010	2009
	£	£
Increase in cash in the year	401,861	(2,936,170)
Cash outflow from decrease in debt	21,710,216	8,876,020
Change in net debt resulting from cash flows	22,112,076	5,939,850
New finance lease	(124,040)	-
Movement in net debt in the year	21,988,037	5,939,850
Opening net debt	(35,524,045)	(41,463,894)
Closing net debt	(13,536,008)	(35,524,045)